

**Fairfield County's
Community Foundation, Inc.**

Financial Statements

June 30, 2023 and 2022

Independent Auditors' Report

The Board of Directors
Fairfield County's Community Foundation, Inc.

Opinion

We have audited the accompanying financial statements of Fairfield County's Community Foundation, Inc., which comprise the statements of financial position as of June 30, 2023 and 2022, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Fairfield County's Community Foundation, Inc. as of June 30, 2023 and 2022, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Fairfield County's Community Foundation, Inc. and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Change in Accounting Policy

As discussed in Note 2 to the financial statements, Fairfield County's Community Foundation, Inc. adopted Financial Accounting Standards Board ("FASB") Topic 842, *Leases*, which resulted in the recognition of right of use assets and the related liabilities effective July 1, 2022. Our opinion is not modified with respect to that matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Fairfield County's Community Foundation, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Fairfield County's Community Foundation, Inc.'s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Fairfield County's Community Foundation, Inc.'s ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

PKF O'Connor Davies, LLP

Harrison, New York
October 18, 2023

Fairfield County's Community Foundation, Inc.

Statements of Financial Position

	June 30,	
	2023	2022
ASSETS		
Cash and cash equivalents	\$ 1,304,550	\$ 7,306,406
Contributions and other receivables	61	-
Investments	264,518,551	250,860,697
Operating lease right of use asset	1,273,228	-
Split-interest agreements	27,591	28,025
Property and equipment, net	58,263	90,888
Other assets	145,390	153,160
	<u>\$ 267,327,634</u>	<u>\$ 258,439,176</u>
LIABILITIES AND NET ASSETS		
Liabilities		
Grants payable	\$ 61,578	\$ 1,212,102
Accounts payable and other liabilities	395,149	329,719
Liability under split-interest agreements	1,572	1,572
Operating lease liability	1,515,238	-
Deferred rent payable	-	282,301
Agency funds	10,265,195	9,607,193
	<u>12,238,732</u>	<u>11,432,887</u>
Net Assets		
Without Donor Restrictions		
Undesignated	2,653,502	3,110,348
Board designated	3,203,647	3,472,649
	<u>5,857,149</u>	<u>6,582,997</u>
With Donor Restrictions		
Donor advised funds	112,120,059	108,371,096
Discretionary and field of interest funds	80,962,161	78,140,758
Designated funds	22,672,899	21,667,908
Scholarships funds	33,450,615	32,217,077
Split-interest agreements	26,019	26,453
	<u>249,231,753</u>	<u>240,423,292</u>
Total With Donor Restrictions	<u>249,231,753</u>	<u>240,423,292</u>
Total Net Assets	<u>255,088,902</u>	<u>247,006,289</u>
	<u>\$ 267,327,634</u>	<u>\$ 258,439,176</u>

See notes to financial statements

Fairfield County's Community Foundation, Inc.

Statement of Activities
Year Ended June 30, 2023

(With summarized information for the Year Ended June 30, 2022)

	2023			2022
	Without Donor Restriction	With Donor Restriction	Total	Total
REVENUE				
Contributions	\$ 1,547,302	\$ 15,983,369	\$ 17,530,671	\$ 41,464,105
Investment return, net of expenses	217,176	19,802,872	20,020,048	(18,093,044)
Change in value of split-interest agreements	-	(434)	(434)	(4,609)
Other income	150,398	-	150,398	207,432
Paycheck Protection Program loan forgiveness	-	-	-	529,352
Net assets released from restrictions	<u>26,977,346</u>	<u>(26,977,346)</u>	<u>-</u>	<u>-</u>
Total Revenue	<u>28,892,222</u>	<u>8,808,461</u>	<u>37,700,683</u>	<u>24,103,236</u>
EXPENSES				
Program				
Grants				
Donor advised	17,523,064	-	17,523,064	16,170,648
Designated	813,805	-	813,805	1,043,516
Scholarships	1,425,262	-	1,425,262	1,129,434
Discretionary and Field of Interest				
Advocacy	1,000	-	1,000	75,000
Arts	23,000	-	23,000	27,103
Capacity building	18,876	-	18,876	-
COVID -19 and disaster recovery	25,138	-	25,138	164,600
Economic opportunity	877,000	-	877,000	587,500
Education	1,618,096	-	1,618,096	1,812,351
Environment	11,000	-	11,000	-
Health & human services	419,831	-	419,831	663,595
Women and girls	<u>1,386,555</u>	<u>-</u>	<u>1,386,555</u>	<u>718,906</u>
Total Discretionary and Field of Interest Grants	<u>4,380,496</u>	<u>-</u>	<u>4,380,496</u>	<u>4,049,055</u>
Total Grants	24,142,627	-	24,142,627	22,392,653
Grants services and community initiatives	1,638,706	-	1,638,706	1,830,032
Philanthropic advisory services	<u>512,436</u>	<u>-</u>	<u>512,436</u>	<u>326,178</u>
Total Program Expenses	<u>26,293,769</u>	<u>-</u>	<u>26,293,769</u>	<u>24,548,863</u>
Supporting Services				
Management and administration	2,409,963	-	2,409,963	2,325,875
Fundraising	<u>914,338</u>	<u>-</u>	<u>914,338</u>	<u>1,133,307</u>
Total Supporting Services	<u>3,324,301</u>	<u>-</u>	<u>3,324,301</u>	<u>3,459,182</u>
Total Expenses	<u>29,618,070</u>	<u>-</u>	<u>29,618,070</u>	<u>28,008,045</u>
Change in Net Assets	(725,848)	8,808,461	8,082,613	(3,904,809)
NET ASSETS				
Beginning of year	<u>6,582,997</u>	<u>240,423,292</u>	<u>247,006,289</u>	<u>250,911,098</u>
End of year	<u>\$ 5,857,149</u>	<u>\$ 249,231,753</u>	<u>\$ 255,088,902</u>	<u>\$ 247,006,289</u>

See notes to financial statements

Fairfield County's Community Foundation, Inc.

Statement of Activities
Year Ended June 30, 2022

	Without Donor Restriction	With Donor Restriction	Total
REVENUE			
Contributions	\$ 1,714,412	\$ 39,749,693	\$ 41,464,105
Investment return, net of expenses	(171,403)	(17,921,641)	(18,093,044)
Change in value of split-interest agreements	-	(4,609)	(4,609)
Other income	200,169	7,263	207,432
Paycheck Protection Program loan forgiveness	529,352	-	529,352
Net assets released from restrictions	25,344,337	(25,344,337)	-
Total Revenue	27,616,867	(3,513,631)	24,103,236
EXPENSES			
Program			
Grants			
Donor advised	16,170,648	-	16,170,648
Designated	1,043,516	-	1,043,516
Scholarships	1,129,434	-	1,129,434
Discretionary and Field of Interest			
Advocacy	75,000	-	75,000
Arts	27,103	-	27,103
COVID -19 and disaster recovery	164,600	-	164,600
Economic opportunity	587,500	-	587,500
Education	1,812,351	-	1,812,351
Health & human services	663,595	-	663,595
Women and girls	718,906	-	718,906
Total Discretionary and Field of Interest Grants	4,049,055	-	4,049,055
Total Grants	22,392,653	-	22,392,653
Grants services and community initiatives	1,830,032	-	1,830,032
Philanthropic advisory services	326,178	-	326,178
Total Program Expenses	24,548,863	-	24,548,863
Supporting Services			
Management and administration	2,325,875	-	2,325,875
Fundraising	1,133,307	-	1,133,307
Total Supporting Services	3,459,182	-	3,459,182
Total Expenses	28,008,045	-	28,008,045
Change in Net Assets	(391,178)	(3,513,631)	(3,904,809)
NET ASSETS			
Beginning of year	6,974,175	243,936,923	250,911,098
End of year	\$ 6,582,997	\$ 240,423,292	\$ 247,006,289

See notes to financial statements

Fairfield County's Community Foundation, Inc.

Statement of Functional Expenses
Year Ended June 30, 2023
(With summarized information for the Year Ended June 30, 2022)

	Grants	Grants Services and Community Initiatives	Philanthropic Advisory Services	Total Program Expenses	Management and Administration	Fundraising	Total Supporting Services	Total	Year Ended June 30, 2022 Total
EXPENSES									
Grants made	\$ 24,142,627	\$ -	\$ -	\$ 24,142,627	\$ -	\$ -	\$ -	\$ 24,142,627	\$ 22,392,653
Salaries and related expense		1,164,595	392,760	1,557,355	1,737,604	415,067	2,152,671	3,710,026	3,653,115
Professional fees	-	252,012	44,772	296,784	337,444	63,555	400,999	697,783	878,058
Information technology	-	64,062	21,605	85,667	95,582	22,832	118,414	204,081	217,134
Occupancy and related expenses	-	97,274	32,806	130,080	130,355	34,669	165,024	295,104	287,159
Office related expenses	-	27,181	9,167	36,348	40,555	38,202	78,757	115,105	174,494
Event expense	-	4,890	1,649	6,539	7,296	329,787	337,083	343,622	289,306
Promotions and development	-	1,907	643	2,550	2,845	680	3,525	6,075	-
Meetings and conferences	-	8,450	2,850	11,300	12,607	3,012	15,619	26,919	12,883
Travel	-	904	305	1,209	1,348	322	1,670	2,879	1,320
Insurance	-	-	-	-	16,870	-	16,870	16,870	7,837
Depreciation	-	13,561	4,574	18,135	20,234	4,833	25,067	43,202	79,555
Other	-	3,870	1,305	5,175	7,223	1,379	8,602	13,777	14,531
Total Expenses for the Year Ended June 30, 2023	<u>\$ 24,142,627</u>	<u>\$ 1,638,706</u>	<u>\$ 512,436</u>	<u>\$ 26,293,769</u>	<u>\$ 2,409,963</u>	<u>\$ 914,338</u>	<u>\$ 3,324,301</u>	<u>\$ 29,618,070</u>	<u>\$ 28,008,045</u>

Fairfield County's Community Foundation, Inc.

Schedule of Functional Expenses
Year Ended June 30, 2022

	Grants	Grants services and Community Initiatives	Philanthropic Advisory Services	Total Program Expenses	Management and Administration	Fundraising	Total Supporting Services	Total
EXPENSES								
Grants made	\$ 22,392,653	\$ -	\$ -	\$ 22,392,653	\$ -	\$ -	\$ -	\$ 22,392,653
Salaries and related expense	-	1,256,748	239,906	1,496,654	1,596,835	559,626	2,156,461	3,653,115
Professional fees	-	324,721	38,823	363,544	405,176	109,338	514,514	878,058
Information technology	-	74,699	14,260	88,959	94,912	33,263	128,175	217,134
Occupancy and related expenses	-	98,789	18,858	117,647	125,522	43,990	169,512	287,159
Office related expenses	-	37,650	7,187	44,837	48,038	81,619	129,657	174,494
Event expense	-	172	33	205	219	288,882	289,101	289,306
Meetings and conferences	-	4,432	846	5,278	5,631	1,974	7,605	12,883
Travel	-	454	87	541	577	202	779	1,320
Insurance	-	-	-	-	7,837	-	7,837	7,837
Depreciation	-	27,368	5,224	32,592	34,776	12,187	46,963	79,555
Other	-	4,999	954	5,953	6,352	2,226	8,578	14,531
Total Expenses for the Year Ended June 30, 2022	<u>\$ 22,392,653</u>	<u>\$ 1,830,032</u>	<u>\$ 326,178</u>	<u>\$ 24,548,863</u>	<u>\$ 2,325,875</u>	<u>\$ 1,133,307</u>	<u>\$ 3,459,182</u>	<u>\$ 28,008,045</u>

See notes to financial statements

Fairfield County's Community Foundation, Inc.

Statements of Cash Flows

	Year Ended June 30,	
	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 8,082,613	\$ (3,904,809)
Adjustments to reconcile change in net assets to net cash from operating activities		
Depreciation	43,202	79,555
Amortization of operating lease right of use asset	173,036	-
Realized gain on investments	(1,712,761)	(3,290,472)
Unrealized (gain) loss on investments	(16,585,528)	22,404,606
Net gain on split-interest agreements	434	4,609
Paycheck Protection Program loan forgiveness	-	(529,352)
Change in operating assets and liabilities		
Contributions and other receivables	(61)	30,236
Other assets	7,770	(37,713)
Grants payable	(1,150,524)	449,357
Deferred rent payable	-	(21,368)
Change in operating lease liability	(213,327)	-
Accounts payable and other liabilities	65,430	49,126
	<u>(11,289,716)</u>	<u>15,233,775</u>
Net Cash from Operating Activities		
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investments	(73,669,156)	(81,902,644)
Proceeds from disposition of investments	78,309,591	74,531,378
Purchases of furniture and equipment	(10,577)	(24,800)
	<u>4,629,858</u>	<u>(7,396,066)</u>
Net Cash from Investing Activities		
CASH FLOWS FROM FINANCING ACTIVITIES		
Additions to agency funds	1,175,238	206,425
Reductions in agency funds	(517,236)	(1,974,909)
	<u>658,002</u>	<u>(1,768,484)</u>
Net Cash from Financing Activities		
Net Change in Cash and Cash Equivalents	(6,001,856)	6,069,225
CASH AND CASH EQUIVALENTS		
Beginning of year	<u>7,306,406</u>	<u>1,237,181</u>
End of year	<u>\$ 1,304,550</u>	<u>\$ 7,306,406</u>

See notes to financial statements

Fairfield County's Community Foundation, Inc.

Notes to Financial Statements
June 30, 2023 and 2022

1. The Community Foundation

Fairfield County's Community Foundation, Inc., (the "Community Foundation") advances philanthropy to build and sustain a vital and prosperous community where all have the opportunity to participate and thrive. As the region's center of philanthropy, the Community Foundation provides:

- **Grants services and community initiatives** which include leadership and other training to local nonprofits, research on nonprofits and causes, due diligence and consultation with agencies, monitoring and evaluation of grant programs and strategic initiatives that address key regional issues.
- **Philanthropic advisory services** and financial stewardship to donors and partners which includes the education of donors and the public about philanthropy, community needs and charitable giving issues as well as support for donor grant making efforts.

The Community Foundation is a qualifying non-profit organization as defined in Section 501(c)(3) of the Internal Revenue Code ("IRC"). Accordingly, the Community Foundation is exempt from federal and state income taxes. Contributions made to the Community Foundation qualify for the maximum allowable deduction under the IRC.

2. Significant Accounting Policies

Basis of Presentation

The accompanying financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America ("U.S. GAAP"). The Community Foundation is required to report information regarding its financial position and activities according to two classes of net assets. Accordingly, net assets of the Community Foundation and changes therein are classified and reported as follows:

Net assets and revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions.

Net Assets Without Donor Restrictions – net assets available for use in general operations and not subject to donor restrictions. The Board of Directors has designated a portion of net assets for specific uses. These funds may not be used without specific action of the Board of Directors.

Net Assets With Donor Restrictions – Net assets subject to donor imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

Fairfield County's Community Foundation, Inc.

Notes to Financial Statements
June 30, 2023 and 2022

2. Significant Accounting Policies (*continued*)

Basis of Presentation (continued)

Net Assets With Donor Restrictions - continued

The Community Foundation's net assets with donor restrictions include the following:

Donor Advised – funds which allow the donor advisors to make recommendations to the Board of Directors regarding grants to charities.

Discretionary and Field of Interest– funds which allow donors to establish endowed funds. These funds allow the Community Foundation's Board of Directors to use its discretion to award grants that respond to either critical community needs or needs within a particular area of charitable interest.

Designated – funds which allow donors to support specific organizations they identify in their fund agreements.

Scholarship – funds that provide financial assistance to support students' educational needs.

Split Interest Agreements – irrevocable charitable remainder unitrusts (CRUTS).

Endowment Fund Management and Variance Power

To ensure observation of limitations and restrictions placed on the use of resources available to the Community Foundation, the funds of the Community Foundation are managed as individual charitable funds, according to their nature and purpose. Endowment funds are subject to the restriction of the gift instruments. Endowment and other funds are subject to both variance power and limited invasion of corpus power. The Board of Directors has adopted a policy describing the criteria and limited circumstances under which the Community Foundation would exercise these powers.

Revenue Recognition

Other revenue is primarily generated from administrative fees for the Agency Funds, registration fees for workshops related to the Community Foundation's programs and revenue from special events. The performance obligation for the workshops or events is identified at the contract level which represents the Community Foundation's promise to provide the specified workshop or event at a fixed cost. The performance obligation is satisfied at a point in time, when the workshops or events are held or the services are rendered. The performance obligation for the administrative fees is identified at the contract level which represents the Community Foundation's promise to manage the fund. The Community Foundation's performance obligation is satisfied over time as the Agency Fund receives and consumes the benefit when the Community Foundation performs the services.

See Note 4 for detail of all sources of other income from contracts with customers.

Fairfield County's Community Foundation, Inc.

Notes to Financial Statements
June 30, 2023 and 2022

2. Significant Accounting Policies (*continued*)

Fair Value Measurements

The Community Foundation follows U.S. GAAP guidance on fair value measurements which defines fair value and establishes a fair value hierarchy organized into three levels based upon the input assumptions used in pricing assets. Level 1 inputs have the highest reliability and are related to assets with unadjusted quoted prices in active markets. Level 2 inputs relate to assets with other than quoted prices in active markets which may include quoted prices for similar assets or liabilities or other inputs which can be corroborated by observable market data. Level 3 inputs are unobservable inputs and are used to the extent that observable inputs do not exist. The input or methodology used for valuation of securities is not necessarily an indication of the risk associated with investing in those securities.

Pursuant to U.S. GAAP guidance, alternative investments where fair value is measured using the Net Asset Value ("NAV") per share as a practical expedient are not categorized within the fair value hierarchy.

Investments Valuation

Investments are carried at fair value. Investments in publicly traded equity and debt securities are carried at fair value based upon quoted market prices. Mutual funds are carried at the daily reported NAV. Certificates of deposit are carried at cost plus accrued interest which approximates fair value. The fair value of alternative investments has been estimated using the NAV as reported by the management of the respective alternative investment fund as a practical expedient to estimate the fair value of the Community Foundation's interest therein. Because alternative investments are not immediately marketable given the nature of the underlying strategies and the terms of the governing partnership agreements, the estimated fair value is subject to uncertainty and, therefore, may differ from the value that may be received if a ready market for the investment had been in existence, and the difference could be material. Considerable judgment is required to interpret the factors used to develop estimates of fair value.

Investment Income Recognition

The Community Foundation maintains pooled investment accounts for most of its funds. Interest, dividends, investment expenses and realized and unrealized gains and losses from securities in the pooled investment accounts are allocated monthly to all of the donor funds in each pool based on the relationship of the fair value of each fund to the total fair value of the pooled investment accounts, as adjusted for additions to or deductions from those accounts.

Purchases and sales of securities are recorded on a trade-date basis. Interest income is recorded on the accrual basis and dividends are recorded on the ex-dividend date. Realized and unrealized gains and losses are included in the determination of the change in net assets.

Fairfield County's Community Foundation, Inc.

Notes to Financial Statements
June 30, 2023 and 2022

2. Significant Accounting Policies (*continued*)

Cash and Cash Equivalents

The Community Foundation considers all highly liquid investments with a maturity of three months or less at the time of purchase that are utilized for operations, to be cash equivalents.

Split-Interest Agreements

Split-interest agreements consist of assets placed in trust for the benefit of the Community Foundation and beneficiaries. Revocable split-interest agreements are not recorded as contributions unless enforceable by law. Irrevocable split-interest agreements are recorded as contributions at fair value when the assets are received or when the Community Foundation is notified of the existence of the agreement, net of a liability for the present value of future cash outflows to the beneficiaries. The liability is adjusted during the term of the agreement for changes in actuarial assumptions.

Change in Accounting Policy

The Community Foundation adopted FASB Topic 842, *Leases*, using the effective date method of July 1, 2022, as the initial date of initial adoption, with certain practical expedients available.

The Community Foundation elected the practical expedients to account for its existing operating leases as operating leases, under the new guidance, without reassessing (a) whether the contracts contain leases under the new standard, (b) whether classification of capital leases or operating leases would be different in accordance with the new guidance, or (c) whether the unamortized initial direct costs before transition adjustments would have met the definition of the initial direct costs in the new guidance at lease commencement.

As a result of the adoption of the new lease accounting guidance, on July 1, 2022 the Community Foundation recognized a lease liability of \$1,728,564, that represents the present value of the remaining operating lease payments of \$1,910,878, discounted using the risk-free interest rate as determined by treasury bond rates for period of 5.92 years averaging 2.92%. The Community Foundation also recognized a right-of use asset ("ROU" asset) of \$1,446,263 which is equal to the lease liability less previously deferred rent of \$282,301.

The standard has a material impact on the Community Foundation's statements of financial position but did not have a significant impact on its statements of activities and cash flows. The most significant impact was the recognition of a ROU asset and lease liability for the operating lease.

Property and Equipment

Property and equipment with a cost of \$3,000 or more and with an estimated useful life greater than one year, are capitalized at cost, or if donated, at approximate fair value at the date of donations. Depreciation is computed using the straight-line method over their estimated useful lives. Property and equipment consists primarily of office furniture and computer equipment with useful lives ranging from three to seven years.

Fairfield County's Community Foundation, Inc.

Notes to Financial Statements
June 30, 2023 and 2022

2. Significant Accounting Policies (*continued*)

Agency Funds

The Community Foundation receives and distributes assets under certain agency fund agreements with unrelated organizations. Amounts received and distributed under these relationships totaled \$353,031 and \$404,098 in 2023 and \$2,000 and \$921,748 in 2022.

Contributions

Contributions received, including unconditional pledges, are recognized as increases in net assets in the period received at fair value. Contributions stipulated by the donor to be used for certain purposes are released from restriction as the donor stipulated purposes are fulfilled. No allowance for doubtful accounts has been provided as management has deemed that all receivables are collectible.

Grants

All grants made are in accordance with the terms of the various governing instruments and are subject to the approval of the Board and are recorded when approved. For conditional grants, the grant expenditure and liability are recognized and recorded in the accounting period when the Community Foundation determines that the specific conditions are met. All grants payable at June 30, 2023 will be paid within the next 12 months.

Leases

As of July 1, 2022, the Community Foundation leases its office space under an operating lease that expires in May 2029. The operating lease is included in operating lease ROU asset, and operating lease liability on the accompanying statements of financial position.

ROU asset represents the right to use an underlying asset for the lease term and lease liability represents the obligation to make lease payments arising from the lease. The operating lease ROU asset and liability are recognized at the lease commencement date based on the present value of lease payments over the lease term. The lease does not provide an implicit borrowing rate. The Community Foundation uses a risk-free rate based on the information available at the commencement date in determining the present value of lease payments. The operating lease ROU asset includes any lease payments made and excludes lease incentives. Lease expense for lease payments is recognized on a straight-line basis over the lease term.

The Community Foundation's lease agreement does not contain any material residual value guarantees or material restrictive covenants.

For the year ended June 30, 2022, rent was charged to expense over the lease term as it becomes payable. The difference between the straight-line rent expense and rent paid was recorded as deferred rent payable.

Fairfield County's Community Foundation, Inc.

Notes to Financial Statements
June 30, 2023 and 2022

2. Significant Accounting Policies (*continued*)

Functional Allocation of Expenses

The financial statements report certain categories of expenses that are attributable to one or more program and supporting services of the Community Foundation. Therefore, expenses require allocation on a reasonable and consistent basis. The more significant expense allocations include salaries and related personnel costs and occupancy. Personnel costs have been allocated based on estimates of time and effort. Other expenses, such as occupancy are allocated based on the personnel cost allocation percentages.

Use of Estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosures of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. The most significant estimates and assumptions relate to the determination of the fair value of alternative investments, allocation of functional expenses, depreciation of property and equipment and amortization of the ROU asset. Actual results could differ from those estimates.

Accounting of Uncertainty in Income Taxes

The Community Foundation recognizes the effect of income tax positions when they are more likely than not to be sustained. Management has determined that the Community Foundation had no uncertain tax positions that would require financial statement recognition or disclosure. The Community Foundation is no longer subject to examinations by the applicable taxing jurisdictions for periods prior to fiscal 2020.

Subsequent Events Evaluation by Management

Management has evaluated subsequent events for disclosure and/or recognition in the financial statements through the date these financial statements were available to be issued, which date is October 18, 2023.

Fairfield County's Community Foundation, Inc.

Notes to Financial Statements
June 30, 2023 and 2022

3. Credit Risk Concentration

Financial instruments that potentially subject the Community Foundation to concentrations of credit and market risk consist principally of cash and cash equivalents on deposit with financial institutions, investments held at financial institutions, other investments not held at financial institutions. Deposits held at financial institutions insured by the Federal Deposit Insurance Corporation ("FDIC") are insured up to \$250,000. Investment holdings at financial institutions insured by the Securities Investor Protection Corporation ("SIPC") are insured up to \$500,000 (\$250,000 for cash holdings). At times cash balances may exceed the FDIC and/or the SIPC limit. As of June 30, 2023 and 2022, the Community Foundation's uninsured cash and cash equivalents balances on deposit totaled approximately \$2,134,000 and \$7,050,000. As of June 30, 2023 and 2022, the Community Foundation's uninsured investment holdings totaled approximately \$257,869,000 and \$245,085,000.

The investment portfolio is diversified by type of investments and industry concentrations so that no individual investment, investment advisor, investment manager or group of investments represents a significant concentration of credit risk.

4. Other Income

Other income was derived from the following sources for the year ending June 30:

	2023	2022
Administrative fees	\$ 97,507	\$ 126,766
Workshop registration fees	940	7,950
Special event revenue	31,288	47,578
Advisory fee	20,663	25,138
	\$ 150,398	\$ 207,432

5. Investments and Investment Return

Investments at June 30, categorized according to the fair value hierarchy for those investments subject to categorization in the fair value hierarchy are summarized as follows:

Description	2023			Total
	Level 1	Level 2	Level 3	
Cash equivalents	\$ 12,692,298	\$ -	\$ -	\$ 12,692,298
Equity securities	22,678,856	-	-	22,678,856
Equity mutual funds	22,012,438	-	-	22,012,438
Fixed income mutual funds	24,826,657	-	-	24,826,657
Corporate bonds	-	1,632,149	-	1,632,149
Alternative investments (1)	-	-	-	175,906,845
Total Investments at Fair Value	\$ 82,210,249	\$ 1,632,149	\$ -	\$ 259,749,243
Certificates of deposit				4,769,308
Total Investments				\$ 264,518,551

Fairfield County's Community Foundation, Inc.

Notes to Financial Statements
June 30, 2023 and 2022

5. Investments and Investment Return (continued)

Description	2022			
	Level 1	Level 2	Level 3	Total
Cash equivalents	\$ 20,164,947	\$ -	\$ -	\$ 20,164,947
Equity securities	15,212,639	-	-	15,212,639
Equity mutual funds	17,800,975	-	-	17,800,975
Fixed income mutual funds	23,890,385	-	-	23,890,385
Corporate bonds	-	1,045,751	-	1,045,751
Alternative investments (1)	-	-	-	167,979,060
Total Investments at Fair Value	<u>\$ 77,068,946</u>	<u>\$ 1,045,751</u>	<u>\$ -</u>	<u>\$ 246,093,757</u>
Certificates of deposit				4,766,940
Total Investments				<u>\$250,860,697</u>

(1) As discussed in Note 2, investments that are measured using the practical expedient are not classified within the fair value hierarchy. The fair value amounts presented in the total column of this table are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the statements of financial position.

Information regarding alternative investments measured at NAV using the practical expedient at June 30, 2023 is as follows:

	Fair Value	Unfunded Commitments	Redemption Frequency (if currently eligible)	Redemption Notice Period
U.S and Non-U.S. Equity (see "a" below)	\$ 83,218,089	\$ -	Daily-Annually	1-90 days
Hedge funds (see "b" below)	31,055,429	-	Monthly - Quarterly	14-90 days
Global fixed income (see "c" below)	5,713,660	-	Daily	15 days
Liquid real assets (see "d" below)	4,881,573	-	Daily - Monthly	3-30 days
Private markets (see "e" below)	<u>51,038,094</u>	<u>22,568,518</u>	Illiquid	Illiquid
	<u>\$ 175,906,845</u>	<u>\$ 22,568,518</u>		

- (a) This category includes investments in entities seeking long-term growth of capital through investments in professionally managed, liquid, equity-based portfolios. Investments are in options, common stocks and preferred stocks of U.S. and non-U.S. companies.
- (b) This category primarily includes equity investments, either long or short, in marketable securities and publicly traded global equities. Several of the funds in this category invest in fixed income assets, interest rates and currencies, both long and short. One fund has a three-year redemption frequency.
- (c) This category includes investments in entities that employ systemic global macro trading strategies to achieve returns in global fixed income and other securities.
- (d) This category includes investments in real assets through the purchase of liquid securities. The assets act as a placeholder for unfunded commitments to private real asset/real estate while providing the portfolio a desired level of real asset investments.

Fairfield County's Community Foundation, Inc.

Notes to Financial Statements
June 30, 2023 and 2022

5. Investments and Investment Return (continued)

(e) This category includes investments in equity capital through firms making underlying investments in specific companies not quoted on a public exchange, private debt and illiquid real assets including real estate and infrastructure. Private market investments are made with a long-term perspective of nine to twelve years and are expected to earn an illiquidity premium over the life of the investment.

The Community Foundation utilizes a total return investment approach with its asset allocation diversified over multiple asset classes. Investments are managed by independent fund managers under guidelines established by the Board of Directors and executed by the Investment Committee, with recommendations from the Community Foundation's independent investment consultant.

Investment return on the total portfolio for the years ended June 30, is as follows:

	2023	2022
Realized gains, net	\$ 1,712,761	\$ 3,290,472
Unrealized gains (losses), net	16,585,528	(22,404,606)
Interest and dividends	2,322,668	1,396,042
	20,620,957	(17,718,092)
Less investment expenses	(600,909)	(374,952)
	\$ 20,020,048	\$ (18,093,044)

6. Liquidity and Availability

Financial assets available for general expenditure, that is, without restrictions limiting their use, within one year of the statement of financial position dates, comprise the following at June 30,

	2023	2022
Financial assets:		
Cash and cash equivalents	\$ 1,304,550	\$ 7,306,406
Contributions and other receivables	61	-
Investments	264,518,551	250,860,697
Total Financial Assets	265,823,162	258,167,103

Less those unavailable for general expenditure within one year,

Endowed Investments	249,231,753	234,323,292
Agency Investments	10,265,195	9,607,193
Board designated net assets	3,203,647	3,472,649
Restricted by donor for purpose included in cash and cash equivalents	-	6,100,000
Financial asset available to meet general expenditures over the next twelve months	\$ 3,122,567	\$ 4,663,969

Fairfield County's Community Foundation, Inc.

Notes to Financial Statements
June 30, 2023 and 2022

6. Liquidity and Availability (*continued*)

The Community Foundation maintains a policy of structuring its financial assets to be available as its general expenditures, liabilities and other obligations come due. In addition, the Community Foundation invests cash in excess of monthly requirements in short-term investments. The Community Foundation's governing board has designated a portion of net assets without donor restrictions for endowment. These funds are invested for long-term appreciation and current income but remain available and may be spent at the discretion of the Board.

7. Paycheck Protection Program Loan

On April 22, 2020, the Community Foundation received a Paycheck Protection Program ("PPP") loan for \$529,300, from People's United Bank. The loan and interest totaling \$532,737 were forgiven on December 22, 2020.

On March 15, 2021, the Community Foundation received a second PPP loan in the amount of \$529,352, from People's United Bank, under Second Draw provisions of the PPP as authorized by the Economic Aid to Hard-Hit Small Businesses, Nonprofits, and Venues Act (the "Economic Aid Act"). The Second Draw provisions of the Economic Aid Act provide for loans to qualifying entities for amounts up to 2.5 to 3.5 times their 2019 or 2020 average monthly payroll expenses. The Second Draw PPP loan bears an interest rate of 1% per annum. All or a portion of the Second Draw PPP loan principal and accrued interest are forgivable as long as the borrower uses the loan proceeds for eligible purposes, as described in the Coronavirus Aid, Relief and Economic Security Act (the "CARES Act") as amended by the Economic Aid Act, over a period between eight to twenty-four weeks from the date the Second Draw PPP loan proceeds are received (the "Second Draw Covered Period"). The loan was forgiven on February 8, 2022.

8. Endowment

The Community Foundation's endowment consists of 590 individual funds established for a variety of purposes. Its endowment includes both donor-restricted endowment funds and funds designated by the Board of Directors to function as endowments. As required by U.S. GAAP, net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of Relevant Law

The Board of Directors has interpreted the Connecticut Uniform Prudent Management of Institutional Funds Act (CUPMIFA) as allowing the Community Foundation to appropriate for expenditures or accumulate so much of the donor-restricted endowment fund as the Community Foundation determines is prudent for the uses, benefits, purposes, and duration for which the endowment fund was established, subject to the intent of the donors as expressed in their gift instruments.

In accordance with U.S. GAAP guidance, donor-restricted endowment funds subject to the limited invasion of corpus over time may be an endowment fund within the meaning of CUPMIFA, but are not a permanent endowment fund subject to classification within net assets with donor restriction in perpetuity.

Fairfield County's Community Foundation, Inc.

Notes to Financial Statements
June 30, 2023 and 2022

8. Endowment (continued)

Changes in endowment net assets for the years ending June 30, consisted of the following:

Endowment Net Assets and Changes for the Fiscal Year Ended June 30, 2023:

	<u>Board Designated</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ 3,472,649	\$ 240,423,292	\$ 243,895,941
Investment return, net of expenses	180,873	19,802,872	19,983,745
Appropriation of endowment assets for expenditure	(942,386)	(26,977,346)	(27,919,732)
Contributions	460,901	15,983,369	16,444,270
Change in value of split interest agreements	-	(434)	(434)
Other income	<u>31,610</u>	<u>-</u>	<u>31,610</u>
Endowment net assets, end of year	<u>\$ 3,203,647</u>	<u>\$ 249,231,753</u>	<u>\$ 252,435,400</u>

Endowment Net Assets and Changes for the Fiscal Year Ended June 30, 2022:

	<u>Board Designated</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ 3,966,680	\$ 243,936,923	\$ 247,903,603
Investment return, net of expenses	(121,074)	(17,921,641)	(18,042,715)
Appropriation of endowment assets for expenditure	(966,080)	(25,344,337)	(26,310,417)
Contributions	564,502	39,749,693	40,314,195
Change in value of split interest agreements	-	(4,609)	(4,609)
Other income	<u>28,621</u>	<u>7,263</u>	<u>35,884</u>
Endowment net assets, end of year	<u>\$ 3,472,649</u>	<u>\$ 240,423,292</u>	<u>\$ 243,895,941</u>

Description of amounts classified as net assets with donor restrictions as of June 30 are as follows:

	<u>2023</u>	<u>2022</u>
Net assets with donor restrictions:		
Endowment funds	\$ 249,205,734	\$ 240,396,839
Split-interest agreements	<u>26,019</u>	<u>26,453</u>
Total net assets with donor restriction	<u>\$ 249,231,753</u>	<u>\$ 240,423,292</u>

Fairfield County's Community Foundation, Inc.

Notes to Financial Statements
June 30, 2023 and 2022

8. Endowment (continued)

Return Objectives and Risk Parameters

The Community Foundation has adopted investment and spending policies that provide a predictable stream of funding for its programs while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the Community Foundation must hold for donor-specified periods as well as board-designated funds.

Strategies Employed for Achieving Objectives

The Community Foundation uses a total return strategy to achieve investment returns through capital appreciation (realized and unrealized) and current yield (interest and dividends). The Community Foundation targets a diversified asset allocation among equity, debt, and alternative investments that balances growth, income and liquidity and targets a return in line with the Community Foundation's spending policy goals to support current and changing charitable needs in the community.

Spending Policy and How the Investment Objectives Relate to Spending Policy

The Community Foundation's spending policy is administered in accordance with the CUPMIFA and based on the total return concept, which emphasizes investment income and realized and unrealized gains and losses on its investment portfolio. The policy applies to all of the Community Foundation's funds unless the donor has expressed a different intent. The Community Foundation's spending policy for the years ending June 30, 2023 and 2022, is 5% and 5.5% of the previous 12 quarterly average portfolio market values, reviewed and approved annually by the Board of Directors. The spending rate includes the Community Foundation's administrative fee and grants.

9. Employee Benefit Plan

The Community Foundation adopted a 403(b) thrift plan to provide retirement benefits for employees. The Foundation contributes 5% of the employee's base salary for all employees. Contributions are effective on employment and vesting of the Community Foundation's contributions occurs when the employee has completed one year of service. During the years ended June 30, 2023 and 2022, the Community Foundation contributions totaled \$155,898 and \$144,824. Employees may elect to make deferred voluntary contributions to the 403(b) thrift plan.

Fairfield County's Community Foundation, Inc.

Notes to Financial Statements
June 30, 2023 and 2022

10. Lease Commitment

The Community Foundation leases its office space under a operating lease expiring in May 2029. The lease has a remaining lease term of 5.83 years.

The components of lease costs were as follows for the year ended June 30, 2023:

Lease expense	
Operating lease costs	\$ 241,461

Information associated with the measurement of the Community Foundation's operating lease obligations as of June 30, 2023 is as follows:

Weighted-average remaining lease term in years for the operating lease	5.92
Weighted-average discount rate for operating leases	2.92

As of June 30, 2023, maturities for operating lease liabilities were as follows:

2024	\$ 265,551
2025	270,862
2026	276,279
2027	281,805
2028	287,441
Thereafter	<u>268,596</u>
Total undiscounted cash flows	\$ 1,650,534
Less: present value discount	<u>(135,297)</u>
Total lease liabilities	<u>\$ 1,515,237</u>

Supplemental cash flow information related to the operating lease was as follows for the year ended June 30, 2023:

Cash paid for amounts included in the measurement of the lease liability	
Operating cash flows from operating lease	\$ 260,344

For the year ended June 30, 2022, office rental expense was \$245,595.

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