

HARTFORD FOUNDATION FOR PUBLIC GIVING
FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020



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HARTFORD FOUNDATION FOR PUBLIC GIVING

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Hartford Foundation for Public Giving
Hartford, Connecticut

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Hartford Foundation for Public Giving, which comprise the statements of financial position as of December 31, 2021 and 2020, 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 Hartford Foundation for Public Giving, as of December 31, 2021 and 2020, 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 (GAAS). 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 Hartford Foundation for Public Giving 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.

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 Hartford Foundation for Public Giving's ability to continue as a going concern for one year after the date 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 GAAS 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 GAAS, 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 Hartford Foundation for Public Giving'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 Hartford Foundation for Public Giving'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.



CliftonLarsonAllen LLP

West Hartford, Connecticut
April 28, 2022

HARTFORD FOUNDATION FOR PUBLIC GIVING

STATEMENTS OF FINANCIAL POSITION DECEMBER 31, 2021 AND 2020

	<u>2021</u>	<u>2020</u>
ASSETS		
Investments, at Fair Value		
U.S. equities	\$ 451,151,738	\$ 386,317,791
International equities	280,391,218	275,184,645
Fixed income	217,820,698	214,916,812
Alternative investments	174,863,585	128,304,196
Emerging market equities	41,397,402	57,457,762
Cash equivalents	58,340,703	37,687,269
Split-interest agreements	7,425,804	7,506,785
Other investments	404,730	404,730
Total investments	<u>1,231,795,878</u>	<u>1,107,779,990</u>
Other Assets		
Cash	3,782,494	4,441,035
Assets held as fiscal agent	6,287,799	6,336,074
Contributions receivable - split-interest agreements	3,709,713	3,276,643
Property and equipment, net	974,908	1,203,312
Other assets	<u>1,339,751</u>	<u>2,068,967</u>
Total Assets	<u>\$ 1,247,890,543</u>	<u>\$ 1,125,106,021</u>
LIABILITIES AND NET ASSETS		
Liabilities		
Grants and other payables	\$ 20,330,597	\$ 20,499,024
Liability held as fiscal agent	6,287,799	6,336,074
Annuity liability	3,815,666	3,853,072
Agency endowments	4,854,212	4,452,062
Accounts payable and other liabilities	703,135	666,274
Total liabilities	<u>35,991,409</u>	<u>35,806,506</u>
Net Assets		
Without donor restrictions	37,602,764	33,317,722
With donor restrictions	1,174,296,370	1,055,981,793
Total net assets	<u>1,211,899,134</u>	<u>1,089,299,515</u>
Total Liabilities and Net Assets	<u>\$ 1,247,890,543</u>	<u>\$ 1,125,106,021</u>

The accompanying notes are an integral part of the financial statements

HARTFORD FOUNDATION FOR PUBLIC GIVING

STATEMENTS OF ACTIVITIES FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

	2021		2020	
	Without Donor Restrictions	With Donor Restrictions	Without Donor Restrictions	With Donor Restrictions
	Total	Total	Total	Total
Revenues, Gains and Other Support				
Donations and bequests, net	-	\$ 24,529,055	-	\$ 26,726,704
Investment income, net of investment and trustees fees of \$962,793 in 2021 and \$1,002,407 in 2020	740,020	21,995,256	536,729	15,213,187
Change in value of split-interest agreements and other assets	76,238	468,475	185,516	217,988
Net assets released from restrictions	52,797,640	(52,797,640)	62,319,105	(62,319,105)
Other revenues	388,125	602,467	604,865	243,415
Total revenues, gains and other support	<u>54,002,023</u>	<u>(5,202,387)</u>	<u>63,646,215</u>	<u>(19,917,811)</u>
Expenses				
Program expenses:				
Grants authorized, net	45,156,873	-	52,695,316	-
Related program activities and Foundation administered projects	2,637,116	-	2,507,329	-
Program support	2,342,422	-	1,967,705	-
Management and general:				
Operating expenses	4,289,636	-	4,560,830	-
Fundraising expenses	1,847,472	-	1,711,497	-
Total expenses	<u>56,273,519</u>	<u>-</u>	<u>63,442,677</u>	<u>-</u>
Increase (Decrease) in Net Assets Before Realized and Unrealized Appreciation on Investments and Other Assets	(2,271,496)	(5,202,387)	203,538	(19,917,811)
Realized and Unrealized Appreciation on Investments and Other Assets, Net of Investment and Trustees Fees of \$4,497,902 in 2021 and \$4,341,749 in 2020	6,556,538	123,516,964	3,707,608	81,251,617
Increase in Net Assets	4,285,042	118,314,577	3,911,146	61,333,806
Net Assets - Beginning of Year	33,317,722	1,055,981,793	29,406,576	994,647,987
Net Assets - End of Year	<u>\$ 37,602,764</u>	<u>\$ 1,174,296,370</u>	<u>\$ 33,317,722</u>	<u>\$ 1,055,981,793</u>

The accompanying notes are an integral part of the financial statements

HARTFORD FOUNDATION FOR PUBLIC GIVING

STATEMENT OF FUNCTIONAL EXPENSES FOR THE YEAR ENDED DECEMBER 31, 2021

	Program Services					Total Program Services	Management and General	Fundraising	Total Expenses
	Grants Authorized, Net	Administered Projects and Program Support	Activities and Foundation	-	-				
Grants	\$ 45,156,873	\$ -	\$ -	\$ 45,156,873	\$ -	\$ -	\$ -	\$ 45,156,873	
Salaries and benefits	-	3,154,898		3,154,898	3,336,539	1,317,146		7,808,583	
Consulting	-	1,034,776		1,034,776	167,713	180,230		1,382,719	
Occupancy	-	235,482		235,482	221,146	87,270		543,898	
Office expense	-	196,023		196,023	162,572	72,646		431,241	
Depreciation and amortization	-	166,750		166,750	156,598	61,797		385,145	
Miscellaneous expense	-	62,546		62,546	126,130	20,734		209,410	
Communications and marketing	-	101,926		101,926	6,466	97,592		205,984	
Professional fees	-	27,137		27,137	112,472	10,057		149,666	
Total Expenses	\$ 45,156,873	\$ 4,979,538	\$ -	\$ 50,136,411	\$ 4,289,636	\$ 1,847,472	\$ -	\$ 56,273,519	

The accompanying notes are an integral part of the financial statements

HARTFORD FOUNDATION FOR PUBLIC GIVING

STATEMENT OF FUNCTIONAL EXPENSES FOR THE YEAR ENDED DECEMBER 31, 2020

	Program Services					Total Expenses
	Grants Authorized, Net	Administered Projects and Program Support	Total Program Services	Management and General	Fundraising	
Grants	\$ 52,695,316	\$ -	\$ 52,695,316	\$ -	\$ -	\$ 52,695,316
Salaries and benefits	-	2,905,020	2,905,020	3,487,649	1,257,307	7,649,976
Consulting	-	891,403	891,403	266,908	150,897	1,309,208
Occupancy	-	207,156	207,156	235,497	79,485	522,138
Office expense	-	176,150	176,150	169,381	67,588	413,119
Depreciation	-	112,324	112,324	127,690	43,098	283,112
Miscellaneous expense	-	45,334	45,334	115,590	16,129	177,053
Communications and marketing	-	79,827	79,827	9,259	74,807	163,893
Professional fees	-	57,820	57,820	148,856	22,186	228,862
Total Expenses	\$ 52,695,316	\$ 4,475,034	\$ 57,170,350	\$ 4,560,830	\$ 1,711,497	\$ 63,442,677

The accompanying notes are an integral part of the financial statements

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STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

	<u>2021</u>	<u>2020</u>
Cash Flows from Operating Activities		
Increase in net assets	\$ 122,599,619	\$ 65,244,952
Adjustments to reconcile increase in net assets to net cash used in operating activities:		
Depreciation and amortization expense	385,145	283,112
Realized and unrealized appreciation of investments and other assets	(130,073,502)	(84,959,225)
Change in value of split interest agreements	(544,713)	(403,504)
(Increase) decrease in operating assets:		
Assets held as fiscal agent	48,275	(648,963)
Accrued investment income	-	2,138,592
Contributions receivable - split-interest agreements	(433,070)	(96,895)
Other assets	609,216	(660,030)
Increase (decrease) in operating liabilities:		
Grants and other payables	(168,427)	(4,851,037)
Annuity liability	(37,406)	(19,189)
Agency endowments	402,150	694,165
Accounts payable and other liabilities	36,861	159,400
Liability held as fiscal agent	(48,275)	648,963
Net cash used in operating activities	<u>(7,224,127)</u>	<u>(22,469,659)</u>
Cash Flows from Investing Activities		
Purchases of investments	(341,683,583)	(261,343,194)
Proceeds from sales of investments	348,285,910	284,212,490
Purchases of property and equipment	(36,741)	(142,442)
Net cash provided by investing activities	<u>6,565,586</u>	<u>22,726,854</u>
Net Increase (Decrease) in Cash	(658,541)	257,195
Cash - Beginning of Year	<u>4,441,035</u>	<u>4,183,840</u>
Cash - End of Year	<u>\$ 3,782,494</u>	<u>\$ 4,441,035</u>

The accompanying notes are an integral part of the financial statements

HARTFORD FOUNDATION FOR PUBLIC GIVING

NOTES TO FINANCIAL STATEMENTS

NOTE 1 - DESCRIPTION OF THE FOUNDATION

Hartford Foundation for Public Giving (the Foundation) is a community foundation serving the Greater Hartford area. As a community grantor, the Foundation accepts applications from nonprofit organizations and agencies in need of financial assistance. The Foundation's affairs, including its grantmaking, are governed by an 11-member board of directors (Board).

The financial statements of the Foundation include the combined accounts of the various funds held in trust for, or by, the Foundation and the assets of HFPG, Inc., HFPG Special Assets, Inc., and HFPG Impact, LLC (exempt nonprofit corporations). HFPG, Inc., and HFPG Special Assets, Inc., are component organizations whose purpose is substantially identical to the Foundation and whose Board members are also members of the Board of the Foundation. HFPG, Inc., and HFPG Special Assets, Inc., were established to provide the Foundation greater flexibility in receiving donations and managing investments.

In 2018, the Foundation created a wholly owned subsidiary, HFPG Impact, LLC (HFPG Impact!), designed to catalyze community and economic development in ways that lift up all residents and maximize the region's inclusive economic growth and quality of life. HFPG Impact! puts a greater portion of the Foundation's assets to work for the 29 towns it serves and provides the Foundation extensive flexibility, through partnerships or on its own, to make investments beyond the scope and range of the Foundation's traditional grantmaking. The Foundation envisions that HFPG Impact! can bring "patient capital" to areas that traditional capital tends to overlook. Through HFPG Impact!, the Foundation will seek opportunities to invest in projects throughout the region that have the potential to create inclusive community prosperity and transformative change. Investments may be to companies, organizations, or funds and may take the form of debt, equity or guarantees. Terms will be negotiated on a deal-by-deal basis. The Foundation has committed \$10 million to HFPG Impact! and has funded \$1.7 million to date. \$1.2 million was funded in 2019 for Dillion Stadium and in 2020 \$500,000 was funded to Colt Park.

HFPG, Inc., had total assets of \$539,447,095 and \$481,267,030 and net assets of \$513,689,371 and \$455,303,692 as of December 31, 2021 and 2020, respectively. HFPG Impact! had total assets and net assets of \$1,080,000 and \$1,700,000 as of December 31, 2021 and 2020, respectively. HFPG Special Assets, Inc., had no net assets as of December 31, 2021 and 2020.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting and Presentation

The Foundation prepares its financial statements on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. Accordingly, the accounts of the Foundation are reported in the following categories:

Net Assets Without Donor Restrictions

These net assets are defined as assets that are free of donor-imposed restrictions and include all investment income and appreciation not subject to donor-imposed restrictions. The Board has designated net assets without donor restrictions to function as an endowment. The Board has also designated up to \$10 million to be used for the purposes of HFPG Impact!.

Net Assets With Donor Restrictions

Net assets with donor restrictions represent 1) contributions, unconditional promises to give and other inflows of assets whose use by the Foundation is limited by donor-imposed stipulations that either

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expire by the passage of time or can be fulfilled and removed by actions of the Foundation, 2) charitable remainder trusts, a charitable lead trust, pooled income funds and contributions receivable, 3) endowment assets at historic dollar value, and 4) investment income and appreciation, which can be expended but for which restrictions have not yet been met.

Endowment Fund Management and Variance Power

To ensure observation of limitations and restrictions placed on the use of resources available to the Foundation, the accounts of the Foundation are managed as individual charitable funds according to their nature and purpose. Endowment funds are subject to the restriction of the gift instruments. Funds consist of the assets held in trust for, or by, the Foundation, the assets of HFPG, Inc., and certain other funds. The endowment assets held subject to the Foundation's Resolution and Declaration of Trust and subject to HFPG, Inc.'s Certificate of Incorporation are intended by the board of directors to be treated similarly for accounting and legal purposes. Such endowment and other funds are subject to both variance power (the unilateral power, pursuant to federal regulations, to modify any restriction or condition if it becomes, in effect, unnecessary, incapable of fulfillment or inconsistent with the charitable needs of the community) and limited invasion of corpus power. The Foundation's and HFPG, Inc.'s governance documents describe the criteria and limited circumstances under which these powers would be exercised.

Gifts and bequests received by the Foundation are accounted for and managed for endowment recordkeeping in certain categories described below:

Endowment

The Foundation's endowment funds consist of original assets and undistributed investment return on endowment funds. The Foundation makes distributions of investment return (i.e., interest, dividends and appreciation or depreciation) from these funds in accordance with the spending formula and subject to the Resolution and Declaration of Trust.

Other

Other funds consist of the Foundation's operating funds for grants and administration, charitable gift annuities, charitable remainder trusts, pooled income funds, amounts internally designated for future grantmaking and certain unspent investment return from designated and donor-advised funds.

Agency Endowments

The Foundation maintains assets under certain agency endowments with unrelated organizations. The amounts held but not yet distributed totaled \$4,854,212 and \$4,452,062 at December 31, 2021 and 2020, respectively, and are included on the statements of financial position in agency endowments. Amounts received and distributed under these relationships totaled \$-0- and \$158,638, respectively, for the year ended December 31, 2021 and \$513,805 and \$26,035, respectively, for the year ended December 31, 2020.

Fiscal Agent

The Foundation acts as a fiscal agent and maintains funds owned by other organizations. The Foundation reports these funds as assets held as fiscal agent and a corresponding liability held as fiscal agent on the statements of financial position.

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Cash

The Foundation maintains deposits in financial institutions that may, at times, exceed federal depository insurance limits. Management believes that the Foundation's deposits are not subject to significant credit risk.

Investment Valuation and Income Recognition

Investments are reported at fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. See Note 4 for a discussion of fair value measurements.

Purchases and sales of securities are recorded on the trade date basis. Interest income is recorded on the accrual basis. Dividends are recorded on the ex-dividend date. Realized and unrealized appreciation (depreciation) on investments and other assets includes the Foundation's gains and losses on investments bought and sold as well as held during the year.

Bank of America, the trustee bank, holds all the investments for the trusts established on behalf of the Foundation in a variety of investment vehicles, including mutual funds and separate accounts. Trust Company of Connecticut, a division of KeyBank, is also named a trustee bank. All of the investments of HFPG, Inc., are held in a variety of investment vehicles, including mutual funds and separate accounts, held in custody by Northern Trust Company and State Street Bank and Trust Company of Boston, Massachusetts.

Donated Assets

Donated marketable securities and other assets are recorded as contributions at their estimated fair values as of the date of donation.

Property and Equipment

Property and equipment are stated at cost and depreciated using the straight-line method over their estimated useful lives, which range from 3 to 10 years. The Foundation follows the practice of capitalizing all expenditures for capitalizable property and equipment in excess of \$1,000.

Contributions

The Foundation accounts for its contributions received as follows:

Contributions Received

Unconditional promises to give that are expected to be collected within one year are recorded at their net realizable value. Promises to give that are scheduled to be received after the fiscal year-end are shown as support with donor restrictions and reclassified to net assets without donor restrictions when the time restriction is met. Contributions whose restrictions are met in the same fiscal year are recorded as support without donor restrictions. Conditional promises to give (i.e., a donor stipulation that includes a barrier that must be overcome and a right of return of assets) are recognized when the conditions upon which they depend are substantially met.

Split-Interest Agreements

The Foundation's split-interest agreements with donors consist of charitable gift annuities, charitable remainder annuity trusts, charitable remainder unitrusts, a charitable lead annuity trust and pooled income funds. Assets recognized under split-interest agreements are recorded at fair value. Assets

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are invested and payments are made to donors and/or other beneficiaries in accordance with the respective agreements. The present value of payments to beneficiaries under these arrangements is calculated using discount rates ranging from 2% to 8%. Such rates represent risk-free rates in existence at the date of gift. Gains or losses resulting from changes in actuarial assumptions and accretions of the discount are recorded as increases or decreases in the value of split-interest agreements in the statements of activities.

Donations relating to split-interest agreements of \$9,236 in 2021 and \$128,600 in 2020 were recognized as support with donor restrictions. During December 31, 2021 and 2020, several split-interest agreement income beneficiaries passed away, and the remaining assets, totaling \$159,148 and \$102,747, respectively, reverted to the Foundation.

Bequests

Bequests are recorded as support when all events required for the transfer of the assets from the estate of the donor to the Foundation have occurred and the probate court has issued an order to transfer.

Functional Allocation of Expenses

The costs of providing various programs and other activities have been presented on a functional basis in the statements of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Such allocations are determined by management on an equitable basis. The expenses are allocated based on time and effort and usage.

Income Taxes

The Foundation is exempt from federal and state income taxes under Section 501(c)(3) as an organization other than a private foundation; however, the Foundation is subject to federal income tax on any unrelated business taxable income.

Measure of Operations

The Foundation's measure of operations, as presented, includes all changes in net assets except for realized and unrealized appreciation on investments.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures in the financial statements. Actual results could differ from those estimates.

Risks and Uncertainties

The Foundation invests in a variety of investments, including debt and equity securities, and alternative investments. These investments are exposed to interest rate, market, credit and other risks depending on the nature of the specific investment. Accordingly, it is at least reasonably possible that these factors will result in changes in the value of the Foundation's investments that could materially affect amounts reported in the financial statements.

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Subsequent Events

In preparing these financial statements, management has evaluated subsequent events through April 28, 2022, which represents the date the financial statements were available to be issued.

NOTE 3 - PROPERTY AND EQUIPMENT

The components of property and equipment as of December 31, 2021 and 2020 are summarized as follows:

	<u>2021</u>	<u>2020</u>
Buildings and improvements	\$ 2,337,843	\$ 2,301,102
Furniture and equipment	568,480	568,480
	<u>2,906,323</u>	<u>2,869,582</u>
Less accumulated depreciation	1,931,415	1,666,270
	<u>\$ 974,908</u>	<u>\$ 1,203,312</u>

Depreciation expense of \$265,145 and \$283,112 was recognized for the years ended December 31, 2021 and 2020, respectively.

NOTE 4 - FAIR VALUE MEASUREMENTS

Accounting principles generally accepted in the United States of America establish a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described below:

Level 1

Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Foundation has the ability to access.

Level 2

Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3

Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

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The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs. As a practical expedient, certain investments are measured at fair value on the basis of net asset value. The fair value of these investments is not included in the fair value hierarchy.

Financial Instruments Measured at Fair Value

The following is a description of the valuation methodologies and investment strategies used for assets measured at fair value:

Equity

Certain equity is valued at the closing price reported in the active market in which the individual securities are traded. Other equity is valued using the net asset value as reported by the investment manager of the fund. This net asset value is based on the fair value of the underlying assets and liabilities of the related fund at the measurement date. This investment class seeks to provide long-term capital appreciation. Equity managers are selected with the objective of building a portfolio that is diversified by geographic region, economic sector, industry and market capitalization. The objective in selecting equity managers is to generate average annual compounded returns that exceed the relevant broad market indices (i.e., the S&P 500, the Russell 1000, MSCI EAFE and MSCI World), net of fees, over full market cycles (5-10 years). The redemption period for these investments ranges from daily to monthly with 30 days' written notice.

Fixed Income

Certain fixed income is valued at the closing price reported in the active market in which the individual securities are traded. Other fixed income is valued based on yields currently available on comparable securities of issuers with similar durations and credit ratings. This investment class seeks to provide current income from a broad range of U.S. and global fixed income securities, be an important source of liquidity for distribution for current expenses and create some measure of diversification. The redemption period for these investments ranges from daily to quarterly with 15 days' written notice.

Alternative Investments

The following alternative asset strategies include investments in private equity fund-of-funds and real assets:

Private Equity

Interests in private equity are valued using net asset values determined by the investment manager of the fund in accordance with the procedures outlined in each respective limited partnership agreement. This net asset value is based on the fair value of the underlying assets and liabilities of the related fund at the measurement date. The primary objective of these investments is to produce over their economic horizons an annualized return net of all costs that exceeds the annualized return produced over the same time period by the broad U.S. stock market. The funds seek to achieve these objectives by investing either directly in or via secondary purchases of privately offered funds that employ venture capital and buyout strategies. These investments are deemed to be illiquid.

Absolute Return

Interests in absolute return are valued using net asset values determined by the investment manager of the fund in accordance with the procedures outlined in each respective limited partnership agreement. This net asset value is based on the fair value of the underlying assets and liabilities of the related fund at the measurement date. Absolute return investing describes a

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category of strategies whose objective is to earn a positive return over time regardless of whether markets rise, fall, or remain unchanged and to do so with lower volatility. Core strategies in the asset class include overweighting assets that are trading at attractive valuations and avoiding those which, in the analysis of the investment managers, are overvalued. The strategy is also intended to provide diversification benefits.

Real Assets

Interests in real assets are valued using net asset values as determined by the investment manager of the fund in accordance with written policies and procedures. The net asset value is based on the fair value of the underlying assets and liabilities of the related fund at the measurement date. To help guard against inflation risk, the Foundation invests in real assets that are normally expected to rise in value as inflation fears rise and actual inflation increases. The objective of this investment is to provide long-term total return in excess of an equal-sector-weighted version of the S&P Goldman Sachs Commodity Index, by investing in commodity-related instruments. The redemption period for these investments is monthly.

Cash Equivalents

Cash equivalents are valued at the quoted net asset value of shares held by the Foundation at year-end.

Split-Interest Agreements

Fair value inputs used for split-interest agreements are based on the estimated present value of the future payments to the Foundation, which is considered to be the fair value of the assets held in trust.

Other Investments

Included in other investments is real estate received through donation. This investment is presented at its estimated fair value as determined by independent appraisals.

Annuity Liability

The fair value of the annuity liability is based on the 2000 CM mortality tables.

There have been no changes in the methodologies used at December 31, 2021 and 2020.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Foundation believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

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The following tables set forth by level, within the fair value hierarchy, the Foundation's assets and liabilities at fair value as of December 31, 2021 and 2020:

Description	December 31, 2021	Fair Value Measurements Using			Assets Valued at NAV (a)
		Level 1	Level 2	Level 3	
Assets:					
U.S. equities	\$ 451,151,738	\$ 350,586,738	\$ -	\$ -	\$ 100,565,000
International equities	280,391,218	99,125,631	-	-	181,265,587
Fixed income	217,820,698	-	128,827,085	-	88,993,613
Alternative investments:					
Private equity	116,644,812	-	-	-	116,644,812
Absolute return	44,194,733	-	44,194,733	-	-
Real assets	14,024,040	5,973,333	8,050,707	-	-
Emerging market equities	41,397,402	19,950,493	-	-	21,446,909
Cash equivalents	58,340,703	58,340,703	-	-	-
Split-interest agreements	7,425,804	3,727,038	-	-	3,698,766
Other investments	404,730	-	404,730	-	-
Total investments	1,231,795,878	537,703,936	181,477,255	-	512,614,687
Contributions receivable - split-interest agreements	3,709,713	-	-	3,709,713	-
Subtotal	1,235,505,591	537,703,936	181,477,255	3,709,713	512,614,687
Less cash equivalents	(58,340,703)	(58,340,703)	-	-	-
Total Assets at Fair Value	\$ <u>1,177,164,888</u>	\$ <u>479,363,233</u>	\$ <u>181,477,255</u>	\$ <u>3,709,713</u>	\$ <u>512,614,687</u>
Liabilities:					
Annuity Liability at Fair Value	\$ <u>3,815,666</u>	\$ -	\$ -	\$ <u>3,815,666</u>	\$ -

Description	December 31, 2020	Fair Value Measurements Using			Assets Valued at NAV (a)
		Level 1	Level 2	Level 3	
Assets:					
U.S. equities	\$ 386,317,791	\$ 304,234,604	\$ -	\$ -	\$ 82,083,187
International equities	275,184,645	54,282,541	-	-	220,902,104
Fixed income	214,916,812	-	120,388,736	-	94,528,076
Alternative investments:					
Private equity	78,344,821	-	-	-	78,344,821
Absolute return	41,171,565	-	41,171,565	-	-
Real assets	8,787,810	-	8,787,810	-	-
Emerging market equities	57,457,762	20,966,195	-	-	36,491,567
Cash equivalents	37,687,269	37,687,269	-	-	-
Split-interest agreements	7,506,785	3,803,583	-	-	3,703,202
Other investments	404,730	-	404,730	-	-
Total investments	1,107,779,990	420,974,192	170,752,841	-	516,052,957
Contributions receivable - split-interest agreements	3,276,643	-	-	3,276,643	-
Subtotal	1,111,056,633	420,974,192	170,752,841	3,276,643	516,052,957
Less cash equivalents	(37,687,269)	(37,687,269)	-	-	-
Total Assets at Fair Value	\$ <u>1,073,369,364</u>	\$ <u>383,286,923</u>	\$ <u>170,752,841</u>	\$ <u>3,276,643</u>	\$ <u>516,052,957</u>
Liabilities:					
Annuity Liability at Fair Value	\$ <u>3,853,072</u>	\$ -	\$ -	\$ <u>3,853,072</u>	\$ -

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- (a) Certain investments that are measured at fair value using the net asset value per share (or its equivalent) practical expedient have not been classified in the fair value hierarchy. The fair value amounts presented in these tables are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the statements of financial position.

The following is a summary of the commitments and redemption rights of investments in entities that calculate net asset per share as of December 31, 2021 and 2020:

Description	2021 Fair Value	Unfunded Commitments	Redemption Terms	Redemption Restrictions
U.S. equities	\$ 100,565,000	\$ -	Monthly - Quarterly	30 days written notice
International equities	181,265,587	-	Monthly	4-10 days written notice
Fixed income	88,993,613	-	Monthly - Quarterly	5-15 days written notice
Private equities	116,644,812	18,898,351	Illiquid	Illiquid
Emerging market equities	21,446,909	-	Monthly - Annual	10-30 days written notice
Split-interest agreements	3,698,766	-	Illiquid	Illiquid
Total	\$ 512,614,687	\$ 18,898,351		

Description	2020 Fair Value	Unfunded Commitments	Redemption Terms	Redemption Restrictions
U.S. equities	\$ 82,083,187	\$ -	Monthly	30 days written notice
International equities	220,902,104	-	Monthly	2-30 days written notice
Fixed income	94,528,076	-	Monthly	5-15 days written notice
Private equities	78,344,821	25,820,827	Illiquid	Illiquid
Emerging market equities	36,491,567	-	Monthly	10-30 days written notice
Split-interest agreements	3,703,202	-	Illiquid	Illiquid
Total	\$ 516,052,957	\$ 25,820,827		

The following table presents information about significant unobservable inputs related to the Foundation's investment in Level 3 assets at December 31, 2021 and 2020:

Type	Fair Value 2021	Fair Value 2020	Valuation Technique	Significant Unobservable Inputs
Split-interest agreements	\$ 3,709,713	\$ 3,276,643	Discounted cash flow	Discount rates duration

NOTE 5 - EMPLOYEE BENEFIT PLAN

The Foundation sponsors a 401k defined contribution employee benefit plan in which the Foundation makes profit sharing contributions based on each employee's level of compensation and matches employee deferrals. The Foundation contributes to the plan at the rate of 4% for staff earning over \$75,000 and at the rate of 6% for staff earning \$75,000 or less. The Foundation matches all employee

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deferrals at 100% up to a maximum of 4% of compensation. All active employees as of January 1, 2020 are immediately 100% vested in all contributions. Subsequent hires receive contributions immediately upon hire and vest in contributions based on years of service (at a schedule of 25% of holdings per year until reaching 100% vested after four years). The Foundation contributed \$487,975 and \$461,824 for the plan years ended December 31, 2021 and 2020.

NOTE 6 - LIQUIDITY AND AVAILABILITY OF RESOURCES

The Foundation's financial assets available within one year of the statements of financial position date for general expenditure are as follows:

	<u>2021</u>	<u>2020</u>
Cash	\$ 3,782,494	\$ 4,441,035
Investments	12,066,205	10,568,959
Board designations:		
Approved appropriation of endowment assets for expenditure in the next year	<u>58,600,000</u>	<u>52,300,000</u>
Total Financial Assets Available to Management for General Expenditure Within One Year	<u>\$ 74,448,699</u>	<u>\$ 67,309,994</u>

Liquidity Management

The 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 Foundation invests cash in excess of monthly requirements in short-term investments. As of December 31, 2021 and 2020, the Foundation's governing board has designated \$37,602,764 and \$33,317,722 of its resources without donor restrictions. These funds are invested for long-term appreciation and current income but remain available and may be spent at the discretion of the Board.

NOTE 7 - ENDOWMENT

The Foundation's endowment consists of approximately 1,500 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. 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 of the Foundation has interpreted the Connecticut Uniform Prudent Management of Institutional Funds Act (CTUPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Foundation would classify as net assets with donor restrictions (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted

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endowment fund that is not classified as a permanent endowment would be classified as net assets with donor restrictions until those amounts are appropriated for expenditure by the Foundation in a manner consistent with the standard of prudence prescribed by CTUPMIFA. In accordance with CTUPMIFA, the Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- The duration and preservation of the fund
- The purposes of the organization and the donor-restricted endowment fund
- General economic conditions
- The possible effect of inflation and deflation
- The expected total return from income and the appreciation of investments
- Other resources of the organization
- The investment policies of the organization

In accordance with the provisions, donor-restricted endowment funds subject to the limited invasion of corpus over time may be an endowment fund within the meaning of CTUPMIFA, but is not a permanent endowment fund to be held in perpetuity. A significant portion of the Foundation's endowment funds, as authorized under the Foundation's governing documents and gift instruments, are held subject to both variance power and limited invasion of corpus power and, as such, are classified as net assets with donor restrictions.

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Endowment Net Assets

Changes in endowment net assets for the years ended December 31, 2021 and 2020 are as follows:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Endowment net assets - January 1, 2020	\$ 29,406,576	\$ 994,647,987	\$ 1,024,054,563
Investment income	536,729	15,213,187	15,749,916
Investment gains	3,707,608	81,251,617	84,959,225
Net investment return	<u>4,244,337</u>	<u>96,464,804</u>	<u>100,709,141</u>
Contributions	<u>-</u>	<u>26,726,704</u>	<u>26,726,704</u>
Appropriation of endowment assets for expenditure	<u>(5,805,383)</u>	<u>(62,319,105)</u>	<u>(68,124,488)</u>
Other changes:			
Unexpended funds appropriated	4,681,811	-	4,681,811
Other revenue	604,865	243,415	848,280
Change in value of split-interest agreements and other assets	<u>185,516</u>	<u>217,988</u>	<u>403,504</u>
Total other changes	<u>5,472,192</u>	<u>461,403</u>	<u>5,933,595</u>
Endowment net assets - December 31, 2020	<u>33,317,722</u>	\$ 1,055,981,793	\$ 1,089,299,515
Investment income	740,020	21,995,256	22,735,276
Investment gains	6,556,538	123,516,964	130,073,502
Net investment return	<u>7,296,558</u>	<u>145,512,220</u>	<u>152,808,778</u>
Contributions	<u>-</u>	<u>24,529,055</u>	<u>24,529,055</u>
Appropriation of endowment assets for expenditure	<u>(5,299,691)</u>	<u>(52,797,640)</u>	<u>(58,097,331)</u>
Other changes:			
Unexpended funds appropriated	1,823,767	-	1,823,767
Other revenue	388,125	602,467	990,592
Change in value of split-interest agreements and other assets	<u>76,283</u>	<u>468,475</u>	<u>544,758</u>
Total other changes	<u>2,288,175</u>	<u>1,070,942</u>	<u>3,359,117</u>
Endowment Net Assets - December 31, 2021	<u>\$ 37,602,764</u>	\$ 1,174,296,370	\$ 1,211,899,134

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Amounts classified as net assets with donor restrictions (endowment only) at December 31, 2021 and 2020 are as follows:

	<u>2021</u>	<u>2020</u>
Net assets with donor restrictions:		
Endowment funds subject to time restriction	\$ 1,168,403,129	\$ 1,050,392,879
Charitable remainder trusts, charitable lead trust, pooled income funds and contributions receivable	<u>5,893,241</u>	<u>5,588,914</u>
Total Endowment Funds Classified as Net Assets With Donor Restrictions	<u>\$ 1,174,296,370</u>	<u>\$ 1,055,981,793</u>

Spending Formula

With a few exceptions, all funds are managed in accordance with a spending formula based upon the total return concept, which emphasizes total investment return, consisting of investment income and realized and unrealized gains and losses. There are certain funds that, based upon donor's intent, are not considered in this spending formula. Under this spending formula, a distribution of investment return is provided for program support that is independent of the cash yield and appreciation of investments in that year. The Foundation has adopted this spending formula designed specifically to stabilize annual spending levels and to preserve the real value of the fund portfolio over time.

The Foundation's spending policy limits spending to 5% of the 20-quarter trailing average, subject to a floor of 4.25% of current assets and a ceiling of 5.75% of current assets. The board of directors continues to examine the limit on spending. The Foundation does not consider appreciation or depreciation on endowment investments or realized gains and losses as a component of its operations as presented in the statements of activities. Total investment gains (i.e., investment income net of all investment fees, net realized and unrealized gains or losses on investments, and change in value of split-interest agreements) totaled approximately \$153.5 million and \$101.4 million for the years ended December 31, 2021 and 2020, respectively. The Foundation has a policy that permits spending from endowment funds with deficiencies depending on the degree to which the fund is deficient, unless otherwise precluded by donor intent or relevant laws and regulations.

Funds with Deficiencies

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the historic dollar value as referenced in CTUPMIFA. In accordance with accounting principles generally accepted in the United States of America, deficiencies of this nature are reported in net assets with donor restrictions. As of December 31, 2021, the aggregate fair value of the funds with deficiencies was \$220,973 and the historical dollar value was \$225,757, resulting in a difference of \$4,784. As of December 31, 2020, the aggregate fair value of funds with deficiencies was \$59,300 and the historical dollar value was \$64,640, resulting in a difference of \$5,340. These deficiencies resulted from unfavorable market fluctuations that occurred shortly after the investment of new contributions and continued appropriation for certain programs that was deemed prudent by the board of directors.

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Return Objectives and Risk Parameters

The Foundation has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the organization must hold in perpetuity or for a donor-specified period(s) as well as Board-designated funds. Under this policy, as approved by the board of directors, the endowment assets are invested in a manner that is intended to produce results that exceed the Foundation's long-term spending needs adjusted for inflation while assuming a moderate level of investment risk. The Foundation expects its endowment funds, over time, to provide an average rate of return that meets or exceeds the consumer price index plus 5%. Actual returns in any given year may vary from this amount.

Strategies Employed for Achieving Objectives

To satisfy its long-term rate-of-return objectives, the Foundation relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Foundation targets a diversified asset allocation that places a greater emphasis on equity investments to achieve its long-term return objectives within prudent risk constraints.

NOTE 8 - GRANTS

Grants are recorded as expenses when authorized by the board of directors and committed to a specified recipient and all material conditions have been satisfied by the recipient.

As of December 31, 2021 and 2020, grants payable are committed as follows:

	<u>2021</u>	<u>2020</u>
Due within one year	\$ 16,228,664	\$ 19,053,573
Due in one to five years	<u>4,101,933</u>	<u>1,445,451</u>
	<u>\$ 20,330,597</u>	<u>\$ 20,499,024</u>

For the years ended December 31, 2021 and 2020, the Foundation cancelled previously authorized grants of \$868,331 and \$792,027, respectively. Grant cancellations are recorded in other revenues in the statements of activities.

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NOTE 9 - LEASE COMMITMENTS

The Foundation leases a facility under an operating lease which expires in 2027. Rent expense under this lease totaled \$543,897 and \$520,367 for the years ended December 31, 2021 and 2020, respectively. Future minimum lease payments under the lease that has a remaining term in excess of one year are as follows:

Year Ending December 31

2022	\$	526,289
2023		538,404
2024		550,520
2025		562,615
2026		574,751
Thereafter		<u>478,959</u>
	\$	<u><u>3,231,538</u></u>

NOTE 10 - CORONAVIRUS

On March 11, 2020, the World Health Organization classified the coronavirus outbreak as a pandemic, triggering significant instability in the global economy and investment markets. As a result, the Foundation's investments experienced significant volatility during the years ended December 31, 2021 and 2020. The current fair value of the Foundation's investments may be materially different from the amounts presented on the statement of financial position as of December 31, 2021. As of the report date, the pandemic is still ongoing and, therefore, the total impact it may have on the Foundation's investments cannot be reasonably determined at this time.

The Foundation, in response to the pandemic, set up two COVID Relief funds; the 4-CT Statewide COVID-19 Relief Fund (a donor advised fund) and the COVID-19 Response Fund (a current use fund). The two funds raised \$866,695 and \$16,640,506 in 2021 and 2020. These donations along with board approved grants from unrestricted funds resulted in grants authorized of \$2,321,595 and \$21,719,916 in 2021 and 2020.