

HARTFORD FOUNDATION FOR PUBLIC GIVING

FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018

HARTFORD FOUNDATION FOR PUBLIC GIVING

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Independent Auditors' Report

To the Board of Directors
Hartford Foundation for Public Giving
Hartford, Connecticut

We have audited the accompanying financial statements of Hartford Foundation for Public Giving, which comprise the statements of financial position as of December 31, 2019 and 2018, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the financial statements 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 the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

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, 2019 and 2018, 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.

Change in Accounting Principle

As discussed in Note 2, during the year ended December 31, 2019, Hartford Foundation for Public Giving, as a resource recipient, adopted the contributions received guidance under Accounting Standards Update No. 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made*. Our opinion is not modified with respect to these matters.

Blum, Shapiro & Company, P.C.

West Hartford, Connecticut
May 4, 2020

HARTFORD FOUNDATION FOR PUBLIC GIVING

STATEMENTS OF FINANCIAL POSITION DECEMBER 31, 2019 AND 2018

	<u>2019</u>	<u>2018</u>
ASSETS		
Investments, at Market Value		
U.S. equities	\$ 360,745,068	\$ 316,775,461
International equities	263,074,658	231,420,630
Fixed income	206,528,331	212,260,555
Alternative investments	100,128,132	60,739,281
Emerging market equities	55,076,310	60,179,558
Cash equivalents	52,130,531	28,441,152
Split-interest agreements	7,198,797	7,341,064
Other investments	404,730	404,730
Total investments	<u>1,045,286,557</u>	<u>917,562,431</u>
Other Assets		
Cash	4,183,840	4,404,043
Assets held as fiscal agent	5,687,111	5,032,839
Accrued investment income	2,138,592	1,807,816
Contributions receivable - split-interest agreements	3,179,748	2,676,118
Property and equipment, net	1,343,982	1,569,437
Other assets	<u>1,408,937</u>	<u>223,806</u>
Total Assets	<u>\$ 1,063,228,767</u>	<u>\$ 933,276,490</u>
LIABILITIES AND NET ASSETS		
Liabilities		
Grants and other payables	\$ 25,350,061	\$ 30,766,913
Liability held as fiscal agent	5,687,111	5,032,839
Annuity liability	3,872,261	2,020,987
Agency endowments	3,757,897	3,316,300
Accounts payable and other liabilities	506,874	583,658
Total liabilities	<u>39,174,204</u>	<u>41,720,697</u>
Net Assets		
Without donor restrictions	29,406,576	24,843,876
With donor restrictions	994,647,987	866,711,917
Total net assets	<u>1,024,054,563</u>	<u>891,555,793</u>
Total Liabilities and Net Assets	<u>\$ 1,063,228,767</u>	<u>\$ 933,276,490</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, 2019 AND 2018

	2019			2018		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Revenues, Gains and Other Support						
Donations and bequests, net	\$ -	\$ 14,052,928	\$ 14,052,928	\$ -	\$ 13,097,119	\$ 13,097,119
Investment income, net of investment and trustees fees of \$742,148 in 2019 and \$812,949 in 2018	697,930	17,953,768	18,651,698	835,217	15,351,361	16,186,578
Change in value of split-interest agreements and other assets	240,108	(1,435,317)	(1,195,209)	(602,385)	(588,269)	(1,190,654)
Net assets released from restrictions	46,036,819	(46,036,819)	-	47,160,590	(47,160,590)	-
Other revenues	1,715,280	605,307	2,320,587	203,874	425,211	629,085
Total revenues, gains and other support	<u>48,690,137</u>	<u>(14,860,133)</u>	<u>33,830,004</u>	<u>47,597,296</u>	<u>(18,875,168)</u>	<u>28,722,128</u>
Expenses						
Program expenses:						
Grants authorized, net	38,299,168	-	38,299,168	38,055,194	-	38,055,194
Related program activities and Foundation administered projects	3,669,908	-	3,669,908	3,288,468	-	3,288,468
Program support	1,814,280	-	1,814,280	2,799,257	-	2,799,257
Management and general:						
Operating expenses	4,716,632	-	4,716,632	4,788,897	-	4,788,897
Fundraising expenses	1,710,535	-	1,710,535	1,723,847	-	1,723,847
Total expenses	<u>50,210,523</u>	<u>-</u>	<u>50,210,523</u>	<u>50,655,663</u>	<u>-</u>	<u>50,655,663</u>
Decrease in Net Assets Before Realized and Unrealized Appreciation (Depreciation) on Investments and Other Assets	(1,520,386)	(14,860,133)	(16,380,519)	(3,058,367)	(18,875,168)	(21,933,535)
Realized and Unrealized Appreciation (Depreciation) on Investments and Other Assets, Net of Investment and Trustees Fees of \$4,824,028 in 2019 and \$4,926,094 in 2018	<u>6,083,086</u>	<u>142,796,203</u>	<u>148,879,289</u>	<u>(4,453,510)</u>	<u>(89,110,349)</u>	<u>(93,563,859)</u>
Increase (Decrease) in Net Assets	4,562,700	127,936,070	132,498,770	(7,511,877)	(107,985,517)	(115,497,394)
Net Assets - Beginning of Year	<u>24,843,876</u>	<u>866,711,917</u>	<u>891,555,793</u>	<u>32,355,753</u>	<u>974,697,434</u>	<u>1,007,053,187</u>
Net Assets - End of Year	<u>\$ 29,406,576</u>	<u>\$ 994,647,987</u>	<u>\$ 1,024,054,563</u>	<u>\$ 24,843,876</u>	<u>\$ 866,711,917</u>	<u>\$ 891,555,793</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, 2019

	<u>Program Services</u>					<u>Management and General</u>	<u>Fundraising</u>	<u>Total Expenses</u>
	<u>Grants Authorized, Net</u>	<u>Activities and Foundation Administered Projects and Program Support</u>		<u>Total Program Services</u>				
Grants	\$ 38,299,168	\$ -	\$ 38,299,168	\$ -	\$ -	\$ -	\$ 38,299,168	
Salaries and benefits	-	3,286,701	3,286,701	3,516,093	1,153,663	7,956,457		
Consulting	-	902,822	902,822	240,049	177,840	1,320,711		
Office expense	-	353,265	353,265	321,243	109,213	783,721		
Occupancy	-	211,371	211,371	213,214	65,191	489,776		
Communications and marketing	-	178,424	178,424	92,587	172,943	443,954		
Professional fees	-	90,890	90,890	229,818	-	320,708		
Depreciation	-	102,733	102,733	103,628	31,685	238,046		
Other program expenses	-	228,471	228,471	-	-	228,471		
Miscellaneous expense	-	129,511	129,511	-	-	129,511		
Total Expenses	\$ 38,299,168	\$ 5,484,188	\$ 43,783,356	\$ 4,716,632	\$ 1,710,535	\$ 50,210,523		

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, 2018

	Program Services			Management and General	Fundraising	Total Expenses
	Grants Authorized, Net	Activities and Foundation Administered Projects and Program Support	Total Program Services			
Grants	\$ 38,055,194	\$ -	\$ 38,055,194	\$ -	\$ -	\$ 38,055,194
Salaries and benefits	-	3,392,915	3,392,915	3,372,772	1,091,118	7,856,805
Consulting	-	627,149	627,149	418,771	174,656	1,220,576
Office expense	-	416,496	416,496	351,639	120,813	888,948
Occupancy	-	221,169	221,169	204,774	64,017	489,960
Communications and marketing	-	283,142	283,142	91,181	246,186	620,509
Professional fees	-	130,458	130,458	263,209	-	393,667
Depreciation	-	93,480	93,480	86,551	27,057	207,088
Other program expenses	-	310,415	310,415	-	-	310,415
Miscellaneous expense	-	612,501	612,501	-	-	612,501
Total Expenses	\$ 38,055,194	\$ 6,087,725	\$ 44,142,919	\$ 4,788,897	\$ 1,723,847	\$ 50,655,663

The accompanying notes are an integral part of the financial statements

HARTFORD FOUNDATION FOR PUBLIC GIVING

STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

	<u>2019</u>	<u>2018</u>
Cash Flows from Operating Activities		
Increase (decrease) in net assets	\$ 132,498,770	\$ (115,497,394)
Adjustments to reconcile increase (decrease) in net assets to net cash used in operating activities:		
Depreciation expense	238,046	207,088
Realized and unrealized (appreciation) depreciation of investments and other assets	(148,879,289)	93,563,859
Change in value of split interest agreements	1,195,209	1,990,654
(Increase) decrease in operating assets:		
Assets held as fiscal agent	(654,272)	(5,032,839)
Accrued investment income	(330,776)	(312,238)
Contributions receivable - split-interest agreements	(503,630)	226,587
Other assets	(1,185,131)	176,157
Increase (decrease) in operating liabilities:		
Grants and other payables	(5,416,852)	1,556,028
Annuity liability	1,851,274	(205,913)
Agency endowments	441,597	(407,648)
Accounts payable and other liabilities	(76,784)	(11,497)
Liability held as fiscal agent	654,272	5,032,839
Net cash used in operating activities	<u>(20,167,566)</u>	<u>(18,714,317)</u>
Cash Flows from Investing Activities		
Purchases of investments	(223,953,426)	(201,115,560)
Proceeds from sales of investments	243,913,380	215,646,186
Purchases of property and equipment	(12,591)	(24,609)
Net cash provided by investing activities	<u>19,947,363</u>	<u>14,506,017</u>
Net Decrease in Cash	(220,203)	(4,208,300)
Cash - Beginning of Year	<u>4,404,043</u>	<u>8,612,343</u>
Cash - End of Year	<u>\$ 4,183,840</u>	<u>\$ 4,404,043</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 not-for-profit organizations and agencies in need of financial assistance. The Foundation's affairs, including its grantmaking, are governed by an 11-member Board of Directors.

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 not-for-profit 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 \$1.2 million.

HFPG, Inc., had total assets of \$457,204,508 and \$403,376,906 and net assets of \$427,371,680 and \$382,637,723 as of December 31, 2019 and 2018, respectively. HFPG Impact! had total assets and net assets of \$1,200,000 as of December 31, 2019 and no assets and net assets as of December 31, 2018. HFPG Special Assets, Inc., had no net assets as of December 31, 2019 and 2018.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Change in Accounting Principle

In June 2018, the Financial Accounting Standards Board issued Accounting Standards Update (ASU) No. 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made*. The amendment clarifies guidance on how an entity determines whether a transfer of assets is a contribution or exchange transaction. The amendment also clarifies the determination of conditional contributions based on evaluating whether there is a right of return and a barrier to overcome. The two permitted transition methods under the new standard are the full retrospective method, in which case the standard would be applied to each prior reporting period presented and the cumulative effect of applying the standard would be recognized at the earliest period shown, or the modified prospective method, in which case the effect of applying the standard would be recognized for any agreements not completed and any new agreements entered into at the date of initial application. The new standard is effective for annual reporting periods beginning after December 15, 2018 for resource recipients and for annual reporting periods beginning after

HARTFORD FOUNDATION FOR PUBLIC GIVING

NOTES TO FINANCIAL STATEMENTS

December 15, 2019 for resource providers. Management has adopted ASU 2018-08, as a resource recipient, for the year ended December 31, 2019. Management will adopt ASU 2018-08 as a resource provider for the year ending December 31, 2020 and is still considering the impact of adoption as a resource provider. The amendments have been applied using the modified prospective method. There was no cumulative effect of applying ASU 2018-08.

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 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.

HARTFORD FOUNDATION FOR PUBLIC GIVING

NOTES TO FINANCIAL STATEMENTS

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 \$3,757,897 and \$3,316,300 at December 31, 2019 and 2018, respectively, and are included on the statements of financial position in agency endowments. Amounts received and distributed under these relationships totaled \$26,035 and \$133,363, respectively, for the year ended December 31, 2019 and \$30,000 and \$119,977, respectively, for the year ended December 31, 2018.

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.

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.

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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 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 \$296,461 in 2019 and \$132,320 in 2018 were recognized as support with donor restrictions. During December 31, 2019 and 2018, several split-interest agreement income beneficiaries passed away, and the remaining assets, totaling \$549,859 and \$10,175, 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.

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NOTES TO FINANCIAL STATEMENTS

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 (depreciation) 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.

Reclassifications

Certain amounts in the 2018 financial statements have been reclassified to conform to the current year's presentation.

Subsequent Events

In preparing these financial statements, management has evaluated subsequent events through May 4, 2020, which represents the date the financial statements were available to be issued.

Subsequent to the balance sheet date, domestic and global investment markets have experienced significant volatility. This volatility is the result of numerous economic and political factors including the impact of the spread of the coronavirus. As a result, the current fair value of the Foundation's investments may be materially different from the amounts recorded in the financial statements as of December 31, 2019.

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NOTES TO FINANCIAL STATEMENTS

NOTE 3 - PROPERTY AND EQUIPMENT

The components of property and equipment as of December 31, 2019 and 2018 are summarized as follows:

	<u>2019</u>	<u>2018</u>
Buildings and improvements	\$ 2,282,352	\$ 2,269,762
Furniture and equipment	568,480	568,479
	<u>2,850,832</u>	<u>2,838,241</u>
Less accumulated depreciation	1,506,850	1,268,804
	<u>\$ 1,343,982</u>	<u>\$ 1,569,437</u>

Depreciation expense of \$238,046 and \$207,088 was recognized for the years ended December 31, 2019 and 2018, respectively.

NOTE 4 - FAIR VALUE MEASUREMENTS

Generally accepted accounting principles 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.

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.

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NOTES TO FINANCIAL STATEMENTS

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 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.

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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, 2019 and 2018.

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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NOTES TO FINANCIAL STATEMENTS

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, 2019 and 2018:

Description	December 31, 2019	Fair Value Measurements Using			Assets Valued at NAV (a)
		Level 1	Level 2	Level 3	
Assets:					
U.S. equities	\$ 360,745,068	\$ 290,251,256	\$ -	\$ -	\$ 70,493,812
International equities	263,074,658	28,168,412	-	-	234,906,246
Fixed income	206,528,331	-	121,640,298	-	84,888,033
Alternative investments:					
Private equity	55,499,543	-	-	-	55,499,543
Absolute return	35,725,654	-	35,725,654	-	-
Real assets	8,902,935	-	8,902,935	-	-
Emerging market equities	55,076,310	-	-	-	55,076,310
Cash equivalents	52,130,531	52,130,531	-	-	-
Split-interest agreements	7,198,797	3,636,980	-	-	3,561,817
Other investments	404,730	-	404,730	-	-
Total investments	1,045,286,557	374,187,179	166,673,617	-	504,425,761
Contributions receivable - split-interest agreements	3,179,748	-	-	3,179,748	-
Subtotal	1,048,466,305	374,187,179	166,673,617	3,179,748	504,425,761
Less cash equivalents	(52,130,531)	(52,130,531)	-	-	-
Total Assets at Fair Value	\$ <u>996,335,774</u>	\$ <u>322,056,648</u>	\$ <u>166,673,617</u>	\$ <u>3,179,748</u>	\$ <u>504,425,761</u>
Liabilities:					
Annuity Liability at Fair Value	\$ <u>3,872,261</u>	\$ -	\$ -	\$ <u>3,872,261</u>	\$ -

Description	December 31, 2018	Fair Value Measurements Using			Assets Valued at NAV (a)
		Level 1	Level 2	Level 3	
Assets:					
U.S. equities	\$ 316,775,461	\$ 252,197,190	\$ -	\$ -	\$ 64,578,271
International equities	231,420,630	31,654,637	-	-	199,765,993
Fixed income	212,260,555	-	99,056,592	-	113,203,963
Alternative investments:					
Private equity	52,459,183	-	-	-	52,459,183
Real assets	8,280,098	-	-	-	8,280,098
Emerging market equities	60,179,558	-	-	-	60,179,558
Cash equivalents	28,441,152	28,441,152	-	-	-
Split-interest agreements	7,341,064	2,803,329	-	-	4,537,735
Other investments	404,730	-	404,730	-	-
Total investments	917,562,431	315,096,308	99,461,322	-	503,004,801
Contributions receivable - split-interest agreements	2,676,118	-	-	2,676,118	-
Subtotal	920,238,549	315,096,308	99,461,322	2,676,118	503,004,801
Less cash equivalents	(28,441,152)	(28,441,152)	-	-	-
Total Assets at Fair Value	\$ <u>891,797,397</u>	\$ <u>286,655,156</u>	\$ <u>99,461,322</u>	\$ <u>2,676,118</u>	\$ <u>503,004,801</u>
Liabilities:					
Annuity Liability at Fair Value	\$ <u>2,020,987</u>	\$ -	\$ -	\$ <u>2,020,987</u>	\$ -

(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.

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There were no transfers between levels of investments during the years ended December 31, 2019 or 2018.

The following is a summary of the commitments and redemption rights of investments in entities that calculate net asset per share:

Description	Fair Value	Unfunded Commitments	Redemption Terms	Redemption Restrictions
U.S. equities	\$ 70,493,812	\$ -	Monthly	30 days written notice
International equities	234,906,246	-	Monthly	2-30 days written notice
Fixed income	84,888,033	-	Monthly	5-15 days written notice
Private equities	55,499,543	26,420,827	Illiquid	Illiquid
Emerging market equities	55,076,310	-	Monthly	10-30 days written notice
Split-interest agreements	3,561,817	-	Illiquid	Illiquid
Total	<u>\$ 504,425,761</u>	<u>\$ 26,420,827</u>		

The table below sets forth a summary of changes in the fair value of the Foundation's Level 3 assets and liabilities for the years ended December 31, 2019 and 2018:

	Contributions Receivable - Split-Interest Agreements	Annuity Liability
Balance - January 1, 2018	\$ 2,902,705	\$ 2,226,900
Change in value of split-interest agreements	<u>(226,587)</u>	<u>(205,913)</u>
Balance - December 31, 2018	2,676,118	2,020,987
Change in value of split-interest agreements	<u>503,630</u>	<u>1,851,274</u>
Balance - December 31, 2019	<u>\$ 3,179,748</u>	<u>\$ 3,872,261</u>

Financial Instruments Not Measured at Fair Value

The carrying amounts of cash, contributions receivable and grants payable approximate their fair value because of the short-term nature of these instruments. There have been no changes in the methodologies used at December 31, 2019 and 2018.

NOTE 5 - ANNUITY CONTRACT AND RETIREMENT BENEFIT PAYABLE

The Foundation established a 457(b) Deferred Compensation Plan for the benefit of a former employee and is the sole owner of the assets of the plan. Distributions will be made upon severance from employment, but no later than April 1 of the calendar year following the calendar year in which the employee attains age 70 ½.

The amounts funded and the liability accrued for these plans are recorded in other assets and accounts payable and other liabilities on the statements of financial position.

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NOTE 6 - EMPLOYEE BENEFIT PLAN

The Foundation sponsors a noncontributory defined contribution employee benefit plan in which the Foundation makes contributions based on each employee's level of compensation at the discretion of the Foundation's Board of Directors. For the years ended December 31, 2019 and 2018, the Board authorized contributions to the plan at the rate of 10% of each eligible employee's compensation. An employee must have at least one year of service to be eligible for the plan. Employees are immediately 100% vested in the Foundation's contributions. The Foundation contributed \$537,397 and \$525,814 to the plan for the years ended December 31, 2019 and 2018, respectively.

NOTE 7 - 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>2019</u>	<u>2018</u>
Cash	\$ 4,183,840	\$ 4,404,043
Accrued investment income	2,138,592	1,807,816
Investments	13,628,467	18,260,844
Board designations:		
Approved appropriation of endowment assets for expenditure in 2020	<u>54,500,000</u>	<u>52,100,000</u>
Total Financial Assets Available to Management for General Expenditure Within One Year	<u>\$ 74,450,899</u>	<u>\$ 76,572,703</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, 2019 and 2018, the Foundation's governing board has designated \$29,406,576 and \$24,843,876 of its resources 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.

NOTE 8 - ENDOWMENT

The Foundation's endowment consists of approximately 1,300 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.

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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 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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NOTES TO FINANCIAL STATEMENTS

Endowment Net Assets

Changes in endowment net assets for the years ended December 31, 2019 and 2018 are as follows:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Endowment net assets - January 1, 2018	\$ 32,355,753	\$ 974,697,434	\$ 1,007,053,187
Investment income	835,217	15,351,361	16,186,578
Investment losses	(4,453,510)	(89,110,349)	(93,563,859)
Net investment return	<u>(3,618,293)</u>	<u>(73,758,988)</u>	<u>(77,377,281)</u>
Contributions	<u>-</u>	<u>13,097,119</u>	<u>13,097,119</u>
Appropriation of endowment assets for expenditure	<u>(4,386,712)</u>	<u>(47,160,590)</u>	<u>(51,547,302)</u>
Other changes:			
Unexpended funds appropriated	891,639	-	891,639
Other revenue	203,874	425,211	629,085
Change in value of split-interest agreements and other assets	<u>(602,385)</u>	<u>(588,269)</u>	<u>(1,190,654)</u>
Total other changes	<u>493,128</u>	<u>(163,058)</u>	<u>330,070</u>
Endowment net assets - December 31, 2018	<u>24,843,876</u>	<u>866,711,917</u>	<u>891,555,793</u>
Investment income	697,930	17,953,768	18,651,698
Investment gains	6,083,086	142,796,203	148,879,289
Net investment return	<u>6,781,016</u>	<u>160,749,971</u>	<u>167,530,987</u>
Contributions	<u>-</u>	<u>14,052,928</u>	<u>14,052,928</u>
Appropriation of endowment assets for expenditure	<u>(5,850,537)</u>	<u>(46,036,819)</u>	<u>(51,887,356)</u>
Other changes:			
Unexpended funds appropriated	1,676,833	-	1,676,833
Other revenue	1,715,280	605,307	2,320,587
Change in value of split-interest agreements and other assets	<u>240,108</u>	<u>(1,435,317)</u>	<u>(1,195,209)</u>
Total other changes	<u>3,632,221</u>	<u>(830,010)</u>	<u>2,802,211</u>
Endowment Net Assets - December 31, 2019	<u>\$ 29,406,576</u>	<u>\$ 994,647,987</u>	<u>\$ 1,024,054,563</u>

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Amounts classified as net assets with donor restrictions (endowment only) at December 31, 2019 and 2018 are as follows:

	<u>2019</u>	<u>2018</u>
Net assets with donor restrictions:		
Endowment funds subject to time restriction	\$ 987,051,458	\$ 860,047,886
Charitable remainder trusts, charitable lead trust, pooled income funds and contributions receivable	<u>7,596,529</u>	<u>6,664,051</u>
Total Endowment Funds Classified as Net Assets With Donor Restrictions	<u>\$ 994,647,987</u>	<u>\$ 866,711,917</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 (losses) (i.e., investment income or loss net of all investment fees, net realized and unrealized gains or losses on investments, and change in value of split-interest agreements) totaled approximately \$167.5 million and \$(77.4) million for the years ended December 31, 2019 and 2018, 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. Funds with deficiencies of this nature were \$10,663 and \$1,537,652 as of December 31, 2019 and 2018, respectively. 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.

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

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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 9 - 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, 2019 and 2018, grants payable are committed as follows:

	<u>2019</u>	<u>2018</u>
Due within one year	\$ 22,259,012	\$ 29,376,387
Due in one to five years	<u>3,091,049</u>	<u>1,390,526</u>
	<u>\$ 25,350,061</u>	<u>\$ 30,766,913</u>

For the years ended December 31, 2019 and 2018, the Foundation cancelled previously authorized grants of \$1,622,916 and \$300,193, respectively. Grant cancellations are recorded in other revenues in the statements of activities.

NOTE 10 - LEASE COMMITMENTS

The Foundation leases a facility under an operating lease which expires in 2026. Rent expense under this lease totaled \$489,725 and \$489,960 for the years ended December 31, 2019 and 2018, 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

2020	\$ 502,058
2021	514,173
2022	526,289
2023	538,404
2024	550,520
Thereafter	<u>1,137,385</u>
	<u>\$ 3,768,829</u>