THE COMMUNITY FOUNDATION FOR GREATER NEW HAVEN
AND AFFILIATE

COMBINED FINANCIAL STATEMENTS

DECEMBER 31, 2014 AND 2013

THE COMMUNITY FOUNDATION FOR GREATER NEW HAVEN AND AFFILIATE

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Independent Auditors' Report

To the Trustees Committee and the Board of Directors
The Community Foundation for Greater New Haven
New Haven, Connecticut

Report on the Combined Financial Statements

We have audited the accompanying combined financial statements of The Community Foundation for Greater New Haven and Affiliate, which comprise the combined statements of financial position as of December 31, 2014 and 2013, and the related combined statements of activities and cash flows for the years then ended, and the related notes to the combined financial statements.

Management's Responsibility for the Combined Financial Statements

Management is responsible for the preparation and fair presentation of these combined 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 combined 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 combined financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the combined financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the combined financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the combined 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 combined 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 combined 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 combined financial statements referred to above present fairly, in all material respects, the financial position of The Community Foundation for Greater New Haven and Affiliate as of December 31, 2014 and 2013, and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued a report dated February 25, 2015 on our consideration of The Community Foundation for Greater New Haven's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering The Community Foundation for Greater New Haven's internal control over financial reporting and compliance.

Blum, Shapiro & Company, P.C.

West Hartford, Connecticut
February 25, 2015

THE COMMUNITY FOUNDATION FOR GREATER NEW HAVEN AND AFFILIATE
COMBINED STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2014 AND 2013

	2014	2013
ASSETS		
Cash and cash equivalents	$ 15,200,209	$ 5,378,931
Investments at market value - component funds	331,019,190	318,177,293
Investments at market value - organization funds	110,971,296	96,930,884
Investment in real estate	2,527,329	2,470,000
Investments - mission and program-related	230,000	350,000
Total investments	459,948,024	423,307,108
Notes receivable	150,000	60,000
Contributions receivable	886,342	7,342,058
Grants receivable	1,010,879	800,379
Split-interest agreements	597,745	2,118,733
Other assets	39,601	58,457
Furniture and equipment, net	366,070	364,017
Total Assets	$ 462,998,661	$ 434,050,752
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable and accrued expenses	$ 311,331	$ 945,074
Organization funds	110,971,296	96,930,884
Liabilities under split-interest agreements	562,332	552,145
Grants payable	1,258,083	2,220,096
Total liabilities	113,103,042	100,648,199
Net Assets		
Unrestricted	348,802,404	330,857,837
Temporarily restricted	1,093,215	2,544,716
Total net assets	349,895,619	333,402,553
Total Liabilities and Net Assets	$ 462,998,661	$ 434,050,752

The accompanying notes are an integral part of the combined financial statements

THE COMMUNITY FOUNDATION FOR GREATER NEW HAVEN AND AFFILIATE
COMBINED STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013

	2014			2013		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
Revenue, Gains and Other Support						
Contributions	$ 25,724,592	$ 125,000	$ 25,849,592	$ 24,319,656	$ 45,534	$ 24,365,190
Less contributions to organization funds	(10,291,252)	-	(10,291,252)	(14,835,271)	-	(14,835,271)
Net contributions	15,433,340	125,000	15,558,340	9,484,385	45,534	9,529,919
Investment income	13,948,874	-	13,948,874	18,822,616	-	18,822,616
Realized and unrealized gain on investments, net of fees of $2,245,698 for 2014 and $2,346,967 for 2013	8,889,390	-	8,889,390	25,843,554	-	25,843,554
Split-interest agreements released from restrictions	1,600,723	(1,600,723)	-	63,947	(63,947)	-
Change in value of split-interest agreements, net	-	24,222	24,222	-	317,267	317,267
Total revenue, gains and other support	39,872,327	(1,451,501)	38,420,826	54,214,502	298,854	54,513,356
Expense						
Grants approved, net	22,087,544	-	22,087,544	21,941,661	-	21,941,661
Grants for program management and direct grant activities	1,912,464	-	1,912,464	1,728,685	-	1,728,685
Total grants and program expense	24,000,008	-	24,000,008	23,670,346	-	23,670,346
Less grants from organization funds	(5,192,584)	-	(5,192,584)	(4,034,820)	-	(4,034,820)
Net grant and program expense	18,807,424	-	18,807,424	19,635,526	-	19,635,526
Development, donor services and fund stewardship	1,258,200	-	1,258,200	1,137,293	-	1,137,293
Financial, endowment and investment management	1,042,796	-	1,042,796	942,588	-	942,588
Management, general and administrative	819,340	-	819,340	740,605	-	740,605
Nonrecurring research and development in charitable investment management services	-	-	-	373,331	-	373,331
Total administration expense	3,120,336	-	3,120,336	3,193,817	-	3,193,817
Total expense	21,927,760	-	21,927,760	22,829,343	-	22,829,343
Increase (Decrease) in Net Assets	17,944,567	(1,451,501)	16,493,066	31,385,159	298,854	31,684,013
Net Assets - Beginning of Year	330,857,837	2,544,716	333,402,553	299,472,678	2,245,862	301,718,540
Net Assets - End of Year	$ 348,802,404	$ 1,093,215	$ 349,895,619	$ 330,857,837	$ 2,544,716	$ 333,402,553

The accompanying notes are an integral part of the combined financial statements

THE COMMUNITY FOUNDATION FOR GREATER NEW HAVEN AND AFFILIATE
COMBINED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013

	2014	2013
Cash Flows from Operating Activities		
Increase in net assets	$ 16,493,066	$ 31,684,013
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation	11,690	64,295
Realized and unrealized gain on investments, net	(8,889,390)	(25,843,554)
(Increase) decrease in operating assets:		
Notes receivable	(90,000)	60,000
Contributions receivable	6,455,716	(6,750,109)
Grants receivable	(210,500)	71,249
Split-interest agreements	1,520,988	(251,260)
Other assets	18,856	220,344
Increase (decrease) in operating liabilities:		
Accounts payable and accrued expenses	(633,743)	241,107
Organization funds	14,040,412	23,761,183
Liabilities under split-interest agreements	10,187	11,585
Grants payable	(962,013)	(683,978)
Net cash provided by operating activities	27,765,269	22,584,875
Cash Flows from Investing Activities		
Proceeds from sales of investments	38,484,663	63,276,535
Purchases of investments	(56,357,582)	(87,254,696)
Improvements to investment in real estate	(57,329)	-
Purchases of furniture and equipment	(13,743)	(17,700)
Net cash used in investing activities	(17,943,991)	(23,995,861)
Net Increase (Decrease) in Cash and Cash Equivalents	9,821,278	(1,410,986)
Cash and Cash Equivalents - Beginning of Year	5,378,931	6,789,917
Cash and Cash Equivalents - End of Year	$ 15,200,209	$ 5,378,931

The accompanying notes are an integral part of the combined financial statements

Note 1 - **Organization and Basis of Presentation:**

The Community Foundation for Greater New Haven (The Foundation), formerly The New Haven Foundation, was established in 1928 under a Resolution and Declaration of Trust as amended through April 2000 (the R&D). As of December 31, 2014, the R&D provides for the following Trustee Banks: Wells Fargo Bank, Bank of America, First Niagara and People's United Bank.

The accompanying combined financial statements include the accounts of The Foundation, The Community Foundation for Greater New Haven, Inc. (The Corporation), and The Valley Community Foundation, Inc. (The Affiliate) (together, The Foundation, The Corporation and The Affiliate, are referred to as The Community Foundation herein). All material intercompany balances and transactions have been eliminated from The Community Foundation's combined financial statements.

The Corporation is a separate charitable corporation, organized in 1982 to perform the function and to carry out the purposes of The Foundation. The Affiliate is a separate charitable corporation, organized in 2004 to carry out the purposes, mission, objectives, operations and activities of The Foundation in the towns of Ansonia, Derby, Shelton, Seymour and Oxford, Connecticut, and their environs.

In 2014, The Corporation voluntarily sought registration as a Connecticut registered Investment adviser with the State of Connecticut's Department of Banking under the Connecticut Uniform Securities Act as part of its on-going efforts to provide local nonprofits with the comfort of knowing that their endowment-like assets are managed according to the industry standards and best practices. In March 2014, the Connecticut Department of Banking's Securities and Business Investments Division notified the Corporation that is was a registered investment adviser. The Corporation advises both its permanent assets, including its component funds, which have come to the Corporation through irrevocable gifts, as well as other nonpermanent charitable assets that have come to the Corporation through revocable transfer by charitable institutions wishing to outsource the management of their investments (Organization Funds). The primary investment advisory services that the Corporation provides to Organization Funds are the selection and monitoring of unaffiliated asset managers retained under a commingled fund operating under a long-term asset allocation model, which processes are set forth in an investment management agreement between the Organization Fund and the Corporation. See footnote 2C below for additional information on Organization Funds.

As of January 1, 2014, The Affiliate, as a result of changes in federal tax law that became effective at the beginning of calendar year 2014, has determined through actions adopted by its Board of Directors that it shall obtain its federal exemption under Section 501(c)(3) as an independent organization for, among other things, fulfilling its public support test, rather than through the former Internal Revenue Code (IRC) provisions afforded under Section 509(a)(3) as a supporting organization to The Foundation. Notwithstanding this IRC election by The Affiliate, The Foundation and The Affiliate, through an amendment to the existing affiliation agreement that was adopted in December 2013 by the respective Board of Directors, will continue to report the financial results of The Foundation and The Affiliate on a consolidated basis pursuant to the provisions of such affiliation agreement. Consistent with IRC requirements that have existed since this Affiliate's formation in 2004, The Foundation and The Affiliate will continue to issue separate informational tax filings through IRS Form 990.

The Foundation qualifies as a public charity under IRC Section 170(b)(1)(A)(vi) and is exempt from federal income and state taxes under Section 501(c)(3) of the Internal Revenue Code and Section 12-244 of the Connecticut General Statutes. The Foundation and its Affiliate's informational returns for the years ended December 31, 2011 through 2014 are subject to examination by the Internal Revenue Service and the State of Connecticut.

Note 2 - **Summary of Significant Accounting Policies:**

a. Basis of Accounting

The Community Foundation prepares its combined financial statements on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (GAAP).

b. Financial Statement Presentation

The Community Foundation measures aggregate net assets based on the absence or existence of donor-imposed restrictions. The three categories of net assets for presentation of The Community Foundation's combined financial statements are as follows: unrestricted, temporarily restricted and permanently restricted.

ASC 958-205: *Endowments of Not-for-Profit Organizations: Net Asset Classification of Funds Subject to an Enacted Version of the Uniform Prudent Management of Institutional Funds Act, and Enhanced Disclosures for All Endowment Funds,* sets forth the net asset classifications of donor-restricted endowment funds in accordance with the State of Connecticut's enacted version of the Uniform Prudent Management of Institutional Funds Act (CUPMIFA). This standard also requires other disclosures concerning an organization's charitable assets including whether or not the organization is subject to CUPMIFA. Although CUPMIFA is not germane, The Community Foundation has and will continue to provide additional disclosures as further described below for the complete fulfillment of donor intent. Further, The Community Foundation will continue its stewardship responsibilities by internally accounting for and reporting on all net assets in accordance with each donor's original intent as provided for in the underlying gift instrument that established the fund, as presented in Note 3a. The impact of CUPMIFA's adoption was negligible on the presentation of The Community Foundation's financial statements given the governing documents' provision for variance power, the unilateral power to redirect the use of a contribution for another charitable purpose. The criteria and circumstances under which the Board of Directors of The Community Foundation would exercise its responsibility are prescribed within the R&D.

The Community Foundation's combined financial statements classify substantially all net assets as unrestricted; however, as noted above, all recordkeeping for internal management and all external reporting retain the original donor intent and direction for every charitable fund held within The Community Foundation. All contributions not classified as temporarily restricted are classified as unrestricted net assets. Temporarily restricted net assets consist of irrevocable charitable trusts, lead trusts and pooled income funds, which are all classified as split-interest agreements, as defined in Note 2k, below.

As the community's perpetual endowment organization, The Community Foundation's spending policies and philosophy since their creation in 1993 and as prescribed in the R&D, as well as the long-term investment management policies and procedures both of which are further described in Note 3b, were designed to function as integrated processes and are administered to reflect the following facts and circumstances, as also described in CUPMIFA, for prudent stewards of charitable assets, including:

1) The duration and preservation of a fund;
2) The purpose of the organization and the donor designations thereto;
3) General economic conditions;
4) The possible effects of inflation and deflation;
5) The expected total return of the charitable assets;
6) Other resources of the organization;
7) The investment policies.

c. Organization Funds

As discussed above, The Community Foundation receives and distributes assets for certain Organization Funds that have been established by a nonprofit from its own resources for the sole purpose of supporting that specific nonprofit's operations. Amounts received and distributed under these relationships totaled $10,291,252 and $5,192,584, respectively, for the year ended December 31, 2014, and $14,835,271 and $4,034,820, respectively, for the year ended December 31, 2013.

The amounts received but not yet distributed totaled $110,971,296 and $96,930,884 at December 31, 2014 and 2013, respectively, and are separately identified on the combined statements of financial position and referred to as Organization Funds.

d. Cash and Cash Equivalents

Cash and cash equivalents include currency and interest-bearing short-term investments with an average maturity of three months or less.

The Community Foundation maintains deposits which may, at times, be in excess of the financial institution's insurance limits. The Community Foundation invests available cash and cash equivalents with high-credit quality institutions and believes that such deposits are not subject to significant credit risk.

e. Investments

Investments are carried at fair value, as discussed in Note 2f below. Investments include alternative investments, which are principally absolute return and hedge strategies, and real assets, such as private equity, hedged equity and real estate. Because most alternative investments are not immediately marketable given the nature of the underlying strategies and the terms of the investment's governing agreement, the estimated fair value is subject to uncertainty and, therefore, may differ from the value that may be received if a ready market for the investments had been in existence, and the difference could be material. Fair value of alternative investments in limited partnerships are determined by the general partner to be at fair value pursuant to GAAP's standard referred to as *Fair Value Measurements* after it considers certain pertinent factors that are reviewed and discussed by management and its investment committee, in consultation with its independent advisory firm.

f. Fair Value of Financial Instruments

The Community Foundation is required to measure the fair value of its assets and liabilities under a three-level hierarchy, as follows:

Level 1: Observable inputs from quoted market prices for identical assets or liabilities to which The Community Foundation has independent access at the measurement date.

Level 2: Observable inputs derived from direct quoted market prices or indices for the asset or liability, either directly or indirectly, or can be corroborated by observable inputs and market data, or The Community Foundation has the ability to redeem the asset in the near term (within 90 days) subsequent to the measurement date.

Level 3: Prices, which may be based on an underlying quoted market price, observable input and/or market data contained in Level 1 and Level 2, which also requires significant judgment on observable inputs by the investee as to the net asset value per share or unit of The Community Foundation's ownership interest in the partners' capital, or where redemption would be available in a period of more than 90 days from the measurement date. Valuation methodologies include, but are not limited to, discounted cash flow analysis, comparable asset analysis, third-party appraisals, third-party pricing services and other applicable indices.

Where:

Observable inputs reflect the market data that is readily available, regularly distributed or updated, reliable and verifiable, not proprietary, and from independent sources that are actively involved in the relevant markets, and include assumptions made in pricing and valuations of the asset or liability that are developed from sources independent of The Community Foundation; and

Unobservable inputs reflect The Community Foundation's own assumptions about the fair value assumptions made by investees' use in pricing the asset or liability developed based on the best information available.

The Community Foundation does not use unobservable inputs for determining fair value of its investments.

The fair value of The Community Foundation's investments as of December 31, 2014 is as follows:

Description		Total		Level 1		Level 2		Level 3
Short-term investments	$	17,303,292	$	17,303,292	$	-	$	-
Fixed income		64,082,691		49,640,718		14,441,973		-
Equities:								
International		38,117,243		-		23,593,353		14,523,890
Domestic		189,591,487		119,151,152		70,440,335		-
Alternatives:								
Hedged equity		64,102,192		-		20,205,860		43,896,332
Absolute return		9,179,426		-		-		9,179,426
Real assets		50,398,433		-		-		50,398,433
Private equity		9,215,722		-		-		9,215,722
Investments as of December 31, 2014		441,990,486		186,095,162		128,681,521		127,213,803
Split-interest agreements		597,745		-		-		597,745
Total assets at fair value as of December 31, 2014	$	442,588,231	$	186,095,162	$	128,681,521	$	127,811,548
Percent of Total		100%		42.0%		29.1%		28.9%

The fair value of The Community Foundation's investments as of December 31, 2013 is as follows:

Description		Total		Level 1		Level 2		Level 3
Short-term investments	$	14,676,121	$	14,676,121	$	-	$	-
Fixed income		62,062,159		47,592,057		14,470,102		-
Equities:								
International		41,683,145		-		27,788,395		13,894,750
Domestic		176,958,532		114,162,396		62,796,136		-
Alternatives:								
Hedged equity		56,614,749		-		-		56,614,749
Absolute return		9,941,052		-		-		9,941,052
Real assets		44,739,285		-		-		44,739,285
Private equity		8,433,134		-		-		8,433,134
Investments as of December 31, 2013		415,108,177		176,430,574		105,054,633		133,622,970
Split-interest agreements		2,118,733		-		-		2,118,733
Total assets at fair value as of December 31, 2013	$	417,226,910	$	176,430,574	$	105,054,633	$	135,741,703
Percent of Total		100%		42.3%		25.2%		32.5%

Transfers between Level 3 and Level 2 for the year ended December 31, 2014 relate to the expiration of lockup periods. There were no transfers between levels of investments during the year ended December 31, 2013.

The following table discloses certain additional information as of December 31, 2014 related to The Community Foundation's investments that report fair value based on net asset value per share and are not traded in an active market, although such net asset values may be based on underlying securities that are traded in an active market:

Description	**Fair Value**	**Unfunded Commitments**	**Redemption Terms**	**Redemption Restrictions**
Domestic equity	$ 70,440,335	None	Daily to Quarterly	0-60 days written notice
Fixed income	14,441,973	None	Monthly	10 days written notice
Hedged equity (Class B)	36,340,419	None	Quarterly to annually	45-60 days written notice
Hedged equity (Class B2)	27,761,773	None	Annually with a one-year lock-up period	95 days written notice
International equity	38,117,243	None	Monthly to Three-year lock-up period	5-90 days notice
Absolute return	9,179,426	None	Annually with one or three-year lock-up period	100 days written notice
Real assets	50,398,433	$ 5,647,752	More than 3 years	N/A
Private equity	9,215,722	6,465,000	More than 3 years	N/A
Total	$ 255,895,324	$ 12,112,752		

The Community Foundation assesses and reports on the liquidity of all investments on a quarterly basis to ensure that it has access to sufficient resources necessary for its current and future operational activities. Overall, The Community Foundation has access to approximately forty-six percent (46%) of the fair value of its investments on a monthly basis, and more than two-thirds (70.2%) of the fair value of its investments on a quarterly basis.

Assets Measured at Fair Value on a Recurring Basis Using Significant (Level 3) Inputs: The following is a summary of the changes in the balances of assets measured at fair value on a recurring basis using significant (Level 3) inputs for December 31, 2014 and 2013:

	Hedged Equity	Absolute Return	Real Assets	International Equity	Private Equity	Split-Interest Agreements	Total
Fair value as of December 31, 2012	$ 29,517,242	$ 23,173,658	$ 31,668,395	$ 11,921,070	$ 5,749,702	$ 1,867,473	$ 103,897,540
Net realized/ unrealized gains	6,004,825	1,223,074	7,910,853	1,973,680	494,565	-	17,606,997
Sales of investments	(1,946,243)	(14,455,680)	(8,424,203)	-	(343,311)	-	(25,169,437)
Purchases of Investments	23,038,925	-	13,584,240	-	2,532,178	-	39,155,343
Change in value of split-interest agreements	-	-	-	-	-	251,260	251,260
Fair value as of December 31, 2013	56,614,749	9,941,052	44,739,285	13,894,750	8,433,134	2,118,733	135,741,703
Net realized/ unrealized gains	1,993,795	495,443	12,000,341	629,140	871,608	-	15,990,327
Sales of investments	(38,918)	(1,257,069)	(16,097,082)	-	(836,625)	-	(18,229,694)
Purchases of Investments	-	-	9,755,889	-	747,605	-	10,503,494
Transfers out of Level 3	(14,673,294)	-	-	-	-	-	(14,673,294)
Change in value of split-interest agreements	-	-	-	-	-	(1,520,988)	(1,520,988)
Fair value as of December 31, 2014	$ 43,896,332	$ 9,179,426	$ 50,398,433	$ 14,523,890	$ 9,215,722	$ 597,745	$ 127,811,548

The Community Foundation's carrying amounts of cash and cash equivalents, accounts and grants payable and accrued expenses approximate fair value under Level 1. Investments are carried at fair value as presented above. Split-interest agreements are reported at fair value based on the life expectancy of the beneficiary and the net present value of the expected cash flows using a discount rate. Organization Funds are carried at fair value based on the underlying investments. Derivatives instruments are measured at fair value based on observable inputs. Certain alternative investments use stock indices, swaps, options, convertible securities and foreign currency exchange contracts, which are classified as derivatives. The Community Foundation does not use derivatives for speculative purposes within the parameters provided to the underlying manager under a written agreement, but rather these instruments are used with the objectives of reducing overall portfolio risk.

The Community Foundation's investments consist of the following types:

Short-term Investments: Investments consist of treasury securities with an average maturity of 120 days or less, checking accounts, and money market holdings with daily liquidity.

Fixed Income: Fixed income investments consist of both domestic and foreign issuances of debt instruments and include both government and corporate holdings. Domestically, The Community Foundation concentrates primarily on U.S. treasuries, including a separate account approach of Treasury Inflation Protected Securities (TIPS). Internationally, the fixed income strategy includes sovereign-issued, local-currency denominated debt holdings and a global fixed income approach that seeks a long-term, value-oriented approach in local-currency debt instruments.

Equities: Domestic and international equities, including international emerging market equities, are listed securities traded on public exchanges, at various market capitalizations, and are priced daily by the underlying managers. The Community Foundation accesses both domestic and international equities through institutional-class mutual funds, limited partnerships and separate accounts. Publicly traded domestic and international equities accessed through a limited partnership arrangement, while priced daily by the manager using Level 1 observable inputs, are contained in Level 2 and Level 3 investments due to their liquidity features.

Hedged Equity: This strategy involves equity investments, either long or short, in marketable and publicly traded equities. Traditionally, hedge funds purchase stocks that they perceive to be undervalued and sell stocks that they perceive to be overvalued. The research-intensive and quantitative efforts in identifying promising stocks to hold long in a portfolio may also provide short-sale opportunities, and for this reason many directional hedged equity funds often maintain both long and short portfolios in a fund-of-funds strategy, as employed by The Community Foundation.

Absolute Return: This investment strategy has an objective to generate in most market environments an annualized return equal to or greater than the 91-day U.S. Treasury Bill plus 5%, net of all costs. Absolute return strategies consist of capital structure arbitrage, hedged equity, special situations, distressed debt, and event arbitrage, and employ derivatives, as described above.

Real Assets: This strategy, within The Community Foundation's real assets investments, consists of investments in several fund-of-funds commercial, industrial and residential limited partnerships where diversity of property type, region, manager and strategy is a fundamental premise. These investments may also include the purchase, restructure or origination of loans secured by real property or secured by interests in such property.

Private Equity: This strategy consists of making equity capital available through a fund-of-funds structure whereby the underlying investments in the specific companies are not quoted on a public exchange. Private equity consists of qualified investors and institutional funds that make investments directly into private companies or conduct buyouts of public companies. Private equity investments are made with a long-term perspective, or generally about ten years in duration.

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

The Community Foundation believes that the carrying amount of its investments is a reasonable fair value as of December 31, 2014 and 2013.

g. Investment in Real Estate

In June 1990, The Foundation and The Corporation relocated their offices to The New Haven Foundation Building (the Building), a five-story, 26,976 square-foot office complex (excluding common and limited common space) on 0.16 acres of land, which was purchased for one dollar per square foot ($6,986) by the developer from the City of New Haven. The Building is classified and recognized by the Internal Revenue Service as a nonprofit condominium.

Floors four and five are owned and occupied by The Foundation, floor three is owned by The Corporation and occupied by the Foundation, and floors one and two are owned by unrelated nonprofit organizations. Pursuant to the Board of Directors' 1991 resolution, given the unique uses, condominium covenants, occupancy restrictions, and tax status, the Building was accounted for as a mission or program-related investment, no depreciation has been recognized. Pursuant to that 1991 resolution, and with the agreement of the Foundation's Trustee Banks, the Building would be periodically and independently assessed to determine its current fair carrying value, inclusive of such market restrictions. The Board of Directors requires a periodic valuation through an independent market appraisal not less frequently than every five years. The Building was independently appraised in 2010, and in accordance with the Board of Director's original resolution, the carrying value of the Building approximates the fair value including all improvements thereon, as of December 31, 2014 and 2013.

In 2014, The Community Foundation entered into agreements with a local construction services company and architectural firm to renovate the 3rd floor of the Building. The anticipated completion date of these renovations is May, 2015, and the estimated cost to complete these modifications is approximately $950,000.

h. Investments - Mission and Program-Related

The Community Foundation, like most foundations nationally, is increasingly seeking additional ways in which to invest its charitable capital entrusted to it through mechanisms and structures other than direct grants or similar distributions to nonprofit organizations. Achieving positive social outcomes and impact through the intentional use of financial assets to simultaneously achieve social and financial returns are commonly referred to as Mission-related or Impact investing (MRI). The Community Foundation has historically, and will continue with a more focused and directional intention, evaluate MRI opportunities to deploy the charitable financial assets for investment in local nonprofit organizations, through intermediaries or directly, whereby such investment generates both direct social benefit to an issue of importance such as housing and neighborhood revitalization among many other social objectives, and a financial rate of return. MRIs may take the form of equity, debt, loan guarantees or other familiar market products or instruments.

i. Furniture and Equipment

Furniture and equipment purchased in excess of $100 are capitalized and are stated at historical cost. Depreciation is provided on a straight-line basis over the following useful lives:

Furniture and equipment	5-20 years
Computer equipment	3-5 years

Furniture and equipment at December 31, 2014 and 2013, are as follows:

	2014	2013
Furniture and equipment	$ 1,020,212	$ 1,015,162
Accumulated depreciation	(654,142)	(651,145)
Furniture and equipment, net	$ 366,070	$ 364,017

j. Contributions

Unconditional contributions are recognized when pledged or received, as applicable, and are available for unrestricted use unless specifically restricted by the donor. Contributions receivable that are expected to be collected in more than one year are discounted to their present value. The Community Foundation reports nongovernmental contributions and grants of cash and other assets as temporarily restricted support if they are received with donor stipulations that limit their use. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the combined statements of activities as net assets released from restrictions. Conditional promises to give are recognized when the conditions upon which they depend are substantially met. The Community Foundation does not recognize conditional promises, and only recognizes unconditional contributions when they become estimable and quantifiable. Contributions receivable as of December 31, 2014 and 2013, in the amounts of $886,342 and $7,342,058 respectively, represent unconditional promises to give that are expected to be collected within one fiscal year.

Certain governmental grants and contracts are generally considered to be exchange transactions rather than contributions. Revenue from cost-reimbursement grants and contracts is recognized to the extent of costs incurred.

k. Split-Interest Agreements

Split-interest agreements consist of charitable assets irrevocably transferred for the benefit of The Community Foundation and other beneficiaries. Revocable split-interest agreements are not recorded as contributions unless enforceable by law. Irrevocable split-interest agreements are recorded as contributions at fair value when the assets are received or when The Community Foundation is notified of the existence of the agreement. The accounting treatment varies depending upon the type of the agreement created and whether The Community Foundation or a third party is the trustee.

The Community Foundation is a party to the following types of split-interest agreements:

Charitable Remainder Trusts and Pooled Income Funds: The Community Foundation is the beneficiary of various charitable remainder trusts and pooled income funds managed by unrelated entities. A charitable remainder trust provides for the payment of distributions to the grantor or other designated beneficiary(ies) over the trust's term. At the end of the trust's term, the remaining assets are available for The Community Foundation's use. The trust is carried at the fair value of the underlying investments. The portion of the trust attributable to the present value of the future benefits to be received by The Community Foundation is recognized in the combined statements of activities as a temporarily restricted contribution in the period the trust is established. On an annual basis, The Community Foundation revalues the liability to make distributions to the designated beneficiaries based on actuarial assumptions. The liability is calculated using a discount rate of 4.5% and applicable mortality tables.

Charitable Gift Annuity: The Community Foundation is the beneficiary of a charitable gift annuity whereby assets were transferred to The Community Foundation in exchange for The Community Foundation agreeing to pay a stated dollar amount annually to the designated beneficiary. Upon the death of the beneficiary, the remaining assets are available for The Community Foundation's use. The portion of the assets transferred that is attributable to the present value of the future benefits to be received by The Community Foundation is recognized in the combined statements of activities as a temporarily restricted contribution in the period it is established. On an annual basis, The Community Foundation revalues the liability to make distributions to the designated beneficiaries based on actuarial assumptions. The liability is calculated using a discount rate of 4.5% and applicable mortality tables.

l. Grants and Contracts Payable

Grants are recorded when approved by the Board of Directors and when the recipient has satisfied all material conditions of the terms of the grant agreement. Certain of these approved grant commitments are to provide staffing and related expenses of programs, including projects and programs for which The Community Foundation acts as financial intermediary or fiduciary.

As of December 31, 2014, The Community Foundation is unaware of any material conditions on grants that are unlikely to be satisfied during the approved grant period. In the normal course of business, refunds and cancellations occur as a result of the recipient's needs being less than the appropriated amount and are deducted from the grant appropriations reported in the period as canceled or refunded.

Grant activity for the years ended December 31, 2014 and 2013, is summarized below:

	2014	2013
Grants payable, beginning of year	$ 2,220,096	$ 2,904,074
Grants approved	31,322,854	24,012,377
Grant payments distributed	(32,077,177)	(24,660,782)
Cancellations and adjustments	(207,690)	(35,573)
Grants payable, end of year	$ 1,258,083	$ 2,220,096

m. Investment Management Fees

Investment management fees are those expenses associated with the management of The Community Foundation's assets, including the Corporation's payment of subadvisory fees and expenses to the asset managers held within the commingled fund, and include all trustee, custodial, and investment management and advisory fees. These are allocated against realized and unrealized gains on investments on the combined statements of activities, and the value is disclosed thereon.

n. Notes Receivable

Loans made by The Community Foundation to nonprofit organizations, including those considered MRI investments as discussed in note 2h, above, and which are not treated as grants, are recorded at their principal amount as a note receivable at the time of issuance. Payments of principal are a reduction of the note receivable, and interest payments are recorded as investment income. At certain times, the Board of Directors has converted note receivables to grants to meet The Community Foundation's charitable purposes.

o. Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates that affect the reported amounts and disclosures in the financial statements. Actual results could differ from those estimates.

p. Subsequent Events

In preparing these combined financial statements, management has evaluated subsequent events through February 25, 2015, which represents the date the combined financial statements were available to be issued.

q. Reclassification

Certain amounts in the 2013 combined financial statements have been reclassified to conform to the current year's presentation.

Note 3 - **Net Asset Management:**

a. Net Asset Classifications and Values

As discussed in Note 2b, The Community Foundation internally accounts for all net assets in accordance with the donor's original intent as provided for in the gift instrument, under the provisions of the R&D, in the following unrestricted net asset classifications:

Designated: Represent funds for which the spending is distributed to one or more charitable beneficiaries in accordance with the donor's designation and the R&D.

Donor-Advised: Represent funds for which the donor has reserved the right to make nonbinding distribution recommendations to The Community Foundation for distribution to the community in accordance with the policies and procedures governing donor-advised funds as adopted by The Community Foundation's governing boards, the R&D, and the Articles of Incorporation and By-Laws.

Preference: Represent funds for which the spending is distributed to a specific field of interest or geographic location in accordance with the donor's stated interest, under the direction of The Community Foundation's governing boards, the R&D, and the Articles of Incorporation and By-Laws.

Unrestricted: Represent funds that are discretionary and the spending from which are under the direction of The Community Foundation's governing boards, the R&D, and the Articles of Incorporation and By-laws.

Net assets as of December 31, 2014 and 2013, consisted of the following:

		2014		2013
Unrestricted net assets:				
Designated	$	116,763,273	$	112,259,875
Donor advised		43,625,013		37,788,995
Preference		91,264,331		90,216,897
Unrestricted		97,149,787		90,592,070
		348,802,404		330,857,837
Temporarily restricted net assets		1,093,215		2,544,716
Total net assets	$	349,895,619	$	333,402,553

b. Endowment Spending

The Community Foundation employs a spending rule policy to maximize the flexibility, efficiency and impact of the endowment management process. This fund utilization policy does not distinguish between investment yield and appreciation, but rather on the total return of the assets.

Since 1997, The Foundation and The Corporation have employed a spending rule policy that calculates endowment spending based on a twenty-quarters trailing average market value at a specific spending rate, with a minimum (a Floor) of 4.25% and a maximum (a Cap) of 5.75%, which will be applied to a quarter-ending market valuation. The total value of endowment spending during any fiscal year shall be equal to the greater of the amounts calculated by applying the spending rate to the previous twenty-quarters' average market value, or to that amount calculated by using the Floor. However, under no circumstances shall the amount of endowment spending during any fiscal year be greater than the amount determined by using the Cap.

Based upon the current spending rule policy in effect, $17,185,043 and $17,000,095 were provided for during the years ended December 31, 2014 and 2013, respectively.

Note 4 - **Retirement Plan:**

Eligible employees are covered under a fully-funded, noncontributory 403(b) retirement plan that requires that The Community Foundation make contributions thereto based on employees' earnings. Total retirement plan contributions were $253,565 and $228,248 for the years ended December 31, 2014 and 2013, respectively.