

**COMMUNITY FOUNDATION OF
GREATER NEW BRITAIN AND AFFILIATES**

Financial Statements

December 31, 2010 and 2009

COMMUNITY FOUNDATION OF GREATER NEW BRITAIN AND AFFILIATES

Contents

December 31, 2010 and 2009

Independent Auditors' Report.....	1
Combined Statements of Financial Position.....	2
Combined Statements of Activities and Changes in Net Assets.....	3
Combined Statements of Cash Flows	4
Notes to Financial Statements	5 - 14
Independent Auditors' Report on Supplemental Information.....	15
Combined Schedule of Program and Supportive Services Expenses	16

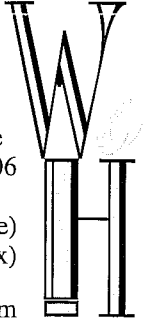
WHITTLESEY & HADLEY, P.C.

Certified Public Accountants/Consultants

147 Charter Oak Avenue
Hartford, Connecticut 06106

860.522.3111 (voice)
860.524.4475 (fax)

www.whcpa.com



INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Community Foundation of Greater New Britain and Affiliates

We have audited the accompanying combined statements of financial position of the Community Foundation of Greater New Britain and Affiliates (the "Foundation") as of December 31, 2010 and 2009, and the related combined statements of activities and cash flows for the years then ended. These combined financial statements are the responsibility of the Foundation's management. 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. Those standards require that we plan and perform audits to obtain reasonable assurance about whether the combined financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the combined financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the combined financial statements referred to above present fairly, in all material respects, the financial position of the Community Foundation of Greater New Britain and Affiliates as of December 31, 2010 and 2009, and the changes in their net assets and their cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

Whittlesey & Hadley, P.C.

April 27, 2011

COMMUNITY FOUNDATION OF GREATER NEW BRITAIN AND AFFILIATES

Combined Statements of Financial Position

December 31, 2010 and 2009

	2010	2009
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 2,110,835	1,919,883
Investments held for Community Chest of New Britain and Berlin, Inc.	458,659	415,631
Contributions receivable	183,498	22,693
Prepaid expenses	22,173	8,474
Total current assets	2,775,165	2,366,681
Other assets:		
Property, plant and equipment, net	539,663	565,688
Investments	31,913,330	29,923,243
Split-interest agreements	178,594	268,630
Total investments	32,091,924	30,191,873
Total other assets	32,631,587	30,757,561
Total assets	\$ 35,406,752	\$ 33,124,242
LIABILITIES AND NET ASSETS		
Current liabilities:		
Accounts payable	\$ 10,185	\$ 6,429
Accrued expenses	24,641	28,675
Grants payable	248,957	149,970
Capital lease obligation - current portion	2,306	2,097
Due to Community Chest of New Britain and Berlin, Inc.	458,659	415,631
Total current liabilities	744,748	602,802
Long-term liabilities:		
Capital lease obligation - long-term portion	6,569	8,875
Deferred revenue	775	24,132
Liability under charitable gift annuities	135,729	139,945
Agency endowments	4,822,900	4,372,030
Total long-term liabilities	4,965,973	4,544,982
Total liabilities	5,710,721	5,147,784
Net assets:		
Unrestricted	29,304,915	27,719,400
Temporarily restricted	391,116	257,058
Total net assets	29,696,031	27,976,458
Total liabilities and net assets	\$ 35,406,752	\$ 33,124,242

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

COMMUNITY FOUNDATION OF GREATER NEW BRITAIN AND AFFILIATES

Combined Statements of Activities and Changes in Net Assets

For the years ended December 31, 2010 and 2009

	2010			2009		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
Support and Revenues						
Support:						
Gifts and contributions received	\$ 467,375	\$ 426,945	\$ 894,320	\$ 659,192	\$ 285,009	\$ 944,201
Revenues:						
Member fees	3,875	-	3,875	4,825	-	4,825
Miscellaneous revenue	56,854	-	56,854	39,296	-	39,296
Rent revenue	69,294	-	69,294	66,959	-	66,959
Realized and unrealized gains on investments, net	1,935,036	26,153	1,961,189	4,539,126	44,301	4,583,427
Interest and dividends	668,686	4,117	672,803	357,519	5,117	362,636
Investment and trustee fees	(29,824)	(137)	(29,961)	(95,499)	(986)	(96,485)
Change in split-interest agreements	-	(29,703)	(29,703)	-	22,655	22,655
Total revenues	<u>2,703,921</u>	<u>430</u>	<u>2,704,351</u>	<u>4,912,226</u>	<u>71,087</u>	<u>4,983,313</u>
Net assets released from restrictions	293,317	(293,317)	-	298,477	(298,477)	-
Total support and revenues	<u>3,464,613</u>	<u>134,058</u>	<u>3,598,671</u>	<u>5,869,895</u>	<u>57,619</u>	<u>5,927,514</u>
Program and Supporting Services Expenses						
Program services:						
Grants awarded	731,420	-	731,420	601,217	-	601,217
Scholarships paid	113,635	-	113,635	89,660	-	89,660
Program expenses	121,596	-	121,596	115,801	-	115,801
Total grantmaking	<u>966,651</u>	<u>-</u>	<u>966,651</u>	<u>806,678</u>	<u>-</u>	<u>806,678</u>
Related program activities administered by the Foundation	198,519	-	198,519	209,609	-	209,609
Total program services	<u>1,165,170</u>	<u>-</u>	<u>1,165,170</u>	<u>1,016,287</u>	<u>-</u>	<u>1,016,287</u>
Supporting services:						
Management & general and development expenses	713,928	-	713,928	723,039	-	723,039
Total program and supporting services expenses	<u>1,879,098</u>	<u>-</u>	<u>1,879,098</u>	<u>1,739,326</u>	<u>-</u>	<u>1,739,326</u>
Change in net assets	1,585,515	134,058	1,719,573	4,130,569	57,619	4,188,188
Net assets, beginning of year	<u>27,719,400</u>	<u>257,058</u>	<u>27,976,458</u>	<u>23,588,831</u>	<u>199,439</u>	<u>23,788,270</u>
Net assets, end of year	<u>\$ 29,304,915</u>	<u>\$ 391,116</u>	<u>\$ 29,696,031</u>	<u>\$ 27,719,400</u>	<u>\$ 257,058</u>	<u>\$ 27,976,458</u>

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

COMMUNITY FOUNDATION OF GREATER NEW BRITAIN AND AFFILIATES

Combined Statements of Cash Flows

December 31, 2010 and 2009

	2010	2009
Cash flows from operating activities:		
Change in net assets:	\$ 1,719,573	\$ 4,188,188
Adjustments to reconcile change in net assets to net change in cash from operating activities:		
Depreciation	28,010	32,385
Realized losses/(gains) on investments, net	81,142	4,601,360
Unrealized losses/(gains) on investments, net	(2,042,331)	(9,184,787)
(Increase)/decrease in assets:		
Contributions receivable	(160,805)	25,603
Prepaid expenses	(13,699)	6,190
Increase/(decrease) in liabilities:		
Accounts payable	3,756	(8,718)
Accrued expenses	(4,034)	(9,392)
Grants payable	98,987	(149,677)
Deferred revenue	(23,357)	3,931
Liability under charitable gift annuities	(4,216)	(39,527)
Agency endowments	450,870	4,315,759
Net change in cash from operating activities	133,896	3,781,315
Cash flows from investing activities:		
Proceeds from sale of investments	4,989,897	48,071,556
Purchase of investments	(4,928,758)	(51,454,196)
Purchase of property and equipment	(1,986)	(4,462)
Net change in cash from investing activities	59,153	(3,387,102)
Cash flows from financing activities:		
Payment of capital lease obligation	(2,097)	(5,272)
Net change in cash and cash equivalents	190,952	388,941
Cash and cash equivalents at beginning of year	1,919,883	1,530,942
Cash and cash equivalents at end of year	\$ 2,110,835	\$ 1,919,883
Supplementary information:		
Cash paid for interest expense	\$ 961	\$ 1,430
Noncash activities:		
Total purchases of fixed assets	\$ -	\$ 17,025
Original capital lease	-	(12,563)
Cash paid for purchase of fixed assets	\$ -	\$ 4,462

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

COMMUNITY FOUNDATION OF GREATER NEW BRITAIN AND AFFILIATES

Notes to Financial Statements

December 31, 2010 and 2009

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization - The Community Foundation of Greater New Britain (the "Foundation") is a community foundation serving Berlin, New Britain, Plainville and Southington, Connecticut. The Foundation's mission is to improve the quality of life in the communities it serves by addressing community needs with strategic grant-making, initiatives and partnerships, developing and managing permanent endowments and gifts, and promoting informed philanthropy by providing donors convenient, cost-effective ways to improve their communities.

Combined Financial Statements - The combined financial statements of the Foundation include the Community Foundation of Greater New Britain Trust (the "Trust"), a community foundation in trust form, and its affiliates, the Community Foundation of Greater New Britain, Inc. (the Corporation), a nonstock corporation that is a component fund of the Trust, and the Alix W. Stanley Charitable Foundation, Inc. (AW Stanley), which is also a component fund of the Trust. All significant interorganization transactions and accounts have been eliminated.

Basis of Accounting and Presentation - The Foundation prepares its combined financial statements in accordance with accounting principles generally accepted in the United States of America.

The Foundation has unrestricted and temporarily restricted net assets.

Unrestricted Net Assets - 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 Foundation's combined financial statements classify substantially all funds, including the corpus of endowment funds, as unrestricted net assets.

Temporarily Restricted Net Assets - These net assets include 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. This classification includes investment income and appreciation, which can be expended but for which restrictions have not yet been met. Included in the temporarily restricted net assets are split-interest agreements.

Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is recognized. All other donor restricted support is reported as an increase in temporarily restricted net assets. When a restriction expires, either when a time restriction ends or a 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.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Variance Power - Accounting principles generally accepted in the United States of America provide that if the governing body of an organization has the unilateral power to redirect the use of a donor's contribution to another beneficiary, such contributions must be classified as unrestricted net assets. The Board of Directors of the Foundation has that ability known as variance power. The Board of Directors has adopted a policy describing the criteria and limited circumstances under which the Foundation would exercise this power. Accordingly, the Foundation's financial statements classify substantially all funds, including the corpus of endowment funds, as unrestricted net assets, but segregate for internal management and endowment recordkeeping the portion that is held as endowment from the funds that are currently available for grant administration.

Risks and Uncertainties - The Foundation invests in a variety of investment vehicles, including mutual funds, debt and equity securities and hedge funds. These investment securities are exposed to interest rate, market, credit and other risks depending on the nature of the specific investment. Accordingly, it is possible that these factors will result in changes in the value of the Foundation's investments in the near term and such changes could materially affect amounts reported in the financial statements.

Use of Estimates - The Foundation uses estimates and assumptions in preparing financial statements in accordance with accounting principles generally accepted in the United States of America. Those estimates and assumptions affect the reported amounts and disclosures in the combined financial statements. Actual results may differ from those estimates.

Cash and Cash Equivalents - Cash and cash equivalents include cash and all highly liquid instruments with an original maturity of three months or less. Included in the cash balances are certificates of deposit which had balances of \$252,081 and \$502,657 as of December 31, 2010 and 2009, respectively. The Foundation maintains its cash in bank accounts which, at times, may exceed federally insured limits. The Foundation has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash equivalents.

Property and Equipment - Property and equipment acquisitions and improvements thereon that exceed \$1,000 are capitalized at cost, or if donated, at the approximate fair value on the date of donation. Depreciation is computed on a straight-line basis over the estimated useful lives of the respective assets ranging from 3 to 30 years. Repairs and maintenance are charged to expense as incurred.

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

Investments - Investments in marketable debt securities, equity securities, money market funds and mutual funds with readily determinable fair values are stated at fair value in the combined statements of financial position. Realized and unrealized gains and losses are included in the change in net assets in the accompanying combined statements of activities.

The Foundation follows an investment policy to meet its primary investment goals of preserving the long-term purchasing power of Foundation assets for future generations, while providing the maximum funding possible for current community needs. The long-term investment return objective for the Foundation's endowed assets is to earn 5.5% above the rate of inflation as measured by the Urban Consumer Price Index, at a moderate level of risk. This target rate of return is based on a diversified asset allocation model that incorporates investments in domestic and international equities, fixed income, and hedge fund of funds investments. The investment portfolio is overseen by the Foundation's Finance and Investments Committee, under direction of the Board of Directors. The Committee meets regularly with the Foundation's investment managers to review investment policy, asset selection and allocation, and to monitor performance of the portfolios. The Foundation complies with the current Uniform Prudent Management of Institutional Funds Act (UPMIFA) regulations in Connecticut.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Spending Policy - The Foundation utilizes a spending policy based upon the total return concept, which emphasizes total investment return, consisting of investment income and realized and unrealized gains and losses. Under the spending policy, a distribution of investment return is independent of the cash yield and appreciation of investments in that year. This spending formula is designed specifically to stabilize annual spending levels and to preserve the real value of the fund portfolio over time. The Foundation's spending policy is generally 5.5% of the previous 20 quarters' average market values, subject to a floor of 4% and ceiling of 6% based on the end of year market value. This calculation is used to protect funds from declines in real value during down markets. The amount available for spending was \$1,860,596 and \$1,518,460 for the years ended December 31, 2010 and 2009, respectively. These amounts are available for grant making and administrative fees to support the operation of the Foundation for that respective year. For the years ending December 31, 2010 and 2009, total expenses for the Foundation amounted to \$1,879,098 and \$1,739,326, respectively. Expenses in excess of spending policy limitations were funded by other revenue sources that were to be used towards the Foundation's operations.

Investment Pools - The Foundation maintains master investment accounts for endowments. Realized and unrealized gains and losses from securities in the master investment accounts are allocated to the individual endowments based on the relationship of the market value of each endowment to the total market value of the master investment accounts, as adjusted for additions to or withdrawals from those accounts.

Split-Interest Agreements - Split-interest agreements consist of assets donated for the benefit of the 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 Foundation is notified of the existence of the agreement. The accounting treatment varies depending upon the type of agreement created and whether the Foundation or a third party is the trustee.

Scholarships - Scholarship awards are recorded as paid, rather than when awarded. Multi-year scholarship awards are considered conditional grants payable. The combined financial statements do not reflect the amount of scholarships payable due to their nature, contingency and inability to determine the reasonableness that conditions will be met in the future. The unrecorded scholarships payable are not material to the combined financial statements.

Deferred Revenue - Deferred revenue consists of the discount for future interest of assets placed in trust in the pooled income fund for the benefit of the Foundation. The discount is recognized over a period equivalent to the donor's life interest. The pooled income fund was closed at the end of 2010, when the last donors gifted their interest in the fund to the Foundation. The balance also includes grants and membership fees received in the current fiscal year for the next fiscal year.

Income Taxes - The Trust, the Corporation and AW Stanley are exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. The Foundation qualifies for the charitable contribution deduction and has been classified as an organization that is not a private foundation. Accordingly, no provision has been made in the accompanying financial statements for federal or state income taxes.

The Foundation implemented the accounting guidance for uncertainty in income taxes. Tax positions initially need to be recognized in the financial statements when it is more-likely-than-not that the position will be sustained upon examination by the tax authorities. As of December 31, 2010 and 2009, the Foundation has no uncertain tax positions that qualify for either recognition or disclosure in the financial statements and believes that it has appropriate support for income tax positions taken in its tax returns. Currently, the Foundation's federal informational returns for fiscal year 2007-2009 remain open to inspection by the IRS.

Reclassifications - Certain reclassifications have been made to the 2009 financial statements to conform to the 2010 financial statement presentation. These reclassifications had no impact on the change in net assets.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Subsequent Events Measurement Date - The Foundation monitored and evaluated any subsequent events for footnote disclosures or adjustments required in its financial statements for fiscal year 2010 through April 27, 2011, the date on which the financial statements were available to be issued.

Fair Value Measurements - The Foundation adopted the Fair Value Measurements and Disclosures topic of the FASB Accounting Standards Codification, (FASB ASC 820) which defines fair value and establishes a framework for measuring fair value in generally accepted accounting principles. The topic defines fair value as the exchange price that would be received for an asset or paid to transfer a liability (exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. The topic also establishes a fair value hierarchy which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. Three levels of inputs may be used to measure fair values:

- Level 1 — Quoted prices (unadjusted) for identical assets or liabilities in active markets that the entity has the ability to access as of the measurement date.
- Level 2 — Significant other observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data.
- Level 3 — Significant unobservable inputs that reflect the Foundation's own assumptions about the assumptions that market participants would use in pricing an asset or liability.

Valuation techniques based on unobservable inputs are highly subjective and require judgments regarding significant matters such as the amount and timing of future cash flows and the selection of discount rates that may appropriately reflect market and credit risks. Changes in these judgments often have a material impact on the fair value estimates. In addition, since these estimates are as of a specific point in time, they are susceptible to material near-term changes.

NOTE 2 – AGENCY ENDOWMENTS

The Foundation accepts contributions from donors and agrees to transfer those assets, the return on investments on those assets, or both, to another entity on the donors' behalf. Accounting standards require that if an independent nonprofit organization establishes a component fund at a community foundation with its own resources and specifies itself or its affiliate as the beneficiary of those resources the community foundation must record the transfer of such assets as a liability. The Foundation refers to such funds as agency endowments. The Foundation maintains variance power and legal ownership of these endowment funds managed for others and, as such, reports the funds as assets of the Foundation.

The following summarizes activity in such funds during the years ended December 31:

	2010	2009
Agency endowments, beginning of year	\$ 4,372,030	\$ 56,271
Gifts	49,981	4,197,795
Investment income	439,602	124,278
Current year grants awarded	(27,804)	(496)
Administration fees	(10,909)	(5,818)
Agency endowments, end of year	<u>\$ 4,822,900</u>	<u>\$ 4,372,030</u>

NOTE 3 – INVESTMENTS

The following tables present the investment types measured at fair value as of December 31:

Investment Type	2010		
	Level 1	Level 2	Total
Equities, mutual funds	\$ 9,599,324	\$ 8,700,983	\$ 18,300,307
Fixed income	-	10,071,218	10,071,218
Commodities and REITs	-	1,426,702	1,426,702
Short-term investments	2,293,697	-	2,293,697
Total	<u>\$ 11,893,021</u>	<u>\$ 20,198,903</u>	<u>\$ 32,091,924</u>

The Foundation did not have any investments at December 31, 2010 that were valued using Level 3 inputs.

Investment Type	2009			
	Level 1	Level 2	Level 3	Total
Equities, mutual funds	\$ 9,025,895	\$ 6,860,665	\$ -	\$15,886,560
Alternative investments	-	-	3,876,408	3,876,408
Fixed income	-	8,187,912	-	8,187,912
Commodities and REITs	-	1,136,983	-	1,136,983
Short-term investments	1,104,010	-	-	1,104,010
Total	<u>\$ 10,129,905</u>	<u>\$ 16,185,560</u>	<u>\$ 3,876,408</u>	<u>\$30,191,873</u>

The following is a reconciliation of the alternative investments noted above in which significant unobservable inputs (Level 3) were used in determining values as of December 31, 2010 and 2009:

	Level 3 Reconciliation
Balance, January 1, 2009	\$ 3,403,661
Purchases	3,400,000
Transfers to other funds	(3,038,382)
Net appreciation	111,129
Balance, December 31, 2009	<u>3,876,408</u>
Purchases	10,047
Net depreciation	(32,187)
Sale of alternative investment	(3,854,268)
Balance, December 31, 2010	<u>\$ -</u>

The alternative investments noted above consist of a hedge fund of funds that invested in nine different strategies. The Foundation invested in this fund as a means to reduce the market value risk that resides in the balance of the portfolio. Net realized and unrealized losses of \$32,187 and net realized and unrealized gains of \$111,129 for the years ended December 31, 2010 and 2009, respectively, are included in the Combined Statement of Activities in “realized and unrealized gains on investments, net.” At December 31 2009, there was no hedge ineffectiveness as the fair value of the hedge did provide market value protection. The net realized and unrealized gains that the alternative investment provided accounts for approximately 3% of the total net realized and unrealized gain in 2009. The alternative investments were sold in 2010.

NOTE 3 – INVESTMENTS (CONTINUED)

The Foundation adopted the Not-for-Profit Entities topic of the FASB Accounting Standards Codification, (FASB ASC 958) which describes the information that needs to be disclosed regarding its endowment funds. The topic requires certain minimum disclosures that are the description of the Foundation's spending policy, as well as its endowment investment policies. It also requires the following disclosures regarding the composition of the Foundation's endowment by net asset class and a reconciliation of the beginning and ending balance of the Foundation's endowment.

The reconciliation of the Foundation's endowment by net asset category is as follows:

	Unrestricted	Temporarily	Total Net
For the year ended December 31, 2008	\$ 21,937,858	\$ 287,948	\$ 22,225,806
Interest and Dividends, net of investment expenses	246,897	4,131	251,028
Net appreciation	4,539,126	44,301	4,583,427
Contributions	4,858,255	-	4,858,255
Amounts appropriated for expenditure	(1,658,893)	(67,750)	(1,726,643)
For the year ended December 31, 2009	29,923,243	268,630	30,191,873
Interest and Dividends, net of investment expenses	621,791	3,980	625,771
Net appreciation	2,374,639	26,153	2,400,792
Contributions	379,589	14,478	394,067
Amounts appropriated for expenditure	(1,385,932)	(25,678)	(1,411,610)
Matured split-interest agreements	-	(108,969)	(108,969)
For the year ended December 31, 2010	<u>\$ 31,913,330</u>	<u>\$ 178,594</u>	<u>\$ 32,091,924</u>

The interest and dividends, net of investment expenses, above, does not include interest and dividends on unendowed funds. Interest and dividends on unendowed funds were \$15,305 and \$15,123 for the years ended December 31, 2010 and 2009, respectively.

NOTE 4 – SPLIT-INTEREST AGREEMENTS

Pooled Income Trust - The Board of Directors of the Foundation established a pooled income fund to be held in trust by a third party. Contributions to the fund are an irrevocable agreement in which the remainder interest in such contributions reverts back to the Foundation. The donor retains a life interest in the income earned on such assets for one or more named beneficiaries. Contributions from multiple donors are commingled for investment purposes. The respective funds are unitized based upon the relationship of the fair value of the contributions to the fair value of the pool as a whole at the time the donor enters the pool. Upon termination of the life interest, the units attributable to that life tenant revert to the Foundation to establish component funds as designated by the donor when the irrevocable agreement was established.

The pooled income fund was closed at the end of 2010, when the last donors gifted their interest in the fund to the Foundation. There were no contributions to the pooled income trust during 2010. Deferred revenue is recorded by the Foundation ratably over the term of life interest for each donor, respectively. Amortization of the deferred revenue of \$13,202 and \$6,699 was recognized as a change in split-interest agreements for the years ended December 31, 2010 and 2009, respectively.

Charitable Gift Annuities - The Board of Directors of the Foundation established a Charitable Gift Annuity program. Under the terms of the program, contributions are received from donors in exchange for a promise by the Foundation to pay a fixed amount for a specified period of time to a donor or individuals designated by the donor. Annuity contracts may be established for either one or two lives and provide that fixed payments be made to the annuitants for the remainder of their lives. Upon termination of the annuity contract, any remaining assets revert back to the Foundation for purposes as specified in the Charitable Gift Annuity contract. On an annual basis, the Foundation revalues the liability to make distributions to the designated beneficiaries based on actuarial assumptions. One annuity contract was terminated in both 2010 and 2009. The remaining assets reverted back to the Foundation.

NOTE 5 – EMPLOYEE BENEFIT PLAN

The Foundation maintains a tax-deferred retirement plan qualified under Internal Revenue Code Section 403(b). The plan covers all eligible employees. Employees may make contributions to the plan up to the maximum amount allowed by the Internal Revenue Code. The Foundation contributed 10% of gross wages of each eligible employee for the years ended December 31, 2010 and 2009. Foundation contributions totaled \$46,486 and \$34,670 for the years ended December 31, 2010 and 2009, respectively.

NOTE 6 – NET ASSETS

Unrestricted net assets represent contributions, gifts, management fees and income from investments that can be used for the general purpose of the Foundation. Designations of unrestricted resources by the Board of Directors are recorded as unrestricted funds because such designations can be changed at the will of the Board. Unrestricted net assets are comprised as follows at December 31:

	2010	2009
Discretionary funds	\$ 21,222,718	\$ 20,176,450
Field of interest funds	816,910	753,977
Donor advised funds	1,444,040	1,379,022
Scholarship funds	3,835,775	3,451,753
Donor designated funds	1,985,472	1,958,198
Total Unrestricted Net Assets	<u>\$ 29,304,915</u>	<u>\$ 27,719,400</u>

Temporarily restricted net assets represent contributions, gifts and income from investments that can be used for the purposes specified by the donor. Temporarily restricted net assets are comprised as follows at December 31:

	2010	2009
Related program activities	\$ 348,251	\$ 141,576
Discretionary funds	9,703	8,375
Donor designated funds	22,266	100,927
Donor advised funds	10,896	6,180
Total Temporarily Restricted Net Assets	<u>\$ 391,116</u>	<u>\$ 257,058</u>

NOTE 7 – DESCRIPTION OF PROGRAM AND SUPPORTING SERVICES

Supporting services include development and management and general expenses. These functions are necessary to maintain and ensure an adequate working environment, to provide coordination and articulation of the Foundation's program mission, ensure proper administrative functioning of the Board of Directors and management of the financial and budgetary responsibilities of the Foundation. Included in these expenses are development expenses, which provide the structure necessary to encourage and secure financial support from individuals, businesses and foundations. Development expenses were \$300,998 and \$320,835 for the years ended December 31, 2010 and 2009, respectively.

The following program services are included in the accompanying combined financial statements:

Grants

The Foundation distributes grants from discretionary, donor advised, designated and field of interest funds to organizations and projects that benefit the communities of New Britain, Berlin, Plainville and Southington. The Foundation's grant-making strategy is intended to strengthen the capacity of the organizations and the community as a whole. Grants are awarded across a broad range of fields focusing on four areas of priority. The areas of priority are youth development, leadership development, education from early childhood to adulthood, and creating a greater awareness of the area's strengths and assets. These priorities are achieved through a range of programs including arts and culture, community and economic development, civic affairs, education, health, the environment and social services.

NOTE 7 – DESCRIPTION OF PROGRAM AND SUPPORTING SERVICES - (CONTINUED)

Scholarships

The Foundation distributes scholarship awards from managed scholarship funds according to the criteria established by the donors. The Foundation distributes scholarship awards from its own discretionary funds by committee. Recipients are primarily students from Berlin, New Britain, Plainville and Southington graduating from high school and planning to further their education.

Program Expenses

These expenses reflect staff costs and other expenses directly associated with administering the grants, scholarships, community meetings and activities relating to the program area of the Foundation's mission.

Related Program Activities Administered by the Foundation

The combined financial statements include certain funds which the Foundation manages on behalf of several special projects and related organizations. As of December 31, 2010 and 2009, net assets of these funds totaled \$348,251 and \$141,576, respectively. Contributions recognized on behalf of these organizations were \$38,887 and \$44,030 for the years ended December 31, 2010 and 2009, respectively.

The Foundation entered into a contract with the William Caspar Graustein Memorial Fund whereby the Foundation oversees the work of the New Britain Early Childhood Collaborative, which is implementing a comprehensive plan promoting quality accessible preschool education for all New Britain children. In addition, the Foundation is the collaborative agent for the Southington Discovery Collaborative. The Development Consortium of Greater New Britain is a membership collaborative of non-profit organizations and professional advisors who meet to discuss and learn about planned giving and other development topics. The Friends of Walnut Hill Park Rose Garden is a group working to restore the rose gardens in Walnut Hill Park in New Britain.

The following table illustrates the activities related to these programs:

	New Britain Discovery Collaborative	Early Childhood Collaborative of Southington	Family Resource Center of Southington	Development Consortium of Greater New Britain	Friends of the Walnut Hill Park Rose Garden	Total
Balance as of December 31, 2009	\$ 52,176	\$ 11,003	\$ 21,061	\$ 16,083	\$ 41,253	\$ 141,576
William Caspar Graustein Memorial Fund	93,500	5,400	-	-	-	98,900
Childrens Fund of Connecticut	17,000	-	-	-	-	17,000
Connecticut Center for School Change	50,000	-	-	-	-	50,000
Southington Public Schools	-	-	20,000	-	-	20,000
Connecticut State Department of Education	160,961	-	-	-	-	160,961
New Britain Public Schools	6,719	-	-	-	-	6,719
United Way of Central and Northeastern Connecticut	20,000	-	-	-	-	20,000
Contributions	-	-	-	-	38,887	38,887
Total 2010 funds received	348,180	5,400	20,000	-	38,887	412,467
Membership and other fees	100	642	-	4,425	-	5,167
Total 2010 interfund administrative fees	(10,500)	-	(1,940)	-	-	(12,440)
Total 2010 related program activities expenses	(106,476)	(16,099)	(36,326)	(5,403)	(34,215)	(198,519)
Balance as of December 31, 2010	\$ 283,480	\$ 946	\$ 2,795	\$ 15,105	\$ 45,925	\$ 348,251

NOTE 8 – GRANTS PAYABLE

The Foundation has awarded, but not yet paid, grants that are required to meet certain conditions before payment is made. These grants are considered to be scholarships and contingent grants. In accordance with generally accepted accounting principles, these grants are not included in the Combined Statement of Financial Position. Grants payable consisted of the following as of December 31, 2010 and 2009, respectively:

	<u>2010</u>	<u>2009</u>
Total grants awarded	\$ 481,842	\$ 278,260
Contingent grants	(125,000)	(25,000)
Scholarships	<u>(107,885)</u>	<u>(103,290)</u>
Grants payable reported on Statement of Financial Position	<u>\$ 248,957</u>	<u>\$ 149,970</u>

NOTE 9– LEASE COMMITMENTS

Capital Lease

The following is a summary of equipment under capital lease by major category as of December 31:

	<u>2010</u>	<u>2009</u>
Equipment	\$12,562	\$12,562
Less accumulated amortization	<u>(3,687)</u>	<u>(1,590)</u>
Net equipment under capital lease	<u>\$ 8,875</u>	<u>\$10,972</u>

The equipment and accumulated amortization balances are included in the property and equipment and accumulated depreciation balances. Amortization expense relative to the above equipment is included in depreciation expense on the combined statements of activities.

The following is a schedule by years of future minimum payments under the capital lease. The monthly lease payment of \$318 includes \$63 for a service fee. The following are the minimum lease payments for the year ending December 31:

2011	\$ 3,816
2012	3,816
2013	3,816
2014	<u>1,273</u>
Total minimum lease payments	12,721
Less amount of interest	(1,561)
Less amount of service fee	<u>(2,285)</u>
	<u>\$ 8,875</u>

Rental Income

In December 2010, the real estate operating leases to rent a portion of the building with a tenant expired. In February 2011, a new tenant committed to the Foundation under a real estate operating lease to rent a portion of the building. The lease agreement expires in March 2015. The future minimum rental income under the lease is \$167,000.

NOTE 10 – PROPERTY, PLANT AND EQUIPMENT

The cost and accumulated depreciation of property, plant, and equipment are as follows:

	December 31, 2010		
	Cost	Accumulated Depreciation	Net Book Value
Land and building	\$ 664,785	\$ 136,240	\$ 528,545
Furniture and equipment	76,148	65,030	11,118
	<u>\$ 740,933</u>	<u>\$ 201,270</u>	<u>\$ 539,663</u>

	December 31, 2009		
	Cost	Accumulated Depreciation	Net Book Value
Land and building	\$ 664,785	\$ 113,567	\$ 551,218
Furniture and equipment	77,059	62,589	14,470
	<u>\$ 741,844</u>	<u>\$ 176,156</u>	<u>\$ 565,688</u>

Total depreciation expense for the years ended December 31, 2010 and 2009 were \$28,010 and \$32,385 respectively.

NOTE 11 – SUPPORTING ORGANIZATIONS

The Foundation entered into a Type 1 Supporting Organization Agreement with the Community Chest of New Britain and Berlin, Inc. ("CCNBB"), a related party. CCNBB is its own nonprofit organization, exempt from income tax under Section 501(c)(3) of the Internal Revenue Code. IRS regulations require that the Foundation nominate a majority of all CCNBB Directors. However, CCNBB retains its ability to unilaterally: act to make grants without oversight or approval by the Foundation, to adopt its own asset allocation strategy for CCNBB investments and to adopt its own annual spending policy. The Supporting Organization Agreement outlines a broad set of services which CCNBB will receive from the Foundation and the fees to be charged for those services. CCNBB's total assets as of December 31, 2010 and 2009, respectively, were \$6,354,315 and \$5,898,633. Of this, \$4,181,591 and \$3,798,898 as of December 31, 2010 and 2009, respectively, is in the name of the Foundation. However, CCNBB has the right to request of these funds \$458,659 and \$415,631, as of December 31, 2010 and 2009, respectively, in accordance with their fund agreement. As such, this portion of the assets under management are reflected in the Combined Statements of Financial Position.

The Foundation appoints "one-half plus one" members of the CCNBB Board of Directors. This group is referred to as the "CFGNB class" of the CCNBB's Board of Directors. Some members of the Foundation's Board of Directors are also part of this "CFGNB class." The Foundation received management fees from CCNBB of \$36,262 and \$35,649 for the years ended December 31, 2010 and 2009, respectively.

The Foundation has a Supporting Organization Agreement with the Ann G. Vance Trust (the "Johnstone Vance Trust"). The Johnstone Vance Trust was created to support "health and human service needs." The Foundation manages the assets of the Johnstone Vance Trust, which was valued at approximately \$1,148,340 and \$1,098,000 as of December 31, 2010 and 2009, respectively.

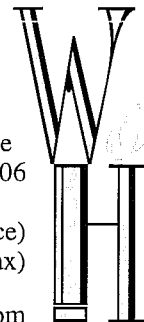
WHITTLESEY & HADLEY, P.C.

Certified Public Accountants/Consultants

147 Charter Oak Avenue
Hartford, Connecticut 06106

860.522.3111 (voice)
860.524.4475 (fax)

www.whcpa.com



INDEPENDENT AUDITORS' REPORT
ON SUPPLEMENTAL INFORMATION

To the Board of Directors
Community Foundation of Greater New Britain and Affiliates

Our audit was conducted for the purpose of forming an opinion on the basic combined financial statements taken as a whole. The information included in the combined schedules of program and supporting services expenses is presented for the purpose of additional analysis and is not a required part of the basic combined financial statements. Such information has been subjected to the auditing procedures applied in the audits of the basic combined financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic combined financial statements taken as a whole.

Whittlesey & Hadley, P.C.

April 27, 2011

COMMUNITY FOUNDATION OF GREATER NEW BRITAIN AND AFFILIATES

Combined Schedule of Program and Supportive Services Expenses

For the years ended December 31, 2010
(with comparative totals for the year ended December 31, 2009)

	2010									2009 Total
	Grantmaking	Related Program Activities			Total Program	Supporting Services			Total	
		Early Childhood Collaboratives	Special Programs	Total Related Program		Management & General	Development	Total Supporting Services		
Grants awarded	\$ 731,420	\$ -	\$ -	\$ -	\$ 731,420	\$ -	\$ -	\$ -	\$ 731,420	\$ 601,217
Scholarships paid	113,635	-	-	-	113,635	-	-	-	113,635	89,660
Total grants and scholarships	845,055	-	-	-	845,055	-	-	-	845,055	690,877
Other expenses:										
Salaries and wages	81,126	-	-	-	81,126	211,000	175,464	386,464	467,590	452,981
Employee benefits	20,610	-	-	-	20,610	52,189	36,636	88,825	109,435	97,996
Consulting	5,658	138,171	-	138,171	143,829	-	44,453	44,453	188,282	209,477
Building-related costs	5,642	-	-	-	5,642	47,004	12,204	59,208	64,850	64,432
Payroll taxes	6,091	-	-	-	6,091	15,878	13,087	28,965	35,056	33,911
Program expense	-	2,427	32,273	34,700	34,700	-	1,564	1,564	36,264	9,490
Legal, accounting and professional fees	-	60	-	60	60	31,017	-	31,017	31,077	44,601
Miscellaneous	3	238	-	238	241	3,564	-	3,564	3,805	2,437
Printing and publications	62	1,227	1,743	2,970	3,032	681	7,511	8,192	11,224	15,981
Conferences, conventions and meetings	815	12,457	5,381	17,838	18,653	6,887	4,869	11,756	30,409	49,101
Depreciation	-	-	-	-	-	5,337	-	5,337	5,337	9,823
Computer software and support	116	147	-	147	263	15,149	-	15,149	15,412	17,950
Office expense	1,173	1,374	142	1,516	2,689	10,715	1,149	11,864	14,553	14,908
Travel	300	1,128	-	1,128	1,428	523	671	1,194	2,622	3,017
Insurance	-	-	-	-	-	3,616	-	3,616	3,616	2,513
Membership dues and subscriptions	-	208	-	208	208	3,718	2,130	5,848	6,056	4,449
Equipment rental and maintenance	-	1,200	-	1,200	1,200	2,692	-	2,692	3,892	4,252
Website	-	343	-	343	343	2,960	1,260	4,220	4,563	11,130
Total other expenses	121,596	158,980	39,539	198,519	320,115	412,930	300,998	713,928	1,034,043	1,048,449
Total expenses	\$ 966,651	\$ 158,980	\$ 39,539	\$ 198,519	\$ 1,165,170	\$ 412,930	\$ 300,998	\$ 713,928	\$ 1,879,098	\$ 1,739,326