

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

**Financial Statements**

**December 31, 2007**

COMMUNITY FOUNDATION OF GREATER NEW BRITAIN AND AFFILIATES

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INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying combined statement of financial position of the Community Foundation of Greater New Britain and Affiliates as of December 31, 2007, and the related combined statements of activities and cash flows for the year 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 audit. The combined financial statements of Community Foundation of Greater New Britain and Affiliates as of December 31, 2006 were audited by other auditors. Those auditors expressed an unqualified opinion on those financial statements in their report dated April 30, 2007.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the combined financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Foundation's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the combined financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides 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, 2007, and the changes in their net assets and their cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

*Whittlesey & Hadley, P.C.*

March 27, 2008

COMMUNITY FOUNDATION OF GREATER NEW BRITAIN AND AFFILIATES

Combined Statements of Financial Position

December 31, 2007 and 2006

|  | <u>2007</u>          | <u>2006</u>          |
|--|----------------------|----------------------|
| <b>ASSETS</b>                                |                      |                      |
| Current assets:                              |                      |                      |
| Cash and cash equivalents                    | \$ 1,273,537         | \$ 1,870,833         |
| Contributions receivable                     | 62,356               | 7,863                |
| Prepaid expenses                             | 6,316                | 4,633                |
| Total current assets                         | <u>1,342,209</u>     | <u>1,883,329</u>     |
| Property and equipment:                      |                      |                      |
| Building, land and improvements              | 660,323              | 647,523              |
| Office furniture and equipment               | 86,306               | 86,507               |
|  | <u>746,629</u>       | <u>734,030</u>       |
| Less accumulated depreciation                | <u>(138,938)</u>     | <u>(108,977)</u>     |
| Net property and equipment                   | <u>607,691</u>       | <u>625,053</u>       |
| Investments                                  | <u>31,513,936</u>    | <u>29,529,479</u>    |
| Split-interest agreements:                   |                      |                      |
| Charitable gift annuities                    | 339,923              | 381,140              |
| Pooled income trust                          | 98,745               | 117,839              |
| Total split-interest agreements              | <u>438,668</u>       | <u>498,979</u>       |
| Total assets                                 | <u>\$ 33,902,504</u> | <u>\$ 32,536,840</u> |
| <b>LIABILITIES AND NET ASSETS</b>            |                      |                      |
| Current liabilities:                         |                      |                      |
| Accounts payable                             | \$ 13,696            | \$ 15,574            |
| Accrued expenses                             | 27,297               | 28,406               |
| Grants payable                               | 333,141              | 271,952              |
| Capital lease obligation - current portion   | 3,371                | 2,808                |
| Total current liabilities                    | <u>377,505</u>       | <u>318,740</u>       |
| Long-term liabilities:                       |                      |                      |
| Capital lease obligation - long-term portion | 3,681                | 7,052                |
| Deferred revenue                             | 27,224               | 29,995               |
| Liability under charitable gift annuities    | 186,999              | 220,078              |
| Agency endowments                            | 26,696               | 21,004               |
| Total long-term liabilities                  | <u>244,600</u>       | <u>278,129</u>       |
| Total liabilities                            | <u>622,105</u>       | <u>596,869</u>       |
| Net assets:                                  |                      |                      |
| Unrestricted                                 | 33,055,954           | 31,691,065           |
| Temporarily restricted                       | 224,445              | 248,906              |
| Total net assets                             | <u>33,280,399</u>    | <u>31,939,971</u>    |
| Total liabilities and net assets             | <u>\$ 33,902,504</u> | <u>\$ 32,536,840</u> |

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

COMMUNITY FOUNDATION OF GREATER NEW BRITAIN AND AFFILIATES

Statements of Activities and Changes in Net Assets

For the years ended December 31, 2007 and 2006

|   | 2007          |                        | 2006          |                        |
|---|---------------|------------------------|---------------|------------------------|
|   | Unrestricted  | Temporarily Restricted | Unrestricted  | Temporarily Restricted |
| <b>Support and Revenues</b>                               |               |                        |               |                        |
| Support:  |               |                        |               |                        |
| Gifts and contributions received                          | \$ 979,583    | \$ -                   | \$ 979,583    | \$ 12,094              |
| Revenues:   |               |                        |               |                        |
| Member fees   | 5,213         | -                      | 5,213         | 4,800                  |
| Miscellaneous revenue                                     | 2,921         | -                      | 2,921         | 7,499                  |
| Rent revenue  | 64,430        | -                      | 64,430        | 61,942                 |
| Realized and unrealized gains on investments, net         | 1,062,394     | 13,245                 | 1,075,639     | 47,686                 |
| Interest and dividends                                    | 1,026,289     | 12,885                 | 1,039,174     | 23,967                 |
| Investment and trustee fees                               | (66,040)      | -                      | (66,040)      | -                      |
| Change in split-interest agreements                       | -             | 3,033                  | -             | 253,172                |
| Total revenues  | 2,095,207     | 29,163                 | 2,124,370     | 324,825                |
| Net assets released from restrictions                     | 53,624        | (53,624)               | -             | (594,380)              |
| Total support and revenues                                | 3,128,414     | (24,461)               | 3,103,953     | (257,461)              |
| <b>Program and Supporting Services</b>                    |               |                        |               |                        |
| Program services:   |               |                        |               |                        |
| Grants awarded  | 751,387       | -                      | 751,387       | -                      |
| Scholarships paid   | 74,560        | -                      | 74,560        | -                      |
| Program expenses  | 124,048       | -                      | 124,048       | -                      |
| Related program activities administered by the Foundation | 132,820       | -                      | 132,820       | -                      |
| Total program services                                    | 1,082,815     | -                      | 1,082,815     | -                      |
| Supporting services:                                      |               |                        |               |                        |
| Development, management and administrative expenses       | 680,710       | -                      | 680,710       | 666,449                |
| Total program and supporting services                     | 1,763,525     | -                      | 1,763,525     | 1,631,360              |
| Change in net assets                                      | 1,364,889     | (24,461)               | 1,340,428     | (257,461)              |
| Net assets, beginning of year                             | 31,691,065    | 248,906                | 31,939,971    | 506,367                |
| Net assets, end of year                                   | \$ 33,055,954 | \$ 224,445             | \$ 33,280,399 | \$ 248,906             |
|   |               |                        |               | \$ 31,939,971          |

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

COMMUNITY FOUNDATION OF GREATER NEW BRITAIN AND AFFILIATES

Combined Statements of Cash Flows

For the years ended December 31, 2007 and 2006

|   | <u>2007</u>         | <u>2006</u>         |
|---|---------------------|---------------------|
| Cash flows from operating activities:   |                     |                     |
| Change in net assets:   | \$ 1,340,428        | \$ 2,804,347        |
| Adjustments to reconcile change in net assets<br>to net change in cash from operating activities: |                     |                     |
| Depreciation  | 32,693              | 31,917              |
| Realized gains on investments, net  | (1,717,480)         | (2,162,937)         |
| Unrealized (gains) losses on investments, net   | 641,841             | (415,541)           |
| (Increase)/decrease in assets:  |                     |                     |
| Contributions receivable  | (54,493)            | (4,828)             |
| Prepaid expenses  | (1,683)             | 9,776               |
| Charitable gift annuities   | 41,217              | 585,106             |
| Pooled income trust   | 19,094              | (8,137)             |
| Increase/(decrease) in liabilities:   |                     |                     |
| Accounts payable  | (1,878)             | 9,925               |
| Accrued expenses  | (1,109)             | 4,614               |
| Grants payable  | 61,189              | (61,784)            |
| Deferred revenue  | (2,771)             | (4,186)             |
| Liability under charitable gift annuities   | (33,079)            | (317,039)           |
| Agency endowments   | 5,692               | 2,075               |
| Net change in cash from operating activities  | <u>329,661</u>      | <u>473,308</u>      |
| Cash flows from investing activities:   |                     |                     |
| Proceeds from sale of investments   | 19,033,127          | 15,674,882          |
| Purchase of investments   | (19,941,945)        | (15,878,865)        |
| Purchase of property and equipment  | (15,331)            | (19,843)            |
| Net change in cash from investing activities  | <u>(924,149)</u>    | <u>(223,826)</u>    |
| Cash flows from financing activities:   |                     |                     |
| Payment of capital lease obligation   | (2,808)             | (2,339)             |
| Net change in cash from financing activities  | <u>(2,808)</u>      | <u>(2,339)</u>      |
| Net change in cash and cash equivalents   | (597,296)           | 247,143             |
| Cash and cash equivalents at beginning of year  | <u>1,870,833</u>    | <u>1,623,690</u>    |
| Cash and cash equivalents at end of year  | <u>\$ 1,273,537</u> | <u>\$ 1,870,833</u> |
| Supplementary information:  |                     |                     |
| Cash paid for interest expense  | <u>\$ 1,634</u>     | <u>\$ 2,056</u>     |

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, 2007

**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, as discussed below.

**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.

**Note 1 - Summary of Significant Accounting Policies (Cont'd.):**

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, 2007 and 2006:

|   |                  |
|---|------------------|
| Agency endowments at January 1, 2006          | \$ 18,929        |
| Investment income and net investment returns  | 2,221            |
| Investment management administrative fees     | <u>(146)</u>     |
| Agency endowments at December 31, 2006        | 21,004           |
| Gifts   | 5,000            |
| Investment income and net investment returns  | 1,482            |
| Grants awarded                                | (530)            |
| Investment management and administrative fees | <u>(270)</u>     |
| Agency endowments at December 31, 2007        | <u>\$ 26,696</u> |

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 at least reasonably possible that these factors will result in changes in the value of the Foundation's investments which 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 a maturity of three months or less. The Foundation's deposits in financial institutions may, at times, exceed federal depository insurance limits. Management believes that the Foundation's deposits are not subject to significant credit risk.

Property and Equipment - Property and equipment acquisitions and improvements thereon that exceed \$500 are capitalized at cost, or if donated, at the approximate fair value at 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. Investment income and gains restricted by donors are reported as increases in unrestricted net assets if the restrictions are met in the reporting period in which the income and gains are recognized.

**Note 1 - Summary of Significant Accounting Policies (Cont'd.):**

**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 the agreement created and whether the Foundation or a third party is the trustee.

**Scholarships** - Scholarship awards are recorded as paid, rather than as 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.

**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 overtime. The Foundation's spending policy is generally 5.5% of the previous 20 quarters' average market values, subject to a floor and ceiling based on the end of year market value. The amount available for spending was \$1,528,440 and \$1,481,806 for the years ended December 31, 2007 and 2006, 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, 2007 and 2006, total expenses for the Foundation amounted to \$1,763,525 and \$1,631,360, respectively. Expenses in excess of spending policy limitations were funded by other revenue sources that were to be used towards the Foundation's operations.

**Gifts and Contributions** - Contributions received are recorded as unrestricted or temporarily restricted, depending on the existence and nature of any donor restrictions.

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.

**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.

**Reclassifications** - Certain reclassifications have been made to the 2006 financial statements to make them conform to the 2007 presentation.

**Note 2 - Investments:**

Investments for the years ended December 31, 2007 and 2006 consisted of the following:

|                         | <u>December 31, 2007</u> |                      |
|-------------------------|--------------------------|----------------------|
|                         | <u>Book Value</u>        | <u>Fair Value</u>    |
| Equities                | \$ 16,301,864            | \$ 16,157,395        |
| Equities, mutual funds  | 2,326,117                | 2,622,298            |
| Alternative investments | 3,860,000                | 4,169,536            |
| Fixed income            | 8,109,395                | 8,373,070            |
| Short-term investments  | 191,637                  | 191,637              |
|                         | <u>\$ 30,789,013</u>     | <u>\$ 31,513,936</u> |
|                         | <u>December 31, 2006</u> |                      |
|                         | <u>Book Value</u>        | <u>Fair Value</u>    |
| Equities                | \$ 13,667,191            | \$ 14,608,982        |
| Equities, mutual funds  | 2,148,243                | 2,564,120            |
| Fixed income            | 8,287,254                | 8,288,611            |
| Short-term investments  | 4,067,766                | 4,067,766            |
|                         | <u>\$ 28,170,454</u>     | <u>\$ 29,529,479</u> |

The fair value of the financial instruments have been determined through quoted market values.

The alternative investments noted above consist of a hedge fund of funds that invests in nine different strategies. The Foundation has invested in this fund as a means to reduce the market value risk that resides in the balance of the portfolio. Unrealized gains of \$309,536 and \$-0- for the years ended December 31, 2007 and 2006, respectively are included in the Statement of Activities in "Realized and unrealized gains on investments." At December 31, 2007, there was no hedge ineffectiveness as the fair value of the hedge did provide market value protection.

**Note 3 - 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.

There were no contributions to the pooled income trust during 2007. Deferred revenue is recorded by the Foundation ratably over the term of life interest for each donor, respectively. Amortization of the deferred revenue of \$2,771 and \$2,467 was recognized as a change in split-interest agreements for the years ended December 31, 2007 and 2006, respectively.

**Note 3 - Split-Interest Agreements (Cont'd):**

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. Two annuity contracts terminated in 2007 and one terminated in 2006. The remaining assets reverted back to the Foundation.

**Note 4 - 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 at December 31, 2007 and 2006, are comprised as follows:

|                               | <u>2007</u>          | <u>2006</u>          |
|-------------------------------|----------------------|----------------------|
| Discretionary funds           | \$ 25,885,557        | \$ 25,470,258        |
| Field of interest funds       | 696,907              | 656,363              |
| Donor advised funds           | 1,584,721            | 1,073,718            |
| Scholarship funds             | 2,356,526            | 2,141,891            |
| Donor designated funds        | <u>2,532,243</u>     | <u>2,348,835</u>     |
| Total Unrestricted Net Assets | <u>\$ 33,055,954</u> | <u>\$ 31,691,065</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:

|   | <u>2007</u>       | <u>2006</u>       |
|---|-------------------|-------------------|
| Discretionary funds                     | \$ 49,022         | \$ 91,527         |
| Donor designated funds                  | 162,559           | 144,613           |
| Donor advised funds                     | <u>12,864</u>     | <u>12,766</u>     |
| Total Temporarily Restricted Net Assets | <u>\$ 224,445</u> | <u>\$ 248,906</u> |

**Note 5 - Employee Benefit Plans:**

The Foundation maintains a tax-deferred annuity 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, 2007 and 2006. Foundation contributions totaled \$32,377 and \$32,088 for the years ended December 31, 2007 and 2006, respectively.

**Note 6 - Lease Commitments:**

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

|                                   | <u>2007</u>     | <u>2006</u>     |
|-----------------------------------|-----------------|-----------------|
| Equipment                         | \$ 14,295       | \$ 14,295       |
| Less accumulated amortization     | <u>(7,243)</u>  | <u>(4,435)</u>  |
| Net Equipment Under Capital Lease | <u>\$ 7,052</u> | <u>\$ 9,860</u> |

The equipment and accumulated amortization balances are included in the property and equipment and accumulated depreciation balances in Note 9. 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, together with the present value of minimum lease payments as of December 31:

|                                    |                 |
|------------------------------------|-----------------|
| 2008                               | \$ 4,483        |
| 2009                               | <u>4,150</u>    |
| Total minimum lease payments       | 8,633           |
| Less: amount representing interest | <u>(1,581)</u>  |
| Capital Lease Obligation           | <u>\$ 7,052</u> |

Rental Income - At December 31, 2007, a tenant was committed to the Foundation under real estate operating leases to rent a portion of the building. The following is a schedule by years of future minimum rental income under the lease.

|                                    |                   |
|------------------------------------|-------------------|
| 2008                               | \$ 63,161         |
| 2009                               | <u>42,107</u>     |
| Total Minimum Future Rental Income | <u>\$ 105,268</u> |

**Note 7 - Description of Program and Supporting Services:**

The following program and supporting 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.

Scholarships - The Foundation distributes scholarship awards from managed scholarship funds according to the criteria established by the donor. 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.

**Note 7 - Description of Program and Supporting Services (Cont'd.):**

Related Program Activities Administered by the Foundation - The Foundation entered into a contract with the William Caspar Graustein Memorial Fund whereby the Foundation oversees the work of the Discovery Collaborative, which is developing a comprehensive plan promoting quality accessible preschool education for all New Britain children.

In addition, the Foundation became the collaborative agent for the Southington Discovery Collaborative in October 2006.

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 following table illustrates the activities related to these programs.

|  | New Britain<br>Discovery<br>Collaborative | Southington<br>Discovery<br>Collaborative | Development<br>Consortium<br>of Greater<br>New Britain | Total            |
|--|---|---|--|------------------|
| Balance as of December 31, 2005                | \$ 1,437                                  | \$ -                                      | \$ 12,086  | \$ 13,523        |
| William Caspar Graustein Memorial Fund         | 25,000                                    | -   | -  | 25,000           |
| Community Foundation of Greater New Britain    | 40,000                                    | -   | -  | 40,000           |
| American Savings Foundation                    | 30,000                                    | -   | -  | 30,000           |
| United Way of New Britain and Berlin           | 30,000                                    | -   | -  | 30,000           |
| Southington-Cheshire Community YMCAs           | -   | 2,147                                     | -  | 2,147            |
| Membership and other fees                      | -   | -   | 5,125  | 5,125            |
| Total 2006 funds received                      | <u>125,000</u>                            | <u>2,147</u>                              | <u>5,125</u>   | <u>132,272</u>   |
| Total related 2006 program activities expenses | <u>(123,788)</u>                          | <u>(1,115)</u>                            | <u>(4,324)</u>   | <u>(129,227)</u> |
| Balance as of December 31, 2006                | <u>\$ 2,649</u>                           | <u>\$ 1,032</u>                           | <u>\$ 12,887</u>                                       | <u>\$ 16,568</u> |
| William Caspar Graustein Memorial Fund         | \$ 25,000                                 | \$ 25,000                                 | \$ -   | \$ 50,000        |
| Community Foundation of Greater New Britain    | 40,000                                    | 5,000                                     | -  | 45,000           |
| American Savings Foundation                    | 30,000                                    | -   | -  | 30,000           |
| New Britain School District                    | 6,719                                     | -   | -  | 6,719            |
| Other donations                                | 100                                       | -   | -  | 100              |
| Membership and other fees                      | -   | -   | 5,712  | 5,712            |
| Total 2007 funds received                      | <u>101,819</u>                            | <u>30,000</u>                             | <u>5,712</u>   | <u>137,531</u>   |
| Total 2007 interfund administrative fees       | (5,000)                                   | (1,000)                                   | -  | (6,000)          |
| Total 2007 related program activities expenses | <u>(101,501)</u>                          | <u>(25,331)</u>                           | <u>(5,988)</u>   | <u>(132,820)</u> |
| Balance as of December 31, 2007                | <u>\$ (2,033)</u>                         | <u>\$ 4,701</u>                           | <u>\$ 12,611</u>                                       | <u>\$ 15,279</u> |

**Note 7 - Description of Program and Supporting Services (Cont'd.):**

The combined financial statements include certain funds which the Foundation manages on behalf of several special projects and related organizations. These organizations are included in the activities and net assets of the Foundation as they are subject to the Foundation's variance power provisions. As of December 31, 2007 and 2006, net assets of these funds totaled \$12,797 and \$13,472, respectively. Contributions recognized on behalf of these organizations were \$5,712 and \$5,125 for the years ended December 31, 2007 and 2006, respectively.

**Development, Management and Administrative 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 \$318,278 and \$261,899 for the years ended December 31, 2007 and 2006, respectively.

**Note 8 - Grants Payable:**

Grants payable consists of amounts awarded, but not paid, to a variety of recipients. The following is a schedule by years of future grant payments, together with the present value of grant payments as of December 31:

|                                       |                   |
|---------------------------------------|-------------------|
| 2008                                  | \$ 297,476        |
| 2009                                  | <u>35,825</u>     |
| Total grant payments                  | 333,301           |
| Less: present value of grant payments | <u>(160)</u>      |
| Grants payable                        | <u>\$ 333,141</u> |

In addition to the amounts stated above, the Foundation has awarded, but not yet paid, grants that are required to meet certain conditions before payment is made. In accordance with generally accepted accounting principles, these grants are not included in the Combined Statement of Financial Position.

As of December 31, 2007, these grants consisted of the following:

|                   |                   |
|-------------------|-------------------|
| Contingent grants | \$ 125,000        |
| Scholarships      | <u>80,387</u>     |
|                   | <u>\$ 205,387</u> |

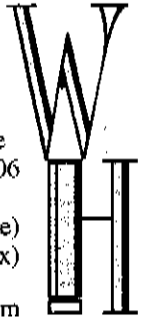
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INDEPENDENT AUDITORS' REPORT ON  
SUPPLEMENTAL INFORMATION

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 development, management and administrative 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.*

March 27, 2008

COMMUNITY FOUNDATION OF GREATER NEW BRITAIN AND AFFILIATES

Combined Schedules of Development, Management and Administrative Expenses

For the years ended December 31, 2007 and 2006

|                                   | 2007              | 2006              |
|-----------------------------------|-------------------|-------------------|
| Salaries and wages                | \$ 351,410        | \$ 317,385        |
| Employee benefits                 | 57,744            | 53,309            |
| Building-related costs            | 64,836            | 37,521            |
| Payroll taxes                     | 25,651            | 25,713            |
| Legal fees                        | 9,684             | 12,305            |
| Miscellaneous                     | 17,188            | 9,926             |
| Printing and publications         | 32,131            | 34,045            |
| Consulting                        | 33,000            | 39,334            |
| Accounting fees                   | 23,756            | 18,974            |
| Conferences and conventions       | 11,824            | 21,823            |
| Depreciation                      | 8,633             | 24,989            |
| Computer software and support     | 18,387            | 12,774            |
| Office supplies                   | 5,093             | 8,386             |
| Travel                            | 1,545             | 3,486             |
| Insurance                         | 3,171             | 3,960             |
| Membership dues and subscriptions | 4,358             | 3,601             |
| Telephone                         | 3,274             | 3,448             |
| Equipment rental and maintenance  | 2,567             | 934               |
| Website                           | 2,223             | 29,185            |
| Postage                           | 4,235             | 5,351             |
|                                   | <u>680,710</u>    | <u>666,449</u>    |
| Total expenses                    | <u>\$ 680,710</u> | <u>\$ 666,449</u> |