

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

DECEMBER 31, 2005

COMMUNITY FOUNDATION OF GREATER NEW BRITAIN AND AFFILIATES

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BlumShapiro

Report of Independent Accountants

To the Board of Directors
Community Foundation of Greater New Britain

We have audited the accompanying combined statements of financial position of the Community Foundation of Greater New Britain and affiliates as of December 31, 2005 and 2004, 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 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 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, 2005 and 2004, 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.

Blum, Shapiro & Company, P.C.

March 16, 2006

COMMUNITY FOUNDATION OF GREATER NEW BRITAIN AND AFFILIATES
COMBINED STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2005 AND 2004

	<u>2005</u>	<u>2004</u>
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 1,623,690	\$ 1,076,728
Contributions receivable	3,035	12,607
Prepaid expenses	21,555	17,948
Total current assets	<u>1,648,280</u>	<u>1,107,283</u>
Property and Equipment		
Building	632,713	619,154
Office furniture and equipment	88,038	80,508
	<u>720,751</u>	<u>699,662</u>
Less accumulated depreciation	83,624	52,350
Net property and equipment	<u>637,127</u>	<u>647,312</u>
Investments	<u>26,747,018</u>	<u>26,342,072</u>
Split-Interest Agreements		
Charitable gift annuities	966,246	1,286,158
Pooled income trust	109,702	223,419
Total split-interest agreements	<u>1,075,948</u>	<u>1,509,577</u>
Total Assets	<u>\$ 30,108,373</u>	<u>\$ 29,606,244</u>
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts payable	\$ 12,795	\$ 10,254
Accrued expenses	23,792	30,136
Current portion of grants payable	333,736	363,781
Current portion of capital lease obligation	2,339	1,949
Total current liabilities	<u>372,662</u>	<u>406,120</u>
Noncurrent Liabilities		
Grants payable, less current portion	-	247,590
Capital lease obligation, less current portion	9,860	12,199
Deferred revenue	34,181	50,589
Liability under charitable gift annuities	537,117	786,715
Agency endowments	18,929	16,970
Total noncurrent liabilities	<u>600,087</u>	<u>1,114,063</u>
Total liabilities	<u>972,749</u>	<u>1,520,183</u>
Net Assets		
Unrestricted	28,629,257	27,408,887
Temporarily restricted	506,367	677,174
Total net assets	<u>29,135,624</u>	<u>28,086,061</u>
Total Liabilities and Net Assets	<u>\$ 30,108,373</u>	<u>\$ 29,606,244</u>

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

COMMUNITY FOUNDATION OF GREATER NEW BRITAIN AND AFFILIATES

COMBINED STATEMENTS OF ACTIVITIES

FOR THE YEARS ENDED DECEMBER 31, 2005 AND 2004

	2005			2004		
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Support and Revenues						
Support:						
Gifts and contributions received	\$ 688,381	\$ -	\$ 688,381	\$ 413,235	\$ 43,909	\$ 457,144
In-kind contributions	-	-	-	440	-	440
Total support	<u>688,381</u>	<u>-</u>	<u>688,381</u>	<u>413,675</u>	<u>43,909</u>	<u>457,584</u>
Revenues:						
Member fees	4,735	-	4,735	5,400	-	5,400
Miscellaneous revenue	5,747	-	5,747	5,647	-	5,647
Rent revenue	60,898	-	60,898	22,500	-	22,500
Realized and unrealized gains on investments, net	809,218	17,546	826,764	1,676,950	69,650	1,746,600
Interest and dividends	818,941	39,681	858,622	745,780	35,731	781,511
Investment and trustee fees	(61,973)	-	(61,973)	(65,679)	-	(65,679)
Change in split-interest agreements	-	50,818	50,818	-	(105,979)	(105,979)
Net assets released from restrictions	278,852	(278,852)	-	115,408	(115,408)	-
Total revenues	<u>1,916,418</u>	<u>(170,807)</u>	<u>1,745,611</u>	<u>2,506,006</u>	<u>(116,006)</u>	<u>2,390,000</u>
Total support and revenues	<u>2,604,799</u>	<u>(170,807)</u>	<u>2,433,992</u>	<u>2,919,681</u>	<u>(72,097)</u>	<u>2,847,584</u>
Program and Supporting Services						
Program services:						
Grants	455,075	-	455,075	666,726	-	666,726
Scholarships	46,026	-	46,026	55,718	-	55,718
Program expenses	132,677	-	132,677	70,613	-	70,613
Related program activities administered by the Foundation	125,648	-	125,648	124,542	-	124,542
Total program services	<u>759,426</u>	<u>-</u>	<u>759,426</u>	<u>917,599</u>	<u>-</u>	<u>917,599</u>
Supporting services:						
Development, management and administrative expenses	625,003	-	625,003	639,655	-	639,655
Total program and supporting services	<u>1,384,429</u>	<u>-</u>	<u>1,384,429</u>	<u>1,557,254</u>	<u>-</u>	<u>1,557,254</u>
Increase (Decrease) in Net Assets	1,220,370	(170,807)	1,049,563	1,362,427	(72,097)	1,290,330
Net Assets - Beginning of Year	<u>27,408,887</u>	<u>677,174</u>	<u>28,086,061</u>	<u>26,046,460</u>	<u>749,271</u>	<u>26,795,731</u>
Net Assets - End of Year	<u>\$ 28,629,257</u>	<u>\$ 506,367</u>	<u>\$ 29,135,624</u>	<u>\$ 27,408,887</u>	<u>\$ 677,174</u>	<u>\$ 28,086,061</u>

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

COMMUNITY FOUNDATION OF GREATER NEW BRITAIN AND AFFILIATES

COMBINED STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 2005 AND 2004

	<u>2005</u>	<u>2004</u>
Cash Flows from Operating Activities		
Increase in net assets	\$ 1,049,563	\$ 1,290,330
Adjustments to reconcile increase in net assets to net cash provided by (used in) operating activities:		
Depreciation	31,274	17,168
Realized and unrealized gains on investments, net	(826,764)	(1,746,600)
Gifts of marketable securities	-	(48,498)
Loss on disposal of property and equipment	-	4,560
(Increase) decrease in operating assets:		
Contributions receivable	9,572	(1,032)
Charitable gift annuities	319,912	(90,786)
Charitable remainder trust	-	107,100
Pooled income trust	113,717	(10,341)
Prepaid expenses	(3,607)	(7,802)
Increase (decrease) in operating liabilities:		
Accounts payable	2,541	5,313
Accrued expenses	(6,344)	2,950
Grants payable	(277,635)	(668,845)
Deferred revenue	(16,408)	(3,209)
Liability under charitable gift annuities	(249,598)	71,159
Agency endowments	1,959	1,220
Net cash provided by (used in) operating activities	<u>148,182</u>	<u>(1,077,313)</u>
Cash Flows from Investing Activities		
Proceeds from sale of investments	9,001,611	8,577,410
Purchase of investments	(8,579,793)	(7,371,559)
Purchase of property and equipment	(21,089)	(641,024)
Net cash provided by investing activities	<u>400,729</u>	<u>564,827</u>
Cash Flows from Financing Activities		
Payment of capital lease obligation	(1,949)	(147)
Net cash used in financing activities	<u>(1,949)</u>	<u>(147)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	546,962	(512,633)
Cash and Cash Equivalents - Beginning of Year	<u>1,076,728</u>	<u>1,589,361</u>
Cash and Cash Equivalents - End of Year	<u>\$ 1,623,690</u>	<u>\$ 1,076,728</u>

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

COMMUNITY FOUNDATION OF GREATER NEW BRITAIN AND AFFILIATES

NOTES TO COMBINED FINANCIAL STATEMENTS

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. Accordingly, the accounts of the Foundation are reported in the following categories:

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. 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. Accordingly, 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.

Permanently Restricted Net Assets - These net assets include the historic dollar value (fair market value at time of the gift) of contributions and other inflows of assets whose use by the Foundation is limited by donor-imposed stipulations that neither expire by the passage of time nor can be fulfilled or otherwise removed by actions of the Foundation. The Foundation does not have any permanently restricted net assets as of December 31, 2005 and 2004.

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, 2005 and 2004:

Agency endowments at January 1, 2004	\$ 15,750
Investment income and net investment returns	1,780
Grants awarded	(375)
Investment management and administrative fees	<u>(185)</u>
Agency endowments at December 31, 2004	16,970
Gifts	1,550
Investment income and net investment returns	1,274
Grants awarded	(669)
Investment management and administrative fees	<u>(196)</u>
Agency Endowments at December 31, 2005	<u>\$ 18,929</u>

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, excluding money market funds held by brokers. 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.

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. See Note 3 for a further discussion of split-interest agreements.

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 adopted 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 this 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 currently set at 5.5% of the previous 20 quarters' average market value, subject to a floor and ceiling based on the end of year market value. The amount available for spending was \$1,494,601 and \$1,479,453 for the years ended December 31, 2005 and 2004, respectively. These amounts are available for grant making and administrative fees to support the operation of the Foundation for that respective year.

Gifts and Contributions - Contributions received are recorded as unrestricted, temporarily restricted or permanently restricted support, 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 or permanently restricted net assets, depending on the nature of the restriction. 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, Corporation and AW Stanley are exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. Income from certain activities not directly related to the Foundation's tax-exempt purpose is subject to taxation as unrelated business income. The Foundation qualifies for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified as an organization that is not a private foundation under Section 509(a)(2).

