

**THE COMMUNITY FOUNDATION OF  
SOUTHEASTERN CONNECTICUT, INC.**

**DECEMBER 31, 2008**

**THE COMMUNITY FOUNDATION OF SOUTHEASTERN CONNECTICUT, INC.**

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## Independent Auditors' Report

To the Board of Trustees  
The Community Foundation of  
Southeastern Connecticut, Inc.

We have audited the accompanying statement of financial position of The Community Foundation of Southeastern Connecticut, Inc., as of December 31, 2008 and the related statements of activities and cash flows for the year then ended. These financial statements are the responsibility of the Foundation's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year summarized comparative information was derived from the Foundation's 2007 financial statements and, in our report dated April 25, 2008, we expressed an unqualified opinion on those statements.

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 audit to obtain reasonable assurance about whether the 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 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 financial statements referred to above present fairly, in all material respects, the financial position of The Community Foundation of Southeastern Connecticut, Inc., as of December 31, 2008 and the changes in its net assets and its cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

*Blum, Shapiro & Company, P.C.*

June 1, 2009

**THE COMMUNITY FOUNDATION OF SOUTHEASTERN CONNECTICUT, INC.**

**STATEMENT OF FINANCIAL POSITION**

**DECEMBER 31, 2008**

(With Summarized Financial Information as of December 31, 2007)

	<u>2008</u>	<u>2007</u>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 2,160,136	\$ 1,055,897
Investments	20,784,805	27,831,465
Contributions receivable, net	67,553	113,132
Split-interest agreements:		
Pooled income fund	-	154,762
Beneficial interest in perpetual trust	2,838,122	4,248,570
Charitable trusts	1,146,746	1,766,834
Charitable gift annuities	42,918	17,157
Property and equipment, net	328,477	347,423
Prepaid expenses	3,179	-
<b>Total Assets</b>	<u>\$ 27,371,936</u>	<u>\$ 35,535,240</u>
<b>LIABILITIES AND NET ASSETS</b>		
<b>Liabilities</b>		
Grants payable, net	\$ 112,727	\$ 105,577
Accounts payable	37,469	39,577
Deferred revenue	-	1,000,000
Liability under charitable gift annuity	32,041	9,025
Liability under other split-interest agreements	-	24,360
<b>Total liabilities</b>	<u>182,237</u>	<u>1,178,539</u>
<b>Net Assets</b>		
Unrestricted:		
Board designated, capital	51,551	67,541
Board designated, administrative endowment	1,158,048	1,659,440
Undesignated	21,929,391	26,370,803
<b>Total unrestricted</b>	<u>23,138,990</u>	<u>28,097,784</u>
Temporarily restricted	1,212,587	2,010,347
Permanently restricted	2,838,122	4,248,570
<b>Total net assets</b>	<u>27,189,699</u>	<u>34,356,701</u>
<b>Total Liabilities and Net Assets</b>	<u>\$ 27,371,936</u>	<u>\$ 35,535,240</u>

The accompanying notes are an integral part of the financial statements

**THE COMMUNITY FOUNDATION OF SOUTHEASTERN CONNECTICUT, INC.**

**STATEMENT OF ACTIVITIES**

**FOR THE YEAR ENDED DECEMBER 31, 2008**

(With Summarized Financial Information for the Year Ended December 31, 2007)

	<u>2008</u>				<u>2007</u>
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>	<u>Total</u>
<b>Revenues, Gains and Other Support</b>					
Contributions	\$ 6,896,411	\$ 115,000	\$ -	\$ 7,011,411	\$ 4,438,550
Change in value of split-interest agreements	2,745	(695,706)	-	(692,961)	117,406
Change in value of perpetual trust	-	-	(1,410,448)	(1,410,448)	179,168
Net realized and unrealized gains (losses) on investments	(9,916,901)	-	-	(9,916,901)	532,246
Investment income	323,988	-	-	323,988	1,131,040
Special events, net	9,890	-	-	9,890	15,756
Rental income	30,000	-	-	30,000	27,600
	<u>(2,653,867)</u>	<u>(580,706)</u>	<u>(1,410,448)</u>	<u>(4,645,021)</u>	<u>6,441,766</u>
Less investment fees	129,257	-	-	129,257	143,873
Total support	<u>(2,783,124)</u>	<u>(580,706)</u>	<u>(1,410,448)</u>	<u>(4,774,278)</u>	<u>6,297,893</u>
Net assets released from purpose restrictions	217,054	(217,054)	-	-	-
Total revenues, gains and other support	<u>(2,566,070)</u>	<u>(797,760)</u>	<u>(1,410,448)</u>	<u>(4,774,278)</u>	<u>6,297,893</u>
<b>Expenses</b>					
Program services:					
Grants	1,400,339	-	-	1,400,339	1,403,034
Scholarships	261,350	-	-	261,350	227,985
Other grant expenses	256,149	-	-	256,149	185,764
Total program services	<u>1,917,838</u>	<u>-</u>	<u>-</u>	<u>1,917,838</u>	<u>1,816,783</u>
Supporting services:					
General and administrative expenses	474,886	-	-	474,886	436,989
Total expenses	<u>2,392,724</u>	<u>-</u>	<u>-</u>	<u>2,392,724</u>	<u>2,253,772</u>
<b>Increase (Decrease) in Net Assets</b>	(4,958,794)	(797,760)	(1,410,448)	(7,167,002)	4,044,121
<b>Net Assets - Beginning of Year</b>	<u>28,097,784</u>	<u>2,010,347</u>	<u>4,248,570</u>	<u>34,356,701</u>	<u>30,312,580</u>
<b>Net Assets - End of Year</b>	<u>\$ 23,138,990</u>	<u>\$ 1,212,587</u>	<u>\$ 2,838,122</u>	<u>\$ 27,189,699</u>	<u>\$ 34,356,701</u>

The accompanying notes are an integral part of the financial statements

**THE COMMUNITY FOUNDATION OF SOUTHEASTERN CONNECTICUT, INC.**

**STATEMENT OF CASH FLOWS**

**FOR THE YEAR ENDED DECEMBER 31, 2008**

(With Summarized Financial Information for the Year Ended December 31, 2007)

	<u>2008</u>	<u>2007</u>
<b>Cash Flows from Operating Activities</b>		
Increase (decrease) in net assets	\$ (7,167,002)	\$ 4,044,121
Adjustments to reconcile increase (decrease) in net assets to net cash provided by operating activities:		
Depreciation	23,065	22,320
Net realized and unrealized (gains) losses on investments	9,916,901	(532,246)
(Increase) decrease in operating assets:		
Contributions receivable	45,579	771,277
Charitable trusts	620,088	(112,543)
Pooled income fund	154,762	(4,288)
Charitable gift annuity	(25,761)	1,398
Beneficial interest in perpetual trust	1,410,448	(179,168)
Other assets	(3,179)	3,000
Increase (decrease) in operating liabilities:		
Accounts payable	(2,108)	(2,877)
Grants payable	7,150	10,000
Deferred revenue	(1,000,000)	1,000,000
Liability under other split-interest agreements	(24,360)	(3,556)
Liability under charitable gift annuity	23,016	1,583
Net cash provided by operating activities	<u>3,978,599</u>	<u>5,019,021</u>
<b>Cash Flows from Investing Activities</b>		
Proceeds from the sale of investments	1,561,715	1,796,914
Purchases of investments	(4,431,956)	(5,840,211)
Purchase of property and equipment	(4,119)	(4,781)
Net cash used in investing activities	<u>(2,874,360)</u>	<u>(4,048,078)</u>
<b>Net Increase in Cash and Cash Equivalents</b>	1,104,239	970,943
<b>Cash and Cash Equivalents - Beginning of Year</b>	<u>1,055,897</u>	<u>84,954</u>
<b>Cash and Cash Equivalents - End of Year</b>	<u>\$ 2,160,136</u>	<u>\$ 1,055,897</u>

The accompanying notes are an integral part of the financial statements

# THE COMMUNITY FOUNDATION OF SOUTHEASTERN CONNECTICUT, INC.

## NOTES TO FINANCIAL STATEMENTS

### Note 1 - Summary of Significant Accounting Policies:

**Nature of Activity** - The Community Foundation of Southeastern Connecticut, Inc. (the Foundation) is a nonprofit corporation located in New London, Connecticut, which promotes local philanthropy among the residents of eleven towns by building a permanent endowment to support programs offered by local nonprofit organizations. The Foundation solicits contributions from individuals and businesses, invests them for the long term and distributes grants and scholarships from the earnings of those invested funds. It supports the arts and education, health and human services, and civic and environmental causes.

**Prior Year Summarized Financial Information** - The financial statements include certain prior year summarized financial information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America (GAAP). Accordingly, such information should be read in conjunction with the Foundation's audited financial statements as of and for the year ended December 31, 2007, from which the summarized information was derived.

**Basis of Accounting and Presentation** - The Foundation prepares its financial statements in accordance with GAAP. Accordingly, the accounts of the Foundation are reported in the following categories:

**Unrestricted Net Assets** - Unrestricted net assets represent available resources other than donor-restricted contributions. The Board of Trustees of the Foundation has variance power, the unilateral power to redirect the use of a donor's contribution to another beneficiary. Such contributions must be classified as unrestricted net assets. Accordingly, the Foundation's financial statements classify substantially all funds, including the corpus of endowment funds, as unrestricted net assets.

**Temporarily Restricted Net Assets** - Temporarily restricted net assets represent contributions which are restricted by the donor as to purpose or time of expenditure. This classification includes income and appreciation subject to purpose restrictions and split-interest agreements, as discussed below.

**Permanently Restricted Net Assets** - Permanently restricted net assets represent resources which have donor-imposed restrictions that require that the principal be maintained in perpetuity but permit the Foundation to expend the income earned thereon. These permanently restricted net assets include the Foundation's proportionate share of the principal amount of irrevocable trusts with outside trustees, for which trusts the Foundation is an income beneficiary.

**Cash and Cash Equivalents** - For purposes of the statement of cash flows, the Foundation considers all unrestricted highly liquid investments with an initial maturity of three months or less to be cash equivalents, exclusive of cash equivalents held by investment managers which are considered to be investments. The Foundation's deposits in financial institutions may, at times, exceed federal depository insurance limits. However, management believes the Foundation is not subject to significant credit risk on its deposits.

**Investments** - Investments in equity securities with readily determinable fair values and investments in debt securities are carried at fair value, as further discussed in Note 2. Realized and unrealized gains and losses on these investments are reported in the statement of activities as increases or decreases in unrestricted net assets unless their use is temporarily or permanently restricted by explicit donor stipulations or by law. Investment income and gains restricted by donors are reported as increases in unrestricted net assets if the restrictions are met in the same reporting period in which the income and gains are recognized.

**Property and Equipment** - Property and equipment acquisitions and improvements thereon that exceed \$500 are capitalized at cost and depreciated on a straight-line basis over their estimated useful lives ranging from 3 to 40 years. Donated property and equipment are recognized at fair value at the date of donation.

**Contributions** - Unconditional contributions are recognized when pledged or received, as applicable, and are considered to be available for unrestricted use unless specifically restricted by the donor. Contributions receivable expected to be collected in more than one year are discounted to their present value. The Foundation reports nongovernmental contributions and grants of cash and other assets as temporarily restricted support if they are received with donor stipulations that limit their use. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Contributions received whose restrictions are met in the same period are presented with unrestricted net assets. Conditional promises to give are recognized when the conditions on which they depend are substantially met.

**Donated Assets** - Donated marketable securities and other noncash donations are recognized as contributions at their fair values at the date of donation.

**Split-Interest Agreements** - Split-interest agreements consist of assets placed in trust 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. See Note 4 for a further discussion of split-interest agreements.

**Use of Estimates** - The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates. Significant estimates include those used in determining the present value of split-interest agreements.

**Functional Allocation of Expenses** - The costs of providing various programs and other activities has been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

**Income Tax Status** - The Foundation is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. The Foundation has also been classified as an entity that is not a private foundation within the meaning of Section 509(a) and qualifies for deductible contributions as provided in Section 170(b)(1)(A).



Note 2 - **Investments:**

The following is a summary of the source of fair value measurements for investments that are measured at fair value on a recurring basis:

<b>Description</b>	<b>Fair Value Measurements Using</b>		
	<b>December 31, 2008</b>	<b>Quoted Prices in Active Markets for Identical Assets (Level 1)</b>	<b>Significant Other Observable Inputs (Level 2)</b>
Cash equivalents	\$ 131,736	\$ 131,736	\$ -
Mutual funds:			
U.S. equity funds	1,981,340	1,981,340	-
Index funds	1,971,525	1,971,525	-
Bond funds	5,072,024	5,072,024	-
Common trust funds:			
Mutual funds:			
U.S. equity funds	5,330,828	-	5,330,828
International equity funds	4,375,247	-	4,375,247
Alternative investments:			
Common trust funds real estate	1,922,105	-	1,922,105
<b>Total</b>	<b>\$ 20,784,805</b>	<b>\$ 9,156,625</b>	<b>\$ 11,628,180</b>

In accordance with Statement of Financial Accounting Standards No. 157, *Fair Value Measurements* (FAS No. 157), the Foundation's carrying amounts of cash and cash equivalents, accounts and grants payable, and accrued expenses approximate fair value under Level 1. Split-interest agreements are reported at fair value based on the life expectancy of the beneficiary and the net present value of the expected cash flows using a discount rate, as discussed in Note 4.

Note 3 - **Contributions Receivable:**

Contributions receivable consists of pledges receivable from various individuals for the "Women and Girls Fund" and "Let's Read Fund" initiatives.

Contributions receivable as of December 31, 2008 and 2007, are expected to be collected as follows:

	<b>2008</b>	<b>2007</b>
Receivable in less than one year	\$ 42,893	\$ 74,601
Receivable in one to five years	26,900	42,483
Total contributions receivable	69,793	117,084
Less discounts to net present value	2,240	3,952
<b>Net Contributions Receivable</b>	<b>\$ 67,553</b>	<b>\$ 113,132</b>

Contributions receivable in more than one year are discounted at 4%.

#### Note 4 - **Split-Interest Agreements:**

**Beneficial Interest in Perpetual Trust** - The Foundation retains a beneficial interest in a trust established by Dorothy L. Morgan and held by an unrelated trustee. Under this arrangement, the Foundation receives investment income from the trust but does not have access to the principal. The beneficial interest is carried at the present value of estimated future receipts from the trust, which is measured by the fair market value of the assets in the trust. Changes in the carrying amount of the beneficial interest are recognized as increases or decreases in permanently restricted net assets. Distributions received from the trust and included in investment income in the statement of activities for the years ended December 31, 2008 and 2007, were \$158,187 and \$158,922 respectively.

**Charitable Remainder Trust** - A charitable remainder trust is an arrangement in which a donor establishes and funds a trust that is held by a third party with the grantor as the named life beneficiary. The trust provides for the payment of distributions to the grantor or other designated beneficiaries over the trust's term, usually the designated beneficiary's lifetime. At the end of the trust's term, the remaining assets are available for the Foundation's use. The portion of the trust attributable to the present value of the future benefits to be received by the Foundation was recognized in the statement of activities as a temporarily restricted contribution in the period the trust was established. On an annual basis, the Foundation revalues the liability to make distributions to the designated beneficiaries based on actuarial assumptions. The liability is calculated using the federal applicable rate for a remainder interest under Internal Revenue Code Section 7520 and applicable mortality tables.

**Pooled Income Fund** - The Foundation established a pooled income fund which is held in trust by a third party. Contributions to the fund represent an irrevocable agreement in which the remainder interest in such contributions reverts 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. On an annual basis, the Foundation revalues the liability to make distributions to the designated beneficiaries based on actuarial assumptions. Upon termination of the life interest, the units attributable to that life tenant revert to the Foundation. Effective January 1, 2008, this fund was dissolved.

**Charitable Gift Annuity** - The Foundation established a charitable gift annuity program in 2002. 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 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. Contributions for the years ended December 31, 2008 and 2007, were \$34,890 and \$-0-, respectively.

Note 5 - **Property and Equipment:**

The following is a summary of property and equipment as of December 31, 2008 and 2007:

	<u>2008</u>	<u>2007</u>
Land, building and improvements	\$ 397,039	\$ 394,767
Furniture, fixtures and equipment	70,120	69,113
	<u>467,159</u>	<u>463,880</u>
Less accumulated depreciation	<u>138,682</u>	<u>116,457</u>
Net Property and Equipment	<u>\$ 328,477</u>	<u>\$ 347,423</u>

Note 6 - **Grants:**

Grants authorized but unpaid as of year end are reported as liabilities. Grants to be paid in more than one year are discounted using a rate of 4%. The following is a summary of grants authorized and payable at December 31, 2008 and 2007:

	<u>2008</u>	<u>2007</u>
To be paid in less than one year	\$ 65,200	\$ 64,050
To be paid in one to five years	51,500	45,500
Gross unconditional grants payable	<u>116,700</u>	<u>109,550</u>
Less discounts to net present value	<u>3,973</u>	<u>3,973</u>
Net Unconditional Grants Payable	<u>\$ 112,727</u>	<u>\$ 105,577</u>

Note 7 - **Temporarily Restricted Net Assets:**

Temporarily restricted net assets represent contributions, gifts and income from investments that are restricted based on time or purposes specified by the donor. At December 31, 2008 and 2007, temporarily restricted net assets are comprised of the following:

	<u>2008</u>	<u>2007</u>
Vergason Trust	\$ -	\$ 27,583
Pooled income funds, net	-	130,381
Lawrence P. and Marjory B. Smith Charitable Remainder Trust, net	1,135,885	1,718,534
Pledges receivable - initiatives	65,841	113,132
Clement Trust	<u>10,861</u>	<u>20,717</u>
	<u>\$ 1,212,587</u>	<u>\$ 2,010,347</u>

Note 8 - **Endowment and Variance Power:**

The Community Foundation of Southeastern Connecticut, Inc.'s endowment consists of approximately 220 individual funds established for a variety of purposes. Its endowment includes donor-advised funds, donor-designated funds and funds designated by the Board of Directors to function as endowments. The Board of Directors of the Foundation has the unilateral power to redirect the use of a donor's contribution to another beneficiary. Such endowment funds are subject to variance power pursuant to Sections 1.170A-9(e)(11)(v)(B), (C) and (D) of the Internal Revenue Code (the Code). The Board of Directors has adopted a policy describing the criteria and limited circumstances under which the Foundation would exercise this power. For internal management and record keeping, the Foundation segregates the portion that is managed as an endowment from the funds that are currently available for grant distribution.

As required by GAAP, net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

**Interpretation of Relevant Law** - The State of Connecticut adopted the Connecticut Prudent Management of Institutional Funds Act (CTPMIFA), which became effective October 1, 2007. The Foundation has incorporated, as appropriate, FAS 117-1 for CTPMIFA for the year ended December 31, 2008. The impact of such adoption was negligible on the presentation of the Foundation's financial statements, when compared to those previously issued under FAS 117, given the existing governing documents' inclusion of variance power, the unilateral power to redirect the use of a contribution for another charitable purpose. The criteria and circumstances under which the Board of Directors of the Foundation would exercise the variance power responsibility are prescribed under the by-laws of the organization.

Under the provisions of the by-laws, the Foundation, in its sole discretion, shall determine to distribute so much of the corpus of any trust or separate gift, devise, bequest or fund. As a result of this responsibility under the by-laws, all contributions not classified as temporarily restricted are classified as unrestricted net assets for financial statement purposes. Temporarily restricted net assets consist of irrevocable charitable trusts and lead trusts, which are classified as split-interest agreements, as defined in Note 4. Accordingly, the Foundation's financial statements classify substantially all net assets as unrestricted; however, all recordkeeping for internal management and external reporting retains the original donor intent for every charitable asset within the Foundation.

The spending policy and philosophy contained in the Investment Policy, including the long-term investment management policies and procedures constructed based on the by-laws, were designed to function as integrated processes and are administered to reflect the following factors, as described in CTPMIFA, for prudent stewards of charitable assets, including:

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

**Return Objectives and Risk Parameters** - The Foundation has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include board-designated funds. Under this policy, as approved by the Board of Trustees, the endowment assets are invested in a manner that is intended to produce results that exceed the price and yield results of the S&P 500 index while assuming a moderate level of investment risk. The Foundation expects its endowment funds, over time, to provide an annual average rate of return of at least the rate of inflation plus yearly spending. Actual returns in any given year may vary from this amount.

**Strategies Employed for Achieving Objectives** - To satisfy its long-term rate-of-return objectives, the Foundation relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Foundation targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

**Spending Policy and How the Investment Objectives Related to Spending Policy** - The Foundation has a policy of appropriating for distribution each year 4-6% of its endowment fund's average fair value over the prior 12 quarters through the calendar year-end preceding the fiscal year in which the distribution is planned. In establishing this policy, the Foundation considered the long-term expected return on its endowment. Accordingly, over the long-term, the Foundation expects the current spending policy to allow its endowment to grow at least at the annual rate of inflation plus yearly spending. This is consistent with the Foundation's objective to maintain the purchasing power of the endowment assets held for a specified term as well as to provide additional real growth through new gifts and investment return.

The Foundation's goal is to increase its distributions by at least the rate of inflation annually, but it may hold spending flat during extended periods of poor market performance, recognizing the need to balance immediate needs against those of future generations. In years of sustained market growth, the Foundation may consider creating a future reserve or declare a "community dividend" for that period only. The actual spending rates for 2008 and 2007 are as follows:

	<u>2008</u>	<u>2007</u>
Endowed funds	5.25%	5.25%
Agency funds	5.00	5.00

**Note 9 - Leases:**

The Foundation leases the second and fourth floors of their building to two independent tenants with fixed monthly rental payments. The terms of these leases currently expire through December 2010. Income derived from these leases was \$30,000 and \$27,600 for the years ended December 31, 2008 and 2007, respectively.

The following is a schedule of minimum future rental income to be received under these operating leases as of December 31, 2008:

2009	\$	25,500
2010		19,200

Note 10 - **Description of Functional Expense Categories:**

**Grants** - The Foundation distributes grants from discretionary, donor-advised and designated funds to organizations and projects that benefit the communities of East Lyme, Groton, Ledyard, Lyme, Montville, Stonington, North Stonington, Old Lyme, New London, Salem and Waterford. The Foundation's grant-making strategy is intended to strengthen the capacity of local nonprofit organizations and the community as a whole. Grants are awarded across a broad range of fields.

**Scholarships** - The Foundation distributes scholarship awards from managed scholarship funds according to the criteria established by the donor. The Foundation also distributes scholarship awards from its own discretionary funds by committee. Recipients are primarily students graduating from high school who are planning to further their education, typically from East Lyme, Groton, Ledyard, Lyme, Montville, Stonington, North Stonington, Old Lyme, New London, Salem and Waterford.

**General and Administrative** - These functions are necessary to develop new donors and cultivate existing donors, to maintain and ensure an adequate working environment, to provide coordination and articulation of the Foundation's program strategy, and to ensure proper administrative functioning of the Board of Directors and management of the financial and budgetary responsibilities of the Foundation.



## Independent Auditors' Report on Supplementary Information

To the Board of Trustees  
The Community Foundation of  
Southeastern Connecticut, Inc.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplemental schedule of general and administrative expenses for the year ended December 31, 2008 is presented for purposes of additional analysis and is not a required part of the basic financial statements. The prior year summarized financial information for the year ended December 31, 2007 was derived from the Foundation's 2007 financial statements, and, in our report dated April 25, 2008, we also noted that such information had been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, was fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Blum, Shapiro & Company, P.C.*

June 1, 2009

**THE COMMUNITY FOUNDATION OF SOUTHEASTERN CONNECTICUT, INC.**

**SCHEDULE OF GENERAL AND ADMINISTRATIVE EXPENSES**

**FOR THE YEAR ENDED DECEMBER 31, 2008**

(With Summarized Financial Information for the Year Ended December 31, 2007)

	<u>2008</u>	<u>2007</u>
Salaries	\$ 247,787	\$ 242,182
Employee benefits	45,562	33,529
Professional fees	27,138	28,426
Consulting	-	20,248
Payroll taxes	19,938	18,344
Software support	9,747	7,844
Repairs and maintenance	6,918	7,731
Bank fees	96	7,178
Utilities	6,782	6,974
Publications	9,553	5,770
Insurance	4,690	4,947
Mailings	2,082	3,490
Annual report	3,900	3,255
Office supplies	3,537	3,171
Parking	1,200	2,700
Equipment rental	3,289	2,550
Postage	2,191	2,540
Training and educational expenses	2,811	2,515
Telephone	2,563	2,399
Travel and meetings	3,413	2,250
Trustee meetings	1,861	2,008
Real estate taxes	3,844	1,846
Payroll processing fees	767	778
Donor development	2,123	776
Dues and subscriptions	884	723
Marketing	-	495
General and administrative expenses before depreciation and 25th Anniversary event	<u>412,676</u>	<u>414,669</u>
Depreciation	23,065	22,320
25th Anniversary Event	<u>39,145</u>	<u>-</u>
<b>Total General and Administrative Expenses</b>	<u><u>\$ 474,886</u></u>	<u><u>\$ 436,989</u></u>