THE COMMUNITY FOUNDATION FOR GREATER NEW HAVEN AND AFFILIATE

COMBINED FINANCIAL STATEMENTS

DECEMBER 31, 2011 AND 2010

THE COMMUNITY FOUNDATION FOR GREATER NEW HAVEN AND AFFILIATE

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Independent Auditors' Report

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

We have audited the accompanying combined statements of financial position of The Community Foundation for Greater New Haven and Affiliate as of December 31, 2011 and 2010, and the related combined statements of activities and cash flows for the years then ended. These combined financial statements are the responsibility of The Community Foundation for Greater New Haven'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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of 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 examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the combined financial statements referred to above present fairly, in all material respects, the financial position of The Community Foundation for Greater New Haven and Affiliate as of December 31, 2011 and 2010, 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.

In accordance with *Government Auditing Standards*, we have also issued a report dated February 20, 2012 on our consideration of The Community Foundation for Greater New Haven's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Blum, Shapiro & Company, P.C.

February 20, 2012

THE COMMUNITY FOUNDATION FOR GREATER NEW HAVEN AND AFFILIATE
COMBINED STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2011 AND 2010

	2011	2010
ASSETS		
Cash and cash equivalents	$ 9,633,504	$ 4,925,506
Investments at market value	312,856,440	300,153,265
Investment in real estate	2,470,000	2,470,000
Mission-related investments	350,000	-
Total investments	325,309,944	307,548,771
Notes receivable	330,000	330,000
Contributions receivable	12,871,746	10,546
Grants receivable	598,071	1,939,095
Split-interest agreements	1,831,731	1,852,339
Other assets	26,210	4,725
Furniture, equipment and fixtures, net of accumulated depreciation	441,384	320,678
Total Assets	$ 341,409,086	$ 312,006,154
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable and accrued expenses	$ 504,248	$ 1,295,893
Organization funds	61,497,898	58,224,075
Liabilities under split-interest agreements	507,418	474,739
Grants payable	4,022,155	3,682,094
Total liabilities	66,531,719	63,676,801
Net Assets		
Unrestricted	272,746,957	246,166,154
Temporarily restricted	2,130,410	2,163,199
Total net assets	274,877,367	248,329,353
Total Liabilities and Net Assets	$ 341,409,086	$ 312,006,154

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

THE COMMUNITY FOUNDATION FOR GREATER NEW HAVEN AND AFFILIATE
COMBINED STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010

	2011			2010		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
Revenue, Gains (Losses) and Other Support						
Contributions	$ 42,717,173	$ 130,074	$ 42,847,247	$ 13,114,958	$ 167,927	$ 13,282,885
Less contributions to organization funds	(7,955,730)	-	(7,955,730)	(2,755,620)	-	(2,755,620)
Net contributions	34,761,443	130,074	34,891,517	10,359,338	167,927	10,527,265
Investment income	6,079,826	-	6,079,826	6,922,521	-	6,922,521
Realized and unrealized gain on investments, net of fees of $1,521,145 for 2011 and $1,369,360 for 2010	4,404,843	-	4,404,843	20,546,650	-	20,546,650
Split-interest agreements released from restrictions	42,558	(42,558)	-	-	-	-
Change in value of split-interest agreements, net	-	(120,305)	(120,305)	-	(14,819)	(14,819)
Total revenue, gains (losses) and other support	45,288,670	(32,789)	45,255,881	37,828,509	153,108	37,981,617
Expense						
Grants approved, net	18,261,332	-	18,261,332	18,086,354	-	18,086,354
Grants for program management and direct grant activities	1,262,704	-	1,262,704	1,151,707	-	1,151,707
Total grants expense	19,524,036	-	19,524,036	19,238,061	-	19,238,061
Less grants from organization funds	(3,529,144)	-	(3,529,144)	(3,115,784)	-	(3,115,784)
Net grant expense	15,994,892	-	15,994,892	16,122,277	-	16,122,277
Development, donor services and fund stewardship	1,162,704	-	1,162,704	1,077,065	-	1,077,065
Financial, endowment and investment management	1,007,676	-	1,007,676	926,778	-	926,778
Management and general	542,595	-	542,595	500,960	-	500,960
Total administration expense	2,712,975	-	2,712,975	2,504,803	-	2,504,803
Total expense	18,707,867	-	18,707,867	18,627,080	-	18,627,080
Increase (Decrease) in Net Assets	26,580,803	(32,789)	26,548,014	19,201,429	153,108	19,354,537
Net Assets - Beginning of Year	246,166,154	2,163,199	248,329,353	226,964,725	2,010,091	228,974,816
Net Assets - End of Year	$ 272,746,957	$ 2,130,410	$ 274,877,367	$ 246,166,154	$ 2,163,199	$ 248,329,353

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

THE COMMUNITY FOUNDATION FOR GREATER NEW HAVEN AND AFFILIATE
COMBINED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010

	2011	2010
Cash Flows from Operating Activities		
Increase in net assets	$ 26,548,014	$ 19,354,537
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation	80,771	77,367
Realized and unrealized gains on investments, net	(4,404,843)	(20,546,650)
(Increase) decrease in operating assets:		
Contributions receivable	(12,861,200)	488,839
Grants receivable	1,341,024	(817,202)
Split-interest agreements	20,608	(85,350)
Other assets	(21,485)	29,007
Increase (decrease) in operating liabilities:		
Accounts payable and accrued expenses	(791,645)	700,745
Organization funds	3,273,823	4,673,182
Liabilities under split-interest agreements	32,679	91,933
Grants payable	340,061	642,526
Net cash provided by operating activities	13,557,807	4,608,934
Cash Flows from Investing Activities		
Proceeds from sales of investments	45,557,989	84,616,022
Purchases of investments	(54,206,321)	(84,469,988)
Purchases of furniture and equipment	(201,477)	(80,648)
Net cash provided by (used in) investing activities	(8,849,809)	65,386
Net Increase in Cash and Cash Equivalents	4,707,998	4,674,320
Cash and Cash Equivalents - Beginning of Year	4,925,506	251,186
Cash and Cash Equivalents - End of Year	$ 9,633,504	$ 4,925,506

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

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

The Community Foundation for Greater New Haven (the Foundation), formerly The New Haven Foundation, was established in 1928 under a Resolution and Declaration of Trust as amended through April 2000 (the R&D). As of December 31, 2011, the R&D provides for the following Trustee Banks: Wells Fargo Bank, Bank of America, First Niagara and People's United Bank.

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

The Corporation is a separate charitable corporation, organized in 1982 to perform the function and to carry out the purposes of The Foundation. The Affiliate is a separate charitable corporation, organized to carry out the purposes, mission, objectives, operations and activities of the Foundation in the towns of Ansonia, Derby, Shelton, Seymour and Oxford, Connecticut, and their environs. The Affiliate is required through an affiliation agreement to operate at all times in connection with the Foundation under the requirements set forth in Section 509(a)(3) of the Internal Revenue Code.

The Community Foundation qualifies as a public charity under Internal Revenue Code Section 170(b)(1)(A)(vi) and is exempt from federal income and state taxes under Section 501(c)(3) of the Internal Revenue Code and Section 12-244 of the Connecticut General Statutes. The Community Foundation's informational returns for the years ended December 31, 2008 through 2011 are subject to examination by the Internal Revenue Service and the State of Connecticut.

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

a. Basis of Accounting

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

b. Financial Statement Presentation

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

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

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

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

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

c. Organization Funds

The Community Foundation receives and distributes assets for certain endowment funds that have been established by a nonprofit from its own resources for the sole purpose of supporting that specific nonprofit's operations. Amounts received and distributed under these relationships totaled $7,955,730 and $3,529,144, respectively, for the year ended December 31, 2011, and $2,755,620 and $3,115,784, respectively, for the year ended December 31, 2010.

The amounts received but not yet distributed totaled $61,497,898 and $58,224,075 at December 31, 2011 and 2010, respectively, and are included on the combined statements of financial position and referred to as organization funds.

d. Cash and Cash Equivalents

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

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

e. Investments

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

Investments at December 31, 2011 and 2010, consisted of the following:

	2011		2010	
	Fair Value	Cost or Assigned Value	Fair Value	Cost or Assigned Value
Short-term investments	$ 18,920,935	18,920,935	$ 6,846,605	$ 6,846,605
Equities	168,864,281	143,831,264	170,861,001	160,704,220
Alternatives	62,810,052	55,422,050	61,498,267	53,359,067
Fixed income	62,261,172	60,577,539	60,947,392	41,711,738
	$ 312,856,440	$ 278,751,788	$ 300,153,265	$ 262,621,630

Total realized and unrealized gains on assets measured on a recurring basis included in the change in net assets for the year ended December 31, 2011 and for assets still held at year end are $5,940,637, of which the change in unrealized gains on investments still held at year end is $31,973,074.

f. Fair Value of Financial Instruments

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

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

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

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

Where:

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

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

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

The fair value of The Community Foundation's investments as of December 31, 2011 is as follows:

Description	Total	Level 1	Level 2	Level 3
Short-term investments	$ 18,920,935	$ 18,920,935	$ -	$ -
Fixed income	62,261,172	52,693,073	9,568,099	-
Equities:				
International	24,560,170	-	17,366,690	7,193,480
Domestic	144,304,111	94,779,223	49,524,888	-
Alternatives:				
Hedged equity	15,761,365	-	-	15,761,365
Absolute return	21,299,855	-	-	21,299,855
Real assets	22,977,232	-	-	22,977,232
Private equity	2,771,600	-	-	2,771,600
December 31, 2011	$ 312,856,440	$ 166,393,231	$ 76,459,677	$ 70,003,532
Percent of Total	100%	53.2%	24.4%	22.4%

The fair value of The Community Foundation's investments as of December 31, 2010 is as follows:

Description	Total	Level 1	Level 2	Level 3
Short-term investments	$ 6,846,605	$ 6,846,605	$ -	$ -
Fixed income	60,947,392	53,289,253	7,658,139	-
Equities:				
International	17,817,111	-	17,817,111	-
Domestic	153,043,890	115,900,570	37,143,320	-
Alternatives:				
Hedged equity	19,446,418	-	-	19,446,418
Absolute return	21,318,609	-	-	21,318,609
Real assets	18,554,736	-	-	18,554,736
Private equity	2,178,504	-	-	2,178,504
December 31, 2010	$ 300,153,265	$ 176,036,428	$ 62,618,570	$ 61,498,267
Percent of Total	100%	58.6%	20.9%	20.5%

The following table discloses certain additional information as of December 31, 2011 related to The Community Foundation's investments in alternatives that use net asset value per share and are not traded in an active market:

Description		Fair Value		Unfunded Commitments	Redemption Terms	Redemption Restrictions
Hedged equity (Class B)	$	9,069,595		None	Annually with a one-year lock-up period	60 days written notice
Hedged equity (Class B2)		6,691,770		None	Annually beginning 2013 with a one- year lock-up period	95 days written notice
International Equity		7,193,480		None	Three-year lock-up period	90 days written notice
Absolute return		21,299,855		None	Annually with one or three-year lock-up period	100 days written notice
Real assets		22,977,232	$	5,572,165	Illiquid	N/A
Private equity		2,771,600		5,660,500	Illiquid	N/A
Total	$	70,003,532	$	11,232,665		

The Community Foundation assesses and reports on the liquidity of all investments on a quarterly basis to ensure that it has access to sufficient resources necessary for its current and future operational activities. Overall, The Community Foundation has access to approximately fifty percent (50%) of the fair value of its investments on a monthly basis, and two-thirds of the fair value of its investments on a quarterly basis.

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

	Hedged Equity	Absolute Return	Real Assets	International Equity	Private Equity	Total
Fair Value as of December 31, 2009	$ 18,748,248	$ 18,296,245	$ 15,882,715	$ -	$ 2,103,050	$ 55,030,258
Net Realized/ Unrealized Gains	698,170	3,022,364	1,372,629	-	228,781	5,321,944
Sales of Investments	-	-	(622,563)	-	(380,561)	(1,003,124)
Purchases of Investments	-	-	1,921,955	-	227,234	2,149,189
Fair Value as of December 31, 2010	19,446,418	21,318,609	18,554,736	-	2,178,504	61,498,267
Net Realized/Unrealized Gains (Losses)	(3,685,053)	(18,754)	2,522,056	193,480	(210,402)	(1,198,673)
Sales of Investments	-	-	(379,692)	-	(57,002)	(436,694)
Purchases of Investments	-	-	2,280,132	7,000,000	860,500	10,140,632
Balance - End of Year	$ 15,761,365	$ 21,299,855	$ 22,977,232	$ 7,193,480	$ 2,771,600	$ 70,003,532

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

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

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

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

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

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

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

Special Situations - Debt: This strategy, within The Community Foundation's real assets investments, employs an opportunistic search for undervalued investments in inefficient public and private debt markets, where event-driven debt securities can be purchased inexpensively relative to current and expected value based on substantial fundamental analysis and within a significant risk-controlled environment.

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

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

The Community Foundation believes that the carrying amount of its investments is a reasonable fair value as of December 31, 2011 and 2010.

g. Investment in Real Estate

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

Floors four and five are owned and occupied by the Foundation, floor three is owned by the Corporation and occupied by the Foundation, and floors one and two are owned by unrelated nonprofit organizations. Since the Building was accounted for as a mission or program-related investment, no depreciation has been recognized. Pursuant to the policy adopted by the Board of Directors for this investment, the Building would be periodically and independently assessed to determine its current fair value. Due to the unique nature and restrictions of the Building, the Board of Directors requires periodic valuation through an independent market appraisal not less frequently than every five years. The Building was independently appraised in 2010, and in accordance with the Board of Directors' original resolution, the carrying value of the Building approximates the fair value as of December 31, 2011 and 2010.

h. Mission-Related Investments

The Community Foundation, like most foundations nationally, is increasingly seeking additional ways in which to invest its charitable capital entrusted to it through mechanisms and structures other than direct grants or similar distributions to nonprofit organizations. Achieving positive social outcomes and impact through the intentional use of financial assets to simultaneously achieve social and financial returns are commonly referred to as mission-related or impact investing (MRI). The Community Foundation has historically, and will continue from time-to-time, to evaluate MRI opportunities to deploy the charitable financial assets for investment in local nonprofit organizations, through intermediaries or directly, whereby such investment generates both direct social benefit to an issue of importance such as housing and neighborhood revitalization among many other social objectives and a financial rate of return. MRIs may take the form of equity, debt, loan guarantees, or other familiar market products or instruments. In 2011, The Community Foundation entered into a MRI, in partnership and collaboration with Start Community Bank and the Local Initiatives Support Corporation of Connecticut. The Community Foundation's MRI, in the form of a $350,000 loan for five (5) years at an interest rate of 5.375%, was part of a total loan package in the amount of $950,000 to Coral New Haven Associates II, LLC, for the benefit of the Greater Dwight Development Corporation, a 501(c)(3) nonprofit organization engaged in local community and economic development in the Dwight neighborhood in New Haven.

i. Furniture, Equipment and Fixtures

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

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

Furniture, equipment and fixtures at December 31, 2011 and 2010, are as follows:

	2011	2010
Furniture, equipment and fixtures	$ 1,372,720	$ 1,171,243
Accumulated depreciation	(931,336)	(850,565)
Furniture, Equipment and Fixtures, Net	$ 441,384	$ 320,678

j. Contributions

Unconditional contributions are recognized when pledged or received, as applicable, and are available for unrestricted use unless specifically restricted by the donor. Contributions receivable that are expected to be collected in more than one year are discounted to their present value. The Community Foundation reports nongovernmental contributions and grants of cash and other assets as temporarily restricted support if they are received with donor stipulations that limit their use. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the combined statements of activities as net assets released from restrictions. Conditional promises to give are recognized when the conditions upon which they depend are substantially met. The Community Foundation recognizes unconditional contributions when they become estimable and quantifiable. Unconditional contributions receivable as of December 31, 2011 and 2010, of $12,871,746 and $10,546, respectively, are expected to be collected within one fiscal year.

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

k. Split-Interest Agreements

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

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

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

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

l. Grants and Contracts Payable

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

As of December 31, 2011, The Community Foundation is unaware of any material conditions on grants that are unlikely to be satisfied during the approved grant period. In the normal course of business, refunds and cancellations occur as a result of the recipient's needs being less than the appropriated amount and are deducted from the grant appropriations reported in the period as canceled or refunded. Grant activity for the years ended December 31, 2011 and 2010, is summarized below:

		2011		2010
Grants payable, beginning of year	$	3,682,094	$	3,039,568
Grants approved		21,096,543		20,293,741
Grant payments distributed		(20,725,843)		(19,552,451)
Cancellations and adjustments		(30,639)		(98,764)
Grants Payable, End of Year	$	4,022,155	$	3,682,094

m. Investment Management Fees

Investment management fees are those direct expenses associated with the management of The Community Foundation's assets, which include all trustee, custodial and investment management fees. These are allocated against realized and unrealized gains on investments on the combined statements of activities, and the value is disclosed thereon.

n. Notes Receivable

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

o. Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates that affect the reported amounts and disclosures in the financial statements. Actual results could differ from those estimates. Significant estimates include those used in determining the valuation of investments and the liability under split-interest agreements.

p. Subsequent Events

In preparing these combined financial statements, management has evaluated subsequent events through February 20, 2012, which represents the date the combined financial statements were available to be issued.

q. Reclassification

Certain amounts in the 2010 combined financial statements have been reclassified to conform with the current year's presentation.

Note 3 - **Net Asset Management:**

a. Net Asset Classifications and Values

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

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

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

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

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

Net assets as of December 31, 2011 and 2010, consisted of the following:

	2011	2010
Unrestricted net assets:		
Designated	$ 91,706,900	$ 60,366,676
Donor advised	33,386,069	30,909,251
Preference	73,628,587	76,175,319
Unrestricted	74,025,401	78,714,908
	272,746,957	246,166,154
Temporarily restricted net assets	2,130,410	2,163,199
Total Net Assets	$ 274,877,367	$ 248,329,353

b. Endowment Spending

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

Since 1997, the Foundation and Corporation have employed a spending rule policy that calculates endowment spending based on a 20 quarters trailing average market value at a specific spending rate, with a minimum (a “Floor”) of 4.25% and a maximum (a “Cap”) of 5.75%, which will be applied to a quarter-ending market valuation. The total value of endowment spending during any fiscal year shall be equal to the greater of the amounts calculated by applying the spending rate to the previous 20 quarters’ average market value, or to that amount calculated by using the Floor. However, under no circumstances shall the amount of endowment spending during any fiscal year be greater than the amount determined by using the Cap.

Based upon the spending rule policy, $15,022,296 and $14,009,295 were provided for during the years ended December 31, 2011 and 2010, respectively.

Note 4 - **Retirement Plan:**

Eligible employees are covered under a fully funded, noncontributory 403(b) retirement plan that requires that The Community Foundation make contributions thereto based on employees’ earnings. Total retirement plan contributions were $200,261 and $178,980 for the years ended December 31, 2011 and 2010, respectively.