SilverSource
A Leading Resource for Older Adults

FINANCIAL STATEMENTS
FEBRUARY 28, 2023 AND 2022

SILVERSOURCE, INC.

Contents
February 28, 2023 and 2022

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Independent Auditor's Report

To the Board of Directors of
SilverSource, Inc.:

Opinion

We have audited the financial statements of SilverSource, Inc. (a Connecticut nonprofit corporation) (the Foundation), which comprise the statements of financial position as of February 28, 2023 and 2022, and the related statements of activities and changes in net assets, cash flows, and functional expenses for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of SilverSource, Inc. as of February 28, 2023 and 2022, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Foundation and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Foundation's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

Auditor’s Responsibilities for the Audit of the Financial Statements (Continued)

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design 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. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Foundation's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

AAFCPAs, Inc.

Westborough, Massachusetts
June 20, 2023

SILVERSOURCE, INC.

Statements of Financial Position
February 28, 2023 and 2022

Assets	**2023**	**2022**
Current Assets:		
Cash	$ 445,866	$ 271,568
Grants and contributions receivable	20,228	6,487
Prepaid expenses	19,222	33,418
Other account receivable	-	32,910
Total current assets	485,316	344,383
Investments	12,904,298	14,985,934
Security Deposits	9,171	9,171
Property and Equipment, net	84,033	12,740
Total assets	$ 13,482,818	$ 15,352,228
Liabilities and Net Assets		
Current Liabilities:		
Accounts payable and accrued expenses	$ 119,431	$ 114,878
Deferred revenue	-	15,000
Total current liabilities	119,431	129,878
Net Assets:		
Without donor restrictions:		
Operating	375,056	223,676
Property and equipment	84,033	12,740
Board-designated endowment	12,904,298	14,985,934
Total net assets without donor restrictions	13,363,387	15,222,350
Total liabilities and net assets	$ 13,482,818	$ 15,352,228

The accompanying notes are an integral part of these statements.

SILVERSOURCE, INC.

Statements of Activities and Changes in Net Assets
For the Years Ended February 28, 2023 and 2022

	2023	2022
Operating Revenue and Support:		
Appropriation of endowment net assets for operations	$ 825,000	$ 853,428
Grants and contributions	425,553	340,810
Government grants	237,474	104,010
Special events, net	166,059	95,120
In-kind goods and services	70,743	50,872
Total operating revenue and support	1,724,829	1,444,240
Operating Expenses:		
Program services	1,180,669	1,059,836
General and administrative	148,757	136,313
Fundraising	193,378	177,378
Total operating expenses	1,522,804	1,373,527
Changes in net assets without donor restrictions from operations	202,025	70,713
Non-Operating Income (Loss):		
Gain on disposal of property and equipment	3,150	24,866
Appropriation of endowment net assets for operations	(825,000)	(853,428)
Investment income (loss), net	(1,239,138)	700,676
Total non-operating income (loss)	(2,060,988)	(127,886)
Changes in net assets without donor restrictions	(1,858,963)	(57,173)
Net Assets Without Donor Restrictions:		
Beginning of year	15,222,350	15,279,523
End of year	$ 13,363,387	$ 15,222,350

SILVERSOURCE, INC.

Statements of Cash Flows
For the Years Ended February 28, 2023 and 2022

	2023	2022
Cash Flows from Operating Activities:		
Changes in net assets without donor restrictions	$ (1,858,963)	$ (57,173)
Adjustments to reconcile changes in net assets without donor restrictions to net cash used in operating activities:		
Realized and unrealized (gains) losses	1,530,578	(385,150)
Depreciation	11,505	10,383
Gain on disposal of property and equipment	(3,150)	(24,866)
Changes in operating assets and liabilities:		
Grants and contributions receivable	19,169	46,993
Prepaid expenses	14,196	(24,710)
Accounts payable and accrued expenses	4,553	18,620
Deferred revenue	(15,000)	15,000
Net cash used in operating activities	(297,112)	(400,903)
Cash Flows from Investing Activities:		
Proceeds from sale of property and equipment	4,645	-
Acquisition of property and equipment	(84,293)	(6,558)
Purchases of investments	(3,886,158)	(1,113,277)
Sales of investments	4,437,216	1,635,068
Net cash provided by investing activities	471,410	515,233
Net Change in Cash	174,298	114,330
Cash:		
Beginning of year	271,568	157,238
End of year	$ 445,866	$ 271,568
Supplemental Disclosure on Non-Cash Transactions:		
Unrealized loss on investments	$ (1,618,565)	$ (96,136)

SILVERSOURCE, INC.

Statements of Functional Expenses
For the Years Ended February 28, 2023 and 2022

	2023					2022				
	Program Services	General and Adminis-trative	Fundraising	Direct Benefit Costs	Total	Program Services	General and Adminis-trative	Fundraising	Direct Benefit Costs	Total
Operating Expenses:										
Salaries and related:										
Salaries	$ 475,008	$ 93,709	$ 125,986	$ -	$ 694,703	$ 413,923	$ 83,808	$ 108,291	$ -	$ 606,022
Payroll taxes and benefits	86,606	15,515	22,824	-	124,945	77,929	12,400	19,881	-	110,210
Total salaries and related	561,614	109,224	148,810	-	819,648	491,852	96,208	128,172	-	716,232
Occupancy:										
Facility lease	50,442	4,740	5,634	-	60,816	51,132	3,907	5,415	-	60,454
Utilities and maintenance	15,110	1,420	1,688	-	18,218	15,237	1,164	1,614	-	18,015
Total occupancy	65,552	6,160	7,322	-	79,034	66,369	5,071	7,029	-	78,469
Other:										
Individual assistance	340,577	-	-	-	340,577	290,528	-	-	-	290,528
Food and entertainment	-	-	-	120,263	120,263	-	-	-	62,644	62,644
In-kind goods and services	46,743	-	-	24,000	70,743	29,489	-	-	21,383	50,872
Program related expenses	51,154	-	-	-	51,154	39,358	-	-	-	39,358
Consultants	14,247	25,639	1,729	-	41,615	15,955	27,711	1,839	-	45,505
Office supplies	22,228	2,089	2,482	-	26,799	16,686	1,161	1,872	-	19,719
Miscellaneous	18,407	3,510	4,719	-	26,636	34,315	4,429	7,101	-	45,845
Insurance	18,175	1,238	1,472	-	20,885	18,395	1,062	1,471	-	20,928
Public relations	17,748	-	3,132	-	20,880	30,600	-	5,400	-	36,000
Advertising	-	-	20,054	-	20,054	-	-	20,474	-	20,474
Marketing	14,682	-	2,592	-	17,274	17,507	-	3,090	-	20,597
Depreciation	9,542	897	1,066	-	11,505	8,782	671	930	-	10,383
Total other	553,503	33,373	37,246	144,263	768,385	501,615	35,034	42,177	84,027	662,853
	1,180,669	148,757	193,378	144,263	1,667,067	1,059,836	136,313	177,378	84,027	1,457,554
Less - special event expense	-	-	-	(144,263)	(144,263)	-	-	-	(84,027)	(84,027)
Total operating expenses	$ 1,180,669	$ 148,757	$ 193,378	$ -	$ 1,522,804	$ 1,059,836	$ 136,313	$ 177,378	$ -	$ 1,373,527

1. OPERATIONS AND NONPROFIT STATUS

SilverSource, Inc. (the Foundation) was formed in 1908 for the purpose of providing information and financial assistance to the over-sixty population of Stamford, Connecticut. The Foundation's mission is to advance the dignity, independence and quality of life of older adults by providing supportive services to those who are in need, and guidance to families, by engaging in community partnerships and advocating for sound public policies. The Foundation focuses on housing stability, transportation, medical care, nutrition, and community outreach as its key areas of focus.

In 1935, the Foundation became qualified as an organization exempt from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code (IRC). The Foundation is also exempt from state income taxes. The Foundation operates as a private operating foundation subject to an excise tax on net investment income, as defined under Section 4942(j)(3) of the IRC. Donors can deduct contributions made to the Foundation within the requirements of the IRC.

2. SIGNIFICANT ACCOUNTING POLICIES

The Foundation prepares its financial statements in accordance with generally accepted accounting standards and principles (U.S. GAAP) established by the Financial Accounting Standards Board (FASB). References to U.S. GAAP in these notes are to the FASB Accounting Standards Codification (ASC).

Accounting Standard Adoption

In September 2020, the FASB issued Accounting Standards Update (ASU) 2020-07, Not-for-Profit Entities (Topic 958): *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. ASU 2020-07 is intended to increase the transparency of contributed nonfinancial assets (in-kind goods and services) for not-for-profit entities through enhancements to presentation and disclosure. The amendments in this ASU do not change the recognition and measurement requirements of in-kind goods and services. During fiscal year 2023, the Foundation adopted ASU 2020-07. The adoption of this ASU did not impact the Foundation's net asset classes, changes in net assets, or cash flows for the year ended February 28, 2023. This ASU has been applied retrospectively to all periods presented.

Estimates

The preparation of financial statements in accordance with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Income Taxes

The Foundation accounts for uncertainty in income taxes in accordance with ASC Topic, *Income Taxes*. This standard clarifies the accounting for uncertainty in tax positions and prescribes a recognition threshold and measurement attribute for the financial statements regarding a tax position taken or expected to be taken in a tax return. The Foundation has determined that there are no uncertain tax positions which qualify for either recognition or disclosure in the financial statements at February 28, 2023 and 2022. The Foundation's tax returns are subject to examination by the Federal and state jurisdictions.

2. SIGNIFICANT ACCOUNTING POLICIES

Income Taxes (Continued)

The Foundation is classified as a non-operating foundation under the IRC. As such, its net investment earnings are subject to a Federal excise tax. The Foundation incurred excise taxes of $4,967 and $11,267 arising from net investment earnings excluding unrealized gains and losses for the years ended February 28, 2023 and 2022, respectively. The Foundation's excise tax obligation for the years ended February 28, 2023 and 2022, was calculated using the rate of 1.39% under IRC Section 4940(e). Deferred taxes arise from differences between the cost and fair value of investments and are calculated at a rate of 1.39%. The Foundation recorded a deferred tax liability of $11,138 and $32,688 as of February 28, 2023 and 2022, respectively, which is included in accounts payable and accrued expenses in the accompanying statements of financial position.

Fair Value Measurements

The Foundation follows the accounting and disclosure standards pertaining to ASC Topic, *Fair Value Measurements,* for qualifying assets and liabilities. Fair value is defined as the price that the Foundation would receive upon selling an asset or pay to settle a liability in an orderly transaction between market participants.

The Foundation uses a framework for measuring fair value that includes a hierarchy that categorizes and prioritizes the sources used to measure and disclose fair value. This hierarchy is broken down into three levels based on inputs that market participants would use in valuing the financial instruments based on market data obtained from sources independent of the Foundation. Inputs refer broadly to the assumptions that market participants would use in pricing the financial instrument, including assumptions about risk. Inputs may be observable or unobservable. Observable inputs are inputs that reflect the assumptions market participants would use in pricing the financial instrument developed based on market data obtained from sources independent of the reporting entity. Unobservable inputs are inputs that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset developed based on the best information available. The three-tier hierarchy of inputs is summarized in the three broad levels as follows:

Level 1: Inputs that reflect unadjusted quoted prices in active markets for identical assets at the measurement date.

Level 2: Inputs other than quoted prices that are observable for the asset either directly or indirectly, including inputs in markets that are not considered to be active.

Level 3: Inputs that are unobservable and which require significant judgment or estimation.

An asset or liability's level within the framework is based upon the lowest level of any input that is significant to the fair value measurement.

Investments

Investments are recorded in the financial statements at fair value. If an investment is directly held by the Foundation and an active market with quoted prices exists, the market price of an identical security is used to report fair value. Reported fair values of shares in mutual funds and exchange traded funds are based on share prices reported by the funds as of the last business day of the fiscal year. Reported fair values of money market funds are based on market values reported by the market as of the last business day of the year.

A summary of inputs used in valuing the Foundation's investments for the years ended February 28, 2023 and 2022, is included in Note 3.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fair Value Measurements (Continued)

All Other Assets and Liabilities

The carrying value of all other assets and liabilities does not differ materially from its estimated fair value and is considered Level 1 in the fair value hierarchy.

Property, Equipment and Depreciation

Purchased property and equipment (see Note 4) are recorded at cost. Donated property and equipment are recorded at fair value at the time of donation. Renewals and betterments are capitalized over $1,000, while repairs and maintenance are expensed as they are incurred. Depreciation is computed using the straight-line method over the following estimated useful lives:

Furnishing and equipment	5 - 7 years
Vehicles	5 years

Depreciation expense was $11,505 and $10,383 for the years ended February 28, 2023 and 2022, respectively.

Revenue Recognition

Grants and Contributions

In accordance with ASC Subtopic 958-605, *Revenue Recognition - Contributions (Topic 958)*, the Foundation must determine whether a contribution (or a promise) is conditional or unconditional for transactions deemed to be a contribution. A contribution is considered to be a conditional contribution if an agreement includes a barrier that must be overcome and either a right of return of assets or a right of release of a promise to transfer assets exists (see Note 8). Indicators of a barrier include a measurable performance-related barrier or another measurable barrier, a stipulation that limits discretion by the recipient on the conduct of an activity, and stipulations that are related to the purpose of the agreement. Topic 958 prescribes that the Foundation should not consider probability of compliance with the barrier when determining if such awards are conditional and should be reported as conditional grant advance liabilities until such conditions are met.

Grants and contributions without donor restrictions are recognized as revenue when received or unconditionally pledged. Grants and contributions with donor restrictions are recorded as revenues and net assets with donor restrictions when received or unconditionally pledged. Transfers are made to net assets without donor restrictions as services are performed and costs are incurred pro-rata over the period covered by the grant or contribution as time restrictions lapse. Grants and contributions with donor restrictions received and satisfied in the same period are included in grants and contributions without donor restrictions.

The Foundation receives grants from various Federal and Connecticut state agencies and are shown as grants and contributions in the accompanying statements of activities and changes in net assets. Amounts received under contracts with various Federal and Connecticut state agencies have been recorded in accordance with Topic 958. These grants are considered non-reciprocal transactions because the general public receives the benefit of the assets transferred. These conditional contributions are recognized as services are provided or as qualifying costs are incurred.

Grants are recorded as services are provided and costs are incurred. Grants with donor restrictions are recorded as revenues and net assets with donor restrictions when unconditionally received or pledged. Transfers are made to net assets without donor restrictions as costs are incurred or time restrictions or program restrictions have lapsed.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue Recognition (Continued)

Special Events

Special event income is derived from the Foundation's performance to host its two annual fundraising events in which revenues are recognized at the time of the event. Special event income consists of both contributions and sales. The contribution portion of the special event income is recognized as revenue when unconditionally committed or received. The sales portion of the special event income is recognized in accordance with ASC Subtopic 606, *Revenue from Contracts with Customers (Topic 606),* and is derived from various components, including registration fees, sponsorships and program ads, in which the transaction price is determined annually. Registration fees for these events are set by the Foundation and have not been allocated, as both events are each considered to be one performance obligation.

Special events income is shown net of direct event costs of $144,263 and $84,027 for the years ended February 28, 2023 and 2022, respectively. Fees collected in advance of the special event are initially recorded as deferred revenue (contract liabilities) and are only recognized in the statements of activities and changes in net assets after the special event has occurred and the performance obligation has been met. There was no deferred revenue as of February 28, 2023 and 2022, as fees were collected and the events were held in the same period. Special events income consists of the following as of February 28:

	2023	2022
Contributions (Topic 958)	$ 248,107	$ 138,472
Ticket sales (Topic 606)	62,215	40,675
Direct event costs	(144,263)	(84,027)
Special events, net	$ 166,059	$ 95,120

Investment and Other Income

Investment income is recorded as earned. Realized gains and losses on investment transactions are recorded upon sales. Unrealized gains and losses are recognized based on fair value changes during the period. The Foundation's investment policy sets forth guidelines for prudent investments of funds, taking into account liquidity, risk and return characteristics appropriate for different categories of the Foundation's holding.

Unless otherwise restricted by the donor, investment return is available for operations and is reflected as Board-designated endowment without donor restrictions in the accompanying financial statements. Endowment funds and the income generated therefrom, classified as Board-designated endowment, are subject to the Foundation's annual spending policy appropriation (see Note 5) and are reflected in the statements of activities and changes in net assets as appropriation of endowment net assets for operations. All other income is recognized when earned.

Bequests

The Foundation is and may be named principal beneficiary of various trusts and wills. The amounts to be received, if any, cannot be determined, and therefore, are not reflected in the Foundation's financial statements until the amounts become known or are received.

Advertising Costs

The Foundation expenses advertising costs as incurred.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Grants and Contributions and Other Account Receivables and Allowance for Doubtful Accounts

Grants and contributions and other account receivable consist of grants or contributions committed to the Foundation. Contributions receivable are recorded at their net present value when unconditionally committed. Other account receivable consists of insurance proceeds. An allowance for doubtful accounts is based on management's evaluations of the collectability of individual accounts. Account balances are charged off against the allowance when it is probable the receivable will not be recovered. There was no allowance for doubtful accounts deemed necessary as of February 28, 2023 and 2022.

Expense Allocation

Expenses related directly to a function are distributed to that function, while other expenses are allocated to programs based upon management's estimate of the percentage attributable to each function. The financial statements contain certain categories of expenses that are attributable to program and supporting functions and are allocated on a reasonable basis that is consistently applied. The expenses that are allocated include salaries, payroll taxes and benefits, which are allocated based on estimate of time and level of effort spent on the Foundation's program and supporting functions, and occupancy costs, insurance, and office supplies, which are allocated based on the square footage of department locations.

In-Kind Goods and Services

The Foundation receives donated goods and services for various fundraising and program expenses. These donations are reflected as in-kind goods and services in the accompanying statements of activities and changes in net assets and functional expenses.

In-kind goods and services revenue includes the following items for the years ended February 28:

	2023	2022
Contracted services	$ 29,700	$ 2,335
Other goods	22,518	26,154
Donations for the golf event	15,000	21,383
Gift cards	3,525	1,000
Total in-kind goods and services	$ 70,743	$ 50,872

The Foundation utilizes fair market values provided by the individuals which supplied the goods or provided the services. In the instance that a value was not provided by the donating individual, the Foundation utilized three inventory valuation methods. These methods include (1) current price located on a publicly available website if the inventory item is a match for the website item when donated; (2) percentage of the price located on a publicly available website if the item donated has been used but the item located online is new; and (3) the current average price located on a publicly available website for similar items if a group of items are donated and the items range in price depending on model, size, etc.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Net Assets Classification

Net assets without donor restrictions are those net resources that bear no external restrictions and are generally available for use by the Foundation. The Foundation has grouped its net assets without donor restrictions into the following categories:

- *Operating* - represents funds available to carry on the operations of the Foundation.
- *Property and equipment* - reflect the net book value of the Foundation's property and equipment.
- *Board-designated endowment* - represents funds set aside to function as the Foundation's endowment. The use of these funds requires approval of the Board of Directors.

Net assets with donor restrictions represent amounts received or committed with donor restrictions which have not yet been expended for their designated purpose or amounts restricted for use in future periods. These contributions are recorded as net assets with donor restrictions until they are expended for their designated purpose or as the time period lapses. There were no net assets with donor restrictions as of February 28, 2023 and 2022.

Statements of Activities and Changes in Net Assets

Transactions deemed by management to be ongoing, major, or central to the provision of program services are reported as operating revenue and support and operating expenses in the accompanying statements of activities and changes in net assets. Non-operating income (loss) includes investment activity and gain on disposal of property and equipment.

Subsequent Events

Subsequent events have been evaluated through June 20, 2023, which is the date the financial statements were available to be issued. See Note 6 for an event that met the criteria for disclosure in the financial statements.

3. INVESTMENTS

Investments consist of shares of equity, fixed income, real estate, and cash funds. The Foundation generally intends to hold the investments long-term.

The balances of these investments, which are stated at fair value in the accompanying statements of financial position, by level within the valuation framework (see Note 2), as of February 28, 2023 and 2022, consisted of the following:

	2023	2022
Level 1 investments:		
Mutual funds:		
Equity	$ 7,842,073	$ 8,990,196
Fixed income	4,039,836	4,836,269
Real estate	610,871	757,086
Total Level 1 investments	12,492,780	14,583,551
Cash held for investment, at cost	411,518	402,383
Total investments	$ 12,904,298	$ 14,985,934

3. INVESTMENTS (Continued)

Investment income consists of the following for the years ended February 28:

	2023	2022
Dividends and interest	$ 304,606	$ 359,681
Net realized gain on sale of investments	87,987	481,286
Net unrealized loss on investments	(1,618,565)	(96,136)
Net income (loss) on investments	(1,225,972)	744,831
Investment fees	(29,749)	(27,997)
Federal excise tax benefit (expense)	16,583	(16,158)
Investment income (loss), net	$ (1,239,138)	$ 700,676

The Foundation's investment portfolio is not insured and is subject to ongoing market fluctuations.

4. PROPERTY AND EQUIPMENT

Property and equipment, net consist of the following as of February 28:

	2023	2022
Furnishing and equipment	$ 34,126	$ 29,946
Vehicles	79,452	15,114
	113,578	45,060
Less - accumulated depreciation	(29,545)	(32,320)
Net property and equipment	$ 84,033	$ 12,740

5. BOARD-DESIGNATED ENDOWMENT

The Foundation's endowment fund consists of funds designated by the Board of Directors as endowment. Net assets associated with endowment funds, including funds designated by the Board of Directors, are classified and reported based upon the existence or absence of donor-imposed restrictions required by U.S. GAAP.

The Board of Directors has interpreted the Connecticut Uniform Prudent Management of Institutional Funds Act ("CUPMIFA") as requiring preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds, absent explicit donor stipulations to the contrary. There were no donor-restricted endowment funds in the years ended February 28, 2023 and 2022. The Foundation follows the laws of CUPMIFA for the Board-designated endowment fund.

Return Objectives and Risk Parameters

The Foundation has adopted investment and spending policies, approved by the Board, with the goal of providing financial resources to underwrite and support the programs of the Foundation. The investment philosophy of the Foundation combined the goal of total return and preservation of capital with prudent risk tolerance in order to achieve investment results consistent with the financial goals and objectives of the Foundation. Assets are primarily invested through high-quality financial institutions that provide a diversified portfolio to protect against large investment losses and to reduce the probability of excessive performance volatility.

5. BOARD-DESIGNATED ENDOWMENT (Continued)

Return Objectives and Risk Parameters (Continued)

The Foundation's goal is for investment assets, over time, to produce a long-term real rate of return, after inflation and net of fees, of approximately 6% to 7% annually. Actual results in any given year may vary. Investment risk is measured in terms of the total investment assets and allocation between asset classes, and strategies are managed so as not to expose the fund to unacceptable levels of risk. In light of constant changes in market conditions, the Foundation will continually reassess its investment and spending policies.

Spending Policy

The Foundation's spending policy balances the competing objectives of providing a stable flow of income to the operating budget and protecting the real value of the endowment over time. The target spending rate is 5.50%. Endowment spending in any given year sums to 80% of previous year's spending and 20% of targeted long-term spending rate applied to the average fair value estimate of investments for twelve quarters preceding the quarter in which the expenditure is planned. The calculated rate is constrained to at least 4.75% and not more than 6.25% of the average fair value of investments for twelve quarters.

A reconciliation of endowment activity is as follows for the years ended February 28:

	2023	2022
Endowment net assets, beginning of year	$ 14,985,019	$ 15,121,613
Dividend and interest	304,606	359,681
Net appreciation on investments	(1,530,578)	385,150
Investment fees	(29,749)	(27,997)
	(1,255,721)	716,834
Appropriation of endowment assets for expenditure	(825,000)	(853,428)
Endowment net assets, end of year	$ 12,904,298	$ 14,985,019

6. FACILITY LEASE

The Foundation has a short-term lease with a six-month cancelation clause for office space with monthly payments of $5,068 for the years ended February 28, 2023 and 2022, increasing in increments of $150 annually. In addition, the Foundation is responsible for monthly payments of $700 for utilities, as defined in the agreement. The Foundation exercised the six-month cancellation notice on this lease and ended their lease on May 2, 2023. The Foundation then entered into a new office lease that requires monthly payments of approximately $13,200, escalating by approximately 2% every other leased year. This operating lease will commence in July 2023 with an initial lease term of seven years and four months.

Rent expense totaled $60,816 and $60,454 for the years ended February 28, 2023 and 2022, respectively, which is reflected as facility lease in the accompanying statements of functional expenses.

6. FACILITY LEASE (Continued)

Future minimum lease payments are as follows for the fiscal years ending February 28:

2024	$ 126,023
2025	158,400
2026	160,512
2027	161,568
Thereafter	771,360
Total	$ 1,377,863

7. RETIREMENT PLAN

The Foundation instituted a simplified employee pension plan. The Foundation contributed 4% of each employee's annual salary for the years ended February 28, 2023 and 2022, totaling $26,025 and $20,770, respectively, in contributions, which are included in payroll taxes and benefits in the accompanying statements of functional expenses.

8. CONDITIONAL GRANT

During fiscal years 2023 and 2022, the Foundation was awarded one grant from an organization which is conditional based on certain criteria, as defined in the agreement. Remaining installments on the grant total $16,544 and $25,211 as of February 28, 2023 and 2022, respectively, and are conditional upon the Foundation overcoming certain barriers, such as stipulations that limit discretion by the Foundation to perform activities conducted with the grant funds, as defined in the grant agreement. As such, this amount has not been recorded in the accompanying financial statements as of February 28, 2023 and 2022, as the barriers have not yet been overcome.

9. LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

Financial assets available for general operating use, that is, without donor or other restrictions limiting their use, within one year of the statements of financial position date, comprise the following at February 28:

	2023	2022
Cash	$ 445,866	$ 271,568
Grants and contributions receivable	20,228	6,487
Other account receivable	-	32,910
Financial assets at year end	466,094	310,965
Plus - Board-designated budgeted appropriation of endowment net assets	947,791	825,000
Financial assets available to meet cash needs for general expenditures within one year	$ 1,413,885	$ 1,135,965

As part of the Foundation's liquidity management, the Foundation has a policy to structure its financial assets to be available as its assistance to individuals and other general liabilities come due. Cash withdrawals from the managed investment pool are scheduled on a monthly basis.