

**THE CONNECTICUT FUND FOR THE ENVIRONMENT, INC.**

September 30, 2019 and 2018

- I. Financial Statements
- II. Reports in Accordance with  
*Government Auditing Standards*
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Uniform Guidance



ASSURANCE | ADVISORY | TAX | TECHNOLOGY

## **I. FINANCIAL STATEMENTS**

# THE CONNECTICUT FUND FOR THE ENVIRONMENT, INC.

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September 30, 2019 and 2018

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## INDEPENDENT AUDITORS' REPORT

To the Board of Directors of  
The Connecticut Fund for the Environment, Inc.

### **Report on the Financial Statements**

We have audited the accompanying financial statements of The Connecticut Fund for the Environment, Inc. ("Connecticut Fund"), which comprise the statements of financial position as of September 30, 2019 and 2018, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

#### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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.

#### ***Auditors' Responsibility***

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Connecticut Fund's preparation and fair presentation of the financial statements 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 Connecticut Fund's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Connecticut Fund for the Environment, Inc. as of September 30, 2019 and 2018, and the changes in its net assets and its cash flows for the years then ended are in accordance with accounting principles generally accepted in the United States of America.

**Supplementary and Other Information**

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying schedules of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations (“CFR”) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated June 9, 2020 on our consideration of The Connecticut Fund for the Environment, Inc.’s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering The Connecticut Fund for the Environment, Inc.’s internal control over financial reporting and compliance.



Hartford, Connecticut  
June 9, 2020

# THE CONNECTICUT FUND FOR THE ENVIRONMENT, INC.

## Statements of Financial Position

September 30, 2019 and 2018

	<u>2019</u>	<u>2018</u>
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 37,788	\$ 181,377
Cash and cash equivalents - restricted	1,251,456	948,859
	<u>1,289,244</u>	<u>1,130,236</u>
Grants and accounts receivable	1,430,081	512,569
Promises to give, net	773,385	1,047,150
Prepaid expenses	55,494	43,426
Total current assets	<u>3,548,204</u>	<u>2,733,381</u>
Non-current assets:		
Promises to give, long term, net	94,305	340,363
Marketable securities	5,834,469	4,935,203
Furniture and equipment, net	97,989	63,734
Charitable remainder trust, net	2,128,636	2,008,228
Beneficial interest in perpetual trust	918,635	919,920
Total non-current assets	<u>9,074,034</u>	<u>8,267,448</u>
 Total assets	 <u>\$ 12,622,238</u>	 <u>\$ 11,000,829</u>
 <b>Liabilities and Net Assets</b>		
Current liabilities:		
Line of credit	\$ -	\$ 149,700
Accounts payable	935,366	77,027
Accrued expenses	208,910	168,663
Refundable advances	14,124	57,692
Total current liabilities	<u>1,158,400</u>	<u>453,082</u>
Net assets:		
Net assets without donor restrictions	1,911,596	1,855,387
Net assets with donor restrictions	9,552,242	8,692,360
Total net assets	<u>11,463,838</u>	<u>10,547,747</u>
 Total liabilities and net assets	 <u>\$ 12,622,238</u>	 <u>\$ 11,000,829</u>

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

# THE CONNECTICUT FUND FOR THE ENVIRONMENT, INC.

## Statements of Activities

For the years ended September 30, 2019 and 2018

	2019			2018		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Support and revenues:						
Membership fees and contributions	\$ 1,275,680	\$ 2,471,787	\$ 3,747,467	\$ 1,555,773	\$ 3,157,776	\$ 4,713,549
Government grants	2,158,019	-	2,158,019	1,219,847	-	1,219,847
Interest and dividends	26,479	46,899	73,378	29,140	28,760	57,900
Net assets released from prior years' restrictions	2,076,943	(2,076,943)	-	2,102,914	(2,102,914)	-
Total support and revenues	5,537,121	441,743	5,978,864	4,907,674	1,083,622	5,991,296
Expenses:						
Program	3,869,444	-	3,869,444	3,182,025	-	3,182,025
Management and general	658,502	-	658,502	654,774	-	654,774
Fundraising	1,043,343	-	1,043,343	859,983	-	859,983
Total expenses	5,571,289	-	5,571,289	4,696,782	-	4,696,782
Changes in net assets before other changes	(34,168)	441,743	407,575	210,892	1,083,622	1,294,514
Other changes:						
Realized and unrealized gains, net	90,377	299,016	389,393	139,911	316,058	455,969
Change in value of remainder trust	-	(1,285)	(1,285)	-	56,040	56,040
Change in value of beneficial interest in perpetual trust	-	120,408	120,408	-	(32,631)	(32,631)
Total other changes	90,377	418,139	508,516	139,911	339,467	479,378
Total changes in net assets	56,209	859,882	916,091	350,803	1,423,089	1,773,892
Net assets, beginning of year	1,855,387	8,692,360	10,547,747	1,504,584	7,269,271	8,773,855
Net assets, end of year	\$ 1,911,596	\$ 9,552,242	\$ 11,463,838	\$ 1,855,387	\$ 8,692,360	\$ 10,547,747

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

# THE CONNECTICUT FUND FOR THE ENVIRONMENT, INC.

## Statements of Functional Expenses

For the years ended September 30, 2019 and 2018

	2019				2018			
	Program	Management and General	Fundraising	Total	Program	Management and General	Fundraising	Total
Wages	\$ 1,215,988	\$ 307,341	\$ 680,758	\$ 2,204,087	\$ 1,143,261	\$ 308,304	\$ 548,562	\$ 2,000,127
Fringe benefits and payroll taxes	224,114	116,114	112,207	452,435	221,093	60,010	85,440	366,543
Engineers and construction	1,263,634	-	-	1,263,634	887,808	-	-	887,808
Consultants	389,105	45,736	40,827	475,668	335,433	104,827	56,236	496,496
Occupancy	97,973	80,019	50,736	228,728	108,386	56,665	40,173	205,224
Office expenses	57,886	57,567	46,544	161,997	27,296	60,861	30,348	118,505
Printing	29,975	3,065	69,841	102,881	19,766	1,560	60,348	81,674
Professional fees	167,635	24,074	175	191,884	227,170	40,084	7,893	275,147
Program expenses	233,897	3,492	2,153	239,542	77,610	3,973	10,970	92,553
Lobbying and media	35,412	250	4,301	39,963	34,015	-	580	34,595
Travel and conferences	82,348	6,450	14,204	103,002	53,807	602	779	55,188
Meetings and events	12,392	1,831	223	14,446	7,500	3,323	-	10,823
Insurance	49,349	3,977	5,593	58,919	32,033	6,438	6,970	45,441
Publications	3,749	-	-	3,749	4,233	-	-	4,233
Membership acquisition	-	-	15,439	15,439	-	-	11,441	11,441
Depreciation	5,987	8,586	342	14,915	2,614	8,127	243	10,984
<b>Total</b>	<b><u>\$ 3,869,444</u></b>	<b><u>\$ 658,502</u></b>	<b><u>\$ 1,043,343</u></b>	<b><u>\$ 5,571,289</u></b>	<b><u>\$ 3,182,025</u></b>	<b><u>\$ 654,774</u></b>	<b><u>\$ 859,983</u></b>	<b><u>\$ 4,696,782</u></b>

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



# THE CONNECTICUT FUND FOR THE ENVIRONMENT, INC.

## Statements of Cash Flows

For the years ended September 30, 2019 and 2018

	2019	2018
<b>Cash flows from operating activities</b>		
Change in net assets	\$ 916,091	\$ 1,773,892
Adjustments to reconcile change in net assets to cash provided by operating activities:		
Depreciation	14,915	10,984
Net realized and unrealized gains on investments	(389,393)	(455,969)
Change in value of remainder trust	1,285	(56,040)
Change in value of beneficial interest in perpetual trust	(120,408)	32,631
Contributions to endowment	(506,597)	(250,796)
(Increase)/decrease in assets		
Grants and accounts receivable	(917,512)	(361,911)
Promises to give	519,823	(680,281)
Prepaid expenses	(12,068)	32,999
Increase/(decrease) in liabilities		
Accounts payable	858,339	36,958
Accrued expenses	40,247	36,318
Refundable advances	(43,568)	57,692
Net cash provided by operating activities	361,154	176,477
<b>Cash flows from investing activities</b>		
Purchase of furniture and equipment	(49,170)	-
Contributions to endowment	506,597	250,796
Proceeds from sale of marketable securities	1,273,450	2,727,253
Purchase of marketable securities	(1,780,054)	(2,755,044)
Net cash provided by/(used in) investing activities	(49,177)	223,005
<b>Cash flows from financing activities</b>		
Principal payments on line of credit	(149,700)	(300)
Net cash used in financing activities	(149,700)	(300)
Net change in cash	162,277	399,182
Cash and cash equivalents, beginning of year	1,130,236	731,054
Cash and cash equivalents, end of year	\$ 1,292,513	\$ 1,130,236
<b>Supplemental disclosures of cash flows:</b>		
Cash paid for interest	\$ 7,297	\$ 8,776

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

# THE CONNECTICUT FUND FOR THE ENVIRONMENT, INC.

## Notes to Financial Statements

September 30, 2019 and 2018

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### NOTE 1 – NATURE OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

*Organization* - The Connecticut Fund for the Environment, Inc. (the “Connecticut Fund”) is a private, non-profit organization dedicated to protecting and improving the land, air, and water of Connecticut and Long Island Sound since 1978.

The Connecticut Fund uses legal and scientific expertise to bring people together to achieve results that benefit the environment for current and future generations. Save the Sound, a program of the Connecticut Fund, is engaged in several habitat restoration projects and, additionally, provides opportunities for members and the general public to engage in direct action to improve the quality of the local environment.

*Basis of Accounting and Presentation* - The financial statements of the Connecticut Fund have been prepared on the accrual basis of accounting and follow the recommendations of the Financial Statements of Not-for-Profit Organizations topic of the Financial Accounting Standards Board (“FASB”) Codification. Under this topic of the Codification, the Connecticut Fund reports information regarding its financial position and activities according to two classes of net assets – net assets without donor restrictions and net assets with donor restrictions.

*Net assets without donor restrictions* - Net assets not subject to donor imposed stipulations.

*Net assets with donor restrictions* - Net assets subject to donor imposed stipulations that may or will be met by actions of the Connecticut Fund and/or passage of time, including net assets subject to donor-imposed stipulations that the Connecticut Fund maintains permanently. Generally, the donors of these assets permit the Connecticut Fund to use all or part of the income earned and capital gains, if any, on related investments for general or specific purposes.

*Revenue* - Revenues are reported as increases in net assets without donor restrictions unless use of the related asset is limited by donor-imposed restrictions. Expenses are reported as decreases in net assets without donor restrictions. Gains and losses on investments and other assets or liabilities, if any, are reported as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulation or by law. Expirations of restrictions on net assets (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as reclassifications between the applicable classes of net assets.

The Connecticut Fund receives grant and contract funding from various federal and state governments to provide a variety of program services based on specific requirements included in the agreement. Such government grants and contracts are nonreciprocal transactions and include conditions stipulated by the government agencies and are, therefore, accounted for as conditional contributions. Government grants are recognized as conditions are satisfied, primarily as expenses are incurred. Cash received on government grants and contracts prior to incurring allowable expenses are recorded as advances upon receipt. Government grants and contracts receivable are recorded in grants receivable.

At September 30, 2019, the Connecticut Fund also had unexpended contributions and grants of approximately \$14,000 that have not been recognized pending fulfillment of conditions associated with the awards.

Contributions and fees are recognized as revenues in the period made. Promises to give that are restricted by the donor to a specific purpose that has not been met as of the statement of financial position date are shown as increases in net assets with donor restrictions. This revenue is reclassified to net assets without donor restrictions when the time or purpose restrictions are met.

**NOTE 1 – NATURE OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

*Estimates* - The preparation of financial statements in conformity with generally accepted accounting principles accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures 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.

*Cash and cash equivalents* - The Connecticut Fund maintains its cash in commercial bank accounts, which at times may exceed the federally insured limits. The Connecticut Fund has not experienced any losses in such accounts and believes it is not exposed to any significant risk on cash. The Connecticut Fund considers all highly liquid investments to be cash equivalents. Cash and cash equivalents – restricted represents the amount of cash and cash equivalents with donor restrictions.

*Marketable securities* - Marketable securities are stated at fair value. Unrealized gains and losses are included in the change in net assets in the accompanying statements of activities. Realized gains and losses on investments sold are determined on the average cost basis. Dividend and interest income are recorded on the accrual basis.

*Fair Value Measurement* - The Connecticut Fund follows the *Fair Value Measurements* topic of the FASB Codification, which defines fair value and establishes a framework for measuring fair value in generally accepted accounting principles. The topic defines fair value as the exchange price that would be received upon sale of an asset or paid upon transfer of a liability in an orderly transaction between market participants at the measurement date and in the principal or most advantageous market for that asset or liability. The fair value should be calculated based on assumptions that market participants would use in pricing the asset or liability, not on assumptions specific to the entity.

In addition to defining fair value, the *Fair Value Measurements* topic expands the disclosure requirements around fair value and establishes a fair value hierarchy for valuation inputs. The hierarchy prioritizes the inputs into three levels based on the extent to which inputs used in measuring fair value are observable in the market. These levels are:

- Level 1 - inputs are based upon unadjusted quoted prices for identical instruments traded in active markets.
- Level 2 - inputs are based upon quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active, and model-based valuation techniques for which all significant assumptions are observable in the market or can be corroborated by observable market data for substantially the full term of the assets or liabilities.
- Level 3 - inputs are generally unobservable and typically reflect management's estimates of assumptions that market participants would use in pricing the asset or liability. The fair values are therefore determined using model-based techniques that include option pricing models, discounted cash flow models, and similar techniques.

Valuation techniques based on unobservable inputs are highly subjective and require judgments regarding significant matters, such as the amount and timing of future cash flows and the selection of discount rates that may appropriately reflect market and credit risks. Changes in these judgments often have a material impact on the fair value estimates. In addition, since these estimates are as of a specific point in time, they are susceptible to material near-term changes.

*Endowment* - The Connecticut Fund adheres to the *Endowments of Not-for-Profit Organizations: Net Asset Classification of Funds Subject to and Enacted Version of the Uniform Prudent Management of Institutional Funds Act, and Enhanced Disclosures for All Endowment Funds* topic of the FASB Codification. Under this topic, accumulated gains and income on donor-restricted endowment assets are classified as net assets without donor restrictions until appropriated for expenditure.

## NOTE 1 – NATURE OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

*Depreciation Expense* - Depreciation is recorded on all furniture and equipment of the Connecticut Fund using the straight-line method over the assets' estimated useful life, which range from five to seven years.

*Income Taxes* - The Connecticut Fund is a not-for-profit organization exempt from income taxation pursuant to Internal Revenue Code Section 501(c)(3). Accordingly, no provision for federal or state income taxes is provided in the accompanying financial statements.

*Functional Expenses* - The costs of providing program and other activities have been summarized on a functional basis in the statements of activities. Accordingly, certain costs have been allocated among supporting services benefitted. Such allocations are determined by management on an equitable basis. All expenses have been allocated directly based on time and effort.

*New Accounting Pronouncements* - For the year ended September 30, 2019, the Connecticut Fund adopted the Financial Accounting Standard Board's Accounting Standards Update (ASU) No. 2016-14 – Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities. This guidance is intended to improve the net asset classification requirements and the information presented in the financial statements and notes about a not-for-profit entity's liquidity, financial performance, and cash flows. Main provisions of this guidance include: presentation of two classes of net assets versus the previously required three, and recognition of underwater endowment funds as a reduction in net assets with donor restrictions. The guidance also enhances disclosures for board designated amounts, composition of net assets without donor restrictions, liquidity, and expenses by both their natural and functional classification. The provisions of the ASU have been applied to the first period presented.

*Subsequent Events* - The Company monitored and evaluated subsequent events for footnote disclosures or adjustments required in its financial statements for the year ended September 30, 2019 through June 9, 2020, the date on which financial statements were available to be issued.

In March 2020, the World Health Organization declared the outbreak of a novel coronavirus (COVID-19) as a pandemic. COVID-19 has caused significant disruption in the national and global economy. The Connecticut Fund's operating activities, liquidity, cash flows, and forecasts may be adversely affected by this global pandemic. While the disruption is currently expected to be temporary, there is uncertainty related to the duration. Therefore, while the Connecticut Fund expects this matter to negatively impact the operations, the related financial impact cannot be reasonably estimated at this time. In addition, there has generally been a steep decline in all investment securities. The Connecticut Fund does not have the intention to liquidate these investments and has the ability to hold these investments for the foreseeable future.

Additionally, during May 2020, the Connecticut Fund received approval for a Small Business Administration ("SBA") Paycheck Protection Program ("PPP") loan in the approximate amount of \$467,000. Under the PPP, funds are forgivable if utilized for qualified expenditures according to the program criteria incurred over the earlier of the 24-week period following the date of funding or December 31, 2020. To qualify for forgiveness, the funding must be spent on eligible payroll expenses, with up to 40% may be spent on other eligible expenditures such as rent and utilities. As outlined by the SBA, any unforgiven balance must be repaid over two years at an annual interest rate of 1% with an initial deferment period of six months from disbursement date of loan (interest will accrue). Details of eligible forgivable expenses are fluid, and final guidance has not been determined by the SBA, auditors or banks.

Subsequent to year end, the Connecticut Fund officially changed their name to Save the Sound Inc.

*Reclassifications* - Certain reclassifications were made to the 2018 amounts to be consistent with 2019 presentation.

## NOTE 2 – AVAILABILITY AND LIQUIDITY

The following represents the Connecticut Fund's financial assets at September 30, 2019:

Financial assets at year end:	
Cash and cash equivalents	\$ 1,289,244
Grants and accounts receivable	1,430,081
Promises to give, current	773,385
Marketable securities	<u>5,834,469</u>
Total financial assets	9,327,179
Less restricted cash	(1,251,456)
Less donor restricted endowment	(4,375,849)
Less Strike Force Fund	(912,918)
Less amount designated as a board restricted quasi endowment	(545,702)
Plus amounts with donor restrictions expected to be released	<u>1,100,000</u>
Financial assets available to meet general expenditures over the next twelve months	<u>\$ 3,341,254</u>

As disclosed in Note 11 the Connecticut Fund can draw up to 20%, with Board approval, from the Strike Force Fund in the case of a fiscal emergency.

As part of the Connecticut Fund's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

## NOTE 3 – PROMISES TO GIVE, NET

The Connecticut Fund periodically solicits multiyear pledges. Pledges are discounted at 4%. Net promises to give are as follows as of September 30,:

	<u>2019</u>	<u>2018</u>
Receivable in less than one year	\$ 773,385	\$ 1,047,150
Receivable in one to five years	<u>100,000</u>	<u>380,000</u>
Total promises to give	873,385	1,427,150
Less discount	<u>(5,695)</u>	<u>(39,637)</u>
Promises to give, net	<u>\$ 867,690</u>	<u>\$ 1,387,513</u>

Management believes all promises to give are collectible.

**NOTE 4 – MARKETABLE SECURITIES**

The fair values of marketable securities are as follows as of September 30,:

	<u>2019</u>	<u>2018</u>
Short term investments	\$ 177,733	\$ 111,372
Government and agency bonds	828,305	839,587
Corporate bonds	368,770	345,479
Other fixed income	172,265	155,113
Domestic equities	4,137,521	3,364,590
Foreign equities	<u>149,875</u>	<u>119,062</u>
Total marketable securities	<u>\$ 5,834,469</u>	<u>\$ 4,935,203</u>

All marketable securities are valued using Level 1 inputs which represent observable quoted prices for identical assets in active markets.

**NOTE 5 – FURNITURE AND EQUIPMENT, NET**

Furniture and equipment consists of the following as of September 30,:

	<u>2019</u>	<u>2018</u>
Furniture and equipment	\$ 258,270	\$ 211,969
Leasehold improvements	22,839	22,839
Information technology hardware	<u>34,673</u>	<u>31,804</u>
	315,782	266,612
Less accumulated depreciation	<u>(217,793)</u>	<u>(202,878)</u>
Furniture and equipment, net	<u>\$ 97,989</u>	<u>\$ 63,734</u>

#### NOTE 6 – CHARITABLE REMAINDER TRUST

The Connecticut Fund has been named the beneficiary of a charitable remainder trust. The Fund will ascertain the remaining principal and undistributed income of the trust upon the passing of the donor. During the donor's lifetime, the trust will make annual disbursements equal to 5.0% of the assets at the beginning of the year to the donor. Annual trust income is projected to be 3.6% and the future value of the trust's investments have been discounted at 3.6%.

The charitable remainder trust activity was as follows for the years ended September 30,:

	<u>2019</u>	<u>2018</u>
Fair value of trust assets	\$ 3,369,535	\$ 3,340,138
Projected future earnings less payouts	<u>(443,098)</u>	<u>(479,845)</u>
Future estimated value of trust assets	2,926,437	2,860,293
Discount	<u>(797,801)</u>	<u>(852,065)</u>
Charitable remainder trust, net	<u><u>\$ 2,128,636</u></u>	<u><u>\$ 2,008,228</u></u>

#### NOTE 7 – BENEFICIAL INTEREST IN PERPETUAL TRUST

The Connecticut Fund is the beneficiary in a certain perpetual trust held and administered by others. The interest in the trust's assets is carried as a donor restricted net asset in the statements of financial position. The funds are to be used to the executive director's salary and general educational purposes. The fair value as of September 30, 2019 and 2018 was \$918,635 and \$919,920 respectively. The trust will terminate ninety nine years after the grantor's death at which time the investments will be distributed to the Connecticut Fund.

#### NOTE 8 – LINE OF CREDIT

The Connecticut Fund has a \$150,000 line of credit with People's United Bank that bears interest at 4.75% as of September 30, 2018. The line of credit expired on August 31, 2019 and was renewed on March 4, 2020 for an additional twelve months with identical terms. The balance drawn on the line of credit was \$149,700 and \$-0- as of September 30, 2018 and 2019, respectively,

#### NOTE 9 – ENDOWMENT

The Connecticut Fund's endowment consists of approximately 40 individual funds established for a variety of purposes. Its endowment includes both donor-restricted endowment funds and funds designated by the Board of Trustees to function as endowments. As required by accounting principles generally accepted in the United States of America, net assets associated with endowment funds, including funds designated by the Board of Trustees to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

**NOTE 9 – ENDOWMENT (CONTINUED)**

*Interpretation of Relevant Law* - The Connecticut Fund has interpreted the Connecticut Prudent Management of Institutional Funds Act (“CTPMIFA”) as requiring the 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. As a result of this interpretation, the Connecticut Fund classifies as restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Connecticut Fund in a manner consistent with the standard of prudence prescribed by CTPMIFA. In accordance with CTPMIFA, the Connecticut Fund considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- (1) The duration and preservation of the fund
- (2) The purposes of the Connecticut Fund and the donor-restricted endowment fund
- (3) General economic conditions
- (4) The possible effect of inflation and deflation
- (5) The expected total return from income and the appreciation of investments
- (6) Other resources of the Connecticut Fund
- (7) The investment policies of the Connecticut Fund

The Connecticut Fund’s endowment is made up of investment accounts. Composition by type of fund is as follows as of September 30,:

	2019		
	Without Donor Restrictions	With Donor Restrictions	Total
Donor-restricted	\$ -	\$ 4,375,849	\$ 4,375,849
Strike Force Fund	912,918	-	912,918
Board-designated	545,702	-	545,702
 Total endowment	 \$ 1,458,620	 \$ 4,375,849	 \$ 5,834,469

  

	2018		
	Without Donor Restrictions	With Donor Restrictions	Total
Donor-restricted	\$ -	\$ 3,580,775	\$ 3,580,775
Strike Force Fund	842,332	-	842,332
Board-designated	512,096	-	512,096
 Total endowment	 \$ 1,354,428	 \$ 3,580,775	 \$ 4,935,203



**NOTE 9 – ENDOWMENT (CONTINUED)**

The reconciliation of the Connecticut Fund's endowment by net asset category is as follows as:

	Without Donor Restrictions	With Donor Restrictions	Total
Balance October 1, 2017	\$ 1,462,333	\$ 2,989,110	\$ 4,451,443
Investment income	29,140	62,128	91,268
Realized gains	37,875	36,639	74,514
Unrealized gains	102,036	279,419	381,455
Investment fees	(11,298)	(22,070)	(33,368)
	<u>157,753</u>	<u>356,116</u>	<u>513,869</u>
Contributions	-	276,146	276,146
Appropriations for expenditure	(265,658)	(40,597)	(306,255)
Balance September 30, 2018	1,354,428	3,580,775	4,935,203
Investment income	36,455	72,173	108,628
Realized gains	25,225	75,485	100,710
Unrealized gains	68,421	223,531	291,952
Investment fees	(9,976)	(25,274)	(35,250)
	<u>120,125</u>	<u>345,915</u>	<u>466,040</u>
Contributions	-	508,826	508,826
Appropriations for expenditure	(15,933)	(59,667)	(75,600)
Balance September 30, 2019	<u>\$ 1,458,620</u>	<u>\$ 4,375,849</u>	<u>\$ 5,834,469</u>

**NOTE 10 – NET ASSET WITH DONOR RESTRICTIONS**

Net assets with donor restrictions consisted of the following at September 30,:

	<u>2019</u>	<u>2018</u>
Program restrictions:		
Restoration	\$ 281,446	\$ 101,343
Legal	-	33,333
Green infrastructure	117,034	116,460
Climate and energy	73,393	89,749
Endangered lands	223,224	152,352
Long Island Sound	437,537	29,001
Communication	112,507	100,000
Fundraising	15,640	30,000
	<u>1,260,781</u>	<u>652,238</u>
Time restrictions:		
Pledges restricted by the passage of time	575,200	815,363
Endowment gains	1,391,508	1,019,129
Charitable remainder trust	2,128,636	2,008,228
	<u>4,095,344</u>	<u>3,842,720</u>
Donor restricted investments held in perpetuity:		
General support	572,720	572,720
Communication director's compensation	396,262	396,262
Peter B. Cooper Fellowship	1,277,500	1,277,500
Chief legal director endowment	1,000,000	1,000,000
Hartford office	31,000	31,000
	<u>3,277,482</u>	<u>3,277,482</u>
Beneficial interest in perpetual trust	<u>918,635</u>	<u>919,920</u>
Total net assets with donor restrictions	<u>\$ 9,552,242</u>	<u>\$ 8,692,360</u>

Net assets were released from time and program restrictions as follows, during the year ended September 30,:

	<u>2019</u>	<u>2018</u>
Program restrictions	\$ 1,112,519	\$ 851,294
Time restrictions	964,424	1,251,620
Total net assets released from restrictions	<u>\$ 2,076,943</u>	<u>\$ 2,102,914</u>

## **NOTE 11 – STRIKE FORCE FUND**

The Strike Force Fund is used to respond to urgent threats requiring rapid response. Each year up to 5% of the value of the Strike Force Fund may be used at the discretion of the President with advice from the Chair and the Executive Committee of the Board of Directors. Additional withdrawals of 5% may be made annually after obtaining the approval of the majority of the Board of Directors for particularly compelling circumstances. If an additional withdrawal is made, the organization shall undertake to replenish the Strike Force Fund within three years. No further additional withdrawals can be made until the previous additional withdrawal is replenished.

An additional 15% of the Strike Force Fund may be used in an extreme emergency with the written approval of three fourths of the Board of Directors. No further emergency withdrawals can be made until the previous emergency withdrawal is replenished. Moreover, if the replenishment is not made within three years, no annual or additional 5% withdrawals under the previous paragraph may be made.

Finally, the Strike Force Fund policies may be revised with the written approval of three fourths of the Board of Directors. The Strike Force Fund is classified as an unrestricted (board designated) endowment fund. The fair value of the Strike Force Fund marketable securities was \$912,918 and \$842,332 at September 30, 2019 and 2018, respectively.

## **NOTE 12 – OPERATING LEASES**

The Connecticut Fund leases office space in New Haven, CT and Westchester County, NY. The New Haven lease expires in July of 2022, while the Westchester lease expired in September of 2019, and was renewed on a month-to-month basis. Total rental expense was \$133,996 and \$136,350 for the years ended September 30, 2019 and 2018, respectively.

The future minimum annual rental payments are as follows for the years ending September 30,:

2020	\$	128,892
2021		132,394
2022		110,329

**NOTE 13 – FUNCTIONAL EXPENSES**

The following is a schedule of the Connecticut Fund’s functional expenses at September 30,:

	2019	2018
Program expenses:		
Habitat restoration	\$ 68,709	\$ 13,835
Long Island Sound	834,970	610,020
Green infrastructure	1,887,882	1,345,254
Climate and energy	207,257	217,560
Communications	107,130	63,260
Endangered lands project	357,971	465,914
Adjudication	346,499	425,382
Education	41,758	26,535
Beach clean up	17,268	14,265
Total program	3,869,444	3,182,025
Administrative expenses	658,502	654,774
Fundraising expenses	1,043,343	859,983
Total expenses	<u>\$ 5,571,289</u>	<u>\$ 4,696,782</u>

**NOTE 14 – RETIREMENT PLAN**

The Connecticut Fund maintains a tax deferred annuity plan qualified under Section 403(b) of the Internal Revenue Code. Employees may immediately make contributions to the plan up to the maximum amount allowed by the Internal Revenue Code. Employees who complete one year of service are eligible for a matching contribution made by the employer. The Connecticut Fund may elect each year to match 50% of each employee’s contribution up to 10% of the employee’s salary. Matching contributions are vested immediately. Contributions to the plan made by the Connecticut Fund were \$51,332 and \$43,808 for the years ended September 30, 2019 and 2018, respectively.

**NOTE 15 – COMMUNITY FOUNDATION OF GREATER NEW HAVEN**

The Connecticut Fund is the named beneficiary of a fund held at the Community Foundation of Greater New Haven (“CFGNH”). The Connecticut Fund received distributions from CFGNH of \$14,923 and \$27,319 for the years ended September 30, 2019 and 2018, respectively. The value of the funds held at CFGNH was \$380,780 and \$402,674 for the years ended September 30, 2019 and 2018, respectively, and is not recorded on the statements of financial position.

**II. REPORTS IN ACCORDANCE WITH  
*GOVERNMENT AUDITING STANDARDS***

INDEPENDENT AUDITORS' REPORT  
ON INTERNAL CONTROL OVER FINANCIAL  
REPORTING AND ON COMPLIANCE AND  
OTHER MATTERS BASED ON AN  
AUDIT OF FINANCIAL STATEMENTS  
PERFORMED IN ACCORDANCE WITH  
GOVERNMENT AUDITING STANDARDS

To the Board of Directors of  
The Connecticut Fund for the Environment, Inc.

We have audited, 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, the financial statements of The Connecticut Fund for the Environment, Inc. (a nonprofit organization), which comprise the statement of financial position as of September 30, 2019, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated June 9, 2020.

**Internal Control over Financial Reporting**

In planning and performing our audits of the financial statements, we considered The Connecticut Fund for the Environment, Inc.'s internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of The Connecticut Fund for the Environment, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of The Connecticut Fund for the Environment, Inc.'s internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of The Connecticut Fund for the Environment, Inc.'s financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether The Connecticut Fund for the Environment, Inc.'s financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### **Purpose of This Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of The Connecticut Fund for the Environment, Inc.'s internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering The Connecticut Fund for the Environment, Inc.'s internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "Whittlesey PC". The signature is written in a cursive, flowing style.

Hartford, Connecticut  
June 9, 2020

**III. REPORTS IN ACCORDANCE WITH THE  
UNIFORM GUIDANCE**



INDEPENDENT AUDITORS' REPORT ON COMPLIANCE  
FOR EACH MAJOR FEDERAL PROGRAM AND  
ON INTERNAL CONTROL OVER COMPLIANCE  
REQUIRED BY THE UNIFORM GUIDANCE

To the Board of Directors of  
The Connecticut Fund for the Environment, Inc.

**Report on Compliance for Each Major Federal Program**

We have audited The Connecticut Fund for the Environment, Inc.'s compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of The Connecticut Fund for the Environment, Inc.'s major federal programs for the year ended September 30, 2019. The Connecticut Fund for the Environment, Inc.'s major federal programs are identified in the summary of auditors' results section of the accompanying schedule of federal findings and questioned costs.

***Management's Responsibility***

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

***Auditors' Responsibility***

Our responsibility is to express an opinion on compliance for each of The Connecticut Fund for the Environment, Inc.'s major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about The Connecticut Fund for the Environment, Inc.'s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of The Connecticut Fund for the Environment, Inc.'s compliance.

### ***Opinion on Each Major Federal Program***

In our opinion, The Connecticut Fund for the Environment, Inc. complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2019.

### **Report on Internal Control over Compliance**

Management of The Connecticut Fund for the Environment, Inc. is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered The Connecticut Fund for the Environment, Inc.'s internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of The Connecticut Fund for the Environment, Inc.'s internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



Hartford, Connecticut  
June 9, 2020

**THE CONNECTICUT FUND FOR THE ENVIRONMENT, INC.**

Schedule of Expenditures of Federal Awards

For the year ended September 30, 2019

Federal Grantor/ Pass-Through Grantor/Program Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Passed-Through to Subrecipients	Expenditures
<b>Department of the Interior</b>				
<i>Passed Through National Fish and Wildlife Foundation</i>				
Hurricane Sandy Disaster Relief - Coastal Resiliency Grants	15.153	FCA062	\$ 867,209	\$ 1,078,682
Natural Resource Damage Assessment and Restoration	15.658	N/A	-	254,910
Hurricane Sandy Disaster Relief Activities - FWS	15.677	N/A	-	54,067
Total Department of the Interior			<u>867,209</u>	<u>1,387,659</u>
<b>Environmental Protection Agency</b>				
Long Island Sound Program	66.437	N/A	-	709,696
Total Expenditure of Federal Awards			<u>\$ 867,209</u>	<u>\$ 2,097,355</u>

The accompanying notes are an integral part of the schedule.

# THE CONNECTICUT FUND FOR THE ENVIRONMENT, INC.

## Notes to Schedule of Expenditures of Federal Awards

For the year ended September 30, 2019

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### **NOTE 1 – BASIS OF PRESENTATION**

The accompanying schedule of expenditures of federal awards includes the federal grant activity of The Connecticut Fund for the Environment, Inc. under programs of the federal government for the year ended September 30, 2019. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the schedule presents only a selected portion of the operations of The Connecticut Fund for the Environment, Inc., it is not intended to and does not present the financial position, changes in net assets, or cash flows of The Connecticut Fund for the Environment, Inc.

### **NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Expenditures reported on the schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

The Connecticut Fund for the Environment, Inc. has elected to use the 10 percent de minimus indirect cost rate as allowed under the Uniform Guidance.

**THE CONNECTICUT FUND FOR THE ENVIRONMENT, INC.**

Schedule of Findings and Questioned Costs

For the year ended September 30, 2019

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**I. SUMMARY OF AUDITORS' RESULTS**

*Financial Statements*

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP:

*Unmodified*

Internal control over financial reporting:

- Material weakness(es) identified? \_\_\_\_\_ yes   X   no
- Significant deficiency(ies) identified? \_\_\_\_\_ yes   X   none reported
- Noncompliance material to financial statements noted? \_\_\_\_\_ yes   X   no

*Federal Awards*

Internal control over major programs:

- Material weakness(es) identified? \_\_\_\_\_ yes   X   no
- Significant deficiency(ies) identified? \_\_\_\_\_ yes   X   none reported

Type of auditors' report issued on compliance for major federal programs:

*Unmodified*

Any audit findings disclosed that are required to be reported in accordance with 2 CFR section 200.516(a) of Uniform Guidance?

\_\_\_\_\_ yes   X   no

*Identification of Federal Major Programs*

Name of Federal Program or Cluster	CFDA Number
Hurricane Sandy Disaster Relief - Coastal Resiliency Grants	15.153
Long Island Sound Program	66.437
Dollar threshold used to distinguish between type A and type B programs	<u>  \$  750,000  </u>
Auditee qualified as low-risk auditee?	<u>  X  </u> yes _____ no

**II. FINANCIAL STATEMENT FINDINGS**

No matters were reported.

**III. FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS**

No matters were reported.

**Headquarters**

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