

**CONNECTICUT HEALTH FOUNDATION, INC.**

**FINANCIAL STATEMENTS**

**DECEMBER 31, 2014 AND 2013**

**CONNECTICUT HEALTH FOUNDATION, INC.**

**CONTENTS**

Independent Auditors' Report	1-2
Statements of Financial Position - December 31, 2014 and 2013	3
Statements of Activities for the Years Ended December 31, 2014 and 2013	4
Statements of Cash Flows for the Years Ended December 31, 2014 and 2013	5
Notes to Financial Statements	6-16

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## **Independent Auditors' Report**

To the Board of Directors  
Connecticut Health Foundation, Inc.

We have audited the accompanying financial statements of Connecticut Health Foundation, Inc., which comprise the statements of financial position as of December 31, 2014 and 2013, 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 audit 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 auditors consider internal control relevant to the entity'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 entity'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 Connecticut Health Foundation, Inc., as of December 31, 2014 and 2013, 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.

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

West Hartford, Connecticut  
March 26, 2015

**CONNECTICUT HEALTH FOUNDATION, INC.**  
**STATEMENTS OF FINANCIAL POSITION**  
**DECEMBER 31, 2014 AND 2013**

	<u>2014</u>	<u>2013</u>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 1,245,468	\$ 988,224
Investments	108,156,409	111,400,536
Accounts receivable	24,905	-
Prepaid expenses and deposits	38,216	44,749
Property and equipment, net	<u>203,951</u>	<u>247,316</u>
<b>Total Assets</b>	<b>\$ <u>109,668,949</u></b>	<b>\$ <u>112,680,825</u></b>
<b>LIABILITIES AND NET ASSETS</b>		
<b>Liabilities</b>		
Accounts payable and accrued liabilities	\$ 232,429	\$ 173,718
Grants payable	1,592,488	1,903,097
Excise tax liability	<u>122,000</u>	<u>273,000</u>
Total liabilities	1,946,917	2,349,815
<b>Unrestricted Net Assets</b>	<u>107,722,032</u>	<u>110,331,010</u>
<b>Total Liabilities and Net Assets</b>	<b>\$ <u>109,668,949</u></b>	<b>\$ <u>112,680,825</u></b>

The accompanying notes are an integral part of the financial statements

**CONNECTICUT HEALTH FOUNDATION, INC.**  
**STATEMENTS OF ACTIVITIES**  
**FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013**

	<b>2014</b>	<b>2013</b>
<b>Revenues</b>		
Realized investment gains	\$ 9,344,566	\$ 2,216,224
Interest and dividend income	1,779,984	1,484,900
Unrealized investment gains (losses)	(7,541,671)	8,178,279
Total revenues	3,582,879	11,879,403
<b>Expenses</b>		
Grants and program related expenses	4,425,865	4,443,744
General administrative expenses	1,175,831	1,339,111
Investment expenses	499,289	511,382
Provision for excise tax (benefit):		
Current	241,872	63,805
Deferred	(151,000)	133,000
Total expenses	6,191,857	6,491,042
<b>Increase (Decrease) in Net Assets</b>	(2,608,978)	5,388,361
<b>Net Assets - Beginning of Year</b>	110,331,010	104,942,649
<b>Net Assets - End of Year</b>	\$ 107,722,032	\$ 110,331,010

The accompanying notes are an integral part of the financial statements

**CONNECTICUT HEALTH FOUNDATION, INC.**  
**STATEMENTS OF CASH FLOWS**  
**FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013**

	<b>2014</b>	<b>2013</b>
<b>Cash Flows from Operating Activities</b>		
Change in net assets	\$ (2,608,978)	\$ 5,388,361
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation	49,131	47,737
Unrealized (gain) loss on investments	7,541,671	(8,178,279)
Realized gain on investments	(9,344,566)	(2,216,224)
(Increase) decrease in operating assets:		
Accounts receivable	(24,905)	-
Prepaid expenses and deposits	6,533	32,086
Increase (decrease) in operating liabilities:		
Accounts payable and accrued liabilities	58,711	(39,640)
Grants payable	(310,609)	(196,220)
Excise tax payable	(151,000)	133,000
Net cash used in operating activities	(4,784,012)	(5,029,179)
<b>Cash Flows from Investing Activities</b>		
Purchase of property and equipment	(5,766)	(13,869)
Purchases of investments	(55,195,107)	(21,912,682)
Proceeds from the sale of investments	60,242,129	26,528,473
Net cash provided by investing activities	5,041,256	4,601,922
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	257,244	(427,257)
<b>Cash and Cash Equivalents - Beginning of Year</b>	988,224	1,415,481
<b>Cash and Cash Equivalents - End of Year</b>	\$ 1,245,468	\$ 988,224

The accompanying notes are an integral part of the financial statements

**CONNECTICUT HEALTH FOUNDATION, INC.**  
**NOTES TO FINANCIAL STATEMENTS**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Connecticut Health Foundation, Inc. (the Foundation) is a not-for-profit corporation organized under the laws of the State of Connecticut. The Foundation, established in 1999, is the largest independent/private foundation in Connecticut. The mission of the Foundation is to improve the health and well-being of all Connecticut residents using a systems change approach with the immediate focus on expanding health equity by helping more people gain access to quality, affordable health care – especially those who disproportionately lack it now, people of color.

**Basis of Accounting and Presentation** - The Foundation prepares its financial statements on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (GAAP). Net assets, revenues and expenses are classified based on the existence or absence of donor-imposed restrictions. Under applicable accounting standards, the net assets of the Foundation are considered to be unrestricted.

**Use of Estimates** - The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Management has made estimates based on assumptions for the fair value of financial instruments, specifically alternative investments. Accordingly, actual results could differ from those estimates.

**Cash and Cash Equivalents** - Cash equivalents are defined as highly liquid investments with original maturities of 90 days or less. The Foundation maintains deposits in financial institutions that may, at times, exceed federal depository insurance limits. Management believes it adequately mitigates this risk by only investing in major financial institutions. However, the Foundation has not experienced any losses in such accounts and management believes the Foundation is not exposed to any significant credit risk on cash and cash equivalents.

**Investment Valuation and Income Recognition** - Investments are reported at fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. See Note 2 for a discussion of fair value measurements.

Purchases and sales of securities are recorded on the trade date basis. Interest income is recorded on the accrual basis. Dividends are recorded on the ex-dividend date. Net realized and unrealized gains (losses) on investments include the Foundation's gains and losses on investments bought and sold as well as held during the year. Realized and unrealized gains and losses and investment income are classified as increases and decreases in unrestricted net assets.

The Foundation's investments in debt and equity securities are exposed to interest rate, market, credit and other risks depending on the nature of the specific investment. Accordingly, it is at least reasonably possible that these factors will result in changes in the value of the Foundation's investments, which could materially affect amounts reported in the financial statements.

**CONNECTICUT HEALTH FOUNDATION, INC.**  
**NOTES TO FINANCIAL STATEMENTS**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Property and Equipment** - Purchases of \$1,000 or more, whether individually or in the aggregate, are capitalized. Furniture, fixtures and equipment are stated at cost, less accumulated depreciation, and are depreciated using the straight-line method over the estimated useful lives of the assets, which range from 2-10 years. Leasehold improvements are stated at cost, less accumulated depreciation, and are depreciated using the straight-line method over the remaining term of the lease.

Repairs and maintenance are charged to expense as incurred. Depreciation expense for the years ended December 31, 2014 and 2013, was \$49,131 and \$47,737, respectively.

**Federal Excise Taxes** - As an organization described in Section 501(c)(3) of the Internal Revenue Code, the Foundation is exempt from federal income taxes and has been classified as a private foundation. In accordance with the applicable provisions of the Internal Revenue Code, the Foundation is subject to an excise tax on net investment income, including realized gains, and to tax on unrelated business income in connection with certain partnership investments. Excise tax expense for the years ended December 31, 2014 and 2013, was \$241,872 and \$63,805 respectively.

The Foundation has provided for deferred income taxes at the excise tax rate of 2%. Deferred excise taxes relate to net unrealized investment gains or losses that have been recognized in the financial statements but are deferred from taxable income until realized. Total deferred excise tax (benefit) recorded on the statements of activities for the years ended December 31, 2014 and 2013, is \$(151,000) and \$133,000, respectively. The Foundation's informational returns for the years ended December 31, 2011 through 2014 are subject to examination by the Internal Revenue Service and the Attorney General of the State of Connecticut.

In accordance with private foundation regulations, qualified minimum distributions are required to be made by the Foundation on an annual basis. Qualified distributions for the fiscal years ended December 31, 2014 and 2013, were \$ 2,507,248 and \$2,580,597, respectively.

**Spending Policy** - The Foundation follows a spending policy based upon the trailing twenty-quarter average market value as of September 30 of the preceding fiscal year. The spending formula is designed specifically to stabilize annual spending levels and to preserve the real value of the fund portfolio over time. The Foundation's spending is capped at 5.4% of a twenty-quarter running average of total invested assets. Spending will be sufficient to ensure that the 5% minimum requirement established by the Internal Revenue Service is met.

**Risks and Uncertainties** - Investment securities are exposed to various risks, such as interest rate, market and credit risk. Due to the level of risk associated with certain investment securities and the level of uncertainty related to changes in the value of investment securities, it is at least reasonably possible that changes in risk in the near term could materially affect the amounts reported in the statements of financial position and the statements of activities.

**Subsequent Events** - In preparing these financial statements, management has evaluated subsequent events through March 26, 2015, which represents the date the financial statements were available to be issued.

**CONNECTICUT HEALTH FOUNDATION, INC.**  
**NOTES TO FINANCIAL STATEMENTS**

**NOTE 2 - FAIR VALUE**

Generally accepted accounting principles establish a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described below:

**Level 1** - Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Foundation has the ability to access. Liquidity of this level of investments is daily.

**Level 2** - Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability. The liquidity of this level of investments ranges from greater than daily through quarterly.

**Level 3** - Inputs to the valuation methodology are unobservable and significant to the fair value measurement. The liquidity of this level of investment ranges from more than quarterly to illiquid.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs. When, as a practical expedient, an investment is measured at fair value on the basis of net asset value, its classification as Level 2 or 3 will be impacted by the ability to redeem the investment at net asset value at the measurement date. If there is uncertainty or the inability to redeem an investment at net asset value in the near term subsequent to the measurement date, the investment is categorized as Level 3. Valuation for investments maintained by fund managers or limited partnerships are based upon the most recent estimates determined by the fund managers or general partners after review by the Foundation's management. Adjustments to such values have been considered but none have been made.

**CONNECTICUT HEALTH FOUNDATION, INC.**  
**NOTES TO FINANCIAL STATEMENTS**

**NOTE 2 - FAIR VALUE (Continued)**

The following is a description of the valuation methodologies used for assets measured at fair value:

**Mutual Fund Equities** - Equities are valued at the closing price reported in the active market in which the individual securities are traded.

**Domestic Equity** - Domestic equity is valued at the closing price reported in the active market in which the individual securities are traded. This investment class seeks to outperform equity market indices on a risk-adjusted basis. The redemption period for these investments ranges from daily to quarterly. There are no unfunded commitments related to this investment class.

**International Equity** - International equity is valued at the closing price reported in the active market in which the individual securities are traded. This investment class seeks to outperform the non-U.S. equity market indices on a risk-adjusted basis. The redemption period for these investments ranges from daily to monthly, with 0-10 days notice. There are no unfunded commitments related to this investment class.

**Private Equity** - This includes illiquid investments, defined as assets that are traded very infrequently and cannot be sold without great penalty, in legal entities that focus on providing venture capital, growth capital, buyout capital, mezzanine debt, distressed debt and other opportunistic capital to companies and markets. These investments are valued using the net asset value as reported by the investment manager.

**Fixed Income** - Fixed income is valued at the closing price reported in the active market in which the individual securities are traded. This investment class invests in U.S. treasuries, securities and diversified fixed income strategies, which invest in corporate credits, including bank loans, high yield and investment grade bonds. The redemption period for these investments ranges from daily to quarterly, with 0-60 days notice. There are no unfunded commitments related to this investment class.

**Commodities** - Interests in commodities are valued using net asset values as determined by the investment manager of the fund. This net asset value is based on the fair value of the underlying assets and liabilities of the related fund at the measurement date. This investment class seeks capital appreciation by investing in a portfolio of commodities within six groups (Agriculture, Base Metals, Precious Metals, Softs and Others, Energy and Livestock). The redemption period for these investments is monthly, with five days notice. There are no unfunded commitments related to this investment class.

**Hedge Fund of Funds** - Interests in hedge fund of funds are valued using net asset values as determined by the investment manager of the fund. This net asset value is based on the fair value of the underlying assets and liabilities of the related fund at the measurement date. This investment class seeks long-term equity-like returns with minimal correlation to the major market average. There are no unfunded commitments related to this investment class.

**CONNECTICUT HEALTH FOUNDATION, INC.**  
**NOTES TO FINANCIAL STATEMENTS**

**NOTE 2 - FAIR VALUE (Continued)**

**Natural Resources** - Interests in natural resources are valued using net asset values as determined by the investment manager of the fund. This investment class invests in a diversified portfolio of global natural resource and commodity securities. The fund does not have a specific return or volatility target, but rather focuses on generating absolute returns in all markets. The redemption period for these investments is quarterly, with 60 days notice. There are no unfunded commitments related to this investment class.

**REITs** - Investments in real estate investment trusts are valued at the closing price reported in the active market in which the individual securities are traded. The redemption period for this investment is monthly. There are no unfunded commitments related to this investment class.

There have been no changes in the methodologies used at December 31, 2014 and 2013.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Foundation believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

**CONNECTICUT HEALTH FOUNDATION, INC.**  
**NOTES TO FINANCIAL STATEMENTS**

**NOTE 2 - FAIR VALUE (Continued)**

The following tables set forth by level, within the fair value hierarchy, the Foundation's assets at fair value as of December 31, 2014 and 2013:

<b>Description</b>	<b>Fair Value Measurements Using</b>			
	<b>December 31, 2014</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>
Mutual funds:				
Equity	\$ 2,013,869	\$ -	\$ 2,013,869	\$ -
Domestic equity:				
Large cap equity	15,532,811	3,808,742	11,724,069	-
Small cap equity	559,769	559,769	-	-
International equity:				
Developed	11,799,079	3,516,910	8,282,169	-
Emerging	10,324,216	3,655,992	6,668,224	-
Global equity	7,656,593	-	7,656,593	-
Private equity	1,762,584	-	-	1,762,584
Fixed income:				
Domestic governmental bonds	2,158,191	2,158,191	-	-
U.S. bonds	10,768,331	10,768,331	-	-
Global gov't nominal bonds	5,226,929	-	5,226,929	-
Emerging market debt	928,507	928,507	-	-
Opportunistic fund	869,892	1,393	868,499	-
Mortgage backed securities	3,469,340	-	-	3,469,340
Marketable alternatives:				
Commodities	2,373,621	-	2,373,621	-
Hedge fund of funds	24,522,318	1,250,000	7,038,292	16,234,026
Natural resources	6,014,576	-	6,014,576	-
REIT	1,747,235	-	1,747,235	-
Total investments	<u>107,727,861</u>	<u>26,647,835</u>	<u>59,614,076</u>	<u>21,465,950</u>
Money market funds held by portfolio manager	<u>428,548</u>	<u>428,548</u>	<u>-</u>	<u>-</u>
<b>Total Assets at Fair Value</b>	<b><u>\$ 108,156,409</u></b>	<b><u>\$ 27,076,383</u></b>	<b><u>\$ 59,614,076</u></b>	<b><u>\$ 21,465,950</u></b>

**CONNECTICUT HEALTH FOUNDATION, INC.**  
**NOTES TO FINANCIAL STATEMENTS**

**NOTE 2 - FAIR VALUE (Continued)**

<u>Description</u>	<u>Fair Value Measurements Using</u>			
	<u>December 31, 2013</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Mutual funds:				
Equity	\$ 3,007,000	\$ -	\$ 3,007,000	\$ -
Domestic equity:				
Large cap equity	20,373,145	11,528,939	8,844,206	-
Small cap equity	543,303	543,303	-	-
International equity:				
Developed	17,017,499	6,014,829	11,002,670	-
Emerging	10,314,019	10,314,019	-	-
Global equity	999,434	-	999,434	-
Fixed income:				
Domestic governmental bonds	1,462,603	1,462,603	-	-
U.S. bonds	6,785,238	6,785,238	-	-
Global gov't nominal bonds	5,391,242	-	5,391,242	-
Emerging market debt	2,930,072	2,930,072	-	-
Opportunistic fund	2,198,718	2,198,718	-	-
Marketable alternatives:				
Commodities	2,722,382	-	2,722,382	-
Hedge fund of funds	26,837,482	-	16,289,868	10,547,614
Natural resources	7,441,497	-	7,441,497	-
REIT	1,563,569	-	1,563,569	-
Total investments	<u>109,587,203</u>	<u>41,777,721</u>	<u>57,261,868</u>	<u>10,547,614</u>
Money market funds held by portfolio manager	<u>1,813,333</u>	<u>1,813,333</u>	<u>-</u>	<u>-</u>
<b>Total Assets at Fair Value</b>	<u>\$ 111,400,536</u>	<u>\$ 43,591,054</u>	<u>\$ 57,261,868</u>	<u>\$ 10,547,614</u>

During the year ended December 31, 2013, there were transfers from Level 3 to Level 2 of \$5,390,132. There were no transfers from Level 3 to Level 2 during the year ended December 31, 2014.

**CONNECTICUT HEALTH FOUNDATION, INC.**  
**NOTES TO FINANCIAL STATEMENTS**

**NOTE 2 - FAIR VALUE (Continued)**

Additional information regarding investments that report fair value based on net asset value per share or unit as of December 31, 2014 is as follows:

<u>Description</u>	<u>Fair Value</u>	<u>Unfunded Commitments</u>	<u>Redemption Terms</u>	<u>Redemption Restrictions</u>
Mutual fund - equity	\$ 2,013,869	-	Daily	-
Domestic equity - large cap	11,724,067	-	Daily to Quarterly	-
International equity - developed	7,245,186	-	Daily to Monthly	0-10 days written notice
International equity - emerging	5,745,594	-	Daily	-
International equity - global equity	7,656,593	-	Daily to Monthly	-
Fixed income - global bond fund	5,226,929	-	Monthly	-
Fixed income - opportunistic fund	868,499	-	Daily	-
Commodities	2,373,621	-	Monthly	-
Hedge fund of funds	18,715,958	-	Monthly to Annually with lock up periods of 12 to 37 months	0 to 65 days written notice
REIT	1,747,235	-	Monthly	-
Natural resources	6,014,576	-	Daily	-
Private equity	<u>1,226,904</u>	<u>5,608,999</u>	Illiquid	-
Total	<u>\$ 70,559,031</u>	<u>\$ 5,608,999</u>		

**CONNECTICUT HEALTH FOUNDATION, INC.**  
**NOTES TO FINANCIAL STATEMENTS**

**NOTE 2 - FAIR VALUE (Continued)**

The investment strategies of the portfolio maintained by the Foundation are as follows:

- (a) The investment objective is to provide a reliable source of funds to support the Foundation's spending needs, which include grantmaking, program-related initiatives and operations and administrative expenses, while achieving an investment return sufficient to maintain or grow the funds' purchasing power in perpetuity.
- (b) The performance objective is to achieve a real total annualized return greater than the combined total of the spending policy and investment expenses, on average, over a typical market cycle (generally considered to be five years). The target of real return, net of all investment expenses, is 5.5% over any rolling five-year period.
- (c) The fund will be invested in a manner that is expected to preserve its purchasing power in real terms after spending and maximize its long-term total return with reasonable and acceptable levels of investment risk. Investment risk is defined in two ways: (i) the possibility of the investments decline in value and (ii) the expected performance volatility of the investments in the portfolio. The portfolio will comprise investments made in multiple asset categories in order to safeguard the portfolio's capital and to lower overall portfolio risk.

The table below sets forth a summary of changes in the fair value of the Foundation's Level 3 assets for the years ended December 31, 2014 and 2013:

	<b>Marketable - Alternatives Hedge Fund of Funds</b>	<b>Fixed Income - Mortgage Backed Securities</b>	<b>Private Equity</b>
Balance - January 1, 2013	\$ 13,842,350	\$ -	\$ -
Total gains (realized and unrealized) included in the change in net assets	1,647,443	-	-
Sales	(1,552,047)	-	-
Purchases	2,000,000	-	-
Transfers	(5,390,132)	-	-
Balance - December 31, 2013	10,547,614	-	-
Total gains (realized and unrealized) included in the change in net assets	135,797	-	-
Purchases	5,550,615	3,469,340	1,762,584
Balance - December 31, 2014	\$ <u>16,234,026</u>	\$ <u>3,469,340</u>	\$ <u>1,762,584</u>

**CONNECTICUT HEALTH FOUNDATION, INC.**  
**NOTES TO FINANCIAL STATEMENTS**

**NOTE 2 - FAIR VALUE (Continued)**

Gains and losses (realized and unrealized) included in changes in net assets for the year ended December 31, 2014 are reported in unrealized investment gains and realized investment gains in the statement of activities.

The Board of Directors approves the overall investment strategy and guidelines of the Foundation, which are implemented with full discretion by the external Chief Investment Officer. Management fees for investment managers and advisors were \$499,289 and \$511,382 for the years ended December 31, 2014 and 2013, respectively.

**NOTE 3 - GRANTS PAYABLE**

Grants authorized but unpaid at year-end are reported as liabilities. The following is a summary of grants authorized and payable at December 31, 2014 and 2013:

	<b>2014</b>	<b>2013</b>
To be paid in 2014	\$ -	\$ 1,865,597
To be paid in 2015	1,468,488	37,500
To be paid in 2016	124,000	-
Total	\$ 1,592,488	\$ 1,903,097

**NOTE 4 - RETIREMENT PLANS**

The Foundation sponsors a safe-harbor 401(k) and a Roth 401(k) plan for its employees. The election period for new participants is generally 60 days before their one-year anniversary date. The employer will match dollar for dollar up to 3% of the employee's eligible compensation and fifty cents per dollar for contributions of 4% and 5%. These dollars are 100% vested at the time they are paid. For the years ended December 31, 2014 and 2013, total cost to the Foundation was \$33,108 and \$33,408, respectively.

**NOTE 5 - OPERATING LEASES**

The Foundation leases office space in Hartford, Connecticut, under an operating lease that expires August 2021. The lease requires escalating monthly payments ranging from \$10,328 to \$10,872 over the term of the lease. The Foundation recognizes rent expensed on a straight-line basis over the respective lease term of the underlying agreement. Rent expense under this method was \$117,396 for the years ended December 31, 2014 and 2013, respectively.

The Foundation entered into a lease agreement in February 2012 to lease a copier under a noncancelable operating lease with a term of more than one year. Rental expense amounted to \$7,962 for the years ended December 31, 2014 and 2013.

**CONNECTICUT HEALTH FOUNDATION, INC.**  
**NOTES TO FINANCIAL STATEMENTS**

**NOTE 5 - OPERATING LEASES (Continued)**

The following is a schedule of future minimum payments required under the above leases as of December 31, 2014.

2015	\$	131,899
2016		134,617
2017		132,451
2018		130,460
2019		130,460
Thereafter		<u>206,562</u>
	\$	<u><u>866,449</u></u>