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CONNECTICUT HEALTH FOUNDATION, INC.

FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018

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CONNECTICUT HEALTH FOUNDATION, INC.

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Independent Auditors' Report

To the Board of Directors
Connecticut Health Foundation, Inc.
Hartford, Connecticut

We have audited the accompanying financial statements of Connecticut Health Foundation, Inc., which comprise the statements of financial position as of December 31, 2019 and 2018, and the related statements of activities, functional expenses 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, 2019 and 2018, 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, 2020

CONNECTICUT HEALTH FOUNDATION, INC.

STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2019 AND 2018

	2019	2018
ASSETS		
Cash and cash equivalents	$ 1,351,750	$ 1,707,440
Investments	112,508,623	101,167,602
Prepaid expenses and deposits	265,254	89,063
Property and equipment, net	90,160	103,632
Total Assets	$ 114,215,787	$ 103,067,737
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable and accrued liabilities	$ 144,493	$ 111,545
Grants payable	1,199,247	1,463,240
Deferred excise tax liability	384,000	127,000
Total liabilities	1,727,740	1,701,785
Net Assets Without Donor Restrictions	112,488,047	101,365,952
Total Liabilities and Net Assets	$ 114,215,787	$ 103,067,737

The accompanying notes are an integral part of the financial statements

CONNECTICUT HEALTH FOUNDATION, INC.

STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

	2019	2018
Revenues		
Investment return, net	$ 15,702,549	$ (5,197,078)
Interest and dividend income	787,073	1,050,843
Other revenue	4,808	15,296
Total revenues	16,494,430	(4,130,939)
Expenses		
Operating		
Grants and program related expenses	4,146,460	4,026,211
General administrative expenses	975,600	938,566
Total operating expenses	5,122,060	4,964,777
Provision for excise tax (benefit):		
Current	(6,725)	182,376
Deferred	257,000	(217,000)
Total expenses	5,372,335	4,930,153
Change in Net Assets	11,122,095	(9,061,092)
Net Assets - Beginning of Year	101,365,952	110,427,044
Net Assets - End of Year	$ 112,488,047	$ 101,365,952

The accompanying notes are an integral part of the financial statements

CONNECTICUT HEALTH FOUNDATION, INC.

STATEMENTS OF FUNCTIONAL EXPENSES
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

	2019		
	Programs	Management and General	Total
Grants and supporting activities	$ 2,728,368	$ 64,851	$ 2,793,219
Salaries and benefits	983,016	548,335	1,531,351
Professional services	146,107	182,934	329,041
Facilities	143,418	80,000	223,418
Operations	145,551	99,480	245,031
Total Expenses by Function	$ 4,146,460	$ 975,600	$ 5,122,060

	2018		
	Programs	Management and General	Total
Grants and supporting activities	$ 2,676,158	$ 58,356	$ 2,734,514
Salaries and benefits	1,008,586	555,543	1,564,129
Professional services	110,934	138,020	248,954
Facilities	131,581	89,474	221,055
Operations	98,952	97,173	196,125
Total Expenses by Function	$ 4,026,211	$ 938,566	$ 4,964,777

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, 2019 AND 2018

	2019	2018
Cash Flows from Operating Activities		
Change in net assets	$ 11,122,095	$ (9,061,092)
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation	37,559	36,576
Net realized and unrealized (gains) losses on investments	(16,010,653)	4,871,783
Increase in operating assets:		
Prepaid expenses and deposits	(176,191)	(7,678)
Increase (decrease) in operating liabilities:		
Accounts payable and accrued liabilities	32,948	(19,184)
Grants payable	(263,993)	230,045
Deferred excise tax liability	257,000	(217,000)
Net cash used in operating activities	(5,001,235)	(4,166,550)
Cash Flows from Investing Activities		
Purchase of property and equipment	(24,087)	(15,782)
Purchases of investments	(51,311,879)	(80,809,030)
Proceeds from the sale of investments	55,981,511	85,256,458
Net cash provided by investing activities	4,645,545	4,431,646
Net Increase (Decrease) in Cash and Cash Equivalents	(355,690)	265,096
Cash and Cash Equivalents - Beginning of Year	1,707,440	1,442,344
Cash and Cash Equivalents - End of Year	$ 1,351,750	$ 1,707,440

The accompanying notes are an integral part of the 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 health philanthropy foundation in Connecticut. The mission of the Foundation is to improve the health and wellbeing 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 without donor restrictions.

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. 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 3 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 net assets without donor restrictions.

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.

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 two to ten 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, 2019 and 2018 was $37,559 and $36,576, 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.

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.

In accordance with private foundation regulations, qualified minimum distributions are required to be made by the Foundation on an annual basis to avoid penalties. For the years ended December 31, 2019 and 2018, the minimum distribution requirement has been met, including using excess distributions from prior years. To the extent future annual distributions are below the 5% minimum, the Foundation has excess distributions from prior years that can be drawn upon to meet the minimum distribution requirement. The excess distributions have varying expiration dates through 2021.

Spending Policy

The Foundation calculates planned spending as a percentage of the trailing twenty-quarter average market value as of September 30 of the previous year with a cap of 5.4%. The spending formula is designed specifically to stabilize annual spending levels and to preserve the real value of the fund portfolio over time. Spending is designed to be sufficient to ensure that the 5% minimum spending requirement established by the Internal Revenue Service is met.

Functional Expenses

The financial statements report certain categories of expenses that are attributable to either program or management and general administration. Grants and most supporting activities are mission driven and allocated to programs. Salaries and benefits are allocated based on review of the time and effort by the Foundation’s staff. This review results in a blended ratio which is then applied to the remaining expenses.

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.

Reclassifications

Certain amounts in the 2018 financial statements have been reclassified to conform to the current year's presentation.

Subsequent Events

The World Health Organization declared a public health emergency on January 30, 2020 due to the COVID-19 pandemic. This and other issues have resulted in extreme market volatility. This volatility may have a material impact on the valuation of the Foundation's investments. In preparing these financial statements, management has evaluated subsequent events through March 26, 2020, which represents the date the financial statements were available to be issued.

NOTE 2 - AVAILABLE RESOURCES AND LIQUIDITY

The Foundation regularly monitors liquidity required to meet its operating needs and other contractual commitments, while striving to maximize the investment of its available funds. The Foundation has various sources of liquidity at its disposal that are not subject to donor or other contractual restrictions, including cash, marketable debt, equity securities and selected alternative investments. The Foundation considers all readily marketable securities to be financial assets available within one year. Certain alternative investments are subject to redemption restrictions and lock up periods and therefore are excluded from the table below.

For purposes of analyzing resources available to meet general expenditures over a 12-month period, the Foundation considers all potential expenditures related to its ongoing activities of grantmaking, policy advocacy and strategic communications, as well as the conduct of functions performed in support of these activities to be general expenditures.

In addition to financial assets available to meet general expenditures over the next 12 months, the Foundation has access to dividend and interest proceeds and any capital gains generated from long-term investment transactions, both of which could contribute to the funding of general expenditures.

At December 31, 2019 and 2018, the following financial assets could be made available within one year to meet general expenditures needs:

	2019	2018
Cash and cash equivalents	$ 1,351,750	$ 1,707,440
Cash held by portfolio managers	972,330	507,579
Mutual funds	4,468,625	4,046,397
Domestic equity	204,398	635,654
International equity	6,381,490	6,633,380
Fixed income	8,449,079	7,381,457
Total Assets Available	$ 21,827,672	$ 20,911,907

NOTE 3 - 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. As a practical expedient, certain investments are measured at fair value on the basis of net asset value. The fair value of these investments is not included in the fair value hierarchy.

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

Mutual Funds
Mutual funds are valued at the closing price reported in the active market in which the individual securities are traded.

Domestic Equity
Mutual funds within domestic equity are valued at the closing price reported in the active market in which the individual securities are traded. For domestic equities valued at net asset value (NAV), please see (a) on page 12. 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
Mutual funds within international equity are valued at the closing price reported in the active market in which the individual securities are traded. For international equities valued at NAV, please see (a) on page 12. 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 quarterly, with 0-45 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. For fixed income securities valued at NAV, please see (a) on page 12. 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 illiquid. There are no unfunded commitments related to this investment class.

Marketable Alternatives
Interests in marketable alternatives are valued using NAV as determined by the investment manager of the fund. This NAV 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.

There have been no changes in the methodologies used at December 31, 2019 and 2018.

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.

The following tables set forth by level, within the fair value hierarchy, the Foundation's assets at fair value as of December 31, 2019 and 2018:

	2019				
	Fair Value Measurements Using			Investments Measured at Net Asset Value (a)	December 31, 2019
	Level 1	Level 2	Level 3		
Mutual funds	$ 4,468,625	$ -	$ -	$ -	$ 4,468,625
Domestic equity	204,398	-	-	5,647,531	5,851,929
International equity	5,177,097	1,204,393	-	43,015,258	49,396,748
Private equity	-	-	-	18,181,598	18,181,598
Fixed income	8,449,079	-	-	1,037,267	9,486,346
Marketable alternatives	-	-	-	24,151,047	24,151,047
Total investments at fair value	18,299,199	1,204,393	-	92,032,701	111,536,293
Cash held by portfolio managers	972,330	-	-	-	972,330
Total Investments	$ 19,271,529	$ 1,204,393	$ -	$ 92,032,701	$ 112,508,623

	2018				
	Fair Value Measurements Using			Investments Measured at Net Asset Value (a)	December 31, 2018
	Level 1	Level 2	Level 3		
Mutual funds	$ 4,046,397	$ -	$ -	$ -	$ 4,046,397
Domestic equity	635,654	-	-	4,357,017	4,992,671
International equity	5,264,112	1,369,268	-	37,921,655	44,555,035
Private equity	-	-	-	14,529,978	14,529,978
Fixed income	7,381,457	-	-	1,169,546	8,551,003
Marketable alternatives	-	-	-	23,984,939	23,984,939
Total investments at fair value	17,327,620	1,369,268	-	81,963,135	100,660,023
Cash held by portfolio managers	507,579	-	-	-	507,579
Total Investments	$ 17,835,199	$ 1,369,268	$ -	$ 81,963,135	$ 101,167,602

(a) Certain investments that are measured at fair value using the net asset value per share (or its equivalent) practical expedient have not been classified in the fair value hierarchy. The fair value amounts presented in these tables are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the statements of financial position.

There were no transfers between levels of investments during the years ended December 31, 2019 and 2018.

Additional information regarding investments that report fair value based on net asset value per share or unit as of December 31, 2019 is as follows:

Description	Fair Value	Unfunded Commitments	Redemption Terms	Redemption Restrictions
Domestic equity	$ 5,647,531	$ -	Monthly	30 days written notice
International equity	43,015,258	-	Daily, Semi-Monthly, Monthly, Quarterly, every 12, 24, or 36 months on anniversary of purchase, including lock up periods of 24 months	0-90 days written notice
Private equity	18,181,598	11,454,024	Illiquid	-
Fixed income	1,037,267	-	Daily, Illiquid	-
Marketable alternatives	24,151,047	-	Monthly, Quarterly, Annually, every 12 or 36 months on anniversary of purchase, Illiquid, including lock up periods of 12, 24, and 36 months	0 to 126 days written notice
Total	$ 92,032,701	$ 11,454,024		

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

- 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 the funds' purchasing power in perpetuity.

- The performance objective is to achieve a real (net of inflation) 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% over any rolling ten-year period.

- 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 three ways: (i) the possibility of the investments' decline in value, (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, and (iii) the possibility of increased illiquidity, and cash being unavailable for daily operations and grant making.

Gains and losses (realized and unrealized) included in changes in net assets for the years ended December 31, 2019 and 2018 are reported in investment return, net in the statements 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. Direct management fees for investment managers and advisors were $308,104 and $325,295 for the years ended December 31, 2019 and 2018, respectively.

NOTE 4 - 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, 2019 and 2018:

	2019	2018
To be paid in 2019	$ -	$ 1,463,240
To be paid in 2020	999,247	-
To be paid in 2021	200,000	-
Total	$ 1,199,247	$ 1,463,240

NOTE 5 - RETIREMENT PLANS

The Foundation sponsors a safe-harbor 401(k) and a Roth 401(k) plan for all eligible employees. The election period for new participants is generally within one month of employment. After one year of service, the employer will match dollar for dollar up to 3% of the employee's eligible compensation. The employer will also match fifty cents per dollar for contributions between 3% and 5%. These dollars are 100% vested at the time they are paid. The plan provides for a discretionary profit-sharing contribution of between 0% and 3%. A 2% contribution was declared in 2019 and 2018. For the years ended December 31, 2019 and 2018, total cost to the Foundation was $61,193 and $56,314, respectively.

NOTE 6 - OPERATING LEASES

The Foundation leases office space in Hartford, Connecticut, under an operating lease that expires July 31, 2021. The lease requires escalating monthly payments ranging from $10,328 to $10,872 over the term of the lease. The Foundation recognizes rent expense on a straight-line basis over the lease term. Rent expense under this method was $117,396 for the years ended December 31, 2019 and 2018.

The Foundation entered into a lease agreement in November 2016 to lease a copier under a noncancelable operating lease with a term of more than one year. Rental expense amounted to $7,104 for the years ended December 31, 2019 and 2018.

The following is a schedule of future minimum payments required under the above leases as of December 31, 2019:

Year Ending December 31	
2020	$ 137,564
2021	94,077