

CONNECTICUT HEALTH FOUNDATION, INC.
FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2022 AND 2021



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**CONNECTICUT HEALTH FOUNDATION, INC.
TABLE OF CONTENTS
YEARS ENDED DECEMBER 31, 2022 AND 2021**

INDEPENDENT AUDITORS' REPORT	1
FINANCIAL STATEMENTS	
STATEMENTS OF FINANCIAL POSITION	3
STATEMENTS OF ACTIVITIES	4
STATEMENTS OF FUNCTIONAL EXPENSES	5
STATEMENTS OF CASH FLOWS	6
NOTES TO FINANCIAL STATEMENTS	7



INDEPENDENT AUDITORS' REPORT

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

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Connecticut Health Foundation, Inc., which comprise the statements of financial position as of December 31, 2022 and 2021, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

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, 2022 and 2021, and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Change in Accounting Principle

As discussed in Note 1 to the financial statements, during the year ended December 31, 2022, Connecticut Health Foundation, Inc. adopted new accounting guidance for leases. The guidance requires lessees to recognize a right-of-use asset and corresponding liability for all operating and finance leases with lease terms greater than one year. Our opinion is not modified with respect to this matter.

Also discussed in Note 1, during the year ended December 31, 2022, Connecticut Health Foundation, Inc. adopted Accounting Standards update No. 2020-07, *Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Connecticut Health Foundation, Inc.'s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Connecticut Health Foundation, Inc.'s ability to continue as a going concern for a reasonable period of time.

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



CliftonLarsonAllen LLP

West Hartford, Connecticut
October 5, 2023

CONNECTICUT HEALTH FOUNDATION, INC.
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2022 AND 2021

	2022	2021
ASSETS		
Cash and Cash Equivalents	\$ 1,226,806	\$ 1,256,627
Investments	111,755,393	134,940,786
Prepaid Expenses and Other Assets	177,083	34,794
Prepaid Grants	2,981,179	2,569,419
Property and Equipment, Net	250,121	257,737
Right of Use Asset - Operating Leases	930,957	-
	\$ 117,321,539	\$ 139,059,363
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts Payable and Accrued Liabilities	\$ 405,565	\$ 358,400
Right of Use Liability - Operating Leases	930,053	-
Deferred Excise Tax Liability	250,000	471,000
Total Liabilities	1,585,618	829,400
NET ASSETS		
Net Assets Without Donor Restrictions	115,523,619	138,017,661
Net Assets With Donor Restrictions	212,302	212,302
Total Net Assets	115,735,921	138,229,963
Total Liabilities and Net Assets	\$ 117,321,539	\$ 139,059,363

See accompanying Notes to Financial Statements.

**CONNECTICUT HEALTH FOUNDATION, INC.
STATEMENTS OF ACTIVITIES
YEARS ENDED DECEMBER 31, 2022 AND 2021**

	2022	2021
CHANGES IN NET ASSETS WITHOUT DONOR RESTRICTIONS		
Revenues:		
Investment Return, Net	\$ (17,984,602)	\$ 18,227,993
Interest and Dividend Income	930,676	803,774
Other Revenue	135	265
Total Revenues	(17,053,791)	19,032,032
Expenses:		
Operating:		
Grants and Program Related Expenses	4,832,200	4,865,057
General Administrative Expenses	852,125	1,076,440
Total Operating Expenses	5,684,325	5,941,497
Provision for Excise Tax:		
Current	(23,074)	179,549
Deferred	(221,000)	78,000
Total Expenses	5,440,251	6,199,046
INCREASE (DECREASE) IN NET ASSETS WITHOUT DONOR RESTRICTIONS	(22,494,042)	12,832,986
INCREASE (DECREASE) IN NET ASSETS	(22,494,042)	12,832,986
Net Assets - Beginning of Year	138,229,963	125,396,977
NET ASSETS - END OF YEAR	\$ 115,735,921	\$ 138,229,963

See accompanying Notes to Financial Statements.

**CONNECTICUT HEALTH FOUNDATION, INC.
STATEMENTS OF FUNCTIONAL EXPENSES
YEARS ENDED DECEMBER 31, 2022 AND 2021**

	2022		
	Programs	Management and General	Total
Grants and Supporting Activities	\$ 3,316,129	\$ -	\$ 3,316,129
Salaries and Benefits	1,093,794	603,202	1,696,996
Professional Services	169,492	93,471	262,963
Facilities	83,440	46,016	129,456
Operations	169,345	109,436	278,781
	<u>\$ 4,832,200</u>	<u>\$ 852,125</u>	<u>\$ 5,684,325</u>
	2021		
	Programs	Management and General	Total
Grants and Supporting Activities	\$ 3,592,700	\$ -	\$ 3,592,700
Salaries and Benefits	874,256	724,608	1,598,864
Professional Services	116,050	127,776	243,826
Facilities	139,140	114,077	253,217
Operations	142,911	109,979	252,890
	<u>\$ 4,865,057</u>	<u>\$ 1,076,440</u>	<u>\$ 5,941,497</u>

See accompanying Notes to Financial Statements.

CONNECTICUT HEALTH FOUNDATION, INC.
STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2022 AND 2021

	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ (22,494,042)	\$ 12,832,986
Adjustments to Reconcile Change in Net Assets to		
Net Cash Used by Operating Activities:		
Depreciation and Amortization	41,822	42,076
Noncash Lease Effect	(904)	-
Loss (Gain) on Sale of Property and Equipment	5,080	-
Net Realized and Unrealized Loss (Gain) on Investments	17,314,313	(18,624,154)
(Increase) Decrease in Operating Assets:		
Accounts Receivable	-	216,680
Prepaid Expenses and Deposits	(142,289)	7,676
Prepaid Grants	(411,760)	49,163
Increase (Decrease) in Operating Liabilities:		
Accounts Payable and Accrued Liabilities	47,165	(33,866)
Grants Payable	-	-
Deferred Excise Tax Liability	(221,000)	78,000
Net Cash Used by Operating Activities	(5,861,615)	(5,431,439)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of Property and Equipment	(39,286)	(202,272)
Purchases of Investments	(43,610,626)	(157,320,620)
Proceeds from Sale of Investments	49,481,706	162,561,143
Net Cash Provided by Investing Activities	5,831,794	5,038,251
NET DECREASE IN CASH AND CASH EQUIVALENTS	(29,821)	(393,188)
Cash and Cash Equivalents - Beginning of Year	1,256,627	1,649,815
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 1,226,806	\$ 1,256,627

See accompanying Notes to Financial Statements.

CONNECTICUT HEALTH FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

Connecticut Health Foundation, Inc. (the Foundation) is a nonprofit 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.

Adoption of New Accounting Standards

In February 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-02, *Leases (ASC 842)*. The new standard increases transparency and comparability among organizations by requiring the recognition of right-of-use (ROU) assets and lease liabilities on the balance sheet. Most prominent of the changes in the standard is the recognition of ROU assets and lease liabilities by lessees for those leases classified as operating leases. Under the standard, disclosures are required to meet the objective of enabling users of financial statements to assess the amount, timing, and uncertainty of cash flows arising from leases.

The Foundation adopted the requirements of the guidance effective January 1, 2022, and has elected to apply the provisions of this standard to the beginning of the period of adoption, through a cumulative effect adjustment, with certain practical expedients available. Lease disclosures for the year ended December 31, 2021, are made under prior lease guidance in FASB Accounting Standard Codification (ASC) 840.

The Foundation has elected to adopt the package of practical expedients available in the year of adoption. The Foundation has elected to adopt the available practical expedient to use hindsight in determining the lease term and in assessing impairment of the Foundation's ROU assets.

As a result of the adoption of the new lease accounting guidance, the Foundation recognized on January 1, 2022, a lease liability of \$1,065,200, which represents the present value of the remaining operating lease payments of \$1,103,474, discounted using the risk-free rates of return ranging from 1.37% to 1.63%, and a right-of-use asset of \$1,065,200.

The standard had a material impact on the statements of financial position but did not have an impact on the statements of activities, nor statements of cash flows. The most significant impact was the recognition of ROU assets and lease liabilities for operating leases, while the Foundation's accounting for finance leases remained substantially unchanged.

CONNECTICUT HEALTH FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Accounting and Presentation

The financial statements of the Foundation have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP). Accordingly, the accounts of the Foundation are reported in the following net asset categories:

Net Assets Without Donor Restrictions – Net assets without donor restrictions represent available resources other than donor-restricted contributions. These resources may be expended at the discretion of the board of directors.

Net Assets With Donor Restrictions – Net assets with donor restrictions represent contributions that are restricted by the donor as to purpose or time of expenditure. The Foundation does not, in the ordinary course of business, receive contributions or grants. However, during 2020, the Foundation did receive one grant totaling \$743,500 that is restricted by the donor to address the racial disparity in COVID-19 infection rates by deploying community health workers to communities of color. As of December 31, 2022 and 2021, \$531,198 was earned and the remaining balance in the amount of \$212,302 is recognized within net assets with 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.

Estimates and assumptions are reviewed periodically. During the year ended December 31, 2021, as a result of market volatility and new information being readily available, management of the Foundation reviewed the assumptions used to determine the fair value of investments that are valued using the net asset practical expedient as of December 31, 2020. Based on a review of the new information available, the Foundation has determined that the estimated fair value of the investments as reported as of December 31, 2020, was less than the actual fair value. As a result, management has determined that they will utilize available information going forward to determine the fair value of investments that utilize the net asset practical expedient. This change has been included in unrealized gains on investments during the year ended December 31, 2021.

The Foundation changed its methodology for estimating fair value of alternative investments to utilize values based on the funds' audited financial statements as of December 31st of each year, beginning with the year ended 2021.

CONNECTICUT HEALTH FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 amortization, and are amortized using the straight-line method over the remaining term of the lease.

Repairs and maintenance are charged to expense as incurred. Depreciation and amortization expense was \$41,822 and \$42,076 for the years ended December 31, 2022 and 2021, respectively.

CONNECTICUT HEALTH FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Contributions

In accordance with FASB ASU 2018-08, promises to give that are subject to donor-imposed conditions (i.e., a donor stipulation that includes a barrier that must be overcome and a right of return of assets) are recognized when the conditions on which they depend are substantially met, that is, when the conditional promise becomes unconditional. Unconditional contributions are recognized when promised or received, as applicable, and are considered to be available for unrestricted use unless specifically restricted by the donor.

The Foundation reports contributions of cash and other assets as donor-restricted support if they are received with donor stipulations that limit their use. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the accompanying statements of activities as Net Assets Released from Restrictions. Contributions received whose restrictions are met in the same period are presented as net assets without donor restrictions.

There are no conditional contributions not recognized in revenue as of December 31, 2022 and 2021.

Federal Excise Taxes

As an organization described in Section 501(c)(3) of the Internal Revenue Code (IRC), the Foundation is exempt from federal income taxes and has been classified as a private foundation. In accordance with the applicable provisions of the IRC, 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 1.39%. 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 year ended December 31, 2022, the minimum distribution requirement has been met. 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 2025.

Spending Policy

The Foundation calculates planned spending as a percentage of the trailing twenty-quarter average market value as of June 30 of the previous year with a cap of 5.4%, unless an increased cap is approved by the board in a given year. The board approved an increase in cap to 6% for the year ended December 31, 2022.

CONNECTICUT HEALTH FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Spending Policy (Continued)

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.

Grants

As of December 31, 2022 and 2021, the Foundation awarded \$1,118,727 and \$1,519,861, respectively, of grants that were not paid as of year-end. Due to the existence of barriers and a right of return for these grants, grants payable were not reported at December 31, 2022 and 2021. As of December 31, 2022 and 2021, conditional grants in the amount of \$2,981,179 and \$2,569,419, respectively, were paid prior to year-end and are recognized as Prepaid Grants on the statements of financial position.

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.

Leases

The Foundation leases office equipment and office space. The Foundation determines if an arrangement is a lease at inception.

ROU assets represent the Foundation's right to use an underlying asset for the lease term and lease liabilities represent the Foundation's obligation to make lease payments arising from the lease. ROU assets and liabilities are recognized at the lease commencement date based on the present value of lease payments over the lease term.

Subsequent Events

In preparing these financial statements, management has evaluated subsequent events through October 5, 2023, which represents the date the financial statements were available to be issued.

CONNECTICUT HEALTH FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

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.

The following financial assets could be made available within one year to meet general expenditures needs at December 31:

	<u>2022</u>	<u>2021</u>
Cash and Cash Equivalents	\$ 1,226,806	\$ 1,256,627
Cash Held by Portfolio Managers	2,145,021	6,929,982
Domestic Equity	1,890,767	1,894,800
International Equity	14,301,709	13,800,724
Fixed Income	4,369,196	6,111,624
Total Assets Available	<u>\$ 23,933,499</u>	<u>\$ 29,993,757</u>

CONNECTICUT HEALTH FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

NOTE 3 FAIR VALUE

Accounting principles generally accepted in the United States of America 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:

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 15. 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.

CONNECTICUT HEALTH FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

NOTE 3 FAIR VALUE (CONTINUED)

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 15. 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. At December 31, 2022 and 2021, the Foundation's unfunded commitment is \$12,168,399 and \$10,285,062, respectively.

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 15. 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, 2022 and 2021.

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
DECEMBER 31, 2022 AND 2021

NOTE 3 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:

	2022				
	Fair Value Measurements Using			Investments Measured at Net Assets	Total
	Level 1	Level 2	Level 3	Value (a)	
Domestic Equity	\$ 1,890,767	\$ -	\$ -	\$ 2,342,605	\$ 4,233,372
International Equity	14,301,709	1,017,308	-	39,787,547	55,106,564
Private Equity	-	-	-	18,742,428	18,742,428
Fixed Income	4,369,196	-	-	1,870,780	6,239,976
Marketable Alternatives	-	-	-	25,288,032	25,288,032
Total Investments at Fair Value	20,561,672	1,017,308	-	88,031,392	109,610,372
Cash Held by Portfolio Managers	2,145,021	-	-	-	2,145,021
Total Investments	<u>\$ 22,706,693</u>	<u>\$ 1,017,308</u>	<u>\$ -</u>	<u>\$ 88,031,392</u>	<u>\$ 111,755,393</u>

	2021				
	Fair Value Measurements Using			Investments Measured at Net Assets	Total
	Level 1	Level 2	Level 3	Value (a)	
Domestic Equity	\$ 1,894,800	\$ -	\$ -	\$ 3,915,970	\$ 5,810,770
International Equity	13,800,724	1,290,151	-	39,002,186	54,093,061
Private Equity	-	-	-	30,672,010	30,672,010
Fixed Income	6,111,624	-	-	1,897,186	8,008,810
Marketable Alternatives	-	-	-	29,426,153	29,426,153
Total Investments at Fair Value	21,807,148	1,290,151	-	104,913,505	128,010,804
Cash Held by Portfolio Managers	6,929,982	-	-	-	6,929,982
Total Investments	<u>\$ 28,737,130</u>	<u>\$ 1,290,151</u>	<u>\$ -</u>	<u>\$ 104,913,505</u>	<u>\$ 134,940,786</u>

(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, 2022 and 2021.

CONNECTICUT HEALTH FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

NOTE 3 FAIR VALUE (CONTINUED)

Additional information regarding investments that report fair value based on net asset value per share or unit as of December 31, 2022 and 2021, is as follows:

	2022			
	Fair Value	Unfunded Commitments	Redemption Terms	Redemption Restrictions
Domestic Equity	\$ 2,342,605	\$ -	Monthly	30 Days Written Notice
International Equity	39,787,546	-	Daily, Semi-Monthly, Monthly, Quarterly, Every 12, 24, or 36 Months on Anniversary of Purchase Including Lock-Up Periods of 36 Months	0-90 Days Written Notice
Private Equity	18,742,428	12,168,399	Illiquid	-
Fixed Income	1,870,780	-	Quarterly	-
Marketable Alternative	<u>25,288,032</u>	<u>-</u>	Monthly, Quarterly, Annually, Every 12 or 36 Months on Anniversary of Purchase, Illiquid Including Lock-Up Periods of 12, 24, and 36 Months	0-126 Days Written Notice
Total	<u>\$ 88,031,391</u>	<u>\$ 12,168,399</u>		
	2021			
	Fair Value	Unfunded Commitments	Redemption Terms	Redemption Restrictions
Domestic Equity	\$ 3,915,970	\$ -	Monthly	30 Days Written Notice
International Equity	39,002,186	-	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	30,672,010	10,285,062	Illiquid	-
Fixed Income	1,897,186	-	Daily, Including Lock-Up Period of 12 Months Monthly, Quarterly, Annually, Every 12 or 36 Months on Anniversary of Purchase	-
Marketable Alternative	<u>29,426,153</u>	<u>-</u>	Illiquid Including Lock-Up Periods of 12, 24, and 36 Months	0-126 Days Written Notice
Total	<u>\$ 104,913,505</u>	<u>\$ 10,285,062</u>		

CONNECTICUT HEALTH FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

NOTE 3 FAIR VALUE (CONTINUED)

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, and (iii) the possibility of increased illiquidity, and cash being unavailable for daily operations and grant making the portfolio will comprise investments made in multiple asset categories in order to safeguard the portfolio's capital and to lower overall portfolio risk.

Gains and losses (realized and unrealized) included in changes in net assets for the years ended December 31, 2022 and 2021, 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 \$670,289 and \$394,081 for the years ended December 31, 2022 and 2021, respectively.

NOTE 4 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 50 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 2022 and 2021. For the years ended December 31, 2022 and 2021, total cost to the Foundation was \$53,597 and \$52,919, respectively.

CONNECTICUT HEALTH FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

NOTE 4 RETIREMENT PLANS (CONTINUED)

In December 2021, the Foundation established a 457(b) plan for the benefit of certain top-level executives. In conjunction with the inception of the plan, a contribution of \$15,000 was made by the sole participant.

During 2022, the sole participant made regular biweekly contributions of \$212. During the month of October, the sole participant made an annual contribution of \$15,000.

NOTE 5 LEASES – ASC 842

The Foundation leases office space in Hartford, Connecticut, under an operating lease that expires December 31, 2028, after exercising the first option to extend the lease, effective November 1, 2020. The lease requires escalating monthly payments ranging from \$12,231 to \$14,133 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 \$147,855 and \$151,726 for the years ended December 31, 2022 and 2021, respectively.

The Foundation entered into a lease agreement in February 2021 to lease a copier under a noncancelable operating lease with a term of more than one year. Rental expense amounted to \$6,288 for the year ended December 31, 2022.

The following table provides quantitative information concerning the Foundation's leases:

	<u>2022</u>
Lease Cost:	
Operating Lease Cost	<u>\$ 170,216</u>
Total Lease Cost	<u>\$ 170,216</u>
Other Information:	
Cash Paid for Amounts Included in the Measurement of Lease Liabilities:	
Operating Cash Flows from Operating Leases	\$ 154,142
Right-of-Use Assets Obtained in Exchange for New Operating Lease Liabilities:	\$ 1,065,200
Weighted-Average Remaining Lease Term - Operating Leases	5.9 Years
Weighted-Average Discount Rate - Operating Leases	1.62%

CONNECTICUT HEALTH FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

NOTE 5 LEASES – ASC 842 (CONTINUED)

The Foundation classifies the total undiscounted lease payments that are due in the next 12 months as current. A maturity analysis of annual undiscounted cash flows for lease liabilities as of December 31, 2022, is as follows:

<u>Year Ending December 31,</u>	<u>Operating Leases</u>
2023	\$ 157,404
2024	160,665
2025	163,927
2026	162,473
2027	164,162
Thereafter	167,424
Undiscounted Cash Flows	<u>976,055</u>
Less: Imputed Interest	(46,002)
Total Present Value	<u>\$ 930,053</u>
Short-Term Lease Liabilities	\$ (143,563)
Long-Term Lease Liabilities	(786,490)
Total	<u>\$ (930,053)</u>

NOTE 6 OPERATING LEASE AGREEMENTS – ASC 840

The Foundation elected to apply the provisions of FASB ASC 842 to the beginning of the period of adoption, through a cumulative effect adjustment, with certain practical expedients available. Lease disclosures for the year ended December 31, 2021, are made under prior lease guidance in FASB ASC 840.

The Foundation leases office space in Hartford, Connecticut under an operating lease that expires December 31, 2028, after exercising the first option to extend the lease, effective November 1, 2020. The lease requires escalating monthly payments ranging from \$12,231 to \$14,133 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 \$151,726 for the year ended December 31, 2021.

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 \$5,920 for the year ended December 31, 2021.

The Foundation entered into a lease agreement in February 2021 to lease a copier under a noncancelable operating lease with a term of more than one year. Rental expense amounted to \$5,240 for the year ended December 31, 2021.

**CONNECTICUT HEALTH FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021**

NOTE 6 OPERATING LEASE AGREEMENTS – ASC 840 (CONTINUED)

The following is a schedule of future minimum payments required under the above leases as of December 31, 2022:

<u>Year Ending December 31,</u>	<u>Amount</u>
2023	\$ 153,095
2024	157,404
2025	160,666
2026	163,927
2027	161,949
Thereafter	330,499

NOTE 7 CONTINGENCIES, RISKS, AND UNCERTAINTIES

On March 11, 2020, the World Health Organization classified the coronavirus outbreak as a pandemic, triggering significant instability in the global economy and investment markets. As a result, the Foundation's investments experienced significant volatility during the years ended December 31, 2022 and 2021. The current fair value of the Foundation's investments may be materially different from the amounts presented on the statement of financial position as of December 31, 2022. As of the date of this report, the global health crisis has been formally ended, although the global financial markets continue to experience volatility, and the impact it may have on the Foundation's portfolio cannot be reasonably determined at this time.