

Connecticut Humane Society
**Financial Statements
and Independent Auditor's Report**
December 31, 2023

Connecticut Humane Society

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Independent Auditor's Report

To the Board of Directors
Connecticut Humane Society

Opinion

We have audited the financial statements of Connecticut Humane Society, which comprise the statement of financial position as of December 31, 2023, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Connecticut Humane Society as of December 31, 2023, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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 Humane Society'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 Humane Society'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.

Report on Summarized Comparative Information

We have previously audited Connecticut Humane Society's December 31, 2022 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated May 23, 2023. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2022 is consistent, in all material respects, with the audited financial statements from which it has been derived.



Hartford, Connecticut
June 6, 2024

Connecticut Humane Society
Statements of Financial Position
December 31, 2023
(With Comparative Totals for December 31, 2022)

	<u>Assets</u>	
	<u>2023</u>	<u>2022</u>
Assets		
Cash and cash equivalents	\$ 1,472,566	\$ 1,272,650
Contributions receivable, net	654,281	1,068,715
Dividends and interest receivable	237,299	188,103
Prepaid expenses and other current assets	140,947	108,469
Investments	82,327,680	77,340,986
Property and equipment, net	8,159,325	7,218,370
Investments held in trust by others	17,075,837	15,384,365
	<u>17,075,837</u>	<u>15,384,365</u>
Total assets	<u>\$ 110,067,935</u>	<u>\$ 102,581,658</u>
	<u>Liabilities and Net Assets</u>	
Liabilities		
Accounts payable and other liabilities	\$ 712,547	\$ 693,795
Accrued payroll and benefits	421,828	596,249
	<u>421,828</u>	<u>596,249</u>
Total liabilities	<u>1,134,375</u>	<u>1,290,044</u>
Net assets		
Without donor restrictions		
Designated - funds functioning as endowment	76,370,433	72,530,449
Undesignated	8,086,509	7,896,956
	<u>8,086,509</u>	<u>7,896,956</u>
Total without donor restrictions	<u>84,456,942</u>	<u>80,427,405</u>
With donor restrictions		
Time or purpose	6,191,006	5,479,844
Perpetual	18,285,612	15,384,365
	<u>18,285,612</u>	<u>15,384,365</u>
Total with donor restrictions	<u>24,476,618</u>	<u>20,864,209</u>
Total net assets	<u>108,933,560</u>	<u>101,291,614</u>
Total liabilities and net assets	<u>\$ 110,067,935</u>	<u>\$ 102,581,658</u>

See Notes to Financial Statements.

Connecticut Humane Society
Statements of Activities
Year Ended December 31, 2023
(With Comparative Totals for 2022)

	Without donor restrictions	With donor restrictions	2023 Total	2022 Total
Revenues, gains and other support				
Contributions, donations and support	\$ 2,967,757	\$ 192,527	\$ 3,160,284	\$ 3,201,609
Legacies and bequests	2,208,126	-	2,208,126	3,248,897
Program revenue	959,483	-	959,483	868,629
Investment return utilized for operations	3,588,532	-	3,588,532	3,419,584
Net assets released from restrictions	169,430	(169,430)	-	-
Total revenues, gains and other support	<u>9,893,328</u>	<u>23,097</u>	<u>9,916,425</u>	<u>10,738,719</u>
Expenses				
Program services				
Animal shelter services	5,463,605	-	5,463,605	5,213,629
Veterinary clinic services	1,010,920	-	1,010,920	834,047
Community and educational services	702,456	-	702,456	716,213
Total program services	<u>7,176,981</u>	<u>-</u>	<u>7,176,981</u>	<u>6,763,889</u>
Program support				
Management and general	980,652	-	980,652	916,113
Fundraising and development	1,657,178	-	1,657,178	1,948,587
Total program support	<u>2,637,830</u>	<u>-</u>	<u>2,637,830</u>	<u>2,864,700</u>
Total expenses	<u>9,814,811</u>	<u>-</u>	<u>9,814,811</u>	<u>9,628,589</u>
Change in net assets from operations	<u>78,517</u>	<u>23,097</u>	<u>101,614</u>	<u>1,110,130</u>
Nonoperating activity				
Contributions, donations and support for capital campaign	-	2,309,003	2,309,003	971,642
Investment return (loss), net	6,356,287	(411,163)	5,945,124	(11,105,719)
Investment return utilized for operations	(3,588,532)	-	(3,588,532)	(3,419,584)
Income from investments held in trust by others	591,292	-	591,292	881,271
Change in value of investments held in trust by others	-	1,691,472	1,691,472	(4,319,765)
Miscellaneous income	591,973	-	591,973	-
Total nonoperating activity	<u>3,951,020</u>	<u>3,589,312</u>	<u>7,540,332</u>	<u>(16,992,155)</u>
Change in net assets	4,029,537	3,612,409	7,641,946	(15,882,025)
Net assets, beginning	<u>80,427,405</u>	<u>20,864,209</u>	<u>101,291,614</u>	<u>117,173,639</u>
Net assets, end	<u>\$ 84,456,942</u>	<u>\$ 24,476,618</u>	<u>\$ 108,933,560</u>	<u>\$ 101,291,614</u>

See Notes to Financial Statements.

Connecticut Humane Society

**Statement of Functional Expenses
Year Ended December 31, 2023**

	Program services			Program support		
	Animal shelter services	Veterinary clinic services	Community and educational services	Management and general	Fundraising and development	Total
Salaries and related expenses	\$ 4,108,912	\$ 555,265	\$ 416,776	\$ 704,857	\$ 803,137	\$ 1,507,994
Medical supplies and diagnostics	223,380	151,147	16,627	-	-	391,154
Animal care and transports	185,625	18,445	23,100	-	-	227,170
Professional services	183,942	161,355	44,959	57,758	81,402	139,160
Printing and promotion	2,641	11	1,468	181	570,213	570,394
Advertising	-	-	147,662	26,058	10,056	36,114
Facilities expenses	147,644	25,060	10,090	19,058	13,050	32,108
Utilities	149,524	17,426	5,580	15,272	7,440	22,712
IT and communications	79,115	13,178	6,208	26,942	45,962	72,904
Insurance	62,896	10,687	1,500	39,969	-	39,969
Staff expense	25,396	3,066	6,794	5,367	3,630	8,997
Office supplies and postage	7,891	2,776	1,338	5,867	12,987	18,854
Dog training	21,285	-	-	-	-	21,285
Special events	-	-	6,944	-	31,593	31,593
Bank and transaction fees	12,765	11,609	66	12,528	52,450	64,978
Miscellaneous	11,559	319	512	31,421	8,264	39,685
Total expenses before depreciation	5,222,575	970,344	689,624	945,278	1,640,184	2,585,462
Depreciation	241,030	40,576	12,832	35,374	16,994	52,368
Total functional expenses	\$ 5,463,605	\$ 1,010,920	\$ 702,456	\$ 980,652	\$ 1,657,178	\$ 2,637,830
						\$ 9,814,811

See Notes to Financial Statements.

Connecticut Humane Society

Statement of Functional Expenses Year Ended December 31, 2022

	Program services			Program support			
	Animal shelter services	Veterinary clinic services	Community and educational services	Management and general	Fundraising and development	Total	Total expenses
Salaries and related expenses	\$ 3,768,191	\$ 515,226	\$ 405,460	\$ 642,495	\$ 983,541	\$ 1,626,036	\$ 6,314,913
Medical supplies and diagnostics	247,343	133,290	23,461	-	-	-	404,094
Animal care and transports	185,528	18,400	12,609	-	-	-	216,537
Professional services	186,370	45,150	44,100	59,182	100,832	160,014	435,634
Printing and promotion	6,954	39	24,136	180	684,439	684,619	715,748
Advertising	-	-	151,820	26,792	6,081	32,873	184,693
Facilities expenses	170,995	24,403	9,271	22,444	13,281	35,725	240,394
Utilities	186,029	18,292	5,858	16,031	7,810	23,841	234,020
IT and communications	72,743	10,750	8,370	22,419	52,246	74,665	166,528
Insurance	52,281	8,206	2,126	37,027	-	37,027	99,640
Staff expense	43,312	5,057	5,670	8,701	4,166	12,867	66,906
Office supplies and postage	6,890	2,319	1,510	4,932	6,810	11,742	22,461
Dog training	21,155	-	-	-	-	-	21,155
Special events	122	-	8,204	-	21,404	21,404	29,730
Bank and transaction fees	10,919	9,523	-	14,558	48,557	63,115	83,557
Miscellaneous	12,338	2,575	710	25,768	2,326	28,094	43,717
Total expenses before depreciation	4,971,170	793,230	703,305	880,529	1,931,493	2,812,022	9,279,727
Depreciation	242,459	40,817	12,908	35,584	17,094	52,678	348,862
Total functional expenses	\$ 5,213,629	\$ 834,047	\$ 716,213	\$ 916,113	\$ 1,948,587	\$ 2,864,700	\$ 9,628,589

See Notes to Financial Statements.

Connecticut Humane Society

Statements of Cash Flows Year Ended December 31, 2023 (With Comparative Totals for December 31, 2022)

	2023	2022
Cash flows from operating activities		
Change in net assets	\$ 7,641,946	\$ (15,882,025)
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities		
Depreciation	346,806	348,862
Change in present value discount of contributions receivable	(23,038)	14,156
Net realized and unrealized loss (gains) on investments	(4,176,393)	13,682,440
Change in value of investments held in trust by others	(1,691,472)	4,319,765
Contributions, donations and support for capital campaign	(2,309,003)	(971,642)
Changes in operating assets and liabilities		
Contributions receivable	437,472	(156,188)
Dividends and interest receivable	(49,196)	(56,294)
Prepaid expenses and other current assets	(32,478)	22,834
Accounts payable and other liabilities	(361,593)	460,681
Accrued payroll and benefits	(174,421)	81,921
	(391,370)	1,864,510
Net cash (used in) provided by operating activities		
Cash flows from investing activities		
Purchase of property and equipment	(907,416)	(1,738,622)
Purchase of investments	(55,387,135)	(67,904,290)
Proceeds from sale of investments	54,576,834	64,260,380
	(1,717,717)	(5,382,532)
Net cash used in investing activities		
Cash flows from financing activities		
Contributions, donations and support for capital campaign	2,309,003	971,642
	2,309,003	971,642
Net cash provided by financing activities		
Net increase (decrease) in cash	199,916	(2,546,380)
Cash and cash equivalents, beginning	1,272,650	3,819,030
Cash and cash equivalents, end	\$ 1,472,566	\$ 1,272,650
Supplemental disclosure of cash flow information		
Purchase of property and equipment included in accounts payable and other liabilities	\$ 380,345	\$ -

See Notes to Financial Statements.

Connecticut Humane Society
Notes to Financial Statements
December 31, 2023
(With Comparative Totals for December 31, 2022)

Note 1 - Summary of significant accounting policies

Nature of business

The Connecticut Humane Society (the "Society") is one of Connecticut's oldest privately funded nonprofit organizations. The Society is the leading resource in the state for companion animal welfare, enriching the lives of families and communities through adoption services, medical care, education and prevention of cruelty. Founded in 1881 to promote humanity and kindness and to prevent cruelty to people and animals, for 84 years, the Society was the only statewide organization offering protection to children, until a state agency was established. From that point forward, the Society devoted its efforts exclusively to animals.

The Society operates three shelters where animals may be surrendered and adopted, and a reduced fee, full-service animal clinic ("Fox Memorial Clinic"). Additional public services include vaccine clinics, spay/neuter services, humane education, dog obedience classes, a Pet Food Pantry, and assistance to law enforcement in cruelty investigations. The Society generates income from adoption and surrender fees, clinic fees, donations, program fees, trust income, income from funds functioning as endowment and grants. The Society also has an extensive volunteer program.

Basis of accounting and presentation

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. Accordingly, the accounts of the Society are reported in the following net asset categories:

Without donor restrictions

Net assets representing available resources other than donor-restricted contributions. These resources may be expended at the discretion of the Board of Directors. Undesignated net assets represent the portion of expendable funds that is available for support of operations. Designated net assets represent reserves or special designations established by the Board of Directors. The Board of Directors has established the following designation: funds functioning as endowment.

With donor restrictions

Net assets representing resources with restrictions imposed by the donor. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity and any income earned thereon may be expended. These perpetually restricted net assets include the Society's proportionate share of the principal amount of the irrevocable trusts with outside trustees for which the Society is an income beneficiary as well as a perpetual endowment.

Measure of operations

The statements of activities present revenue from operations separately from nonoperating activities. For purposes of the statements of activities, operations are defined as revenue and expenses from animal rescue, protection and adoption, veterinary clinic, community outreach, humane education, administration and fundraising. All other revenue and expenses (primarily investment results) are classified as nonoperating activities. The basis of presentation reflects the Society's management operating philosophy.

Connecticut Humane Society
Notes to Financial Statements
December 31, 2023
(With Comparative Totals for December 31, 2022)

Contributions

Transactions where the resource provider often receive value indirectly by providing a societal benefit, although the societal benefit is not considered to be of commensurate value, are deemed to be contributions. Contributions are classified as either conditional or unconditional. A conditional contribution is a transaction where the Society has to overcome a barrier or hurdle to be entitled to the resource and the resource provider is released from the obligation to fund or has the right of return of any advanced funding if the Society fails to overcome the barrier. The Society recognizes the contribution revenue upon overcoming the barrier or hurdle. Any funding received prior to overcoming the barrier is recognized as refundable advance.

Unconditional contributions are recognized as revenue and receivable when the commitment to contribute is received.

Unconditional contributions are recorded as either with donor restriction or without donor restriction. Contributions are recognized as contributions with donor restrictions if they are received with donor stipulations that limit the use of the donated asset. Contributions received with no donor stipulations are recorded as contributions without donor restrictions. 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 as net assets without donor restrictions and are reported in the statements of activities as net assets released from restriction. Donor-restricted contributions whose restrictions expire during the same fiscal year are recognized as contributions without donor restrictions.

Contributed services are recognized in the financial statements if they enhance nonfinancial assets or require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. General volunteer services do not meet these criteria for recognition. However, many volunteers have donated significant amounts of time, estimated at approximately 77,652 (unaudited) hours in 2023, in supporting the Society's mission.

Program revenue

Revenue is recognized when control of the promised service is transferred (at a point in time, i.e., when an adoption occurs or a veterinarian service is provided) to the Society's customers, in an amount that depicts the consideration the Society expects to be entitled to in exchange for those services. Revenue is not recognized unless collectability under the contract is considered probable, the contract has commercial substance and the contract has been approved. Additionally, the contract must contain payment terms, as well as the rights and commitments of both parties.

Cash and cash equivalents

Cash and cash equivalents include all cash balances and highly-liquid short-term instruments with original maturities of three months or less. The Society maintains its cash and cash equivalents with high-credit quality financial institutions. At December 31, 2023, the cash balances exceeded federally insured limits by approximately \$1,068,000. Management believes that the Society's deposits are not subject to significant credit risk.

Contributions receivable

Contributions receivable represent unconditional promises to give that are recognized in the period in which the promise is recorded. Contributions receivable that are expected to be collected in less than one year are reported at net realizable value. Contributions that are expected to be collected in more than one year are discounted at an appropriate rate commensurate with the risk involved. Amortization of the discount is recorded as additional contribution revenue in accordance with the

Connecticut Humane Society
Notes to Financial Statements
December 31, 2023
(With Comparative Totals for December 31, 2022)

donor-imposed restrictions, if any, on the contributions. On a periodic basis, the Society evaluates its contributions receivable and establishes an allowance for doubtful accounts, when deemed necessary, based on its history of past write-offs, collections and current credit conditions.

Investments

Investments are reported at fair value (see Note 5). Purchases and sales of securities are recorded on the trade date basis. Interest income is recorded on the accrual basis, net of investment expenses. Dividends are recorded on the ex-dividend date. Net realized and unrealized gains (losses) on investments includes the Society's gains and losses on investments bought and sold as well as held during the year. These amounts are reported in the statements of activities as increases or decreases in net assets as appropriate based on any donor stipulations or law.

Property and equipment

Property and equipment are stated at cost or, if donated, at their approximate fair value on the date of donation, net of accumulated depreciation. The Society capitalizes all such acquisitions in excess of \$5,000. Depreciation is provided for using the straight-line method over the estimated useful lives of the assets, which are generally as follows:

Buildings and improvements	15 - 40 years
Equipment	3 - 5 years
Furniture and fixtures	10 years

Expenditures for repairs and maintenance are charged to expense as incurred. For assets sold or otherwise disposed of, the cost and accumulated depreciation are removed from the accounts, and any resulting gain or loss is reflected in the change in net assets for the period.

Investments held in trust by others

The Society retains beneficial interests in various trusts established by donors and held by unrelated trustees. Under these arrangements, the Society receives investment income from the trusts in perpetuity but does not have access to the principal. The beneficial interests are carried at the present value of estimated future receipts from the trusts, which is measured by the present value of the future expected cash flows from the Trusts. Changes in the carrying amount of the beneficial interests are recognized as increases or decreases in net assets with donor restrictions.

Functional allocation of expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the statements of functional expenses. The Society applies various methods to allocate costs among the programs and support functions, the most significant of which is by the amount of time and effort by employees or square footage on building space utilized.

Advertising costs

The Society expenses the cost of advertising as incurred. Advertising costs charged to operations during the years ended December 31, 2023 and 2022 were \$183,776 and \$184,693, respectively.

Tax-exempt status

The Society is exempt under Section 501(c)(3) of the Internal Revenue Code ("IRC") and is exempt from private foundation status under IRC Section 509(a)(3) and as such is not subject to federal or state income taxes.

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Notes to Financial Statements
December 31, 2023
(With Comparative Totals for December 31, 2022)

Management has analyzed the tax positions taken by the Society and has concluded that, as of December 31, 2023, there are no uncertain tax positions taken or expected to be taken that would require recognition of a liability (or asset) or disclosure in the financial statements. The Society's federal information returns prior to fiscal year 2020 are closed and management continually evaluates expiring statutes of limitations, audits, proposed settlements, changes in tax law and new authoritative rulings.

If the Society has unrelated business income taxes, it will recognize interest and penalties associated with any tax matters as part of the income tax provision and include accrued interest and penalties with the related tax liability in the statements of financial position.

Use of estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures in the financial statements. Actual results could differ from those estimates.

Subsequent events

In preparing these financial statements, management has evaluated subsequent events through June 6, 2024, which represents the date the financial statements were available to be issued.

Connecticut Humane Society
Notes to Financial Statements
December 31, 2023
(With Comparative Totals for December 31, 2022)

Note 2 - Liquidity and availability

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date, comprise the following as of December 31, 2023 and 2022:

	2023	2022
Total assets, end of year	\$ 110,067,935	\$ 102,581,658
Less nonfinancial assets		
Prepaid expenses and other current assets	(140,947)	(108,469)
Property and equipment, net	(8,159,325)	(7,218,370)
Investments held in trust by others	(17,075,837)	(15,384,365)
Financial assets, end of year	84,691,826	79,870,454
Less those unavailable for general expenditure within one year due to		
Contractual or donor-imposed restrictions		
Restricted by donors for time or purpose	(6,191,006)	(5,479,844)
Board-designated endowments	(76,370,433)	(72,530,449)
Permanent endowment	(1,301,653)	-
Expected to be available for general expenditure within one year		
Pay-out on board-designated endowment for use over next 12 months	3,709,376	3,588,532
Financial assets available for general expenditure within one year	\$ 4,538,110	\$ 5,448,693

The Society regularly monitors liquidity required to meet its operating needs while also striving to maximize the investment of its available funds. For purposes of analyzing resources available to meet general expenditures over a 12-month period, the Society considers all expenditures related to its ongoing mission-related activities as well as services undertaken to support these activities to be operating expenditures.

The Society's governing board has designated approximately \$76,370,000 and \$72,530,000, as of December 31, 2023 and 2022, respectively, of its net assets without donor restrictions to function as an endowment and for other purposes. Those amounts are identified as board-designated in the table above. These funds are invested for long-term appreciation and current income, but remain available and may be spent at the discretion of the Board of Directors.

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Notes to Financial Statements
December 31, 2023
(With Comparative Totals for December 31, 2022)

Note 3 - Contributions receivable

Unconditional promises to give as of December 31, 2023 and 2022 are due to be collected as follows:

	2023	2022
Receivables due in less than one year	\$ 408,910	\$ 690,958
Receivables due in one to five years	271,731	427,156
	680,641	1,118,114
Less discount to present value (5.5%)	(26,361)	(49,399)
	\$ 654,281	\$ 1,068,715

There is no allowance for doubtful accounts as of December 31, 2023 and 2022.

Note 4 - Investments

The following summarizes the relationship between the cost and fair values of investments as of December 31, 2023:

	Cost	Fair value	Unrealized gain (loss)
Domestic equities	\$ 21,850,808	\$ 30,582,007	\$ 8,731,199
Restricted stock	4,325,000	225,000	(4,100,000)
Mutual funds	23,563,085	20,830,089	(2,732,996)
International developed equities	1,633,520	2,541,088	907,568
U.S. Government bonds	14,780,042	14,328,301	(451,741)
Corporate bonds	7,463,779	7,601,937	138,158
Municipal bonds	236,945	210,590	(26,355)
Money market funds	6,008,668	6,008,668	-
	\$ 79,861,847	\$ 82,327,680	\$ 2,465,833

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(With Comparative Totals for December 31, 2022)

The following summarizes the relationship between the cost and fair values of investments as of December 31, 2022:

	<u>Cost</u>	<u>Fair value</u>	<u>Unrealized gain (loss)</u>
Domestic equities	\$ 19,538,654	\$ 27,864,146	\$ 8,325,492
Restricted stock	4,325,000	750,000	(3,575,000)
Mutual funds	23,701,326	19,223,523	(4,477,803)
International developed equities	1,531,138	1,996,830	465,692
U.S. Government bonds	14,434,540	13,393,866	(1,040,674)
Corporate bonds	8,562,500	8,278,169	(284,331)
Municipal bonds	273,945	230,429	(43,516)
Money market funds	5,604,023	5,604,023	-
	<u>\$ 77,971,126</u>	<u>\$ 77,340,986</u>	<u>\$ (630,140)</u>

The Society has established a separate investment account into which collections related to its capital campaign are deposited. The balance in this account at December 31, 2023 and 2022 was \$4,464,734 and \$4,053,475, respectively.

Note 5 - Fair value measurements

The Society values its financial assets based on 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. In order to increase consistency and comparability in fair value measurements, a fair value hierarchy prioritizes observable and unobservable inputs which are used to measure fair value into three broad levels, which are described below:

Level 1 - Quoted prices (unadjusted) in active markets that are accessible at the measurement date for identical assets or liabilities. The fair value hierarchy gives the highest priority to Level 1 inputs.

Level 2 - Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in inactive markets; or model-derived valuations in which all significant inputs are observable or can be derived principally from or corroborated with observable market data.

Level 3 - Unobservable inputs are used when little or no market data is available. The fair value hierarchy gives the lowest priority to Level 3 inputs.

In determining fair value, the Society utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs to the extent possible as well as considers counterparty credit risk in its assessment of fair value. The fair value hierarchy does not attempt to measure the quality of the investments.

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Financial assets measured at fair value at December 31, 2023 and 2022 have been categorized in the tables below based upon the fair value hierarchy described above:

<u>December 31, 2023</u>	<u>Fair value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Domestic equities	\$ 30,582,007	\$ 30,582,007	\$ -	\$ -
Restricted stock	225,000	-	225,000	-
Mutual funds	20,830,089	20,830,089	-	-
International developed equities	2,541,088	2,541,088	-	-
U.S. Government bonds	14,328,301	-	14,328,301	-
Corporate bonds				
Investment grade taxable	7,079,879	7,079,879	-	-
International developed bonds	522,058	522,058	-	-
Total corporate bonds	7,601,937	7,601,937	-	-
Municipal bonds	210,590	-	210,590	-
Money market funds	6,008,668	6,008,668	-	-
Total investments at fair value	82,327,680	67,563,789	14,763,891	-
Investments held in trust by others	17,075,837	-	-	17,075,837
	<u>\$ 99,403,517</u>	<u>\$ 67,563,789</u>	<u>\$ 14,763,891</u>	<u>\$ 17,075,837</u>

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<u>December 31, 2022</u>	<u>Fair value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Domestic equities	\$ 27,864,146	\$ 27,864,146	\$ -	\$ -
Restricted stock	750,000	-	750,000	-
Mutual funds	19,223,523	19,223,523	-	-
International developed equities	1,996,830	1,996,830	-	-
U.S. government bonds	13,393,866	-	13,393,866	-
Corporate bonds				
Investment grade taxable	7,692,755	7,692,755	-	-
International developed bonds	585,414	585,414	-	-
Total corporate bonds	8,278,169	8,278,169	-	-
Municipal bonds	230,429	-	230,429	-
Money market funds	5,604,023	5,604,023	-	-
Total investments at fair value	77,340,986	62,966,691	14,374,295	-
Investments held in trust by others	15,384,365	-	-	15,384,365
	<u>\$ 92,725,351</u>	<u>\$ 62,966,691</u>	<u>\$ 14,374,295</u>	<u>\$ 15,384,365</u>

Investments in domestic equities and international developed equities assets are valued at the closing price reported in the active market in which the individual securities are traded (Level 1). Mutual funds and money market funds held by the Society are open-ended funds that are registered with the Securities and Exchange Commission. These funds are required to publish their daily net asset value ("NAV") and transact at that price. The mutual funds and money market funds are deemed to be actively traded (Level 1).

Corporate bonds are valued at the closing price reported in the active market in which the individual securities are traded (Level 1). U.S. Government and municipal bonds are valued based on yields currently available on comparable securities of issuers with similar durations and credit ratings (Level 2).

Restricted stocks are valued at the closing price reported in the active market in which the individual securities are traded and are restricted as to when they can be sold (Level 2).

Assets generally measured at fair value using inputs categorized in Level 3 of the fair value hierarchy include assets held in trust by others (the "Trusts"). The fair value of the Trusts' assets is based on the estimated future receipts from the trusts, which is measured by the present value of the future expected cash flows from the Trusts, which are established by the trustee or other third-party administrators. The trustee and other third-party administrators provide the Society with investment statements and valuations of its portion of the Trusts at year end. These are evaluated annually by the Society.

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The preceding methods may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Society 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. There have been no changes in the valuation methodologies used at December 31, 2023 and 2022.

Note 6 - Property and equipment

Property and equipment at December 31, 2023 and 2022 were as follows:

	2023	2022
Land	\$ 1,736,395	\$ 1,736,395
Buildings and improvements	10,043,222	10,011,735
Equipment	1,169,744	1,132,870
Furniture and fixtures	144,366	144,366
Construction in progress	1,643,306	423,906
	14,737,033	13,449,272
Less accumulated depreciation	(6,577,708)	(6,230,902)
	\$ 8,159,325	\$ 7,218,370

Depreciation expense for the years ended December 31, 2023 and 2022 was \$346,806 and \$348,862, respectively.

Note 7 - Net assets with donor restrictions

Net assets restricted by time or purpose consist of the following as of December 31, 2023 and 2022:

	2023	2022
Together Forever capital campaign	\$ 5,979,399	\$ 5,383,213
Earnings on perpetual endowment funds in accordance with CTUPMIFA	91,878	-
Restricted for program services	119,729	86,631
Capital projects	-	10,000
Net assets with donor restrictions, time or purpose	\$ 6,191,006	\$ 5,479,844

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Net assets with perpetual restrictions consist of the principal portion of the Society's investments held in trust by others and permanently restricted endowment. The distributions from the investments held in trust by others are classified as net assets without donor restrictions. Net assets with donor restrictions, perpetual consist of the following as of December 31, 2023 and 2022:

	<u>2023</u>	<u>2022</u>
Investments held in trust by others	\$ 17,075,837	\$ 15,384,365
Berray fund - endowment	<u>1,209,775</u>	<u>-</u>
Net assets with donor restrictions, perpetual	<u>\$ 18,285,612</u>	<u>\$ 15,384,365</u>

Net assets that were released from donor restrictions by incurring expenses satisfying the restricted purpose, or from the expiration of time restrictions, were as follows:

	<u>2023</u>	<u>2022</u>
Program services	\$ 159,430	\$ 85,474
Capital projects	<u>10,000</u>	<u>14,186</u>
	<u>\$ 169,430</u>	<u>\$ 99,660</u>

Note 8 - Endowment

The Society's endowment includes funds designated by the Board of Directors to function as endowments as well as permanently restricted funds. As required by accounting principles generally accepted in the United States of America, net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of relevant law

The Board of Directors of the Society has interpreted the Connecticut Uniform Prudent Management of Institutional Funds Act ("CTUPMIFA") as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds, absent explicit donor stipulations to the contrary. As a result of this interpretation, the Society classifies as net assets with perpetual donor restrictions (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

The remaining portion of the donor-restricted endowment fund that is not classified as net assets with perpetual donor restrictions is classified as net assets with time or purpose donor restrictions until those amounts are appropriated for expenditure by the Society in a manner consistent with the standard of prudence prescribed by CTUPMIFA.

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In accordance with CTUPMIFA, the Society considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

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

Changes in endowment net assets for the years ended December 31, 2023 and 2022, are as follows:

	Without donor restrictions	With donor restrictions	Totals
Endowment net assets, January 01, 2022	\$ 80,118,207	\$ -	\$ 80,118,207
Investment loss, net	(7,327,077)	-	(7,327,077)
Contributions	3,158,903	-	3,158,903
Appropriation for expenditure	<u>(3,419,584)</u>	<u>-</u>	<u>(3,419,584)</u>
Endowment net assets, December 31, 2022	72,530,449	-	72,530,449
Investment income, net	6,110,245	91,878	6,202,123
Contributions	1,318,271	1,209,775	2,528,046
Appropriation for expenditure	<u>(3,588,532)</u>	<u>-</u>	<u>(3,588,532)</u>
Endowment net assets, December 31, 2023	<u>\$ 76,370,433</u>	<u>\$ 1,301,653</u>	<u>\$ 77,672,086</u>

Return objectives and risk parameters

The Society has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include board-designated funds. Under this policy, as approved by the Board of Directors, the endowment assets are invested in a manner that is intended to maintain the inflation-adjusted value of the current asset base while recognizing the objective of real growth in principal within reasonable and prudent levels of risk.

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Strategies employed for achieving objectives

To satisfy its long-term rate-of-return objectives, the Society relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Society targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

Spending policy and how the investment objectives relate to spending policy

The Society has a policy of appropriating for distribution an amount not to exceed 5.0% for the years ended December 31, 2023 and 2022, of its endowment fund's average fair value over the prior 12 calendar quarters. In addition, with the approval of the Board of Directors, the Society may spend in excess of such 5.0% for operating expenses and/or capital projects. This is consistent with the Society's objective to maintain the purchasing power of the endowment assets held in perpetuity or for a specified term, as well as to provide additional real growth through new gifts and investment return.

Note 9 - Retirement plan

The Society has established a 401(k) retirement plan that covers all eligible employees. Participants can elect to have their compensation reduced, and the Society matches up to 6% of the participant's contributions based on years of service. Additionally, the plan provides for a discretionary employer contribution. For the years ended December 31, 2023 and 2022, the discretionary employer contribution was 2.5% and 5%, respectively, of eligible compensation. The Society's expense for the years ended December 31, 2023 and 2022 was \$220,573 and \$316,207, respectively.

The Society established a 403(b) plan in December 2013, whereby employees meeting certain requirements may participate in the plan. Participants can elect to have their compensation reduced, and the Society matches up to 6% of the participant's contributions based on years of service. Additionally, the plan provides for a discretionary employer contribution. These matching contributions are subject to certain Internal Revenue Service limitations. For the years ended December 31, 2023 and 2022, the discretionary employer contribution was 2.5% and 5%, respectively, of eligible compensation. The Society's matching contribution expense for the years ended December 31, 2023 and 2022 was \$55,039 and \$59,497, respectively.

Note 10 - Concentrations

Market risk

The Society invests in various debt and equity securities. These investments are recorded at fair value. Accordingly, the investment securities can fluctuate because of interest rates, reinvestment, credit, market and other risks depending on the nature of the specific investment. Therefore, it is at least reasonably possible that these factors will result in changes in the value of the Society's investments, which could materially affect amounts reported in the financial statements.



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