

**CONNECTICUT COMMUNITY FOUNDATION, INC.**

**FINANCIAL STATEMENTS**

**DECEMBER 31, 2010 AND 2009**

**CONNECTICUT COMMUNITY FOUNDATION, INC.**

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## Independent Auditors' Report

To the Board of Trustees  
Connecticut Community Foundation, Inc.

We have audited the accompanying statements of financial position of Connecticut Community Foundation, Inc. as of December 31, 2010 and 2009, and the related statements of activities and cash flows for the years then ended. These financial statements are the responsibility of the Foundation's management. 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 of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Connecticut Community Foundation, Inc. as of December 31, 2010 and 2009, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

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

August 31, 2011

**CONNECTICUT COMMUNITY FOUNDATION, INC.**  
**STATEMENTS OF FINANCIAL POSITION**  
**DECEMBER 31, 2010 AND 2009**

	<u>2010</u>	<u>2009</u>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 1,328,101	\$ 9,823,130
Investments	68,700,488	50,629,339
Contributions receivable	3,665,825	1,816,314
Other assets	772,885	561,751
Property and equipment, net	<u>3,633</u>	<u>7,730</u>
<b>Total Assets</b>	<b>\$ <u>74,470,932</u></b>	<b>\$ <u>62,838,264</u></b>
<b>LIABILITIES AND NET ASSETS</b>		
<b>Liabilities</b>		
Accounts payable	\$ 34,802	\$ 37,373
Grants payable	429,860	361,934
Annuity payable	81,158	84,707
Liability under split-interest agreements	105,840	120,578
Funds held as agency endowments	<u>214,982</u>	<u>194,599</u>
Total liabilities	<u>866,642</u>	<u>799,191</u>
<b>Net Assets</b>		
Unrestricted net assets	73,373,167	61,822,688
Temporarily restricted net assets	<u>231,123</u>	<u>216,385</u>
Total net assets	<u>73,604,290</u>	<u>62,039,073</u>
<b>Total Liabilities and Net Assets</b>	<b>\$ <u>74,470,932</u></b>	<b>\$ <u>62,838,264</u></b>

The accompanying notes are an integral part of the financial statements

**CONNECTICUT COMMUNITY FOUNDATION, INC.**  
**STATEMENTS OF ACTIVITIES**  
**FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009**

	<u>2010</u>			<u>2009</u>		
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
<b>Revenue, Support and Other Changes</b>						
Contributions, gifts and grants	\$ 7,373,346	\$ -	\$ 7,373,346	\$ 12,204,696	\$ -	\$ 12,204,696
Net realized and unrealized gains on investments	5,243,388	-	5,243,388	9,134,236	-	9,134,236
Investment income	2,024,759	-	2,024,759	1,479,410	-	1,479,410
Miscellaneous income	120,255	-	120,255	98,593	-	98,593
Change in value of annuity payable and split-interest agreements	3,549	14,738	18,287	(36,176)	52,015	15,839
Total revenue, support and other changes	<u>14,765,297</u>	<u>14,738</u>	<u>14,780,035</u>	<u>22,880,759</u>	<u>52,015</u>	<u>22,932,774</u>
<b>Expenses</b>						
Program services:						
Grants	2,145,210	-	2,145,210	1,851,410	-	1,851,410
Nonprofit assistance	37,749	-	37,749	46,385	-	46,385
Youth programs	18,500	-	18,500	-	-	-
Other	898	-	898	1,450	-	1,450
Total program services	<u>2,202,357</u>	<u>-</u>	<u>2,202,357</u>	<u>1,899,245</u>	<u>-</u>	<u>1,899,245</u>
Supporting services:						
Salaries	648,711	-	648,711	641,818	-	641,818
Payroll taxes	48,472	-	48,472	48,702	-	48,702
Employee benefits	75,917	-	75,917	85,503	-	85,503
Occupancy	87,418	-	87,418	89,168	-	89,168
Supplies	27,173	-	27,173	34,702	-	34,702
Investment management fees	26,386	-	26,386	30,317	-	30,317
Development	24,588	-	24,588	29,223	-	29,223
Annual report and newsletter	23,122	-	23,122	19,230	-	19,230
Professional fees	16,770	-	16,770	16,293	-	16,293
Other personnel and training	12,881	-	12,881	4,101	-	4,101
Insurance	10,582	-	10,582	10,120	-	10,120
Dues, conferences and fees	4,326	-	4,326	5,050	-	5,050
Bank fees	4,089	-	4,089	3,177	-	3,177
Miscellaneous	1,819	-	1,819	5,390	-	5,390
Committee expense	207	-	207	288	-	288
Total supporting services	<u>1,012,461</u>	<u>-</u>	<u>1,012,461</u>	<u>1,023,082</u>	<u>-</u>	<u>1,023,082</u>
Total expenses	<u>3,214,818</u>	<u>-</u>	<u>3,214,818</u>	<u>2,922,327</u>	<u>-</u>	<u>2,922,327</u>
<b>Increase in Net Assets</b>	11,550,479	14,738	11,565,217	19,958,432	52,015	20,010,447
<b>Net Assets - Beginning of Year</b>	<u>61,822,688</u>	<u>216,385</u>	<u>62,039,073</u>	<u>41,864,256</u>	<u>164,370</u>	<u>42,028,626</u>
<b>Net Assets - End of Year</b>	<u>\$ 73,373,167</u>	<u>\$ 231,123</u>	<u>\$ 73,604,290</u>	<u>\$ 61,822,688</u>	<u>\$ 216,385</u>	<u>\$ 62,039,073</u>

The accompanying notes are an integral part of the financial statements

**CONNECTICUT COMMUNITY FOUNDATION, INC.**  
**STATEMENTS OF CASH FLOWS**  
**FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009**

	<b>2010</b>	<b>2009</b>
<b>Cash Flows from Operating Activities</b>		
Increase in net assets	\$ 11,565,217	\$ 20,010,447
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation	4,097	3,312
Net realized and unrealized gains on investments	(5,243,388)	(9,134,236)
Donated securities	(563,759)	(137,074)
Loss on disposal of fixed assets	-	727
(Increase) decrease in operating assets:		
Accounts receivable	-	3,305
Contributions receivable	(1,849,511)	874,032
Other assets	(211,134)	(11,751)
Increase (decrease) in operating liabilities:		
Accounts payable	(2,571)	10,973
Grants payable	67,926	(81,242)
Annuity payable	(3,549)	36,176
Liability under split-interest agreements	(14,738)	(52,015)
Funds held as agency endowments	20,383	46,791
Net cash provided by operating activities	3,768,973	11,569,445
<b>Cash Flows from Investing Activities</b>		
Purchases of property and equipment	-	(5,038)
Proceeds from sales of investments	914,594	11,245,883
Purchases of investments	(13,178,596)	(14,051,999)
Net cash used in investing activities	(12,264,002)	(2,811,154)
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	(8,495,029)	8,758,291
<b>Cash and Cash Equivalents - Beginning of Year</b>	9,823,130	1,064,839
<b>Cash and Cash Equivalents - End of Year</b>	\$ 1,328,101	\$ 9,823,130

The accompanying notes are an integral part of the financial statements

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

**NOTE 1 - ORGANIZATION**

Connecticut Community Foundation, Inc. (the Foundation) is a nonprofit organization for public giving that makes grants to charitable organizations and awards individual scholarships primarily in the Greater Waterbury and Litchfield Hills region. The Foundation receives contributions from individuals and businesses primarily in the Greater Waterbury and Litchfield Hills region.

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**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. Accordingly, the accounts of the Foundation are reported in the following categories:

**Unrestricted Net Assets** - Unrestricted net assets are defined as assets that are free of donor-imposed restrictions. These resources may be expended at the discretion of the Board of Trustees.

**Temporarily Restricted Net Assets** - Temporarily restricted net assets represents contributions that are restricted by the donor as to purpose or time of expenditure.

**Permanently Restricted Net Assets** - Permanently restricted net assets include the historic dollar value (fair market value at time of gift) of contributions and other inflows of assets whose use by the Foundation is limited by donor-imposed stipulations that neither expire by the passage of time nor can be fulfilled or otherwise removed by actions of the Foundation. The Foundation does not have any permanently restricted net assets as of December 31, 2010 and 2009.

**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. Accordingly, actual results could differ from those estimates. The most significant estimate relates to the valuation of split interest agreements, valuation of other assets (residential property) and annuity payable.

**Cash and Cash Equivalents** - For purposes of the statements of financial position and the statements of cash flows, the Foundation considers all cash, cash on hand, and certificates of deposit with original maturities of 90 days or less to be cash equivalents.

**Investments** - Investments in equity securities with readily determinable fair values and investments in fixed income securities are carried at fair value. Realized and unrealized gains and losses on these investments are reported in the statements of activities as increases or decreases in unrestricted net assets unless their use is temporarily or permanently restricted by explicit donor stipulations or by law. Investment income and gains restricted by donors are reported as increases in unrestricted net assets if the restrictions are met in the same reporting period in which the income and gains are recognized.

A portion of expenses relating to the production of investment income, including custodial fees and investment advisory fees, have been netted against investment income in the accompanying statements of activities.

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

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Investment Pools** - The Foundation maintains master investment accounts for its funds. Interest, dividends, realized and unrealized gains and losses from securities, and related expenses in the pooled investment accounts are calculated and allocated monthly to all of the donor funds based on the relationship of the market value of each fund to the total market value of the pooled investment accounts, as adjusted for additions to or distributions from those accounts.

**Property and Equipment** - Office equipment is stated at cost or donated value. Depreciation is provided using the straight-line method over the estimated useful lives of the assets: 4 to 15 years for office equipment. Expenditures for major renewals and betterments greater than \$500 that extend the useful lives of property and equipment are capitalized. Expenditures for maintenance and repairs are charged to expense as incurred.

**Split-Interest Agreements** - The Foundation's split-interest agreements with donors at times consist of charitable gift annuities, charitable and pooled life income funds and charitable remainder trusts. Assets are invested and payments are made to donors and/or other beneficiaries in accordance with the respective agreements.

A charitable gift annuity is an arrangement between a donor and the Foundation in which the donor contributes assets to the Foundation and in exchange receives a lifetime income stream from the fund. The present value of the actuarially determined payouts to these beneficiaries is presented as a liability in the Foundation's financial statements.

A pooled income fund invests, as a group, contributions from donors' life income gifts. Donors are assigned a specific number of units based on the proportion of the fair value of their contributions to the total fair value of the fund. The donor or a designated beneficiary is paid the actual income earned on the donor's assigned units. Upon the death of a donor, the value of the units assigned to that donor reverts to the Foundation. The pooled income funds are discounted using an annual rate of return of 6.06% and 5.91% at December 31, 2010 and 2009, respectively, and are based upon the life expectancy of each donor, which is determined using actuarial tables. The rate of return used is the risk-free rate of return in existence on the date of the gift.

**Funds Held as Agency Endowment** - The Foundation receives and distributes assets under agency endowment agreements. Amounts received under these relationships totaled \$1,740 and \$10,675 in 2010 and 2009, respectively. Amounts granted under these relationships totaled \$2,952 and \$3,767 in 2010 and 2009, respectively.

**Contributions** - Unconditional contributions are recognized when pledged or received, as applicable, and are considered to be available for unrestricted use unless specifically restricted by the donor. Contributions receivable expected to be collected in more than one year are discounted to their present value. The Foundation reports nongovernmental contributions and grants of cash and other assets as temporarily 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, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as net assets released from restrictions. Contributions received whose

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

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

restrictions are met in the same period are presented with unrestricted net assets. Conditional promises to give are recognized when the conditions on which they depend are substantially met.

**Allocations from Investments** - The Foundation annually establishes a payout from its investments for grants, investment fees and administrative expenses. The payout for grants is a percentage of the average principal fund assets (3.1% for 2010 and 2009) for the 12 trailing quarters ending one year prior to the beginning of each current year. The administrative fee for most funds is 1.5% annually assessed quarterly based on market value of the prior quarter.

**Grants** - Grants are recorded when approved by the Board of Trustees. Payments are made when all conditions have been satisfied by the recipient. As of December 31, 2010 and 2009, the Foundation was unaware of any material conditions on grants that are unlikely to be satisfied during the approved grant period. Refunds occur when the recipient's needs are less than the appropriated amount or when the grantee does not meet the grant requirements. They are reported as a reduction of grants in the period refunded.

Grants authorized but unpaid at year end are reported as liabilities. Grants to be paid over a period exceeding one year are discounted using a risk free rate of return, which is determined in the initial year of the grant.

**Income Taxes** - The Foundation is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code (the Code). The Foundation's tax returns for the years ended December 31, 2007 through 2010 are subject to examination by the Internal Revenue Service and the State of Connecticut.

**Reclassification** - Certain amounts in the 2009 financial statements have been reclassified to conform to the current year's presentation.

**Subsequent Events** - In preparing these financial statements, management has evaluated subsequent events through August 31, 2011, which represents the date the financial statements were available to be issued.

**NOTE 3 - CONCENTRATIONS OF CREDIT RISK**

The Foundation's financial instruments that are exposed to concentrations of credit risk consist of the following:

**Cash and Cash Equivalents** - The Foundation places its cash deposits with credit-quality institutions. Such deposits exceed federal depository insurance limits at times during the year. However, management believes that the Foundation's deposits are not subject to significant credit risk.

**Investments** - The Foundation's investments are comprised of various mutual funds investing in equities, bonds and money market funds. The money market funds are not protected by federal depository insurance. The value of the mutual funds is subject to fluctuations due to general market conditions and interest rates.

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

**NOTE 4 - OTHER ASSETS**

Other assets primarily consist of a residential property in the British Virgin Isles and approximately \$244,000 in cash to be utilized to maintain this property until sold, which were received as part of a bequest. This property and cash is being held in trust by U.S. Trust, Bank of America, N.A. for the benefit of the Foundation. The property is recorded at its appraised value of \$523,000 and \$550,000, which approximates fair value at December 31, 2010 and 2009, respectively.

**NOTE 5 - INVESTMENTS**

Investments at December 31, 2010 and 2009 consist of the following:

	<u>2010</u>	<u>2009</u>
Money market funds	\$ 4,105,380	\$ 1,502,179
Common stock and mutual funds	46,597,852	34,904,279
Index and bond funds	<u>17,997,256</u>	<u>14,222,881</u>
Total Investments	<u>\$ 68,700,488</u>	<u>\$ 50,629,339</u>

Investment return for the years ended December 31, 2010 and 2009 is summarized as follows:

	<u>2010</u>	<u>2009</u>
Realized and unrealized gains	\$ 5,243,388	\$ 9,134,236
Interest and dividends	<u>2,024,759</u>	<u>1,479,410</u>
	7,268,147	10,613,646
Less investment expenses	<u>26,386</u>	<u>30,317</u>
Investment Return, Net	<u>\$ 7,241,761</u>	<u>\$ 10,583,329</u>

**NOTE 6 - FAIR VALUES**

The levels of valuation inputs under accounting principles generally accepted in the United States of America (GAAP) for financial instruments carried at fair value are as follows:

**Level 1** - Quoted market prices for identical assets or liabilities on an active market to which an entity has access at the measurement date.

**Level 2** - Inputs and information other than quoted market indices included in Level 1 that are observable for the asset or liability, either directly or indirectly, and the Foundation has the ability to redeem the asset or liability in the near term subsequent to the measurement date.

**Level 3** - Unobservable inputs for the asset or liability. Unobservable inputs should be used to measure the fair value to the extent that observable inputs are not available, and the Foundation does not have the ability to redeem the asset or liability in the near term.

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

**NOTE 6 - FAIR VALUES (Continued)**

**Assets Measured at Fair Value on a Recurring Basis** - The following is a summary of the source of fair value measurements for assets that are measured at fair value on a recurring basis as of December 31, 2010:

<u>Description</u>	<u>December 31, 2010</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Money market funds	\$ 4,105,380	\$ 4,105,380	\$ -	\$ -
Common stock and mutual funds	46,597,852	46,597,852	-	-
Index and bond funds	<u>17,997,256</u>	<u>-</u>	<u>17,997,256</u>	<u>-</u>
Total	<u>\$ 68,700,488</u>	<u>\$ 50,703,232</u>	<u>\$ 17,997,256</u>	<u>\$ -</u>

**Assets Measured at Fair Value on a Recurring Basis** - The following is a summary of the source of fair value measurements for assets that are measured at fair value on a recurring basis as of December 31, 2009:

<u>Description</u>	<u>December 31, 2009</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Money market funds	\$ 1,502,179	\$ 1,502,179	\$ -	\$ -
Common stock and mutual funds	34,904,279	34,904,279	-	-
Index and bond funds	<u>14,222,881</u>	<u>-</u>	<u>14,222,881</u>	<u>-</u>
Total	<u>\$ 50,629,339</u>	<u>\$ 36,406,458</u>	<u>\$ 14,222,881</u>	<u>\$ -</u>

The change in unrealized gains relating to investments that are still held at year end is \$6,412,538 and \$562,243 for the years ended December 31, 2010 and 2009, respectively.

**NOTE 7 - PROPERTY AND EQUIPMENT**

Property and equipment consist of the following at December 31, 2010 and 2009:

	<u>2010</u>	<u>2009</u>
Office equipment	\$ 48,082	\$ 48,082
Less accumulated depreciation	<u>44,449</u>	<u>40,352</u>
Property and Equipment, Net	<u>\$ 3,633</u>	<u>\$ 7,730</u>

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

**NOTE 8 - ENDOWMENT AND VARIANCE POWER**

The Connecticut Community Foundation's endowment consists of approximately 370 individual funds established for a variety of purposes. Its endowment includes donor-advised funds, donor-designated funds and funds designated by the Board of Trustees to function as endowments. The Board of Trustees of the Foundation has the power to redirect the use of a donor's contribution to another beneficiary. Such endowment funds are subject to variance power pursuant to Sections 1.170A-9(e)(11)(v)(B), (C) and (D) of the Code.

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

**Interpretation of Relevant Law** - The Board of Trustees of the Foundation has interpreted the Connecticut Prudent Management of Institutional Funds Act (CTPMIFA) and concluded that the impact of such adoption was negligible on the presentation of the Foundation's financial statements given the existing governing documents' inclusion of variance power, the unilateral power to redirect the use of a contribution for another charitable purpose and invasion of corpus power. The criteria and circumstances under which the Board of Trustees of the Foundation would exercise the powers are prescribed in the by-laws of the Foundation.

Under the provisions of its by-laws, the Foundation, in its sole discretion, shall determine how much of the corpus of any trust or separate gift, devise, bequest or fund to distribute. As a result of this responsibility under the by-laws, all contributions not classified as temporarily restricted are classified as unrestricted net assets for financial statement purposes. Temporarily restricted net assets consist of pooled income funds, which are classified as split-interest agreements. Accordingly, the Foundation's financial statements classify substantially all net assets as unrestricted; however, all recordkeeping for internal management and external reporting retains the original donor intent and historical gift value for every charitable asset within the Foundation.

The spending policy and philosophy contained in the Foundation's Investment Committee Policies and Procedures, including the long-term investment management policies and procedures constructed based on the by-laws, were designed to function as integrated processes and are administered to reflect the following factors, as described in CTPMIFA, for prudent stewards of charitable assets, including:

- 1) The duration and preservation of a fund;
- 2) The purpose of the organization and the donor designations thereto;
- 3) General economic conditions;
- 4) The possible effects of inflation and deflation;
- 5) The expected total return of the charitable assets;
- 6) Other resources of the organization; and
- 7) The investment policies.

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

**NOTE 8 - ENDOWMENT AND VARIANCE POWER (Continued)**

Changes in endowment unrestricted net assets for the years ended December 31, 2010 and 2009, are as follows:

Endowment net assets at January 1, 2009	\$ <u>41,600,847</u>
Investment return:	
Investment income	1,459,535
Investment fees	(30,317)
Unrealized gains and realized losses, net	<u>9,098,060</u>
Total investment return	<u>10,527,278</u>
Contributions	<u>12,060,431</u>
Expenditure of discretionary endowment funds	<u>(2,480,538)</u>
Endowment net assets at December 31, 2009	<u>61,708,018</u>
Investment return:	
Investment income	2,006,043
Investment fees	(26,386)
Unrealized gains and realized losses, net	<u>5,246,937</u>
Total investment return	<u>7,226,594</u>
Contributions	<u>7,290,957</u>
Expenditure of discretionary endowment funds	<u>(3,007,720)</u>
Endowment net assets at December 31, 2010	\$ <u><u>73,217,849</u></u>

**NOTE 9 - TEMPORARILY RESTRICTED NET ASSETS**

Temporarily restricted net assets of \$231,123 and \$216,385 at December 31, 2010 and 2009, respectively, consist of the pooled income fund.

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

**NOTE 10 - FUNDRAISING**

Fundraising expenses were \$260,183 and \$321,747 in 2010 and 2009, respectively.

	<b>2010</b>	<b>2009</b>
Direct	\$ 199,583	\$ 170,016
Indirect	122,162	90,167
Total Investments	\$ 321,745	\$ 260,183

**NOTE 11 - OPERATING LEASE**

The Foundation leases office space in Waterbury, Connecticut, under a lease that expires on September 30, 2016. Monthly payments are \$4,333. The Foundation has a five-year renewal option, with monthly payments of \$4,333. Rental expense for 2010 and 2009 was \$52,000. At December 31, 2010, future minimum annual lease payments under this operating lease are \$52,000 for 2011 through 2015 and \$39,000 for 2016.

The Foundation subleases a portion of its office space for \$250 per month under a sublease agreement which expires on September 30, 2011. The lease may be renewed for successive one year periods. Sublease income for 2010 and 2009 was \$3,000 and \$2,730, respectively. Future minimum sublease income to be received under this sublease is \$2,250 for 2011.

**NOTE 12 - DEFINED CONTRIBUTION RETIREMENT PLAN**

The Foundation has a defined contribution retirement plan as defined under Section 403(b) of the Code. The plan provides for elective employee salary reduction contributions subject to the Code limits and for discretionary employer non-elective contributions. Any eligible employee may participate in salary reduction contributions as of the date of employment. All eligible employees who have completed one year of service and have reached the age of 21 are eligible to participate in non-salary reduction employer contributions. Employees are fully vested upon entry into the plan. Employer contributions to the plan totaled \$31,650 and \$31,681 in 2010 and 2009, respectively.