

**THE CONNECTICUT FUND FOR
THE ENVIRONMENT, INC.**

FINANCIAL REPORT

SEPTEMBER 30, 2009

THE CONNECTICUT FUND FOR THE ENVIRONMENT, INC.

FINANCIAL REPORT

SEPTEMBER 30, 2009

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
The Connecticut Fund for the Environment, Inc.
New Haven, Connecticut

We have audited the accompanying statements of financial position of The Connecticut Fund for the Environment, Inc. as of September 30, 2009 and the related consolidated statements of activities and changes in net assets, changes in net assets and cash flows for the years then ended. These financial statements are the responsibility of The Connecticut Fund for the Environment, Inc.'s management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit 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 examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall consolidated financial statement presentation. We believe that our audit provides 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 The Connecticut Fund for the Environment, Inc. as of September 30, 2009 and the changes in their net assets and their cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Carter, Hayes + Associates, P.C.

Hamden, Connecticut
February 3, 2010

THE CONNECTICUT FUND FOR THE ENVIRONMENT, INC.
STATEMENT OF FINANCIAL POSITION
SEPTEMBER 30, 2009

	ASSETS			
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
CURRENT ASSETS				
Cash and cash equivalents	\$ 93,927	\$ 179,511	\$ -	\$ 273,438
Accounts receivable	21,431	-	-	21,431
Unconditional promises to give	-	236,804	-	236,804
Prepaid expenses	40,107	-	-	40,107
	<u>155,465</u>	<u>416,315</u>	<u>-</u>	<u>571,780</u>
NONCURRENT ASSETS				
Cash and cash equivalents, long term	-	-	34,874	34,874
Marketable securities	883,342	97,603	1,277,608	2,258,553
Furniture and equipment, net of accumulated depreciation of \$119,751	32,340	-	-	32,340
Beneficial interest in charitable lead unitrust	-	13,300	-	13,300
Beneficial interest in charitable remainder trust	-	1,174,004	-	1,174,004
Beneficial interest in perpetual trust	-	-	963,293	963,293
	<u>915,682</u>	<u>1,284,907</u>	<u>2,275,775</u>	<u>4,476,364</u>
	<u>\$ 1,071,147</u>	<u>\$ 1,701,222</u>	<u>\$ 2,275,775</u>	<u>\$ 5,048,144</u>
LIABILITIES AND NET ASSETS				
CURRENT LIABILITIES				
Accounts payable	\$ 38,777	\$ -	\$ -	\$ 38,777
Deferred grant support	-	35,798	-	35,798
Accrued expenses	113,830	-	-	113,830
	<u>152,607</u>	<u>35,798</u>	<u>-</u>	<u>188,405</u>
NET ASSETS				
Unrestricted				
For current operations	(54,593)	-	-	(54,593)
Board designated for quasi-endowment	973,133	-	-	973,133
Temporarily restricted	-	1,665,424	-	1,665,424
Permanently restricted	-	-	2,275,775	2,275,775
	<u>918,540</u>	<u>1,665,424</u>	<u>2,275,775</u>	<u>4,859,739</u>
	<u>\$ 1,071,147</u>	<u>\$ 1,701,222</u>	<u>\$ 2,275,775</u>	<u>\$ 5,048,144</u>

See Notes to Financial Statements.

THE CONNECTICUT FUND FOR THE ENVIRONMENT, INC.
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED SEPTEMBER 30, 2009

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
SUPPORT				
Membership fees and contributions	\$ 822,775	1,043,049	\$ 2,000	\$ 1,867,824
Grants	435,175	-	-	435,175
Bequests	14,934	-	-	14,934
Interest and dividends	94,721	-	-	94,721
Other	13,435	-	-	13,435
Net assets released from restrictions	936,488	(936,488)	-	-
	<u>2,317,528</u>	<u>106,561</u>	<u>2,000</u>	<u>2,426,089</u>
EXPENDITURES				
Salaries	1,051,028	-	-	1,051,028
Fringe benefits and payroll taxes	229,934	-	-	229,934
Total salaries and related expenses	<u>1,280,962</u>	<u>-</u>	<u>-</u>	<u>1,280,962</u>
Habitat restoration	391,678	-	-	391,678
Consultants	138,755	-	-	138,755
Occupancy	132,082	-	-	132,082
Office expenses	94,797	-	-	94,797
Printing, postage and newsletter publication	87,711	-	-	87,711
Professional fees	42,126	-	-	42,126
Branding	35,395	-	-	35,395
Moving expenses	26,961	-	-	26,961
Travel and conferences	23,813	-	-	23,813
Lobbying and media relations	22,297	-	-	22,297
Meetings and events	17,601	-	-	17,601
Direct program expenses	16,779	-	-	16,779
Depreciation	14,003	-	-	14,003
Membership acquisition	12,498	-	-	12,498
Publications	6,973	-	-	6,973
Insurance	4,781	-	-	4,781
	<u>2,349,212</u>	<u>-</u>	<u>-</u>	<u>2,349,212</u>
CHANGE IN NET ASSETS				
BEFORE OTHER CHANGES	(31,684)	106,561	2,000	76,877
OTHER CHANGES				
Investment gains and (losses)	(36,082)	-	-	(36,082)
Reclassification of earnings on endowment	(97,603)	97,603	-	-
Increase (decrease) in value of trusts	-	85,000	(47,115)	37,885
	<u>-</u>	<u>85,000</u>	<u>(47,115)</u>	<u>37,885</u>
INCREASE (DECREASE) IN NET ASSETS	(165,369)	289,164	(45,115)	78,680
NET ASSETS, beginning	<u>1,083,909</u>	<u>1,376,260</u>	<u>2,320,890</u>	<u>4,781,059</u>
NET ASSETS, end of year	<u>\$ 918,540</u>	<u>\$ 1,665,424</u>	<u>\$ 2,275,775</u>	<u>\$ 4,859,739</u>

See Notes to Financial Statements.

THE CONNECTICUT FUND FOR THE ENVIRONMENT, INC.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED SEPTEMBER 30, 2009

CASH FLOWS FROM OPERATING ACTIVITIES

Increase in net assets	\$ 78,680
Adjustments to reconcile change in net assets to cash provided by (used in) operating activities:	
Depreciation	14,003
Net realized and unrealized losses on investments	36,082
(Increase) decrease in assets:	
Accounts receivable	7,853
Unconditional promises to give	(190,100)
Prepaid expenses	(20,803)
Beneficial interest in trusts	(37,885)
Increase (decrease) in liabilities:	
Accounts payable	(6,974)
Accrued expenses	63,741
Deferred grant support	<u>35,798</u>
<i>Net cash used in operating activities</i>	<u>(19,605)</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Purchase of furniture and equipment	(9,835)
Proceeds from sale of securities	214,156
Purchase of marketable securities	<u>(336,200)</u>
<i>Net cash used in investing activities</i>	<u>(131,879)</u>

NET DECREASE IN CASH AND CASH EQUIVALENTS (151,484)

CASH AND CASH EQUIVALENTS, beginning of year 459,796

CASH AND CASH EQUIVALENTS, end of year \$ 308,312

See Notes to Financial Statements.

THE CONNECTICUT FUND FOR THE ENVIRONMENT, INC.

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2009

1. Summary of Significant Accounting Policies:

Nature of Organization

The Connecticut Fund for the Environment, Inc. ("Connecticut Fund") is a private, non-profit organization dedicated to protecting and improving the land, air and water of Connecticut and Long Island Sound. Connecticut Fund has been protecting and improving Connecticut's air, land and water since 1978.

Connecticut Fund uses legal and scientific expertise to bring people together to achieve results that benefit the environment for current and future generations.

Basis of Accounting

The financial statements of Connecticut Fund have been prepared on the accrual basis of accounting and, accordingly, reflect all significant receivables, payables, and other liabilities.

Financial Statement Presentation

Connecticut Fund reports information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

Net Asset Categories

To ensure the observance of limitations and restrictions on the use of resources available to Connecticut Fund, the accounts of Connecticut Fund are maintained in the following net asset categories:

Unrestricted Net Assets

Unrestricted net assets represent available resources other than donor-restricted contributions. Included in unrestricted net assets are grants and contracts, which may be earmarked for special purposes. The Board of Directors has designated a portion of unrestricted net assets to be used upon Board approval of a specified purpose.

Temporarily Restricted Net Assets

Temporarily restricted net assets represent contributions that are restricted by the donor either as to purpose or as to time of expenditure and the realized or unrealized gains on endowment assets.

Permanently Restricted Net Assets

Permanently restricted net assets represent contributions that are received with the donor restriction that the principal be invested in perpetuity and only the income earned thereon is available for operations.

THE CONNECTICUT FUND FOR THE ENVIRONMENT, INC.

NOTES TO FINANCIAL STATEMENTS, Continued

Recognition of Support and Revenue

Grants and Contracts

Grants and contracts are generally considered to be exchange transactions in which the grantor or contractor requires the performance of specified activities.

Entitlement to cost reimbursement grants and contracts is conditioned on the expenditure of funds in accordance with grant restrictions and, therefore, revenue is recognized to the extent of grant expenditures. Entitlement to performance-based grants and contracts is conditioned on the attainment of specific performance goals and, therefore, is recognized to the extent of performance achieved. Grant and contract receipts in excess of revenues recognized are presented as deferred grant support.

Contributions

Contributions are defined as voluntary, nonreciprocal transfers.

Unrestricted and unconditional contributions are recognized as support when received or pledged, if applicable. Contributions are reported as temporarily restricted support if they are received with donor stipulations that limit the use of such assets.

When a restriction expires, that is, when a stipulated time restriction ends or a purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of changes in net assets as net assets released from restrictions. Contributions received with donor-imposed conditions are presented as deferred support until such conditions are substantially met, at which time they are recognized as support.

Connecticut Fund's policy is to recognize the expiration of donor restrictions for contributions of property and equipment or the use of contributions restricted for property and equipment in the year the property and equipment is placed in service.

Promises to Give

Unconditional promises to give, less an allowance for uncollectible amounts, are recognized as revenue in the period received and as assets, decreases of liabilities or expenses depending on the form of the benefits received. Conditional promises to give are recognized when the conditions on which they depend are substantially met.

An allowance for uncollectible promises is determined by a review of the promises to give to arrive at an estimate of the promises, if any, which may be uncollectible. At September 30, 2009, no allowance for uncollectible promises has been recorded because management estimates that substantially all remaining promises will be collected.

THE CONNECTICUT FUND FOR THE ENVIRONMENT, INC.

NOTES TO FINANCIAL STATEMENTS, Continued

Accounts Receivable

The accounts receivable arise in the normal course of business. It is the policy of management to review the outstanding accounts receivable at year end, as well as the bad debt write-offs experienced in the past, and establish an allowance for doubtful accounts for uncollectible amounts. Balances still outstanding after management uses reasonable collection efforts are charged to the allowance for doubtful accounts and credited to accounts receivable. Changes in the allowance for doubtful accounts have not been material to the financial statements.

No allowance for bad debts has been established for accounts receivable for the year ended September 30, 2009. Management's analysis of current accounts receivable indicates that there are no material doubtful accounts. Management primarily analyzes how recently payments have been received to estimate the allowance for bad debts.

Cash Equivalents

Connecticut Fund considers all highly liquid debt instruments purchased with a maturity of three months or less and all funds deposited with banking institutions (including certificates of deposit) to be cash equivalents.

Restricted Cash

Restricted cash represents amounts of temporarily restricted contributions received that are to be expended in the following year and are held in cash and cash equivalent accounts.

Investments

Investments in marketable securities are stated at fair market value. Fair market value for investments is determined using public stock exchange values.

Fair Value Measurements

During 2008, the Organization adopted FASB ASC 820 (formerly SFAS No. 157, Fair Value Measurements), which defines fair value, establishes guidelines for measuring fair value, and expands disclosure regarding fair value measurements. The adoption did not have a material effect on the Organization's financial condition or operating results.

Property and Equipment

Donated property is stated at fair market value as determined by management at the date contributed. Such donations are reported as unrestricted support unless the donor has restricted the donated assets to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted support. Absent donor stipulations regarding how long those donated assets must be maintained, Connecticut Fund reports expirations of donor restrictions when the donated or acquired assets are purchased as instructed by the donor. Connecticut Fund reclassifies temporarily restricted net assets to unrestricted net assets at that time. Property purchased is recorded at cost.

Depreciation expense is computed by the straight-line method over the estimated useful lives of the respective assets. Depreciation expense for the year ended September 30, 2009 amounted to \$14,003.

THE CONNECTICUT FUND FOR THE ENVIRONMENT, INC.

NOTES TO FINANCIAL STATEMENTS, Continued

Beneficial Interests in Perpetual Trusts

Connecticut Fund is the beneficiary in a certain perpetual trust held and administered by others. The estimated fair values of trust assets are recognized as assets and as contributions when reported to Connecticut Fund. Unrealized increases or decreases in fair value and the investment income received from these perpetual trusts are recorded in the Statement of Activities.

The trust distributes 5% of its fair market value as of the beginning of the year which is to be applied to Connecticut Trust's Executive Director's compensation and general educational purposes. The distribution for the year ended September 30, 2009 was \$46,943.

Use of Estimates

Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities and the reported revenues and expenses. Actual results could vary from the estimates that were used.

Donated Services and Materials

Connecticut Fund receives substantial donated services. The values of these services are not recorded as they do not meet the criteria for recognition under generally accepted accounting principles.

Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of unrestricted revenues, support, expenses and other changes in unrestricted net assets. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Income Taxes

The Connecticut Fund for the Environment, Inc., a not-for-profit organization operating under Section 501(c)(3) of the Internal Revenue Code, is generally exempt from federal, state and local taxes and, accordingly, no provision for income taxes is recorded in the financial statements.

The Organization files tax returns in the United States. The Organization has not taken any tax positions that management believes would result in additional tax liabilities upon examination of the tax returns by a tax jurisdiction. The Organization has no open tax years prior to 2006. The Organization's tax returns for 2008, 2007 and 2006 are subject to examination, generally for three years after they were filed.

Recently Enacted Endowment Legislation

Through September 30, 2007, the Organization's management and investment of donor-restricted endowment funds was subject to the provisions of the Uniform Management of Institutional Funds Act (UMIFA). In the Organization's 2008 fiscal year, Connecticut enacted the Uniform Prudent Management of Institutional Funds Act (UPMIFA). Among the most significant changes is the elimination of UMIFA's concept of historic dollar value threshold, the amount below which an organization could not spend from the

THE CONNECTICUT FUND FOR THE ENVIRONMENT, INC.

NOTES TO FINANCIAL STATEMENTS, Continued

donor-restricted endowment fund in favor of more flexible guidelines regarding the concept of “prudent spending.”

The Organization adopted a policy of using the provisions of UPMIFA, as adopted by the State of Connecticut, as a guide for the spending of endowment funds and earnings. The Organization is required to act prudently when making decisions to spend or accumulate donor restricted endowment assets and in doing so to consider a number of factors including the duration and preservation of its donor restricted endowment funds. This policy has identified a risk posture for each endowment fund, stated expectations and objectives for the fund, provides asset allocation guidelines and establishes criteria to monitor and evaluate the performance results of the fund's managers.

The Organization classifies as permanently restricted net assets the original value of gifts donated to the permanent endowment. The remaining portion of the endowment is not classified in permanently restricted because it is the board's policy that all endowment earnings are unrestricted, except that net realized and unrealized gains may only be used with Board approval. The remaining portion of the endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Organization in a manner consistent with the standard of prudence prescribed by UPMIFA.

In August 2008, FASB ACS 958-205 (formerly, FASB Staff Position No. FAS 117-1, *Endowments of Not-for-Profit Organizations: Net Asset Classification of Funds Subject to an Enacted Version of the Uniform Prudent Management of Institutional Funds Act and Enhance Disclosures for All Endowment Funds*), was issued, and its guidance is effective for fiscal years ending after December 15, 2008. A key component of that FSP is a requirement to classify the portion of a donor-restricted endowment fund that is not classified as permanently restricted net assets as temporarily restricted net assets until appropriated for expenditure. The FSP also requires expanded disclosures for all endowment funds.

Subsequent Events

Management has evaluated subsequent events through January 31, 2010, the date which the financial statements were available for issue and has determined that no events have occurred that would impact the financial statements.

2. Concentrations of Credit Risk

Financial instruments that potentially subject Connecticut Fund to concentrations of credit risk consist principally of temporary cash investments plus accounts and pledges receivable. Connecticut Fund places its temporary cash investments with substantial financial institutions to limit the amount of credit exposure. Concentrations of credit risk with respect to accounts and pledges receivable are limited due to the financial stability of the customers and donors comprising Connecticut Fund's revenue and donor base.

Connecticut Fund maintains cash balances at financial institutions which are insured by the Federal Deposit Insurance Corporation up to \$250,000 through September 30, 2009. During the year ended September 30, 2009, Connecticut Fund had cash balances which exceeded the federally insured limit. In addition, Connecticut Fund maintains money market accounts and investments in brokerage accounts which subject it to credit risk. Connecticut Fund believes that the cash and investments are held at credit worthy institutions which alleviates significant risk. Collateral is not required.

THE CONNECTICUT FUND FOR THE ENVIRONMENT, INC.

NOTES TO FINANCIAL STATEMENTS, Continued

Investments are exposed to various market and credit risks. Due to the level of risk associated with certain investments, it is at least reasonably possible that changes in investment values will occur in the near term and such changes could materially affect the amounts reported in the statement of financial position.

3. Marketable Securities:

Details of the cost, market value and unrealized appreciation (depreciation) at September 30, 2009 are as follows:

	<u>Cost</u>	<u>Fair Value</u>	<u>Unrealized Gains/Losses</u>
Marketable securities:			
Fixed income	\$ 928,470	\$ 964,564	\$ 36,094
Equity	<u>1,397,538</u>	<u>1,293,989</u>	<u>(103,549)</u>
	<u>\$2,326,008</u>	<u>\$2,258,553</u>	<u>\$(67,455)</u>

The following schedule summarizes the investment return and its classification in the statement of unrestricted revenues, expenses and other changes in unrestricted net assets and the statement of changes in net assets for the years ended September 30, 2009.

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Dividends and interest income	\$ 94,721	\$ -	\$ -	\$ 94,721
Gains (losses) from perpetual trusts	-	85,000	(77,115)	7,885
Net realized gains and losses	(55,506)	-	-	(55,506)
Net unrealized gains and losses	<u>19,424</u>	<u>-</u>	<u>-</u>	<u>19,424</u>
Total return on investments	<u>\$ 58,639</u>	<u>\$85,000</u>	<u>\$(77,115)</u>	<u>\$ 66,524</u>

Connecticut Fund segregates dividend and interest income from investments for use in current operations. Net realized and unrealized gains and losses are temporarily restricted until utilized for a specific endowment or Strike Fund purpose (see note 7).

Investment expenses for the year ended September 30, 2009 amounted to roughly \$17,200.

FASB ASC 820 establishes a fair value hierarchy, which prioritizes the inputs to valuation techniques used to measure fair value into three levels. A financial instrument's categorization within the fair value hierarchy is based upon the lowest level of input that is available and significant to the fair value measurement. FASB ASC 820 establishes and prioritizes three levels of input that may be used to measure fair value.

THE CONNECTICUT FUND FOR THE ENVIRONMENT, INC.

NOTES TO FINANCIAL STATEMENTS, Continued

Level 1 – Quoted prices in active markets for identical assets or liabilities.

Level 2 - Observable inputs other than quoted prices in active markets for identical assets and liabilities, quoted prices for identical or similar assets or liabilities in inactive markets, or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities. The Organization measures Beneficial Interest in Trusts using Level 2 fair value measurements.

Level 3 – Inputs that are generally unobservable and typically reflect management’s estimates of assumptions that market participants would use in pricing the asset or liability. The Organization has no Level 3 fair value measurements.

4. Promises to Give:

Unconditional promises to give to the Endowment fund at September 30, 2009 are as follows:

Receivable in less than one year	\$ 186,864
Receivable in one to five years	<u>50,000</u>
Total unconditional promises to give	<u>\$236,864</u>

5. Split-Interest Agreements:

Charitable Lead Trust

A donor through an estate has established a Charitable Lead Unitrust naming The Connecticut Fund for the Environment, Inc. as the lead beneficiary. Under the terms of the split-interest agreement, Connecticut Fund is to receive .6% of the net fair market value of the trust principal annually for a fifteen year period. At the end of the fifteen year period (June 2012), the trust will terminate and the remaining trust assets are to be distributed to the named beneficiary. If the named beneficiary does not survive until the end of the trust period, Connecticut Fund will receive a distribution of 10% of the trust assets. The present value of the estimated future payments to Connecticut Fund (\$13,300 at September 30, 2009) is calculated using a risk free discount rate of 2.25%. Connecticut Fund received \$5,368 from this trust during the year ended September 30, 2009.

Charitable Remainder Trust

A Charitable Remainder Trust has been created through an estate of a donor. This trust provides for the payment of income to designated beneficiaries over their lifetimes. Upon the death of the income beneficiaries, the assets of the trust will become available for Connecticut Fund’s use. The present value of the trust’s assets, \$1,017,004, is calculated using a 5% expected rate of return and discount rate and applicable mortality tables, as well as the 5% required annual payout to the life beneficiaries, and is reported in the Statement of Financial Position.

6. Bank line of credit:

The Organization has a \$64,000 bank line of credit which was unused during the year ended September 30, 2009. Bank advances on the credit line are payable on demand and carry interest at the People's Bank Prime rate. The credit line is secured by \$98,000 securities held in the Board Designated investment account.

THE CONNECTICUT FUND FOR THE ENVIRONMENT, INC.

NOTES TO FINANCIAL STATEMENTS, Continued

7. Restrictions on Net Assets:

Temporarily restricted net assets consisted of the following at September 30, 2009.

Clean Air	\$ 58,585
Clean Water	5,000
Storm Water	7,000
Long Island Sound	10,000
Habitat Restoration	20,628
Transit	37,500
Communication	5,000
Permanent endowment investment earnings	97,603
Pledges Restricted by Passage of Time	236,804
Charitable Lead Trust	13,300
Charitable Remainder Trust	<u>1,174,004</u>
	<u>\$1,665,424</u>

Permanently restricted net assets consisted of the following at September 30, 2009:

General Support	\$ 572,720
Communication Director's Compensation	396,262
Legal Fellowship	312,500
Hartford Office	<u>31,000</u>
	1,312,482
Beneficial Interest in Perpetual Trust with Income Restricted to Executive Director's Compensation and General Education Purposes	<u>963,293</u>
	<u>\$2,245,775</u>

Connecticut Fund permits interest, dividends and realized capital gains from the permanent endowments to be used for program and general purposes. Unrealized gains may not be used without Board approval.

Changes in permanently restricted endowment net assets for the year ended September 30, 2009 were as follows:

Endowment net assets, beginning of year	\$1,310,482
Contributions	<u>2,000</u>
	<u>\$1,312,482</u>

The endowment composition by fund type as of September 30, 2009 was:

	<u>Unrestricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor-restricted endowment funds	\$ -	\$1,312,482	\$1,312,482
Board-designated endowment fund	<u>973,133</u>	<u>-</u>	<u>973,133</u>
Total endowment funds	<u>\$973,133</u>	<u>\$1,312,482</u>	<u>\$2,285,615</u>

THE CONNECTICUT FUND FOR THE ENVIRONMENT, INC.

NOTES TO FINANCIAL STATEMENTS, Continued

8. Strike Force Fund:

The Strike Force Fund is used to respond to urgent threats requiring rapid response. Each year up to 5% of the value of the Strike Force Fund may be used at the discretion of the Executive Director with advice from the President and the Executive Committee of the Board of Directors. Additional withdrawals of 5% may be made annually after obtaining the approval of the majority of the Board of Directors for particularly compelling circumstances. If an additional withdrawal is made, the Organization shall undertake to replenish the Strike Force Fund within three years. No further additional withdrawal can be made until the previous additional withdrawal is replenished.

An additional 15% of the Strike Force Fund may be used in an extreme emergency with the written approval of three fourths of the Board of Directors. No further emergency withdrawals can be made until the previous emergency withdrawal is replenished. Moreover, if the replenishment is not made within three years, no annual or additional 5% withdrawals under the previous paragraph may be made.

Finally, the Strike Force Fund policies may be revised with the written approval of three fourths of the Board of Directors. The Strike Force Fund is classified as an unrestricted board designated fund. The fair market value of the Strike Force Fund investments was \$480,883 at September 30, 2009.

9. Retirement Plan:

Connecticut Fund maintains a tax-deferred annuity plan, qualified under Section 403(b) of the Internal Revenue Code, for all employees who complete one year of service. Employees may make contributions to the plan up to the maximum amount allowed by the Internal Revenue code.

Connecticut Fund may elect each year to make a 50% match of each employee's contribution up to 10% of the employee's salary. Matching contributions are vested immediately. As of January 1, 2009, Connecticut Fund's suspended its matching contributions to this plan.

10. Office Leases:

Connecticut Fund leased office space in New Haven under an operating lease originating November 1, 2001 for a period of five years with an option to renew for an additional five years. Rental expense for this lease amounted to \$88,695 for the year ended September 30, 2009. Connecticut Fund did not exercise the option to renew this lease on November 1, 2006 but continued to occupy this space under a month to month rental agreement, with a monthly rent of approximately \$7,400.

The Organization signed a lease for approximately 5,000 square feet of office space at 142 Temple Street in New Haven. The five year lease term begins on October 1, 2009. The minimum annual rental payments under the terms of the leases are as follows:

2010	\$ 67,440
2011	82,546
2012	84,197
2013	85,881
2014	<u>87,599</u>
	<u>\$407,663</u>

THE CONNECTICUT FUND FOR THE ENVIRONMENT, INC.

NOTES TO FINANCIAL STATEMENTS, Continued

The Hartford office continued to occupy space on a monthly basis without a formal written lease. Total rental expense for this office amounted to \$1,757 for the year ended September 30, 2009. The Organization no longer leases this space.

On November 15, 2006, the Save the Sound program was relocated to Cos Cob, Connecticut with a three year lease expiring on November 30, 2009 and with no renewal clause. Initial rent for the first year of this lease was \$8,580 and increased to \$8,880 for the second and to \$9,240 for the final year. In addition, Connecticut Fund is to pay its proportionate share of the annual increase in real estate taxes and operating expenses. Rental expense for this lease amounted to \$10,767 for the year ended September 30, 2009.

The future minimum rental for the Cos Cob office is \$1,540 for the year ending September 30, 2010.

11. Community Foundation for Greater New Haven:

In prior years, donations were made to the Community Foundation of Greater New Haven to create the Fund for Connecticut Fund for the Environment and the Kelley Memorial Fund which had fair market values of \$36,498 and \$72,412, respectively, at September 30, 2009. The purposes of these funds are to provide operating support for Connecticut Fund.

For the year ended September 30, 2009 Connecticut Fund received \$5,368 from these funds.

12. Expenses By Function

An allocation of Connecticut Fund's expenses to program and supporting services is as follows:

Program Service Expenses:	
Habitat Restoration	\$ 547,867
Long Island Sound	335,558
Communications	217,835
Clean Air/Global Warming	217,518
Education	155,888
Endangered Lands Project	148,834
Adjudication	62,610
Transportation	60,561
Beach Cleanup	43,431
	<u>1,790,102</u>
Supporting Service Expenses:	
Administrative	306,652
Fundraising	252,458
	<u>559,110</u>
Total	<u>\$2,349,212</u>