

THE CONNECTICUT FUND FOR THE ENVIRONMENT, INC.

Financial Statements

Reports in Accordance with
Government Auditing Standards

Reports in Accordance with
Uniform Guidance

September 30, 2016 and 2015

THE CONNECTICUT FUND FOR THE ENVIRONMENT, INC.

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September 30, 2016 and 2015

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I. FINANCIAL STATEMENTS



INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of The Connecticut Fund for the Environment, Inc. ("Connecticut Fund"), which comprise the statements of financial position as of September 30, 2016 and 2015, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Connecticut Fund's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Connecticut Fund's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Connecticut Fund as of September 30, 2016 and 2015, and the changes in its net assets and its cash flows for the years then ended are in accordance with accounting principles generally accepted in the United States of America.

Supplementary and Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 28, 2017 on our consideration of the Connecticut Fund's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Connecticut Fund's internal control over financial reporting and compliance.

Hartford, Connecticut
June 28, 2017

Whitney + Hadley, P.C.

THE CONNECTICUT FUND FOR THE ENVIRONMENT, INC.

Statements of Financial Position

September 30, 2016 and 2015

	2016	2015
Assets		
Current assets:		
Cash and cash equivalents	\$ 32,469	\$ 236,504
Cash and cash equivalents - restricted	328,858	416,819
	361,327	653,323
Grants and accounts receivable	162,610	167,414
Promises to give	215,900	447,466
Prepaid expenses	40,237	81,232
Total current assets	780,074	1,349,435
Non-current assets:		
Promises to give, long term, net	406,080	625,135
Marketable securities	3,551,965	3,271,223
Furniture and equipment, net	85,819	22,630
Charitable lead unitrust	2,050	2,050
Charitable remainder trust	1,863,263	1,793,386
Beneficial interest in perpetual trust	927,117	932,411
Total non-current assets	6,836,294	6,646,835
Total assets	\$ 7,616,368	\$ 7,996,270
 Liabilities and Net Assets		
Current liabilities:		
Accounts payable	\$ 68,426	\$ 269,533
Accrued expenses	147,937	113,026
Total current liabilities	216,363	382,559
Net assets:		
Unrestricted	1,672,281	1,630,905
Temporarily restricted	3,448,125	3,697,913
Permanently restricted	2,279,599	2,284,893
Total net assets	7,400,005	7,613,711
Total liabilities and net assets	\$ 7,616,368	\$ 7,996,270

The accompanying notes are an integral part of the financial statements.

THE CONNECTICUT FUND FOR THE ENVIRONMENT, INC.

Statements of Activities

For the years ended September 30, 2016 and 2015

	2016	2015
Change in unrestricted net assets		
Support:		
Membership fees and contributions	\$ 1,538,454	\$ 1,811,398
Foundation contributions	1,171,950	805,173
Government grants	1,409,949	922,435
Interest and dividends	25,934	19,552
Net assets released from prior years' restrictions	857,623	83,002
	5,003,910	3,641,560
Expenditures:		
Wages	2,014,557	1,675,186
Fringe benefits and payroll taxes	419,685	397,381
Engineers and construction	1,485,867	685,979
Consultants	358,751	139,594
Occupancy	156,884	133,218
Office expenses	219,183	139,309
Printing	92,977	88,393
Professional fees	136,489	204,860
Program expenses	60,048	40,158
Lobbying and media	26,352	32,045
Travel and conferences	59,542	52,516
Meetings and events	21,040	18,033
Investment fees	3,893	3,969
Insurance	27,925	25,289
Publications	5,409	5,821
Membership acquisition	4,064	9,901
Depreciation	9,070	5,794
	5,101,736	3,657,446
Changes in unrestricted net assets before other changes	(97,826)	(15,886)
Bequests	-	27,149
Realized and unrealized gains/(losses)	139,202	(15,559)
	\$ 41,376	\$ (4,296)

The accompanying notes are an integral part of the financial statements.

THE CONNECTICUT FUND FOR THE ENVIRONMENT, INC.

Statements of Activities - *continued*

For the years ended September 30, 2016 and 2015

	2016	2015
Change in temporarily restricted net assets		
Investment income, net:		
Interest and dividends	\$ 43,111	\$ 37,437
Realized and unrealized gains/(losses)	156,249	(10,461)
Investment fees	(16,770)	(17,024)
	182,590	9,952
Contributions	256,958	989,604
Foundation contributions	98,410	105,301
Change in value of charitable remainder trust	69,877	18,296
Net assets released from prior years' restrictions	(857,623)	(83,002)
	(249,788)	1,040,151
Change in permanently restricted net assets		
Change in value of beneficial interest in perpetual trust	(5,294)	(70,410)
	(213,706)	965,445
Net assets, beginning of year	7,613,711	6,648,266
Net assets, end of year	\$ 7,400,005	\$ 7,613,711

The accompanying notes are an integral part of the financial statements.

THE CONNECTICUT FUND FOR THE ENVIRONMENT, INC.

Statements of Cash Flows

For the years ended September 30, 2016 and 2015

	2016	2015
Cash flows from operating activities		
Change in net assets	\$ (213,706)	\$ 965,445
Adjustments to reconcile change in net assets to cash provided by operating activities:		
Depreciation	9,070	5,794
Net realized and unrealized (gains)/losses on investments	(295,451)	26,020
Change in charitable trusts	(64,583)	52,114
(Increase)/decrease in assets		
Grants and accounts receivable	4,804	(92,784)
Promises to give	450,621	(972,401)
Prepaid expenses	40,995	(38,978)
Increase/(decrease) in liabilities		
Accounts payable	(201,107)	153,368
Accrued expenses	34,911	25,379
	<u>(234,446)</u>	<u>123,957</u>
Net cash provided/(used) by operating activities		
Cash flows from investing activities		
Purchase of fixed assets	(72,259)	(10,440)
Proceeds from sale of marketable securities	525,991	455,129
Purchase of marketable securities	(511,282)	(450,996)
	<u>(57,550)</u>	<u>(6,307)</u>
Net cash used by investing activities		
Net change in cash	(291,996)	117,650
Cash, beginning of year	653,323	535,673
	<u>653,323</u>	<u>535,673</u>
Cash, end of year	<u>\$ 361,327</u>	<u>\$ 653,323</u>

The accompanying notes are an integral part of the financial statements.

THE CONNECTICUT FUND FOR THE ENVIRONMENT, INC.

Notes to Financial Statements

September 30, 2016 and 2015

NOTE 1 – NATURE OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

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

The Connecticut Fund uses legal and scientific expertise to bring people together to achieve results that benefit the environment for current and future generations. Save the Sound, a program of the Connecticut Fund, is engaged in several habitat restoration projects and, additionally, provides opportunities for members and the general public to engage in direct action to improve the quality of the local environment.

Basis of Accounting and Presentation - The financial statements of the Connecticut Fund have been prepared on the accrual basis of accounting, and follow the recommendations of the Financial Statements of Not-for-Profit Organizations topic of the Financial Accounting Standards Board (FASB) Codification. Under this topic of the Codification, the 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 as described below:

Unrestricted net assets - Net assets not subject to donor imposed stipulations.

Temporarily restricted net assets - Net assets subject to donor imposed stipulations that may or will be met by actions of the Connecticut Fund and/or passage of time.

Permanently restricted net assets - Net assets subject to donor-imposed stipulations that the Connecticut Fund maintains permanently. Generally, the donors of these assets permit the Connecticut Fund to use all or part of the income earned and capital gains, if any, on related investments for general or specific purposes.

Revenue - Revenues are reported as increases in unrestricted net assets unless use of the related asset is limited by donor-imposed restrictions. Expenses are reported as decreases in unrestricted net assets. Gains and losses on investments and other assets or liabilities, if any, are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulation or by law. Expirations of temporary restrictions on net assets (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as reclassifications between the applicable classes of net assets.

Contributions are recognized as revenues in the period made. Promises to give that are restricted by the donor to a specific purpose that has not been met as of the statement of financial position date are shown as increases in temporarily restricted net assets. This revenue is reclassified to unrestricted net assets when the time or purpose restrictions are met.

Estimates - The preparation of financial statements in conformity with generally accepted accounting principles accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

NOTE 1 – NATURE OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Cash and cash equivalents - The Connecticut Fund maintains its cash in commercial bank accounts, which at times may exceed the federally insured limits. The Connecticut Fund has not experienced any losses in such accounts and believes it is not exposed to any significant risk on cash. The Connecticut Fund considers all highly liquid investments to be cash equivalents.

Marketable securities - Marketable securities are stated at fair value. Unrealized gains and losses are included in the change in net assets in the accompanying statements of activities. Realized gains and losses on investments sold are determined on the average cost basis. Dividend and interest income are recorded on the accrual basis.

Fair Value Measurement - The Connecticut Fund follows the *Fair Value Measurements* topic of the FASB Codification, which defines fair value and establishes a framework for measuring fair value in generally accepted accounting principles. The topic defines fair value as the exchange price that would be received upon sale of an asset or paid upon transfer of a liability in an orderly transaction between market participants at the measurement date and in the principal or most advantageous market for that asset or liability. The fair value should be calculated based on assumptions that market participants would use in pricing the asset or liability, not on assumptions specific to the entity.

In addition to defining fair value, the *Fair Value Measurements* topic expands the disclosure requirements around fair value and establishes a fair value hierarchy for valuation inputs. The hierarchy prioritizes the inputs into three levels based on the extent to which inputs used in measuring fair value are observable in the market. These levels are:

- Level 1 - inputs are based upon unadjusted quoted prices for identical instruments traded in active markets.
- Level 2 - inputs are based upon quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active, and model-based valuation techniques for which all significant assumptions are observable in the market or can be corroborated by observable market data for substantially the full term of the assets or liabilities.
- Level 3 - inputs are generally unobservable and typically reflect management's estimates of assumptions that market participants would use in pricing the asset or liability. The fair values are therefore determined using model-based techniques that include option pricing models, discounted cash flow models, and similar techniques.

Valuation techniques based on unobservable inputs are highly subjective and require judgments regarding significant matters, such as the amount and timing of future cash flows and the selection of discount rates that may appropriately reflect market and credit risks. Changes in these judgments often have a material impact on the fair value estimates. In addition, since these estimates are as of a specific point in time, they are susceptible to material near-term changes.

Endowment - The Connecticut Fund adheres to the *Endowments of Not-for-Profit Organizations: Net Asset Classification of Funds Subject to and Enacted Version of the Uniform Prudent Management of Institutional Funds Act, and Enhanced Disclosures for All Endowment Funds* topic of the FASB Codification. Under this topic, accumulated gains and income on donor-restricted endowment assets are classified as temporarily restricted net assets until appropriated for expenditure.

Depreciation Expense - Depreciation is recorded on all personal property of the Connecticut Fund using the straight-line method over the assets' estimated useful life, which range from five to seven years.

NOTE 1 – NATURE OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income Taxes - The Connecticut Fund is a not-for-profit organization exempt from income taxation pursuant to Internal Revenue Code Section 501(c)(3). Accordingly, no provision for federal or state income taxes is provided in the accompanying financial statements.

Subsequent Events Measurement Date- The Connecticut Fund monitored and evaluated subsequent events for footnote disclosures or adjustments required in its financial statements for fiscal year 2016 through June 28, 2017, the date on which financial statements were available to be issued.

Reclassifications – Certain reclassifications were made to the 2015 amounts to be consistent with 2016 presentation.

NOTE 2 – PROMISES TO GIVE

The Connecticut Fund periodically solicits multiyear pledges. Pledges are discounted at 4%. Net promises to give is as follows as of September 30,:

	<u>2016</u>	<u>2015</u>
Receivable in less than one year	\$ 215,900	\$ 447,466
Receivable in one to five years	430,000	675,000
	<u>645,900</u>	<u>1,122,466</u>
Total promises to give less discount	(23,920)	(49,865)
	<u>\$ 621,980</u>	<u>\$ 1,072,601</u>

Management believes all promises to give are collectible.

NOTE 3 – MARKETABLE SECURITIES

The fair values of marketable securities were as follows for the years ended September 30,:

	<u>2016</u>	<u>2015</u>
Short term investments	\$ 154,822	\$ 114,229
Government and agency bonds	661,351	684,613
Corporate bonds	114,474	110,539
Other fixed income	201,551	166,557
Domestic equities	2,343,869	2,127,328
Foreign equities	75,898	67,957
	<u>\$ 3,551,965</u>	<u>\$ 3,271,223</u>

All marketable securities are valued using Level 1 inputs. All marketable securities are valued at observable quoted prices for identical assets in active markets.

NOTE 4 – FURNITURE AND EQUIPMENT, NET

Furniture and equipment consists of the following for the years ended September 30,:

	<u>2016</u>	<u>2015</u>
Furniture and equipment	\$ 211,969	\$ 160,630
Leasehold improvements	22,839	-
IT hardware	29,663	31,582
Fixed assets	<u>264,471</u>	<u>192,212</u>
Less accumulated depreciation	<u>(178,652)</u>	<u>(169,582)</u>
Furniture and equipment, net	<u>\$ 85,819</u>	<u>\$ 22,630</u>

NOTE 5 – CHARITABLE LEAD UNITRUST

A donor through an estate has established a Charitable Lead Unitrust naming the Connecticut Fund as the lead beneficiary. Under the terms of the split-interest agreement, at the end of the 15 year agreement the trust will terminate and the remaining trust assets are to be distributed to the named beneficiaries. The trust terminated in June of 2012; as of September 30, 2016 and 2015 \$2,050 was receivable from the trust.

NOTE 6 – CHARITABLE REMAINDER TRUST

The Connecticut Fund has been named the beneficiary of a charitable remainder trust. The Fund will ascertain the remaining principal and undistributed income of the trust upon the passing of the donor. During the donor's lifetime, the trust will make annual disbursements equal to 5.0% of the assets at the beginning of the year to the donor. Annual trust income is projected to be 3.6% and the future value of the trust's investments have been discounted at 3.6%.

The charitable remainder trust was as follows for the years ended September 30,:

	<u>2016</u>	<u>2015</u>
Fair value of trust assets	\$ 3,421,301	\$ 3,459,982
Projected future earnings less payouts	<u>(572,965)</u>	<u>(619,771)</u>
Future estimated value of trust assets	2,848,336	2,840,211
Discount	<u>(985,073)</u>	<u>(1,046,825)</u>
Charitable remainder unitrust	<u>\$ 1,863,263</u>	<u>\$ 1,793,386</u>

NOTE 7 – BENEFICIAL INTEREST IN PERPETUAL TRUST

The Connecticut Fund is the beneficiary in a certain perpetual trust held and administered by others. The interest in the trust's assets is carried as a permanently restricted net asset in the statements of financial position. The funds are to be used to be applied to the executive director's salary and general educational purposes. The fair value as of September 30, 2016 and 2015 was \$927,117 and \$932,411 respectively. The trust will terminate ninety nine years after the grantor's death at which time the investments will be distributed to the Connecticut Fund.

THE CONNECTICUT FUND FOR THE ENVIRONMENT, INC.

Schedule of Federal Findings and Questioned Costs

For the year ended September 30, 2016

II. FINANCIAL STATEMENT FINDINGS

No matters were reported.

III. FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS

No matters were reported.

THE CONNECTICUT FUND FOR THE ENVIRONMENT, INC.

Note to Schedule of Expenditures of Federal Awards

For the year ended September 30, 2016

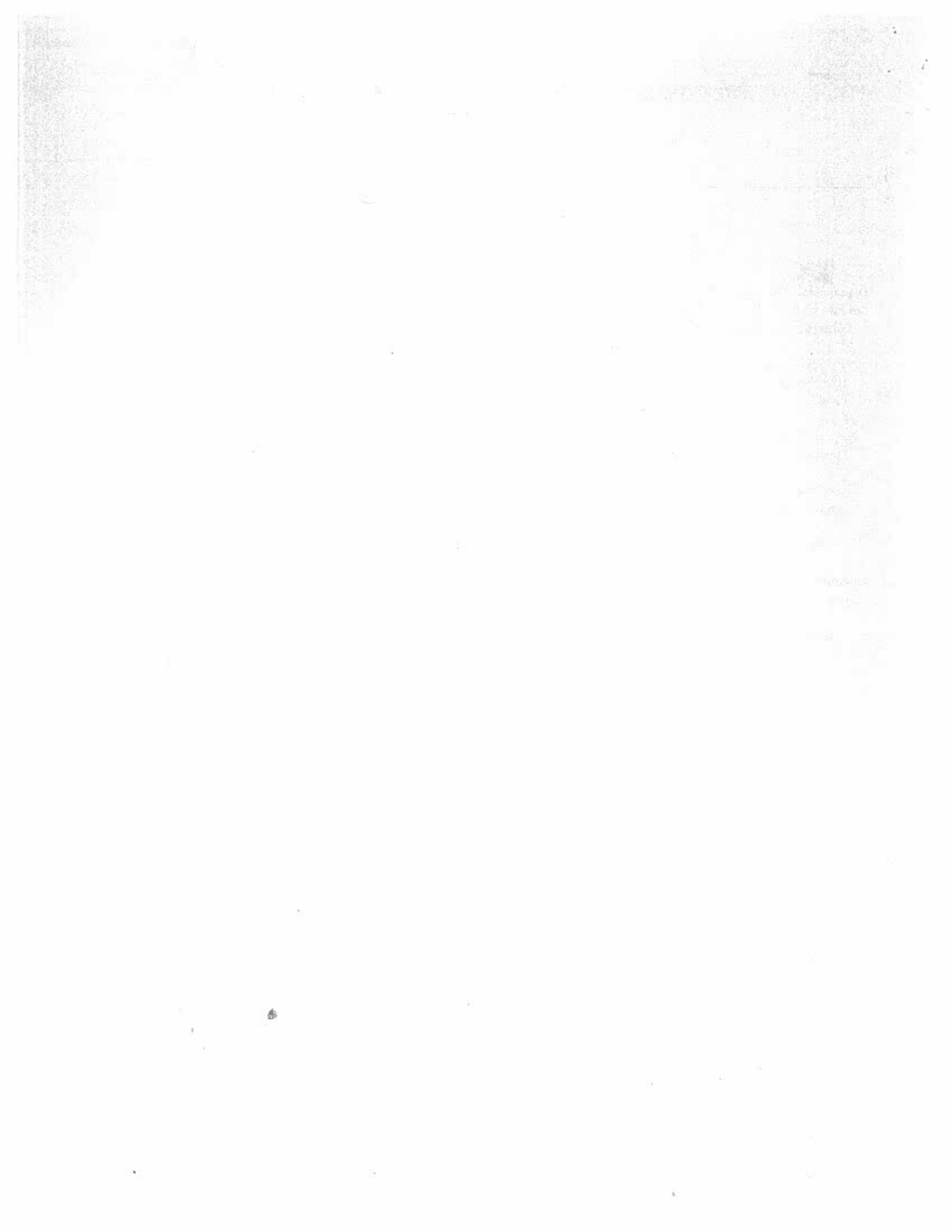
NOTE 1 – BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards, (the “Schedule”) includes the federal grant activity of The Connecticut Fund for the Environment, Inc. under programs of the federal government for the year ended September 30, 2016. The information in this Schedule is presented in accordance with the requirements of Title 2 *U.S. Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)*. Because the schedule presents only a selected portion of the operations of the Connecticut Fund, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the Connecticut Fund.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following, as applicable, either the cost principles contained in the Uniform Guidance or OMB Circular A-122, *Cost Principles for Non-Profit Organizations*, wherein certain types of expenditures are not allowable or are limited as to reimbursements. As a sub-grantee of a federal grant,

The Connecticut Fund has elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.



THE CONNECTICUT FUND FOR THE ENVIRONMENT, INC.

Schedule of Expenditures of Federal Awards

For the year ended September 30, 2016

Federal Grantor/ Pass-Through Grantor/Program Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Expenditures
Department of the Interior			
Hurricane Sandy Disaster Relief - Coastal Resiliency Grants			
Strengthening Sunken Meadow State Park's Resiliency	15.153	FCA062	\$ 187,091
Hurricane Sandy Disaster Relief Activities - FWS			
Hyde Pond Dam Removal	15.677	N/A	216,029
Pond Lily Dam Removal	15.677	N/A	540,495
			<u>756,524</u>
Natural Resource Damage Assessment, Restoration and Implementation			
Quinnipiac River Water Restoration	15.658	N/A	316,335
Hyde Pond Fish Passage and Riparian Restoration			
National Fish and Wildlife Foundation	15.663	FCA064	28,334
Total Department of the Interior			<u>1,288,284</u>
Environmental Protection Agency			
Long Island Sound Program	66.437	FCR220	121,665
Total Expenditure of Federal Awards			<u>\$ 1,409,949</u>

The accompanying notes are an integral part of the schedule.

Opinion on Each Major Federal Program

In our opinion, the Connecticut Fund complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2016.

Report on Internal Control over Compliance

Management of the Connecticut Fund is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Connecticut Fund's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Connecticut Fund's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Whittington & Hadley, P.C.

Hartford, Connecticut
June 28, 2017

Opinion on Each Major Federal Program

In our opinion, the Connecticut Fund complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2016.

Report on Internal Control over Compliance

Management of the Connecticut Fund is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Connecticut Fund's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Connecticut Fund's internal control over compliance.

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Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



Hartford, Connecticut
June 28, 2017

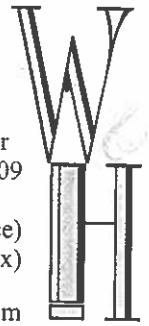
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INDEPENDENT AUDITORS' REPORT ON COMPLIANCE
FOR EACH MAJOR FEDERAL PROGRAM AND
ON INTERNAL CONTROL OVER COMPLIANCE
REQUIRED BY THE UNIFORM GUIDANCE

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

Report on Compliance for Each Major Federal Program

We have audited The Connecticut Fund for the Environment, Inc.'s, (the "Connecticut Fund") compliance with the types of compliance requirements described in the OMB's *Compliance Supplement* that could have a direct and material effect on each of the Connecticut Fund's major federal programs for the year ended September 30, 2016. The Connecticut Fund's major federal program is identified in the summary of auditors' results section of the accompanying schedule of federal findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for the Connecticut Fund's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Connecticut Fund's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for the major federal program. However, our audit does not provide a legal determination of the Connecticut Fund's compliance.

**III. REPORTS IN ACCORDANCE WITH
THE UNIFORM GUIDANCE**

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Connecticut Fund's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the Connecticut Fund's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Connecticut Fund's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Hartford, Connecticut
June 28, 2017

Whitney & Hedley, P.C.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Connecticut Fund's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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Hartford, Connecticut
June 28, 2017

Whitney & Hadley, P.C.



INDEPENDENT AUDITORS' REPORT
ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND
OTHER MATTERS BASED ON AN
AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of The Connecticut Fund for the Environment, Inc., (the "Connecticut Fund") (a nonprofit organization), which comprise the statement of financial position as of September 30, 2016, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated June 28, 2017.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Connecticut Fund's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Connecticut Fund's internal control. Accordingly, we do not express an opinion on the effectiveness of the Connecticut Fund's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Connecticut Fund's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

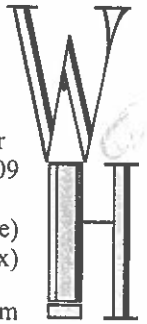
WHITTLESEY & HADLEY, P.C.

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INDEPENDENT AUDITORS' REPORT
ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND
OTHER MATTERS BASED ON AN
AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of The Connecticut Fund for the Environment, Inc., (the "Connecticut Fund") (a nonprofit organization), which comprise the statement of financial position as of September 30, 2016, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated June 28, 2017.

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**II. REPORTS IN ACCORDANCE WITH
*GOVERNMENT AUDITING STANDARDS***

NOTE 15 – COMMUNITY FOUNDATION OF GREATER NEW HAVEN

The Connecticut Fund is the named beneficiary of a fund held at the Community Foundation of Greater New Haven (“CFGNH”). The Connecticut Fund received distributions from CFGNH of \$2,221 and \$2,301 for the year ended September 30, 2016 and 2015, respectively. The value of the funds held at CFGNH was \$357,842 and \$356,657 for the years ended September 30, 2016 and 2015, respectively, and is not recorded on the statements of financial position.

NOTE 12 – OPERATING LEASES

The Connecticut Fund leases office space in New Haven, CT and Westchester County, NY. The New Haven lease expires in July of 2022, while the Westchester lease expires in September of 2017. Total rental expense was \$99,730 and \$98,288 for the years ended September 30, 2016 and 2015, respectively.

The future minimum annual rental payments are as follows for the years ending September 30,:

2017	\$	135,388
2018		124,690
2019		128,192
2020		128,893
2021		132,394
Thereafter		110,330

NOTE 13 – FUNCTIONAL EXPENSES

The following is a schedule of the Connecticut Fund's functional expenses at September 30,:

	2016	2015
Program expenses:		
Habitat restoration	\$ 777,362	\$ 263,401
Long Island Sound	789,472	748,245
Green infrastructure	1,226,167	762,364
Climate & energy	450,091	318,614
Transportation	32,173	61,004
Communications	103,030	95,346
Endangered lands project	357,887	304,398
Adjudication	96,904	61,988
Education	87,701	122,612
Beach clean up	23,214	14,708
Total program	3,944,001	2,752,680
Administrative expenses	518,967	417,931
Fundraising expenses	638,768	486,835
Total expenses	<u>\$ 5,101,736</u>	<u>\$ 3,657,446</u>

NOTE 14 – RETIREMENT PLAN

The Connecticut Fund maintains a tax deferred annuity plan qualified under Section 403(b) of the Internal Revenue Code. Employees may immediately make contributions to the plan up to the maximum amount allowed by the Internal Revenue Code. Employees who complete one year of service are eligible for a matching contribution made by the employer. The Connecticut Fund may elect each year to match 50% of each employee's contribution up to 10% of the employee's salary. Matching contributions are vested immediately. Contributions to the plan made by the Connecticut Fund were \$56,082 and \$40,439 for the years ended September 30, 2016 and 2015, respectively.

NOTE 9 – NET ASSET RESTRICTIONS (CONTINUED)

Temporarily restricted net assets released from restrictions for program and timing purposes totaled \$357,557 and \$500,066, respectively, for the year ended September 30, 2016.

Temporarily restricted net assets released from restrictions for program and timing purposes totaled \$47,779 and \$35,223, respectively, for the year ended September 30, 2015.

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

	<u>2016</u>	<u>2015</u>
General support	\$ 572,720	\$ 572,720
Communication director's compensation	396,262	396,262
Peter B. Cooper Fellowship	352,500	352,500
Hartford office	<u>31,000</u>	<u>31,000</u>
Permanently restricted investments	1,352,482	1,352,482
Beneficial interest in perpetual trust	<u>927,117</u>	<u>932,411</u>
Total permanently restricted net assets	<u>\$ 2,279,599</u>	<u>\$ 2,284,893</u>

NOTE 10 – 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 President with advice from the Chair 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 withdrawals 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) endowment fund. The fair value of the Strike Force Fund marketable securities was \$763,702 and \$701,542 at September 30, 2016 and 2015, respectively.

NOTE 11 – LINE OF CREDIT

The Connecticut Fund has a \$150,000 line of credit with People's United Bank that bears interest at 4.75% as of September 30, 2016 and 2015. The line of credit expires on July 30, 2017. There was no balance at September 30, 2016 and 2015.

NOTE 8 – ENDOWMENT (CONTINUED)

The reconciliation of the Connecticut Fund’s endowment by net asset category is as follows as:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Balance October 1, 2014	\$ 1,510,566	\$ 438,328	\$ 1,352,482	\$ 3,301,376
Investment income	19,552	37,437	-	56,989
Realized gains	57,953	99,900	-	157,853
Unrealized (losses)	(73,512)	(110,361)	-	(183,873)
Investment fees	(3,969)	(17,024)	-	(20,993)
	<u>24</u>	<u>9,952</u>	<u>-</u>	<u>9,976</u>
Contributions	27,149	-	-	27,149
Appropriations for expenditure	<u>(32,055)</u>	<u>(35,223)</u>	<u>-</u>	<u>(67,278)</u>
Balance September 30, 2015	1,505,684	413,057	1,352,482	3,271,223
Investment income	25,934	43,111	-	69,045
Realized gains	62,741	43,622	-	106,363
Unrealized gains	76,461	112,627	-	189,088
Investment fees	(3,893)	(16,770)	-	(20,663)
	<u>161,243</u>	<u>182,590</u>	<u>-</u>	<u>343,833</u>
Appropriations for expenditure	<u>(24,974)</u>	<u>(38,117)</u>	<u>-</u>	<u>(63,091)</u>
Balance September 30, 2016	<u>\$ 1,641,953</u>	<u>\$ 557,530</u>	<u>\$ 1,352,482</u>	<u>\$ 3,551,965</u>

NOTE 9 – NET ASSET RESTRICTIONS

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

	2016	2015
Program restrictions:		
Restoration	\$ 88,016	\$ 31,596
Legal	10,000	113,464
Green infrastructure	59,316	59,206
Climate and energy	77,089	143,312
Endangered lands	106,935	54,241
Long Island Sound	61,946	15,000
Time restrictions:		
Pledges restricted by the passage of time	621,980	1,072,601
Endowment gains	557,530	413,057
Charitable lead trust	2,050	2,050
Charitable remainder trust	1,863,263	1,793,386
Total temporarily restricted net assets	<u>\$ 3,448,125</u>	<u>\$ 3,697,913</u>

NOTE 8 – ENDOWMENT

The Connecticut Fund's endowment consists of approximately 40 individual funds established for a variety of purposes. Its endowment includes both donor-restricted endowment funds and funds designated by the Board of Trustees to function as endowments. 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 Connecticut Fund has interpreted the Connecticut Prudent Management of Institutional Funds Act (CTPMIFA) 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 Connecticut Fund classifies as permanently restricted net assets (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 in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Connecticut Fund in a manner consistent with the standard of prudence prescribed by CTPMIFA. In accordance with CTPMIFA, the Connecticut Fund considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- (1) The duration and preservation of the fund
- (2) The purposes of the Connecticut Fund 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 Connecticut Fund
- (7) The investment policies of the Connecticut Fund

The Connecticut Fund's endowment is made up of investment accounts. Composition by type of fund is as follows for years ended September 30,:

	2016			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
Donor-restricted	\$ -	\$ 557,530	\$ 1,352,482	\$ 1,910,012
Strike force fund	763,702	-	-	763,702
Board-designated	878,251	-	-	878,251
Total endowment	\$ 1,641,953	\$ 557,530	\$ 1,352,482	\$ 3,551,965

	2015			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
Donor-restricted	\$ -	\$ 413,057	\$ 1,352,482	\$ 1,765,539
Strike force fund	701,542	-	-	701,542
Board-designated	804,142	-	-	804,142
Total endowment	\$ 1,505,684	\$ 413,057	\$ 1,352,482	\$ 3,271,223