

**NEW CANAAN COUNTRY SCHOOL,
INCORPORATED
HORIZONS AT NEW CANAAN COUNTRY SCHOOL
FINANCIAL STATEMENTS**

Years Ended June 30, 2017 and 2016

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Capossela, Cohen, LLC

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Independent Auditor's Report

**To the Horizons Committee of the Board of Trustees of
New Canaan Country School, Incorporated
New Canaan, Connecticut**

Report on the Financial Statements

We have audited the accompanying financial statements of Horizons at New Canaan Country School, a program of New Canaan Country School, Incorporated, which comprise the statements of financial position as of June 30, 2017 and 2016, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Horizons' 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.

Auditor's 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 audit 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 auditor's 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 entity'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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting principles 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 unmodified audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Horizons at New Canaan Country School, a program of New Canaan Country School, Incorporated, as of June 30, 2017 and 2016, 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.

Capossela, Cohen, LLC

October 26, 2017

NEW CANAAN COUNTRY SCHOOL, INCORPORATED
HORIZONS AT NEW CANAAN COUNTRY SCHOOL
STATEMENTS OF FINANCIAL POSITION
June 30, 2017 and 2016

Assets

	<u>2017</u>	<u>2016</u>
Cash	\$ 449,910	\$ 419,550
Cash - temporarily restricted	540,147	492,278
Cash - endowment	43,334	87,335
Prepaid expenses and other assets	17,248	11,410
Investments	5,300,396	5,026,433
Property, equipment and improvements, net	<u>45,565</u>	<u>36,340</u>
Total assets	\$ <u>6,396,600</u>	\$ <u>6,073,346</u>

Liabilities and net assets

Accounts payable and accrued liabilities	\$ 99,304	\$ 58,320
Accrued postretirement health care benefits	<u>195,428</u>	<u>185,046</u>
Total liabilities	294,732	243,366
Net assets		
Unrestricted	219,333	227,710
Board designated endowment	<u>2,083,620</u>	<u>1,993,732</u>
Total unrestricted net assets	2,302,953	2,221,442
Temporarily restricted	1,150,277	960,401
Permanently restricted	<u>2,648,637</u>	<u>2,648,137</u>
Total net assets	<u>6,101,868</u>	<u>5,829,980</u>
Total liabilities and net assets	\$ <u>6,396,600</u>	\$ <u>6,073,346</u>

See independent auditor's report and notes to financial statements

NEW CANAAN COUNTRY SCHOOL, INCORPORATED
HORIZONS AT NEW CANAAN COUNTRY SCHOOL
STATEMENT OF ACTIVITIES
Year Ended June 30, 2017

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Operating				
Support and revenue				
Contributions	\$ 1,063,114	\$ 80,946	\$ -	\$ 1,144,060
Gross special event revenue	2,441	519,032	-	521,473
Less: cost of direct benefit to donors	-	(168,759)	-	(168,759)
Net special event revenue	2,441	350,273	-	352,714
Endowment fund income	256,552	-	-	256,552
Current investment income	1,111	3,690	-	4,801
Program revenues				
Registration fees	20,904	-	-	20,904
Net assets released from restrictions	383,850	(383,850)	-	-
Total support and revenue	1,727,972	51,059	-	1,779,031
Expenses				
Program	1,449,503	-	-	1,449,503
Administration	124,226	-	-	124,226
Development	161,739	-	-	161,739
Total expenses	1,735,468	-	-	1,735,468
Change in net assets from operating activities	(7,495)	51,059	-	43,564
Non operating				
Net investment gain	89,888	138,816	-	228,704
Post retirement health benefit	(881)	-	-	(881)
Contributions	-	-	500	500
	89,007	138,816	500	228,323
Change in net assets	81,512	189,875	500	271,887
Net assets at beginning of year	2,221,440	960,402	2,648,137	5,829,980
Net assets at end of year	\$ 2,302,952	\$ 1,150,277	\$ 2,648,637	\$ 6,101,867

See independent auditor's report and notes to financial statements

NEW CANAAN COUNTRY SCHOOL, INCORPORATED
HORIZONS AT NEW CANAAN COUNTRY SCHOOL
STATEMENT OF ACTIVITIES

Year Ended June 30, 2016

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Operating				
Support and revenue				
Contributions	\$ 1,056,237	\$ 103,338	\$ -	\$ 1,159,575
Gross special event revenue	740	82,281	-	83,021
Less: cost of direct benefit to donors	-	(18,422)	-	(18,422)
Net special event revenue	740	63,859	-	64,599
Endowment fund income	268,173	-	-	268,173
Current investment income (loss)	43	(1,711)	-	(1,668)
Program revenues				
Registration fees	20,895	-	-	20,895
Net assets released from restrictions	<u>302,318</u>	<u>(302,318)</u>	<u>-</u>	<u>-</u>
Total support and revenue	1,648,405	(136,832)	-	1,511,573
Expenses				
Program	1,388,776	-	-	1,388,776
Administration	119,719	-	-	119,719
Development	<u>149,672</u>	<u>-</u>	<u>-</u>	<u>149,672</u>
Total expenses	<u>1,658,167</u>	<u>-</u>	<u>-</u>	<u>1,658,167</u>
Change in net assets from operating activities	(9,762)	(136,832)	-	(146,594)
Non operating				
Net investment loss	(91,935)	(140,519)	-	(232,454)
Release of prior year endowment income	(106,659)	(161,514)	-	(268,173)
Post retirement health benefit	3,356	-	-	3,356
Contributions	-	-	60,618	60,618
	<u>(195,238)</u>	<u>(302,033)</u>	<u>60,618</u>	<u>(436,653)</u>
Change in net assets	(205,000)	(438,865)	60,618	(583,247)
Net assets at beginning of year	<u>2,426,440</u>	<u>1,399,267</u>	<u>2,587,519</u>	<u>6,413,226</u>
Net assets at end of year	\$ <u>2,221,440</u>	\$ <u>960,402</u>	\$ <u>2,648,137</u>	\$ <u>5,829,980</u>

See independent auditor's report and notes to financial statements

NEW CANAAN COUNTRY SCHOOL, INCORPORATED
HORIZONS AT NEW CANAAN COUNTRY SCHOOL
STATEMENT OF FUNCTIONAL EXPENSES
Year Ended June 30, 2017

	<u>Summer</u>	<u>School Year</u>	<u>High</u>	<u>Total</u>	<u>Administration</u>	<u>Development</u>	<u>Total</u>
	<u>Program</u>	<u>Program</u>	<u>School</u>	<u>Program</u>			
Salaries and wages	\$ 570,684	\$ 155,224	\$ 134,944	\$ 860,852	\$ 25,730	\$ 109,343	\$ 995,926
Payroll taxes and benefits	85,070	34,958	44,875	164,903	10,809	33,112	208,823
Independent contractors	1,500	21,774	53,474	76,748	-	-	76,748
Supplies and miscellaneous	39,142	9,842	2,207	51,191	11,840	1,623	64,654
Trips and college tours	31,384	296	7,091	38,772	-	-	38,772
College scholarships	-	-	2,500	2,500	-	-	2,500
Enrichment lessons	-	1,246	-	1,246	-	-	1,246
Food	70,296	593	-	70,889	-	-	70,889
Transportation	80,995	3,422	5,282	89,699	-	-	89,699
Pool	4,757	-	-	4,757	-	-	4,757
Professional fees	4,741	830	818	6,389	34,713	-	41,102
Services	38,500	10,000	15,000	63,500	19,000	-	82,500
Office and insurance	-	-	-	-	16,911	-	16,911
Training and program development	1,514	2,588	-	4,103	2,759	-	6,862
Printing and postage	-	691	691	1,381	-	16,328	17,709
Total before non-cash expenses	928,583	241,466	266,881	1,436,930	121,762	160,406	1,719,098
Postretirement healthcare expense	3,554	3,396	609	7,559	609	1,333	9,501
Depreciation	5,014	-	-	5,014	1,854	-	6,868
Total expenses	\$ 937,151	\$ 244,862	\$ 267,490	\$ 1,449,503	\$ 124,226	\$ 161,739	\$ 1,735,468

See independent auditor's report and notes to financial statements

NEW CANAAN COUNTRY SCHOOL, INCORPORATED
HORIZONS AT NEW CANAAN COUNTRY SCHOOL
STATEMENT OF FUNCTIONAL EXPENSES
Year Ended June 30, 2016

	<u>Summer</u> <u>Program</u>	<u>School Year</u> <u>Program</u>	<u>High School</u> <u>Program</u>	<u>Total</u> <u>Program</u>	<u>Administration</u>	<u>Development</u>	<u>Total</u>
Salaries and wages	\$ 471,967	\$ 171,596	\$ 148,874	\$ 792,438	\$ 26,583	\$ 93,167	\$ 912,187
Payroll taxes and benefits	73,159	29,882	44,670	147,710	13,472	31,284	192,467
Independent contractors	-	24,842	120,246	145,089	-	-	145,089
Supplies and miscellaneous	34,174	7,367	3,399	44,941	20,647	961	66,548
Trips and college tours	20,512	-	535	21,048	-	-	21,048
College scholarships	-	-	2,000	2,000	-	-	2,000
Enrichment lessons	-	1,776	-	1,776	-	-	1,776
Food	57,620	297	-	57,917	-	-	57,917
Transportation	69,334	4,072	1,525	74,930	-	-	74,930
Pool	7,627	-	-	7,627	-	-	7,627
Professional fees	12,228	854	879	13,960	16,644	-	30,604
Services	38,614	10,024	15,000	63,638	19,000	-	82,638
Office and insurance	-	-	-	-	17,978	-	17,978
Training and program development	3,279	94	-	3,373	3,464	-	6,837
Printing and postage	-	526	526	1,053	-	22,894	23,947
Total before non-cash expenses	788,514	251,329	337,656	1,377,499	117,788	148,306	1,643,592
Postretirement healthcare expense	3,640	3,477	623	7,740	623	1,366	9,729
Depreciation	3,537	-	-	3,537	1,308	-	4,845
Total expenses	\$ 795,691	\$ 254,806	\$ 338,279	\$ 1,388,776	\$ 119,719	\$ 149,672	\$ 1,658,167

See independent auditor's report and notes to financial statements

NEW CANAAN COUNTRY SCHOOL, INCORPORATED
HORIZONS AT NEW CANAAN COUNTRY SCHOOL
STATEMENTS OF CASH FLOWS
Years Ended June 30, 2017 and 2016

Increase (decrease) in cash

	<u>2017</u>	<u>2016</u>
Cash flows from operating activities:		
Change in net assets	\$ 271,887	\$(583,246)
Adjustments to reconcile change in net assets to net cash from operating activities:		
Depreciation	6,868	4,845
Contributions restricted for long-term investment	(500)	(60,618)
Net realized and unrealized (gain) loss	(404,958)	296,902
Accrued post-retirement healthcare benefits	10,382	6,373
Change in assets and liabilities:		
Prepaid expenses	(5,838)	10,928
Accounts payable and accrued liabilities	<u>40,984</u>	<u>(80,218)</u>
Net cash from operating activities	(81,175)	(405,034)
Cash flows from investing activities:		
Proceeds from sale of investments	6,048,298	315,157
Purchase of investments	<u>(5,933,397)</u>	<u>(195,828)</u>
Net cash from investing activities	114,901	119,329
Cash flows from financing activities:		
Proceeds from contributions restricted for investment in endowment	<u>500</u>	<u>60,618</u>
Net change in cash	34,226	(225,087)
Cash at beginning of year	<u>999,164</u>	<u>1,224,250</u>
Cash at end of year	\$ <u><u>1,033,391</u></u>	\$ <u><u>999,164</u></u>

See independent auditor's report and notes to financial statements

NEW CANAAN COUNTRY SCHOOL, INCORPORATED
HORIZONS AT NEW CANAAN COUNTRY SCHOOL
NOTES TO FINANCIAL STATEMENTS

June 30, 2017 and 2016

Note A - Description of Program and Significant Accounting Policies

Description of program

Horizons at New Canaan Country School (“Horizons”) provides academic, artistic, and athletic opportunities to students from local low-income families. This past year, approximately 400 K-12 students participated. All students attend the program on full scholarship, paying a nominal registration fee of \$75, which is waived in cases of extreme hardship. The program has been replicated across the country. Currently there are fifty-three Horizons programs in operation, modeled after the New Canaan public/private partnership, serving thousands of students across the country. Horizons consists of an intensive six-week Summer Program, The School Year Program, The High School Program and The Parent Program. Programs include academic classes, enrichment activities, tutoring, academic coaching, parenting programs, music lessons, a winter program on Saturdays, SAT preparation and college tours.

Horizons is a program of the New Canaan Country School, Inc. (the “School”) and operates on the campus of the School. The operating results and financial position of Horizons could be significantly different if Horizons were an independent organization. The accompanying financial statements have been prepared solely from the accounts of Horizons and do not include any accounts of the School or any other operation in which the School is engaged.

Financial statement presentation

In accordance with accounting standards, Horizons is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted, temporarily restricted and permanently restricted.

Contributions

In accordance with accounting standards, contributions received are recorded as unrestricted, temporarily restricted or permanently restricted support depending on the existence and/or nature of any donor restrictions. Restricted net assets are reclassified to unrestricted net assets upon satisfaction of the time or purpose restrictions.

NEW CANAAN COUNTRY SCHOOL, INCORPORATED
HORIZONS AT NEW CANAAN COUNTRY SCHOOL
NOTES TO FINANCIAL STATEMENTS

June 30, 2017 and 2016

Note A - Description of Program and Significant Accounting Policies (continued)

Net asset categories

To ensure observance of limitations and restrictions that may be placed on the use of resources available, the accounts of Horizons are maintained in the following net asset categories:

Unrestricted - Unrestricted net assets represent available resources other than donor restricted contributions. Donor restricted contributions which are satisfied in the same reporting period when the contribution is received are treated as unrestricted contributions. Included in unrestricted net assets are grants and contracts that are earmarked for the general-purpose use of Horizons.

Temporarily Restricted - Temporarily restricted net assets represent contributions that are restricted by the donor either as to purpose or as to time of expenditure.

Permanently Restricted - Permanently restricted net assets represent contributions that are limited by donor-imposed stipulations that neither expire by passage of time nor can be fulfilled or otherwise removed by actions of Horizons.

Cash and cash equivalents

Horizons considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

Property, equipment and improvements

Property, equipment and improvements are carried at cost. Depreciation is calculated using the straight-line method over the estimated useful lives of the assets. Donations of property and equipment are recorded as support at their estimated fair value. Such donations are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose.

Investments

Horizons has various investments in limited partnerships that invest primarily in other limited partnerships formed for the purpose of making investments in publically traded securities, venture capital, domestic private equity and international private capital. Investments in limited partnerships are presented in the accompanying statements of financial position at fair value, as determined by the General Partner. Although the General Partner uses its best judgment in estimating the fair value of investments, there are inherent limitations in any estimation technique. Therefore, the values presented herein are not necessarily indicative of the amount that the limited partnerships could realize in a current transaction. Future confirming events could affect the estimates of fair value and could be material to the financial statements. These events could also affect the amount realized upon liquidation of the investments.

NEW CANAAN COUNTRY SCHOOL, INCORPORATED
HORIZONS AT NEW CANAAN COUNTRY SCHOOL
NOTES TO FINANCIAL STATEMENTS

June 30, 2017 and 2016

Note A - Description of Program and Significant Accounting Policies (continued)

Contributed services

During the years ended June 30, 2017 and 2016, the value of contributed services meeting the requirements for recognition in the financial statements was not material and has not been recorded.

Income taxes

Horizons at New Canaan Country School is a separate operation of New Canaan Country School, Inc., which is a qualified organization exempt from income tax under Section 501(c)(3) of the Internal Revenue Code.

Use of estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Allocated expenses

Expenses by function have been allocated among program and support services classifications on the basis of estimates made by Horizons' management.

Note B - Investments

Investments at June 30, 2017 consist of the following:

	<u>Cost</u>	<u>Market</u>
Mutual funds:		
Bond fund	\$ 1,404,391	\$ 1,399,232
Equity fund	2,377,559	2,575,765
Alternative investments:		
Investment in limited partnerships	903,920	1,325,399
	\$ <u>4,685,870</u>	\$ <u>5,300,396</u>

NEW CANAAN COUNTRY SCHOOL, INCORPORATED
HORIZONS AT NEW CANAAN COUNTRY SCHOOL
NOTES TO FINANCIAL STATEMENTS
June 30, 2017 and 2016

Note B - Investments (continued)

Investments at June 30, 2016 consist of the following:

	<u>Cost</u>	<u>Market</u>
Mutual funds:		
Bond fund	\$ 929,426	\$ 963,190
Equity fund	1,986,581	2,329,190
Commodities fund	741,839	532,173
Alternative investments:		
Investment in limited partnerships	870,819	1,201,880
	<u>\$ 4,528,666</u>	<u>\$ 5,026,433</u>

The following is a summary of investment returns for the years ended June 30, 2017 and 2016:

	<u>2017</u>	<u>2016</u>
Dividends and interest	\$ 106,160	\$ 79,482
Net realized and unrealized gains (losses)	404,958	(297,071)
Investment expense	(22,172)	(16,576)
Return on long-term investments	<u>\$ 488,946</u>	<u>\$(234,165)</u>

Investment return is reported as follows:

Endowment income	256,552	268,173
Net investment gain (loss)	228,704	(232,454)
Release of prior year endowment income	-	(268,173)
Current investment income (loss)	3,690	(1,711)
Return on long-term investments	<u>\$ 488,946</u>	<u>\$(234,165)</u>

Note C - Fair Value Measurements

Accounting standards establish a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of fair value hierarchy under accounting standards are as follows:

NEW CANAAN COUNTRY SCHOOL, INCORPORATED
HORIZONS AT NEW CANAAN COUNTRY SCHOOL
NOTES TO FINANCIAL STATEMENTS

June 30, 2017 and 2016

Note C - Fair Value Measurements (continued)

Level 1 - Inputs that have an active market that provides an objective quoted value for each unit. Here the active market quoted value is used to measure the fair value. Level 1 has the most objective measurement of fair value. Level 2 is less objective and level 3 is the least objective (most subjective) in estimating fair value.

Level 2 - Inputs other than quoted prices that are observable for the asset or liability where there is no active market in the same assets, but where there are parallel markets or alternative means to estimate fair value using observable information inputs such as the value placed on similar assets or liability that were recently traded.

Level 3 - Inputs that are unobservable. Fair values are based on information from the entity that reports these values in their financial statements. Such data are referred to as unobservable, in that the valuations are not based on data available to parties outside the entity.

Horizon's investments are reported at fair value in the accompanying statements of financial position:

	<u>2017</u>	<u>2016</u>
Mutual funds	\$ 3,974,996	\$ 3,824,553
Alternative investments:		
Investment in limited partnerships	<u>1,325,399</u>	<u>1,201,880</u>
Total	<u>\$ 5,300,395</u>	<u>\$ 5,026,433</u>

Fair value was determined as follows:

	Based on		
<u>June 30, 2017</u>	Quoted Prices in Active Markets (Level 1)	Other Observable Inputs (Level 2)	Unobservable Inputs (Level 3)
Mutual funds	\$ 3,974,996	\$ -	\$ -
Alternative investments:			
Investment in limited partnerships	<u>-</u>	<u>-</u>	<u>1,325,399</u>
Total	<u>\$ 3,974,996</u>	<u>\$ -</u>	<u>\$ 1,325,399</u>

NEW CANAAN COUNTRY SCHOOL, INCORPORATED
HORIZONS AT NEW CANAAN COUNTRY SCHOOL
NOTES TO FINANCIAL STATEMENTS

June 30, 2017 and 2016

Note C - Fair Value Measurements (continued)

	Based on		
	Quoted Prices in	Other	Unobservable
<u>June 30, 2016</u>	Active Markets	Observable	Inputs
	(Level 1)	Inputs	(Level 3)
	(Level 1)	(Level 2)	(Level 3)
Mutual funds	\$ 3,824,553	\$ -	\$ -
Alternative investments:			
Investment in limited partnerships	-	-	1,201,880
Total	\$ 3,824,553	\$ -	\$ 1,201,880

The classification of an investment within level 3 is based upon the significance of the unobservable inputs to the overall fair value measurement.

The limitations and restrictions on Horizons' ability to redeem these investments vary by investment. Investments in limited partnerships valued at \$110,211 have no redemption rights. Based upon the terms and conditions in effect at June 30, 2017, the Horizons remaining investments in limited partnerships can be redeemed as follows:

<u>June 30,</u>	<u>Amount</u>
2018	\$ 803,004
2019	186,819
2020	117,748

Following is a reconciliation of activity for the year ended June 30, 2017 for investments measured at fair value based on significant unobservable (non-market) information (level 3). All net realized and unrealized gains and (losses) are reflected in the accompanying statement of activities:

	<u>Alternative</u>
	<u>Investments</u>
Balance at beginning of year	\$ 1,201,880
Net realized and unrealized gains and (losses)	160,652
Contributions	1,898
Distributions	(39,031)
Balance at end of year	\$ 1,325,399

NEW CANAAN COUNTRY SCHOOL, INCORPORATED
HORIZONS AT NEW CANAAN COUNTRY SCHOOL
NOTES TO FINANCIAL STATEMENTS

June 30, 2017 and 2016

Note D - Property, Equipment and Improvements

Property, equipment and improvements consist of the following:

	<u>2017</u>	<u>2016</u>
Transportation equipment	\$ 28,155	\$ 28,155
Pool	71,007	71,007
Furniture and equipment	23,521	7,428
Building improvements	96,907	96,907
	<u>219,590</u>	<u>203,497</u>
Less accumulated depreciation	(174,025)	(167,156)
	<u>\$ 45,565</u>	<u>\$ 36,340</u>

Depreciation expense for the years ended June 30, 2017 and 2016 was \$6,868 and \$4,845, respectively.

Note E - Restrictions and Limitations on Net Asset Balances

Temporarily restricted net assets are available for the following purposes at June 30, 2017 and 2016:

	<u>2017</u>	<u>2016</u>
Pool fund	\$ 41,035	\$ 37,845
Individual Restricted Gifts	120,000	60,000
Broadway Fund	25,520	25,520
<i>Benefit Proceeds:</i>		
2016 Giving Day	-	76,281
Benefit 2017/2015 - time restricted	350,273	260,525
Summer Program	948	1,850
High School Program	26,831	60,933
Lone Pine Staff Recognition/Professional Development	1,575	7,169
Lone Pine Executive Director Search	15,000	-
<i>Endowment:</i>		
General Endowment	11,564	10,483
School Year Programming Endowment	397,501	300,721
Ann Robertson Cohen Endowment Fund	29,191	19,906
Teacher Salary Endowment	129,443	100,471
Gacel Lecuona Machado Endowment	1,396	(1,303)
	<u>\$ 1,150,277</u>	<u>\$ 960,401</u>

NEW CANAAN COUNTRY SCHOOL, INCORPORATED
HORIZONS AT NEW CANAAN COUNTRY SCHOOL
NOTES TO FINANCIAL STATEMENTS
June 30, 2017 and 2016

Note E - Restrictions and Limitations on Net Asset Balances (continued)

Permanently restricted net assets consist of the following at June 30, 2017 and 2016:

	<u>2017</u>	<u>2016</u>
General Endowment	\$ 13,500	\$ 13,500
School Year Programming Endowment	1,845,869	1,845,869
Ann Robertson Cohen Endowment Fund	186,025	186,025
Gacel Machado Lecuona Endowment Fund	61,118	60,618
Teacher Salary Endowment	542,125	542,125
	<u>\$ 2,648,637</u>	<u>\$ 2,648,137</u>

Note F - Net Assets Released From Restrictions

The sources of net assets released from temporary donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of events specified by the donors were as follows:

	<u>2017</u>	<u>2016</u>
Pool fund	\$ 500	\$ 500
<i>Benefit Proceeds:</i>		
Benefit - time restricted	260,525	98,485
Benefit - purpose restricted	-	56,110
2016 Giving Day	77,081	5,000
Summer Program	1,850	32,100
High School Program	36,500	92,292
Lone Pine Staff Recognition/Professional Development	7,394	7,831
Administrative Support	-	10,000
	<u>\$ 383,850</u>	<u>\$ 302,318</u>

Note G - Concentration of Credit Risk for Cash Held at Bank

Horizons maintains cash balances at financial institutions that are insured by the Federal Deposit Insurance Corporation up to \$250,000. Horizons maintains deposits that exceed the insured balance throughout the year.

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Note H - Endowment

The Board of Trustees of Horizons has interpreted the Connecticut Uniform Prudent Management of Institutional Funds Act (“CTUPMIFA”) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, Horizons 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) accumulation 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 Horizons in a manner consistent with the standard of prudence prescribed by CTUPMIFA. In accordance with CTUPMIFA, Horizons considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- (1) The duration and preservation of the various funds;
- (2) The purposes of the donor-restricted endowment funds;
- (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 Horizons and
- (7) Horizons investment policies

Endowment net asset composition by type of fund as of June 30, 2017 is as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor restricted, endowment funds	\$ -	\$ 569,095	\$ 2,648,637	\$ 3,217,732
Board designated endowment funds	<u>2,083,620</u>	<u>-</u>	<u>-</u>	<u>2,083,620</u>
Total funds	\$ <u>2,083,620</u>	\$ <u>569,095</u>	\$ <u>2,648,637</u>	\$ <u>5,301,352</u>

Endowment net asset composition by type of fund as of June 30, 2016 is as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor restricted, endowment funds	\$ -	\$ 430,279	\$ 2,648,137	\$ 3,078,416
Board designated endowment funds	<u>1,993,732</u>	<u>-</u>	<u>-</u>	<u>1,993,732</u>
Total funds	\$ <u>1,993,732</u>	\$ <u>430,279</u>	\$ <u>2,648,137</u>	\$ <u>5,072,148</u>

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Note H - Endowment (continued)

Changes in endowment net assets for the year ended June 30, 2017 is as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, beginning of period	\$ 1,993,732	\$ 430,279	\$ 2,648,137	\$ 5,072,148
Investment return:				
Net investment income	171,320	264,548	-	435,868
Net appreciation (realized and unrealized)	<u>19,412</u>	<u>29,976</u>	<u>-</u>	<u>49,388</u>
Net investment return	190,732	294,524	-	485,256
Contributions	-	-	500	500
Appropriation of endowment assets for expenditures	<u>(100,844)</u>	<u>(155,708)</u>	<u>-</u>	<u>(256,552)</u>
Endowment net assets, end of period	<u>\$ 2,083,620</u>	<u>\$ 569,095</u>	<u>\$ 2,648,637</u>	<u>\$ 5,301,352</u>

Changes in endowment net assets for the year ended June 30, 2016 is as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, beginning of period	\$ 2,192,326	\$ 732,312	\$ 2,587,519	\$ 5,512,157
Investment return:				
Net investment income	15,662	23,939	-	39,601
Net appreciation (realized and unrealized)	<u>(107,597)</u>	<u>(164,458)</u>	<u>-</u>	<u>(272,055)</u>
Net investment return	(91,935)	(140,519)	-	(232,454)
Contributions	-	-	60,618	60,618
Appropriation of endowment assets for expenditures	<u>(106,659)</u>	<u>(161,514)</u>	<u>-</u>	<u>(268,173)</u>
Endowment net assets, end of period	<u>\$ 1,993,732</u>	<u>\$ 430,279</u>	<u>\$ 2,648,137</u>	<u>\$ 5,072,148</u>

Funds with Deficiencies: From time to time, the fair value of assets associated with donor-restricted endowment funds may fall below the level that the donor or CTUPMIFA requires Horizons to retain as a fund of perpetual duration. In accordance with accounting principles generally accepted in the United States of America, deficiencies of this nature are reported in unrestricted net assets. As of June 30, 2017 and 2016 there were no deficiencies.

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Note H - Endowment (continued)

Return objectives and risk parameters: Horizons has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that Horizons must hold in perpetuity. Under this policy, as approved by the Board of Trustees, the endowment assets are invested in accordance with sound investment practices emphasizing long-term investment fundamentals. It is recognized that short-term market fluctuations may cause variations in account performance.

Strategies employed for achieving objectives: To satisfy its long-term rate-of-return objectives, Horizons relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). Horizons targets a diversified asset allocation consisting of domestic and international equity, hedge funds and other alternative asset holdings, domestic fixed income securities and cash to achieve its long-term return objectives within prudent risk constraints.

Spending policy and how the investment objectives relate to spending policy: In order to support the operating activities of Horizons, the Board of Trustees utilizes a spending policy taking up to five percent of the average of the prior twelve quarter-end endowment values up to and including June 30th. In establishing this policy, Horizons considered the long-term expected return on its endowment. Accordingly, over the long-term, Horizons expects the current spending policy to allow its endowment to grow, consistent with its objective to maintain the purchasing power of the endowment assets held in perpetuity as well as to provide additional real growth through new gifts and investment return.

Note I - Retirement Plan

Salaried employees are covered by a contributory retirement plan that is generally available to employees of educational organizations and provides for retirement benefits through the purchase of individually owned annuities. Horizons' policy is to fund costs accrued. Contributions for the year ended June 30, 2017 and 2016 were \$44,396 and \$51,351, respectively.

Note J - Commitments

The Horizons program has subscribed for investments in various limited partnerships investment funds. Outstanding commitments for additional capital contributions as of June 30, 2017 total \$29,242.

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Note K - Postretirement Health Care Benefits

The School sponsors a defined benefit postretirement medical benefit plan covering certain full-time salaried employees who meet date of hire, years of service and age requirements. The plan is contributory, with retiree contributions adjusted annually. Accounting standards require recognition of this unfunded liability on the statement of financial position. Actuarial details of the plan can be found in the financial statements of the New Canaan Country School.

Note L - Subsequent Events

Date of management evaluation

Management has evaluated subsequent events through October 26, 2017, the date on which the financial statements were available to be issued.