

**AVANGRID FOUNDATION, INC.**

**FINANCIAL STATEMENTS**  
**DECEMBER 31, 2017 AND 2016**  
**AND FOR THE YEARS THEN ENDED**

**AVANGRID FOUNDATION, INC.**

**DECEMBER 31, 2017 AND 2016**

**C O N T E N T S**

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July 31, 2018

To the Board of Directors of  
Avangrid Foundation, Inc.

We have audited the financial statements of Avangrid Foundation, Inc. for the year ended December 31, 2017, and have issued our report thereon dated July 31, 2018. Professional standards require that we advise you of the following matters relating to our audit.

### **Our Responsibility under Generally Accepted Auditing Standards**

As communicated in our engagement letter dated March 20, 2018, our responsibility, as described by professional standards, is to form and express an opinion about whether the financial statements that have been prepared by management with your oversight are presented fairly, in all material respects, in conformity with the cash basis of accounting. Our audit of the financial statements does not relieve you or management of your respective responsibilities.

Our responsibility, as prescribed by professional standards, is to plan and perform our audit to obtain reasonable, rather than absolute, assurance about whether the financial statements are free of material misstatement. An audit of financial statements includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control over financial reporting. Accordingly, as part of our audit, we considered the internal control of Avangrid Foundation, Inc. solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

We are also responsible for communicating significant matters related to the audit that are, in our professional judgment, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures for the purpose of identifying other matters to communicate to you.

### **Planned Scope and Timing of the Audit**

We conducted our audit consistent with the planned scope and timing we previously communicated to you.

### **Compliance with All Ethics Requirements Regarding Independence**

The engagement team, others in our firm, as appropriate, our firm, and our network firms have complied with all relevant ethical requirements regarding independence.

**INDEPENDENT AUDITOR'S REPORT**  
**(Continued)**

*Basis of Accounting*

We draw attention to Note 1 of the financial statements, which describes the basis of accounting. The financial statements are prepared on the cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

*Davidson, Fox & Company, LLP*

Binghamton, New York  
July 31, 2018

**AVANGRID FOUNDATION, INC.**

**STATEMENT OF ASSETS, LIABILITIES, AND NET ASSETS - CASH BASIS  
DECEMBER 31, 2017 AND 2016**

	<b>ASSETS</b>	
	<u>2017</u>	<u>2016</u>
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 3,662,062	\$ 4,206,219
Other investments	<u>-</u>	<u>1,120,023</u>
<b>TOTAL CURRENT ASSETS</b>	<u>3,662,062</u>	<u>5,326,242</u>
<b>PROPERTY</b>		
Land	1,321,687	1,321,687
Buildings and improvements	<u>2,569,693</u>	<u>2,569,693</u>
	3,891,380	3,891,380
Less: accumulated depreciation	<u>1,023,939</u>	<u>959,452</u>
<b>TOTAL PROPERTY, net</b>	<u>2,867,441</u>	<u>2,931,928</u>
<b>TOTAL ASSETS</b>	<u>\$ 6,529,503</u>	<u>\$ 8,258,170</u>
	<b>LIABILITIES AND NET ASSETS</b>	
<b>NET ASSETS</b>		
Unrestricted	<u>\$ 6,529,503</u>	<u>\$ 8,258,170</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u>\$ 6,529,503</u>	<u>\$ 8,258,170</u>

See accompanying notes to financial statements

**AVANGRID FOUNDATION, INC.**

**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS -  
CASH BASIS**

**YEARS ENDED DECEMBER 31, 2017 AND 2016**

	<u>2017</u>	<u>2016</u>
<b>REVENUES</b>		
Rental income	\$ 474,091	403,913
Contributions	3,537,656	3,534,838
Interest and dividend income	80,055	97,064
Gain on sale of property	<u>-</u>	<u>205,564</u>
<b>TOTAL REVENUES</b>	<u>4,091,802</u>	<u>4,241,379</u>
<b>EXPENSES</b>		
Grants and contributions		
Education, training and research	891,029	504,274
Biodiversity and environment	84,000	441,500
Art and culture	345,078	495,444
Institutional partnerships - climate action	2,500,000	-
Community partnerships	<u>1,829,305</u>	<u>1,582,305</u>
Total grants and contributions	<u>5,649,412</u>	<u>3,023,523</u>
Rental and administrative expenses		
Depreciation	64,487	64,487
Excise taxes	6,567	617
Marketing expense	3,834	-
Miscellaneous expense	55	74
Professional fees	15,450	2,125
Property taxes	(3,246)	45,081
Repairs and maintenance	43,191	50,832
Scholarship expenses	5,863	17,495
Utilities	<u>34,856</u>	<u>29,577</u>
Total rental and administrative expenses	<u>171,057</u>	<u>210,288</u>
<b>TOTAL EXPENSES</b>	<u>5,820,469</u>	<u>3,233,811</u>
<b>INCREASE (DECREASE) IN NET ASSETS</b>	(1,728,667)	1,007,568
<b>NET ASSETS, beginning</b>	<u>8,258,170</u>	<u>7,250,602</u>
<b>NET ASSETS, ending</b>	\$ <u><u>6,529,503</u></u>	\$ <u><u>8,258,170</u></u>

See accompanying notes to financial statements

**AVANGRID FOUNDATION, INC.**

**NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2017 AND 2016**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Nature of Activities

The Foundation receives funding from the various subsidiaries of Avangrid, Inc. In addition, the Foundation earns investment income from rental properties and marketable securities. After paying various expenses related to the rental activities, the Foundation distributes monies to charitable organizations at the discretion of the Board of Directors.

Basis of Accounting

The financial statements have been prepared on the cash basis of accounting, which is a comprehensive basis of accounting other than generally accepted accounting principles. Under that basis, certain revenues and the related assets are recognized when received rather than when earned, and certain expenses are recognized when paid rather than when the obligation is incurred. An exception has been made for the provision of depreciation of buildings and improvements. The financial statements do not present financial position and results of operations as they would appear had generally accepted accounting principles been applied in their preparation.

Use of Estimates

The preparation of financial statements on the cash basis of accounting requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Marketable Securities

Investments in marketable equity securities are reported at cost in the statement of assets, liabilities, and net assets – cash basis. Realized gains and losses, along with interest and dividends, are included in the statement of revenues, expenses, and changes in net assets – cash basis.

See Note 3 for fair value measurements of investments.

Property and Depreciation

Property additions and improvements are stated at cost; donated property is stated at fair market value at the date of receipt as determined by an outside appraisal. Expenditures for additions, renewals and betterments are capitalized; expenditures for maintenance and repairs are charged to expenses as they are paid. Depreciation is computed on the straight-line method over the following estimated useful lives:

	<u>Years</u>
Buildings and improvements	20 - 40

**AVANGRID FOUNDATION, INC.**

**NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2017 AND 2016**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Income Tax Status

The organization is a private foundation as defined under the Internal Revenue Code of 1986 Section 501(c)(3) and is subject to an annual excise tax on net investment income, including net realized gains. The actual excise tax on 2017 and 2016 net investment income was \$3,744 and \$5,167, respectively.

The Internal Revenue Code requires that certain minimum distributions be made in accordance with a specified formula. As of December 31, 2017, the Foundation had approximately \$11,575,000 in excess distributions, which may be used to satisfy future distribution requirements.

Events Occurring After Reporting Date

The Foundation has evaluated events and transactions that occurred between December 31, 2017 and July 31, 2018, which is the date the financial statements were available to be issued, for possible disclosure in the financial statements. See Note 7 for further information.

NOTE 2 - CONCENTRATION OF CREDIT RISK

The Foundation maintains cash and cash equivalent deposits with various institutions. Certain funds are insured up to \$250,000 per institution by the Federal Deposit Insurance Corporation or National Credit Union Administration, while certain funds are insured by the Securities Investor Protection Corporation up to \$500,000 per institution. At December 31, 2017 and 2016, the Foundation's uninsured cash and cash equivalents totaled \$3,839,833 and \$4,896,202, respectively.

NOTE 3 – MARKETABLE SECURITIES AND FAIR VALUE MEASUREMENTS

Cost and fair value of other investments at December 31, 2016 are summarized as follows:

	<u>Cost</u>	<u>Fair Value</u>
Mutual funds		
Domestic equities	\$ <u>1,120,023</u>	\$ <u>1,118,039</u>

The fair values of mutual funds are based on quoted market prices. The unit price for these investments held by Avangrid Foundation, Inc. are revalued and published on an actively traded market at least daily.

Investment securities are subject to various risks, including credit, interest rate and overall market risk. Due to these risks associated with investment securities, the amount that Avangrid Foundation, Inc. will ultimately realize could differ materially from the estimated value in the near term.



**AVANGRID FOUNDATION, INC.**

**NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2017 AND 2016**

**NOTE 4 - LEASES**

The Foundation leases building space to various entities under operating leases with expiration dates from October 2021 through June 2033. The future minimum lease payments to be received under these leases are as follows:

<u>Year Ending December 31,</u>	<u>Amount</u>
2018	\$ 347,666
2019	462,855
2020	470,251
2021	433,105
2022	216,000
Thereafter	<u>2,470,500</u>
<b>Total</b>	<b>\$ <u>4,400,377</u></b>

Under the terms of these leases, certain costs associated with the property are the responsibility of the Foundation.

**NOTE 5 - COMMITMENTS**

The Foundation has pledged, at the direction of its Board of Directors, the following grants which were unpaid at December 31, 2017:

<u>Organization</u>	<u>Year Pledge Made</u>	<u>Original Amount</u>	<u>Remaining pledges expected to be paid in:</u>		<u>Total Remaining</u>
			<u>2018</u>	<u>2019 and Later</u>	
Eastman School of Music	2015	400,000	60,000	120,000	180,000
Maine Fnd. for Comm. Colleges	2014	250,000	50,000	-	50,000
Maine General Hospital	2014	100,000	20,000	-	20,000
Yale-New Haven Hospital	2016	250,000	50,000	100,000	150,000
CT Council for Philanthropy	2016	150,000	50,000	-	50,000
Monroe Comm. College Single Stop	2016	250,000	<u>50,000</u>	<u>100,000</u>	<u>150,000</u>
			<b>\$ <u>280,000</u></b>	<b>\$ <u>320,000</u></b>	<b>\$ <u>600,000</u></b>

**NOTE 6 - DONATED SERVICES**

Board members provide time and services to the Foundation without compensation. No amounts have been included in the accompanying financial statements since no objective basis is available to measure the value of such services.

**NOTE 7 – SUBSEQUENT EVENTS**

The Foundation sold three parcels of land in April 2018 for a total of \$153,100.