

AVANGRID FOUNDATION, INC.

FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018
AND FOR THE YEARS THEN ENDED

AVANGRID FOUNDATION, INC.

DECEMBER 31, 2019 AND 2018

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Avangrid Foundation, Inc.

We have audited the accompanying financial statements of Avangrid Foundation, Inc. (a charitable foundation), which comprise the statement of financial position as of December 31, 2019 and 2018, and the related statements of activities, cash flows and functional expenses 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.

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 audits to obtain reasonable assurance about whether the financial statements are free of 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 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.

INDEPENDENT AUDITOR'S REPORT
(Continued)

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Avangrid Foundation, Inc. as of December 31, 2019 and 2018, and changes in their net assets and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Davidson, Fox & Company, LLP

Binghamton, New York
June 26, 2020

AVANGRID FOUNDATION, INC.

**STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2019 AND 2018**

	<u>2019</u>	<u>2018</u>
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 4,065,243	\$ 4,237,586
Prepaid and refundable taxes	<u>25,000</u>	<u>-</u>
TOTAL CURRENT ASSETS	<u>4,090,243</u>	<u>4,237,586</u>
PROPERTY		
Land	954,116	1,194,687
Buildings and improvements	<u>1,395,884</u>	<u>2,569,693</u>
	2,350,000	3,764,380
Less: accumulated depreciation	<u>628,343</u>	<u>1,088,427</u>
TOTAL PROPERTY, net	<u>1,721,657</u>	<u>2,675,953</u>
TOTAL ASSETS	<u>\$ 5,811,900</u>	<u>\$ 6,913,539</u>
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable and accrued expenses	\$ -	\$ 6,949
Deferred revenues	-	19,951
Grants payable	<u>1,093,000</u>	<u>1,645,000</u>
TOTAL LIABILITIES	1,093,000	1,671,900
NET ASSETS		
Without donor restrictions	<u>4,718,900</u>	<u>5,241,639</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 5,811,900</u>	<u>\$ 6,913,539</u>

See accompanying notes to financial statements

AVANGRID FOUNDATION, INC.

**STATEMENTS OF ACTIVITIES
YEARS ENDED DECEMBER 31, 2019 AND 2018**

	<u>2019</u>	<u>2018</u>
REVENUES		
Contributions	\$ 1,622,372	\$ 2,612,194
Interest and dividend income	95,591	81,886
Rental income	309,648	469,522
Gain on sale of property	<u>23,077</u>	<u>13,109</u>
TOTAL REVENUES	<u>2,050,688</u>	<u>3,176,711</u>
EXPENSES		
Program	2,445,967	3,558,181
Support		
Rental expenses	105,676	277,099
Management and general	<u>21,784</u>	<u>22,301</u>
TOTAL EXPENSES	<u>2,573,427</u>	<u>3,857,581</u>
DECREASE IN NET ASSETS	(522,739)	(680,870)
NET ASSETS, beginning	<u>5,241,639</u>	<u>5,922,509</u>
NET ASSETS, ending	\$ <u><u>4,718,900</u></u>	\$ <u><u>5,241,639</u></u>

See accompanying notes to financial statements

AVANGRID FOUNDATION, INC.

**STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2019 AND 2018**

	<u>2019</u>	<u>2018</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Decrease in net assets	\$ (522,739)	\$ (680,870)
Adjustments to reconcile decrease in net assets to net cash provided (used) by operating activities		
Depreciation and amortization	40,199	64,487
Gain on sale of property	(23,077)	(13,109)
Decrease in		
Prepaid and refundable taxes	(25,000)	-
Decrease in		
Accounts payable	(6,949)	(45)
Grants payable	(552,000)	1,045,000
Deferred revenue	(19,951)	19,951
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>(1,109,517)</u>	<u>435,414</u>
 CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from the sale of property	<u>937,174</u>	<u>140,110</u>
 NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	 (172,343)	 575,524
 CASH AND CASH EQUIVALENTS, beginning	 <u>4,237,586</u>	 <u>3,662,062</u>
 CASH AND CASH EQUIVALENTS, ending	 \$ <u><u>4,065,243</u></u>	 \$ <u><u>4,237,586</u></u>

See accompanying notes to financial statements

AVANGRID FOUNDATION, INC.

STATEMENTS OF FUNCTIONAL EXPENSES
YEARS ENDED DECEMBER 31, 2019 AND 2018

	2019				2018			
	<u>Program</u>	<u>Rental</u>	<u>Management & General</u>	<u>Total</u>	<u>Program</u>	<u>Rental</u>	<u>Management & General</u>	<u>Total</u>
Education, training and research grants	\$ 251,000	\$ -	\$ -	\$ 251,000	\$ 461,770	\$ -	\$ -	\$ 461,770
Biodiversity and environment grants	351,000	-	-	351,000	1,332,500	-	-	1,332,500
Art and culture grants	205,000	-	-	205,000	419,000	-	-	419,000
Community partnership grants	1,642,334	-	-	1,642,334	1,353,167	-	-	1,353,167
Scholarship awardee travel	-	-	-	-	3,537	-	-	3,537
Grant and scholarship refunds	(3,367)	-	-	(3,367)	(11,793)	-	-	(11,793)
Commissions and management fees	-	-	-	-	-	55,688	-	55,688
Depreciation	-	40,199	-	40,199	-	64,487	-	64,487
Excise taxes	-	-	4,788	4,788	-	-	6,170	6,170
Marketing expense	-	-	2,566	2,566	-	-	3,281	3,281
Professional fees	-	-	14,430	14,430	-	-	12,850	12,850
Property taxes	-	49,835	-	49,835	-	73,615	-	73,615
Repairs and maintenance	-	7,885	-	7,885	-	43,379	-	43,379
Utilities	-	7,757	-	7,757	-	39,930	-	39,930
Total expenses	\$ <u>2,445,967</u>	\$ <u>105,676</u>	\$ <u>21,784</u>	\$ <u>2,573,427</u>	\$ <u>3,558,181</u>	\$ <u>277,099</u>	\$ <u>22,301</u>	\$ <u>3,857,581</u>

See accompanying notes to financial statements

AVANGRID FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

The Avangrid Foundation, Inc. (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 accompanying financial statements are presented using the accrual method of accounting, recognizing revenues as earned and expenses as incurred.

Basis of Presentation

The financial statements are presented in accordance with Financial Accounting Standards Board (FASB) Accounting Standard Codification (ASC) 958-205, *Not-for-Profit Entities, Presentation of Financial Statements*. During 2018, the Foundation adopted the provisions of Accounting Standards Update (ASU) 2016-14: *Not-for-Profit Entities (Topic 958) Presentation of Financial Statements of Not-for-Profit Entities*, which improves the current net asset classification and the related information presented in the consolidated financial statements and notes about the Foundation's liquidity, financial performance, and cash flows.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles 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 revenue and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

For purposes of the Statements of Cash Flows, the Foundation considers all highly liquid investments with an initial maturity of three months or less to be cash equivalents.

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, 2019**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue Recognition

The Foundation recognizes contributions when cash, securities or other assets; an unconditional promise to give; or a notification of a beneficial interest is received. Conditional promises to give - that is, those with a measurable performance or other barrier and a right of return - are not recognized until the conditions on which they depend have been met.

In May 2014, the Financial Accounting Standards Board issued Accounting Standards Update ASU No. 2014-09, *Revenue from Contracts with Customers* (Topic 606). The ASU, and all subsequently issued clarifying ASUs replaced most existing revenue recognition guidance in U.S. GAAP. The ASU also required expanded disclosures relating to the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers. The Foundation adopted the new standard effective January 1, 2019. Analysis of various provisions of this standard resulted in no significant changes in the way the Foundation recognizes revenue, and therefore no changes to the previously issued audited financial statements were required on a retrospective basis. The presentation and disclosures of revenue have been enhanced in accordance with the standard.

Net Assets

Net assets without donor restrictions are available for use at the discretion of the Board of Directors for general operating purposes. As of December 31, 2019 and 2018, the Foundation did not have any net assets with donor restrictions.

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 net investment income was approximately \$6,400 and \$5,500 for the years ending December 31, 2019 and 2018, respectively.

The Internal Revenue Code requires that certain minimum distributions be made in accordance with a specified formula. As of December 31, 2019, the Foundation had approximately \$13,000,000 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, 2019 and June 26, 2020, which is the date the financial statements were available to be issued, for possible disclosure in the financial statements.

AVANGRID FOUNDATION, INC.

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019**

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, while other funds are insured by the Securities Investor Protection Corporation up to \$500,000 per institution. At December 31, 2019, the Foundation's uninsured cash and cash equivalents totaled \$3,450,400.

NOTE 3 - LIQUIDITY AND AVAILABILITY OF RESOURCES

The following reflects the Foundation's financial assets as of the statement of financial position date which are available within one year for general expenditures:

	<u>2019</u>	<u>2018</u>
Cash and cash equivalents	\$ 4,065,243	\$ 4,237,586
Prepaid and refundable taxes	<u>25,000</u>	<u>-</u>
Total financial assets available for general expenditure within one year	\$ <u>4,090,243</u>	\$ <u>4,237,586</u>

As part of the Foundation's liquidity management plan, cash in excess of daily requirements are invested in money market funds. At December 31, 2019 and 2018, no funds have been restricted by donors or designated by the board of directors. The Foundation does not maintain a line of credit.

NOTE 4 – LEASE COMMITMENTS

The Foundation leases building space in Augusta, Maine under an operating lease which expires in October 2021. The future minimum lease payments to be received under this lease is as follows:

<u>Year Ending December 31,</u>	<u>Amount</u>
2020	\$ 254,251
2021	<u>217,105</u>
Total	\$ <u>471,356</u>

AVANGRID FOUNDATION, INC.

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019**

NOTE 5 - GRANTS PAYABLE

The Foundation has pledged, at the direction of its Board of Directors, the following grants payable as of December 31, 2019:

<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>2020</u>	<u>2021 and Later</u>	
Yale-New Haven Hospital	2016	250,000	\$ 50,000	\$ -	\$ 50,000
Eastman School of Music	2016	400,000	60,000	-	60,000
Binghamton Univ. Senior Design	2018	150,000	25,000	75,000	100,000
Trail Blazer Foundation	2019	150,000	50,000	-	50,000
National Fish & Wildlife Federation	2018	1,000,000	300,000	300,000	600,000
Monroe Comm. College Single Stop	2016	250,000	50,000	-	50,000
Yale Peabody	2019	125,000	42,000	41,000	83,000
Federal Reserve Bank of Boston	2019	150,000	<u>50,000</u>	<u>50,000</u>	<u>100,000</u>
			<u>\$ 627,000</u>	<u>\$ 416,000</u>	<u>\$ 1,093,000</u>

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

In December 2019, a novel strain of coronavirus was reported to have surfaced in China. The spread of this virus to the United States caused the shutdown of various businesses by governmental decree. While the disruption is currently expected to be temporary, there is considerable uncertainty around the duration. Therefore, while the Foundation does not expect this matter to negatively impact its operating results, the related financial impact and duration cannot be reasonably estimated at this time.