

**COMMUNITY FOUNDATION OF  
NORTH CENTRAL MASSACHUSETTS, INC.**

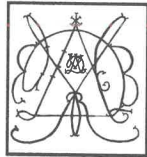
**FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED JUNE 30, 2019  
(WITH SUMMARIZED FINANCIAL INFORMATION FOR 2018)**

**COMMUNITY FOUNDATION OF NORTH CENTRAL MASSACHUSETTS, INC.**

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### INDEPENDENT AUDITORS' REPORT

To the Board of Directors

Community Foundation of North Central Massachusetts, Inc.  
Fitchburg, MA

#### Report on the Financial Statements

We have audited the accompanying financial statements of Community Foundation of North Central Massachusetts, Inc. (the Foundation), which comprises the statement of financial position as of June 30, 2019 and the related statements of activities, functional expenses, and cash flows for the year 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 audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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 Foundation'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 Foundation'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 in the previous page present fairly, in all material respects, the financial position of Community Foundation of North Central Massachusetts, Inc. as of June 30, 2019 and the changes in net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Report on Summarized Comparative Information**

We have previously audited the Community Foundation of North Central Massachusetts, Inc.'s financial statements for the year end June 30, 2018, and we expressed an unmodified audit opinion on those audited financial statements in our report dated September 17, 2018. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2018 is consistent, in all material respects, with the audited financial statements from which it has been derived.

*Robert C. Alario, Certified Public Accountants, P.C.*

Leominster, MA  
September 20, 2019

**COMMUNITY FOUNDATION OF NORTH CENTRAL MASSACHUSETTS, INC.**  
**STATEMENT OF FINANCIAL POSITION**  
**JUNE 30, 2019**  
**(WITH SUMMARIZED FINANCIAL INFORMATION FOR 2018)**

<b>ASSETS</b>		
	<u><b>2019</b></u>	<u><b>2018</b></u>
<b>CURRENT ASSETS</b>		
Cash and Cash Equivalents	\$ 1,223,270	\$ 830,501
Short-Term Investments	1,129,153	3,359,552
Pledges Receivable, Net	130,399	265,839
Other Receivables	48,019	48,183
Prepaid Expenses	<u>18,984</u>	<u>13,031</u>
Total Current Assets	<u>2,549,825</u>	<u>4,517,106</u>
<b>LONG-TERM ASSETS</b>		
Property and Equipment, Net	9,606	2,590
Long-Term Investments	<u>54,320,715</u>	<u>48,226,191</u>
Total Long-Term Assets	<u>54,330,321</u>	<u>48,228,781</u>
<b>TOTAL ASSETS</b>	<u><u>\$ 56,880,146</u></u>	<u><u>\$ 52,745,887</u></u>
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES</b>		
Accounts Payable	\$ 62,478	\$ 27,931
Grants Payable	154,704	-
Agency Funds and Endowments	<u>5,772,805</u>	<u>5,844,224</u>
Total Current Liabilities	<u>5,989,987</u>	<u>5,872,155</u>
<b>NET ASSETS</b>		
Net Assets Without Donor Restrictions	2,210,271	2,138,965
Net Assets With Donor Restrictions (See Note 9)	<u>48,679,888</u>	<u>44,734,767</u>
Total Net Assets	<u>50,890,159</u>	<u>46,873,732</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u><u>\$ 56,880,146</u></u>	<u><u>\$ 52,745,887</u></u>

See Independent Auditors' Report and Accompanying Notes to Financial Statements.

**COMMUNITY FOUNDATION OF NORTH CENTRAL MASSACHUSETTS, INC.**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED JUNE 30, 2019**  
**(WITH SUMMARIZED FINANCIAL INFORMATION FOR 2018)**

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>2019 Total</u>	<u>2018 Total</u>
<b>REVENUE AND OTHER SUPPORT</b>				
Total Investment Return, Net (See Note 6)	\$ 82,432	\$ 1,523,958	\$ 1,606,390	\$ 4,688,892
Less: Investment Returns on Agency Funds	-	(139,865)	(139,865)	(513,277)
Net Investment Return	<u>82,432</u>	<u>1,384,093</u>	<u>1,466,525</u>	<u>4,175,615</u>
Total Gifts and Donations	95,816	6,519,312	6,615,128	3,416,250
Less: Gifts and Donations for Agency Funds	-	(140,180)	(140,180)	(127,043)
Net Gifts and Donations	<u>95,816</u>	<u>6,379,132</u>	<u>6,474,948</u>	<u>3,289,207</u>
Fundraising Events, Net	-	177,075	177,075	107,113
Administrative Fee Revenue	62,424	-	62,424	60,594
Operating Grant Revenue	-	-	-	20,000
Sponsorships	3,765	-	3,765	6,395
Net Assets Released for Distributions, Net	3,498,537	(3,498,537)	-	-
Net Assets Released from Restrictions	<u>496,642</u>	<u>(496,642)</u>	<u>-</u>	<u>-</u>
Total Revenue and Other Support	<u>4,239,616</u>	<u>3,945,121</u>	<u>8,184,737</u>	<u>7,658,924</u>
<b>EXPENSES</b>				
Donor Services and Development	232,815	-	232,815	200,795
General and Administrative	281,368	-	281,368	167,037
Grantmaking and Community Leadership (Excluding Net Grants and Donor Directed Distributions)	<u>64,409</u>	<u>-</u>	<u>64,409</u>	<u>58,368</u>
Total Expenses	<u>578,592</u>	<u>-</u>	<u>578,592</u>	<u>426,200</u>
Grants and Donor Directed Distributions	4,068,809	-	4,068,809	4,149,727
Less: Grants from Agency Funds	<u>(479,091)</u>	<u>-</u>	<u>(479,091)</u>	<u>(366,909)</u>
Net Grants and Donor Directed Distributions	<u>3,589,718</u>	<u>-</u>	<u>3,589,718</u>	<u>3,782,818</u>
Total Expenses and Donor Directed Distributions	<u>4,168,310</u>	<u>-</u>	<u>4,168,310</u>	<u>4,209,018</u>
<b>RESULTS OF OPERATIONS</b>	<u>71,306</u>	<u>3,945,121</u>	<u>4,016,427</u>	<u>3,449,906</u>
<b>CHANGES IN NET ASSETS</b>	71,306	3,945,121	4,016,427	3,449,906
<b>NET ASSETS, BEGINNING OF YEAR</b>	<u>2,138,965</u>	<u>44,734,767</u>	<u>46,873,732</u>	<u>43,423,826</u>
<b>NET ASSETS, END OF YEAR</b>	<u>\$ 2,210,271</u>	<u>\$ 48,679,888</u>	<u>\$ 50,890,159</u>	<u>\$ 46,873,732</u>

See Independent Auditors' Report and Accompanying Notes to Financial Statements.

COMMUNITY FOUNDATION OF NORTH CENTRAL MASSACHUSETTS, INC.  
STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED JUNE 30, 2019  
(WITH SUMMARIZED FINANCIAL INFORMATION FOR 2018)

EXPENSES	General and <u>Administrative</u>	Donor Services <u>and Development</u>	Grantmaking and <u>Community Leadership</u>	2019 <u>Total</u>	2018 <u>Total</u>
Donor Directed Distributions	\$ -	\$ -	\$ 2,159,576	\$ 2,159,576	\$ 2,273,136
Grants	-	-	1,909,233	1,909,233	1,876,591
Grants and Donor Directed Distributions	-	-	4,068,809	4,068,809	4,149,727
Less: Grants from Agency Funds	-	-	(479,091)	(479,091)	(366,909)
Net Grants and Donor Directed Distributions	-	-	3,589,718	3,589,718	3,782,818
Administrative Services	120,747	147,281	50,985	319,013	266,620
Accounting and Auditing	41,185	-	-	41,185	41,477
Software Maintenance	16,014	16,761	7,611	40,386	28,283
Design and Marketing	-	32,090	-	32,090	25,069
Office Supplies and Postage	2,820	1,965	571	5,356	11,600
Occupancy	6,387	2,011	3,430	11,828	10,545
Conferences and Training	-	9,605	-	9,605	1,988
Development Events	-	9,637	-	9,637	6,892
Dues and Subscriptions	3,671	-	-	3,671	4,709
Travel	991	2,102	991	4,084	4,376
Insurance	3,995	-	-	3,995	3,258
Telephone	1,527	1,532	271	3,330	3,242
Miscellaneous	7,624	-	-	7,624	2,157
Website	-	1,752	-	1,752	2,007
Printing	1,494	5,750	-	7,244	1,386
Professional Fees	74,896	-	-	74,896	-
Total Expenses Before Depreciation	281,351	230,486	3,653,577	4,165,414	4,196,427
Depreciation	17	2,329	550	2,896	12,591
<b>TOTAL FUNCTIONAL EXPENSES</b>	<b>\$ 281,368</b>	<b>\$ 232,815</b>	<b>\$ 3,654,127</b>	<b>\$ 4,168,310</b>	<b>\$ 4,209,018</b>

See Independent Auditors' Report and Accompanying Notes to Financial Statements.

**COMMUNITY FOUNDATION OF NORTH CENTRAL MASSACHUSETTS, INC.**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED JUNE 30, 2019**  
**(WITH SUMMARIZED FINANCIAL INFORMATION FOR 2018)**

<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	<b><u>2019</u></b>	<b><u>2018</u></b>
Changes in Net Assets	\$ 4,016,427	\$ 3,449,906
Adjustments to Reconcile Changes in Net Assets to Net Cash Used in Operating Activities:		
Depreciation Expense	2,896	12,592
Contributions Restricted for Long-Term Investment	(3,480,269)	(2,084,757)
Interest and Dividends Restricted for Long-Term Investment	(1,485,030)	(1,546,651)
Realized Gain on Investments	(340,319)	(44,712)
Unrealized Loss (Gain) on Investments	11,146	(2,508,690)
(Increase) Decrease in Operating Assets:		
Pledge Receivable	135,440	(28,512)
Other Receivables	164	(13,715)
Prepaid Expenses	(5,955)	1,108
Increase (Decrease) in Operating Liabilities:		
Accounts Payable	34,548	(3,052)
Grants Payable	154,704	-
Agency Funds and Endowments	(71,419)	215,466
Net Cash Used In Operating Activities	<u>(1,027,667)</u>	<u>(2,551,017)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Proceeds From the Sale of Investments	7,530,684	7,234,875
Purchase of Investments	(11,065,635)	(8,723,602)
Purchase of Equipment	(9,912)	-
Net Cash Used In Investing Activities	<u>(3,544,863)</u>	<u>(1,488,727)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Receipts of Contributions Restricted for Long-Term Investment	3,480,269	2,084,757
Receipts of Interest and Dividends Restricted for Long-Term Investment	1,485,030	1,546,651
Net Cash Provided By Financing Activities	<u>4,965,299</u>	<u>3,631,408</u>
<b>NET INCREASE (DECREASE) IN CASH</b>	392,769	(408,336)
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>	<u>830,501</u>	<u>1,238,837</u>
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	<u><u>\$ 1,223,270</u></u>	<u><u>\$ 830,501</u></u>
<b>SUPPLEMENTAL DISCLOSURES</b>		
Cash Paid During the Year for Unrelated Business Income Tax	<u><u>\$ 1,474</u></u>	<u><u>\$ 3,329</u></u>

See Independent Auditors' Report and Accompanying Notes to Financial Statements.



**COMMUNITY FOUNDATION OF NORTH CENTRAL MASSACHUSETTS, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2019 AND 2018**

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

**Nature of Activities** - The Community Foundation of North Central Massachusetts, Inc. (the Foundation) is a not-for-profit corporation organized March 21, 2001. The Foundation is a collection of charitable funds established by various donors to be utilized for the benefit of the overall community needs.

**Basis of Accounting** - The financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

**Financial Statement Presentation** - Financial statement presentation follows the recommendations of the Financial Accounting Standards Boards in its Accounting Standards for Financial Statements of Not-For-Profit Organizations. Under these standards, the Foundation is required to report information regarding its financial position and activities according to two classifications of net assets required under ASU No. 2016-14 described as follows:

Accordingly, net assets of the Foundation and changes therein are reported in the following net asset categories:

**Net Assets Without Donor Restrictions** - Net assets that are not subject to donor imposed restrictions and may be expended for any purpose in performing the primary objectives of the Foundation. These net assets may be used at the discretion of the Foundation's management and the Board of Directors.

**Net Assets With Donor Restrictions** - Net assets that are subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature. Those restrictions will be met by the Foundation or by the passage of time. Other donor restrictions are perpetual in nature where by the donor has stipulated the funds be maintained in perpetuity. Donor restrictions are reported as increases in net assets and transferred to donor restrictions to net assets without donor restrictions, once the stipulations are met, in the statement of activities.

At June 30, 2019 and 2018, there were net assets without donor restrictions and net assets with donor restrictions.

**COMMUNITY FOUNDATION OF NORTH CENTRAL MASSACHUSETTS, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2019 AND 2018**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Summarized Information** - The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Foundation's financial statements for the year ended June 30, 2018, from which the summarized information was derived.

**Cash and Cash Equivalents** - For purposes of the Statement of Cash Flows, the Foundation considers all short-term debt securities purchased with a maturity of three months or less to be cash equivalents.

**Investments** - Investments in equity securities with readily determinable fair values and all debt securities are recorded at fair value. In accordance with the Foundation's interpretation of relevant laws, gains or losses on investments are reported in the statement of activities as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulations or by law.

State law has been interpreted to require that, unless explicitly stated otherwise by the donor, realized and unrealized appreciation in net assets with donor restrictions should be classified in the net asset with donor restriction classification until appropriated for use by the governing Board. Accordingly, based on the terms of the underlying gift instruments, net investment gains and losses on endowment funds of the Foundation are classified as donor restricted.

The Foundation's spending rule for grant distributions on donor restricted endowments is 4.5% of market value, averaged over twenty trailing quarters.

The Foundation has adopted an investment policy for endowment assets that include those assets of donor-restricted funds that the Foundation must hold in perpetuity. Under this policy, as approved by the board of directors, the primary long-term objective is to preserve and grow the principal value of the endowment investment portfolio to provide a dependable source of revenue for charitable distribution and expenses.

To satisfy its investment objectives, the Foundation relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized gains) and current yield (interest and dividends). The Foundation targets a diversified asset allocation that includes equities, fixed income, and real property investments within prudent risk constraints.

**COMMUNITY FOUNDATION OF NORTH CENTRAL MASSACHUSETTS, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2019 AND 2018**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Pledge Receivable** - The Foundation carries its accounts receivable at the amount management expects to collect from outstanding balances. On a periodic basis, the Foundation evaluates pledge receivables and determines an allowance for doubtful accounts based on its past write-offs and collections. There was no allowance recorded for the years ended June 30, 2019 and 2018.

**Property and Equipment** - The Foundation follows the practice of capitalizing as property and equipment expenditures of \$500 or greater. Property and equipment are carried at cost or at fair value as of the date of donation. Depreciation is computed using the straight-line method for financial reporting over the estimated useful life of the asset.

At the time of retirement or disposal of property and equipment, the cost and the related accumulated depreciation are deducted from the respective fixed asset and accumulated depreciation accounts and any gain or loss is included in income. Expenditures for maintenance, repairs and minor renewals and replacements are charged to expense when incurred. Improvements and major renewals and replacements are capitalized.

**Distributions** - The Foundation recognized distributions expense at the time the grant is approved and any conditions are met. The Foundation awarded distributions totaling \$3,589,718 and \$3,782,818, net of agency distributions of \$479,091 and \$366,909, during the years ended June 30, 2019 and 2018, respectively. Grants distributions payable were \$154,704 and \$0 at June 30, 2019 and 2018, respectively.

**Gifts and Donations** - Gifts and donations received or unconditional pledges are recorded as net assets without restrictions or net assets with donor restrictions depending on the nature and donor provisions of the gift or donation provided. Gifts and donations may include actual gifts or promises to give. Such donations are considered to be available for use without donor promises to give. Such donations are considered to be available for use without donor restrictions unless specifically restricted by the donor or grantor. Donations of assets other than cash is recorded at their fair value on the date of the gift. Restricted gifts or promises to give are required to be reported as restricted support in the period received and are reclassified without donor restriction upon satisfaction of the donor restriction.

Contributions that are restricted by the donor are reported as increases in net assets without donor restrictions if the restrictions expires in the reporting period in which the contributions are recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions.

**COMMUNITY FOUNDATION OF NORTH CENTRAL MASSACHUSETTS, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2019 AND 2018**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

The Foundation receives services donated by volunteers in carrying out the Foundation's fundraising activities. No amounts have been reflected in the financial statements for those services since they do not meet the criteria for recognition under FASB ASC 958-605-25, Contributed Services.

**Functional Allocation of Expenses** - The statement of functional expenses reflect costs attributable to program and supporting functions. Management administration is allocated based upon staff functions. Non-personal costs are charged directly to specific functions where possible, or are distributed based upon management administration allocations.

**Income Taxes** - The Foundation is a not-for-profit organization as described in Section 501(c)(3) of the Internal Revenue Code and is exempt from federal and state income taxes. Therefore, no provision has been made for federal or state income taxes in the accompanying financial statements. There are no uncertain income tax provisions and tax returns remain subject to examination by major tax jurisdictions for the standard three year statute of limitations.

The Foundation is generally exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. However, income derived from activities unrelated to the Foundation's exempt function is taxable under the Internal Revenue Code. For the years ended June 30, 2019 and 2018, the Foundation had \$1,474 and \$3,329, respectively, of unrelated business tax.

**New Accounting Pronouncement** - On August 18, 2016, FASB issued ASU2016-14, Not-For-Profit Entities (Topic 58) - Presentation of Financial Statements of Not-For-Profit Entities. The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. The Organization has adjusted the presentation of these statements accordingly. The ASU has been applied retrospectively to all periods presented.

**Endowment** - The Foundation's endowment consists of donor restricted funds established to support general operations. As required by accounting principles generally accepted in the United States of America, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed or legal restrictions.

The endowment assets are invested in the Long Term Fund of the Community Foundation of North Central Massachusetts. The Foundation expects its endowment assets will provide a spendable annual return consistent with a long-term goal of preserving the funds in real terms. Actual returns in any given year may vary.

**COMMUNITY FOUNDATION OF NORTH CENTRAL MASSACHUSETTS, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2019 AND 2018**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Use of Estimates** - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities and the reported revenues and expenses. Accordingly, actual results could differ from those estimates.

**Reclassifications** - Certain amounts in the prior year financial statements have been reclassified for comparative purposes to conform with the presentation in the current year financial statements.

**NOTE 2 - SHORT-TERM INVESTMENTS**

Short-term investments consist of money market accounts, short-term stock holdings and bond mutual funds.

Short-term investments as of June 30, 2019 consist of the following:

	<u>Cost</u>	<u>Fair Market Value</u>	<u>Unrealized Gain</u>
<u>June 30, 2019</u>			
Money Markets, Short-Term Stock Holdings, Mutual Funds	<u>\$ 1,123,059</u>	<u>\$ 1,129,153</u>	<u>\$ 6,094</u>

Short-term investments as of June 30, 2018 consist of the following:

	<u>Cost</u>	<u>Fair Market Value</u>	<u>Unrealized Gain</u>
<u>June 30, 2018</u>			
Money Markets, Short-Term Stock Holdings, Mutual Funds	<u>\$ 3,215,454</u>	<u>\$ 3,359,552</u>	<u>\$ 144,098</u>

**NOTE 3 - PLEDGE RECEIVABLE**

Unconditional promises to give at June 30, 2019 and 2018 are as follows:

	<u>2019</u>	<u>2018</u>
Receivable in Less Than One Year	\$ 82,882	\$ 119,048
Receivable in One to Five Years	<u>49,599</u>	<u>153,600</u>
Total Unconditional Promises to Give	132,481	272,648
Less: Discounts to Net Present Value	<u>(2,082)</u>	<u>(6,809)</u>
Net Unconditional Contributions Receivable	<u>\$ 130,399</u>	<u>\$ 265,839</u>

**COMMUNITY FOUNDATION OF NORTH CENTRAL MASSACHUSETTS, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2019 AND 2018**

**NOTE 4 - LONG-TERM INVESTMENTS**

Long-term investments in debt and equity securities are carried at fair value when readily determinable.

Long-term investments as of June 30, 2019 consist of the following:

	<u><b>Cost</b></u>	<u><b>Fair Market Value</b></u>	<u><b>Unrealized Gain</b></u>
<u>June 30, 2019</u>			
Mutual Funds	<u>\$ 47,248,132</u>	<u>\$ 54,320,715</u>	<u>\$ 7,072,583</u>

Long-term investments as of June 30, 2018 consist of the following:

	<u><b>Cost</b></u>	<u><b>Fair Market Value</b></u>	<u><b>Unrealized Gain</b></u>
<u>June 30, 2018</u>			
Mutual Funds	<u>\$ 40,460,250</u>	<u>\$ 48,226,191</u>	<u>\$ 7,765,941</u>

**NOTE 5 - FAIR VALUE OF FINANCIAL INSTRUMENTS**

The Financial Accounting Standards Board standard on Fair Value Measurements establishes a valuation hierarchy for disclosure of the inputs to valuation used to measure fair value. The following methods and assumptions were used in estimating the fair value disclosures for financial instruments:

**Determination of Fair Value** - the Foundation uses fair value measurements to record fair value adjustments to certain assets and liabilities and to determine fair value disclosures. The fair value of a financial instrument is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value is best determined based on quoted market prices. However, in some instances, there may be no quoted market prices for the Foundation's various financial instruments. In cases where quoted market prices are not available, fair values are based on estimates using present value or other valuation techniques. Those techniques are significantly affected by the assumptions used, including the discount rate and estimates of future cash flows. Accordingly, the fair value estimates may not be realized in an immediate settlement of the instrument.

**Fair Value Hierarchy** - the Foundation groups its financial assets and financial liabilities generally measured at fair value in three levels, based on the markets in which the assets and liabilities are traded and the reliability of the assumptions used to determine fair value.

**Level 1:** Valuation is based on quoted prices in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date.

**COMMUNITY FOUNDATION OF NORTH CENTRAL MASSACHUSETTS, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2019 AND 2018**

**NOTE 5 - FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)**

**Level 2:** Valuation is based on observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

**Level 3:** Valuation is based on unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

**Cash** - Investment includes all cash accounts held by investment managers which are valued using level 1 inputs.

Fair value assets measured on a recurring basis as of June 30, 2019 are as follows:

	<u>Total Fair Value at</u>	<u>Quoted Prices in Active Markets (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Significant Un- Observable Inputs (Level 3)</u>
<u>June 30, 2019</u>				
Cash and Cash Equivalents	\$ 1,223,270	\$ 1,223,270	\$ -	\$ -
Short-Term Investments				
Mutual Funds	\$ 1,129,153	\$ 1,129,153	\$ -	\$ -
Long-Term Investments				
Mutual Funds	\$ 54,320,715	\$ 54,320,715	\$ -	\$ -

Fair value assets measured on a recurring basis as of June 30, 2018 are as follows:

	<u>Total Fair Value at</u>	<u>Quoted Prices in Active Markets (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Significant Un- Observable Inputs (Level 3)</u>
<u>June 30, 2018</u>				
Cash and Cash Equivalents	\$ 830,501	\$ 830,501	\$ -	\$ -
Short-Term Investments				
Mutual Funds	\$ 3,359,552	\$ 3,359,552	\$ -	\$ -
Long-Term Investments				
Mutual Funds	\$ 48,226,191	\$ 48,226,191	\$ -	\$ -

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**NOTE 6 - INVESTMENTS**

Total investment returns consist of the following for the years ended June 30, 2019 and 2018:

	<u><b>2019</b></u>	<u><b>2018</b></u>
Interest and Dividends	\$ 2,086,632	\$ 1,910,405
Realized Gains	346,982	107,562
Investment Fees	(87,039)	(89,881)
Unrealized Gains (Losses)	<u>(740,185)</u>	<u>2,760,806</u>
Total Investment Return	<u><u>\$ 1,606,390</u></u>	<u><u>\$ 4,688,892</u></u>

**NOTE 7 - PROPERTY AND EQUIPMENT**

Property and equipment consists of the following:

	<u><b>Useful Lives</b></u>	<u><b>2019</b></u>	<u><b>2018</b></u>
Computers and Software	3 - 5 years	\$ 57,899	\$ 58,988
Website	5 years	<u>32,000</u>	<u>32,200</u>
		89,899	91,188
Less: Accumulated Depreciation		<u>(80,293)</u>	<u>(88,598)</u>
Property and Equipment, Net		<u><u>\$ 9,606</u></u>	<u><u>\$ 2,590</u></u>

Depreciation expense for property and equipment was \$2,896 and \$12,591 for the years ended June 30, 2019 and 2018, respectively.

**NOTE 8 - AGENCY FUNDS AND ENDOWMENTS**

Certain funds the Foundation holds and invests for other not-for-profit organizations are treated as a liability on the statement of financial position since the funds are held by the Foundation for investing on the Foundation's behalf. The income, expense, realized and unrealized gains and losses are not included in the statement of activities as they are reported in the individual organization's financial statements. The Foundation received agency fund contributions of \$140,180 and \$127,043 and distributed \$479,091 and \$366,909 during the years ended June 30, 2019 and 2018, respectively.



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**NOTE 9 - NET ASSETS**

**Without Donor Restrictions**

Net assets without donor restrictions are those net resources that bear no external restriction and are generally available for use by the Foundation. The Foundation had \$2,210,271 and \$2,138,965 in net assets without donor restrictions at June 30, 2019 and 2018, respectively.

**With Donor Restrictions**

Net assets with donor restrictions include restrictions accumulated through contributions and other inflows of assets with donor-imposed restrictions that either expire with the passage of time or can be fulfilled and removed by actions of the Foundation pursuant to those restrictions. Such resources will be without donor restrictions when the requirements of the donor have been satisfied through expenditure for the specific program or through the passage of time. When donor restrictions have been met, net assets with donor restrictions are reclassified to net assets without donor restrictions and are reported in the Statements of Activities as net assets released from restrictions.

Net assets with donor restrictions are comprised of the following as of June 30:

	<u><b>2019</b></u>	<u><b>2018</b></u>
Restricted for Particular Purposes	\$ 35,733,529	\$ 32,854,887
Scholarships	6,014,682	5,965,916
Subject to Expenditure with Donor Advice	5,356,669	4,484,102
Fiscal Sponsors	<u>1,575,008</u>	<u>1,429,862</u>
Total	<u><u>\$ 48,679,888</u></u>	<u><u>\$ 44,734,767</u></u>

The Foundation follows the criteria for Endowments of Not-for-Profit Organizations: Net Asset Classification of Funds Subject to an Enacted Version of the Uniform Prudent Management of Institutional Funds Act (UPMIFA), and Enhanced Disclosures for All Endowment Funds. Only a portion of the Foundation's investment portfolio is considered to be endowment assets.

Changes in endowment net assets by class as of June 30, 2018 are as follows:

Endowment Net Assets, June 30, 2017	\$ 33,887,026
Total Investment Return	3,691,128
Gifts and Donations	1,535,003
Released from Restriction for Distributions and Administrative Fees	<u>(1,856,688)</u>
Endowment Net Assets, June 30, 2018	<u><u>\$ 37,256,469</u></u>

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**NOTE 9 - NET ASSETS (Continued)**

Changes in endowment net assets by class as of June 30, 2019 are as follows:

Total Investment Return	1,200,299
Gifts and Donations	4,116,567
Released from Restriction for Distributions and Administrative Fees	<u>(2,247,524)</u>
Endowment Net Assets, June 30, 2019	<u><u>\$ 40,325,811</u></u>

From time-to-time, the fair market value of assets associated with individual donor-restricted endowment funds intended for perpetual duration may fall below the original gift value. Deficiencies of this nature are comprised of the following as of June 30:

	<u>2019</u>	<u>2018</u>
Current Fair Market Value	\$ 40,325,811	\$ 37,069,107
Original Gift	<u>33,202,301</u>	<u>25,596,630</u>
Appreciation	<u><u>\$ 7,123,510</u></u>	<u><u>\$ 11,472,477</u></u>

**NOTE 10 - ADMINISTRATIVE FEE REVENUE**

The Foundation charges an annual administrative fee not to exceed 1% to the individual funds based upon the market value of the fund, except for fiscal sponsor funds. Fiscal sponsor funds are charged the 1% administrative fee based upon the market value, plus an additional 4% for incoming contributions and outgoing distributions.

**NOTE 11 - ADMINISTRATIVE SERVICES**

The Foundation has a management contract with the United Way of North Central Massachusetts, Inc. to provide administrative services. The United Way of North Central Massachusetts Inc. provides retirement benefits to the employees through a 401(k) Plan (the "Plan"). Under the plan, a contribution of 5% of each eligible employees wages is made by the United Way of North Central Massachusetts, Inc. on behalf of the Foundation's employees. The employees are also eligible to voluntarily defer part of their annual compensation to the Plan on a pretax basis up to the IRS legal limits. Retirement plan expenses related to the Plan were \$12,428 and \$10,287 for the years ended June 30, 2019 and 2018, respectively.

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**NOTE 12 - CONCENTRATION OF CREDIT RISK**

The Foundation maintains cash accounts at a financial institution in Massachusetts, which, at times, may exceed federally insured limits. The Foundation has not experienced any losses in such accounts and management believes it is not exposed to any significant credit risk on cash balances.

**NOTE 13 - RELATED PARTY TRANSACTIONS**

The Community Foundation of North Central Massachusetts, Inc. and the United Way of North Central Massachusetts, Inc. share office space, office staff and both organizations were managed by the same president. The management fees for the Community Foundation of North Central Massachusetts, Inc. are reported and paid by the United Way of North Central Massachusetts, Inc. The Foundation reimburses for these costs on a monthly basis.

	<u>2019</u>	<u>2018</u>
Management Fees	\$ 319,014	\$ 266,620
Common Fees and Other Expenses	<u>29,769</u>	<u>25,524</u>
	<u>\$ 348,783</u>	<u>\$ 292,144</u>
Accounts Payable to the United Way of North Central Massachusetts, Inc.	<u>\$ 41,051</u>	<u>\$ 24,336</u>

Distributions made from various donor advised and endowment funds to the United Way of North Central Massachusetts were \$341,984 and \$401,991 for years ended June 30, 2019 and 2018, respectively.

The Community Foundation of North Central Massachusetts Supporting Organization Foundation is a related party not-for-profit foundation that shares officers with the Community Foundation of North Central Massachusetts, Inc. The supporting foundation's primary purpose is to promote charitable giving through the acceptance of real estate and other hard to value assets for the benefit and support of the Community Foundation of North Central Massachusetts, Inc.

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**NOTE 14 - AVAILABLE RESOURCES AND LIQUIDITY**

The Foundation's financial assets available within one year of the balance sheet date for general expenditures are as follows:

	<u>2019</u>	<u>2018</u>
Cash and Cash Equivalents	\$ 1,223,270	\$ 830,501
Short-Term Investments	<u>1,129,153</u>	<u>3,359,552</u>
Total	<u>\$ 2,352,423</u>	<u>\$ 4,190,053</u>

As part of the Foundation's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. In addition, the Foundation invests cash in excess of daily requirements in short-term investments.

**NOTE 15 - SUBSEQUENT EVENTS**

In preparing the financial statements, the Foundation has evaluated events and transactions for potential recognition or disclosure through September 20, 2019, the date the financial statements are available to be issued.

As of July 1, 2019, the Foundation modified the management services structure outlined in Note 11. Going forward, the Foundation will employ its own full-time President and the majority of its staff instead of contracting with the United Way of North Central Massachusetts, Inc. for management services. The Foundation will continue to contract with the United Way for a small portion of management services and provision of office facilities.