

COMMUNITY FOUNDATION OF NORTH

CENTRAL MASSACHUSETTS, INC.

FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2012 AND 2011

COMMUNITY FOUNDATION OF NORTH

CENTRAL MASSACHUSETTS, INC.

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REAGAN & COMPANY, PC

CERTIFIED PUBLIC ACCOUNTANTS

Independent Auditors' Report

Fitchburg, Massachusetts
September 7, 2012

To the Board of Directors
Community Foundation of North Central Massachusetts, Inc.

We have audited the accompanying statement of financial position of the Community Foundation of North Central Massachusetts, Inc. (a nonprofit organization) as of June 30, 2012 and the related statements of activities, functional expenses, and cash flows for the year then ended. These financial statements are the responsibility of the Community Foundation of North Central Massachusetts, Inc.'s management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year summarized comparative information has been derived from the Community Foundation of North Central Massachusetts, Inc.'s June 30, 2011 financial statements and, in our report dated August 31, 2011; we expressed an unqualified opinion on those financial statements.

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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Community Foundation of North Central Massachusetts, Inc. as of June 30, 2012, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Reagan & Company, P.C.

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

STATEMENT OF FINANCIAL POSITION

JUNE 30, 2012

(with comparative totals for June 30, 2011)

ASSETS

	<u>2012</u>	<u>2011</u>
Cash	\$ 227,969	\$ 140,483
Short-term investments (Note 2)	4,987,711	3,429,117
Contributions receivable (Note 3)	36,383	105,709
Other receivables	26,940	25,087
Prepaid expenses	8,782	7,014
Long-term investments (Note 4)	25,560,905	21,576,952
Property and equipment, net (Note 5)	2,393	4,276
Total assets	<u>\$ 30,851,083</u>	<u>\$ 25,288,638</u>

LIABILITIES AND NET ASSETS

Accounts payable	\$ 29,585	\$ 25,857
Grants payable (Note 6)	30,000	189,400
Agency funds and endowments (Note 7)	5,307,130	5,788,478
Total liabilities	<u>5,366,715</u>	<u>6,003,735</u>
NET ASSETS:		
Unrestricted net assets	1,643,711	1,695,224
Temporarily restricted net assets (Note 13)	9,081,529	10,394,859
Permanently restricted net assets (Note 13)	14,759,128	7,194,820
Total net assets	<u>25,484,368</u>	<u>19,284,903</u>
Total liabilities and net assets	<u>\$ 30,851,083</u>	<u>\$ 25,288,638</u>

COMMUNITY FOUNDATION OF NORTH CENTRAL MASSACHUSETTS, INC.
STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2012
(with comparative totals for June 30, 2011)

	Unrestricted	Temporarily Restricted	Permanently Restricted	Totals 2012	Totals 2011
REVENUES:					
Contributions (Note 8)	\$ 7,310,175	\$ 316,813	\$ 7,564,308	\$ 15,191,296	\$ 2,048,676
Donated space (Note 9)	3,600	-	-	3,600	3,600
Investment income (Note 10)	46,601	452,141	-	498,742	463,213
Realized gain on sale of investments	400	104,740	-	105,140	562,658
Administrative fee revenue (Note 11)	59,426	-	-	59,426	61,546
Sponsorships	12,600	-	-	12,600	11,800
Operating grant revenue	40,546	-	-	40,546	25,600
Assets released from restrictions - expiration of use restrictions	1,509,312	(1,509,312)	-	-	-
Total revenue	8,982,660	(635,618)	7,564,308	15,911,350	3,177,093
EXPENSES:					
Management and general	111,178	-	-	111,178	109,321
Fund-raising	158,773	-	-	158,773	171,250
Program (excluding grants and donor directed distributions)	39,944	-	-	39,944	35,184
Total expenses	309,895	-	-	309,895	315,755
Grants and donor directed distributions	8,544,050	-	-	8,544,050	5,278,869
Total expenses and donor directed distributions	8,853,945	-	-	8,853,945	5,594,624
INCREASE (DECREASE) IN NET ASSETS FROM OPERATIONS	128,715	(635,618)	7,564,308	7,057,405	(2,417,531)
OTHER INCREASE IN NET ASSETS:					
Unrealized gain (loss) on investments	(180,228)	(677,712)	-	(857,940)	2,469,681
INCREASE (DECREASE) IN NET ASSETS	(51,513)	(1,313,330)	7,564,308	6,199,465	52,150
NET ASSETS - BEGINNING OF PERIOD	1,695,224	10,394,859	7,194,820	19,284,903	19,232,753
NET ASSETS - END OF PERIOD	\$ 1,643,711	\$ 9,081,529	\$ 14,759,128	\$ 25,484,368	\$ 19,284,903

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, 2012

(with comparative totals for June 30, 2011)

	Management and General	Fund-raising	Program	Totals 2012	Totals 2011
Donor directed distributions	\$ -	\$ -	\$ 7,674,711	\$ 7,674,711	\$ 4,582,149
Grants	-	-	869,339	869,339	696,720
Grants and donor directed distributions	-	-	8,544,050	8,544,050	5,278,869
Payroll and payroll benefits (Note 12)	53,163	109,325	31,186	193,674	211,204
Accounting and auditing	31,700	-	-	31,700	31,460
Conferences and training	515	10,103	-	10,618	10,542
Depreciation	2,809	-	-	2,809	3,604
Design and marketing	-	20,530	-	20,530	20,530
Dues and subscriptions	1,997	-	3,115	5,112	2,627
Insurance	3,663	-	-	3,663	4,208
Miscellaneous	447	610	-	1,057	295
Newsletter	-	3,254	-	3,254	2,639
Occupancy	1,800	1,800	-	3,600	3,600
Office supplies and postage	4,237	4,389	3,139	11,765	9,404
Printing	3,482	722	780	4,984	1,560
Software maintenance	4,482	3,516	791	8,789	7,041
Telephone	1,478	1,159	261	2,898	1,341
Travel	1,405	1,455	672	3,532	4,050
Website	-	1,910	-	1,910	1,650
	<u>\$ 111,178</u>	<u>\$ 158,773</u>	<u>\$ 8,583,994</u>	<u>\$ 8,853,945</u>	<u>\$ 5,594,624</u>

**COMMUNITY FOUNDATION OF NORTH
CENTRAL MASSACHUSETTS, INC.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2012 AND 2011**

	<u>2012</u>	<u>2011</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Increase in net assets	\$ 6,199,465	\$ 52,150
Adjustments to reconcile increase in net assets to net cash used for operating activities:		
Depreciation	2,809	3,604
Contributions restricted for long-term investment	(7,881,121)	(1,162,485)
Interest and dividends restricted for long-term investment	(452,141)	(398,363)
Unrealized (gain) loss on investments	857,940	(2,469,681)
(Increase) decrease in:		
Contributions receivable	69,326	139,663
Other receivables	(1,853)	2,007
Prepaid expenses	(1,768)	463
Increase (decrease) in:		
Accounts payable	3,728	(4,327)
Grants payable	(159,400)	169,400
Agency funds and endowments	(481,348)	7,356
Net cash used for operating activities	<u>(1,844,363)</u>	<u>(3,660,213)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of equipment	(926)	(813)
Proceeds from sale of investments	7,104,378	11,683,729
Purchase of investments	(13,504,865)	(9,531,793)
Net cash provided by (used for) investing activities	<u>(6,401,413)</u>	<u>2,151,123</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Receipts of contributions restricted for long-term investment	7,881,121	1,162,485
Interest and dividends restricted for long-term investment	452,141	398,363
Net cash provided by financing activities	<u>8,333,262</u>	<u>1,560,848</u>
NET INCREASE IN CASH	87,486	51,758
CASH - BEGINNING OF YEAR	<u>140,483</u>	<u>88,725</u>
CASH - END OF YEAR	<u>\$ 227,969</u>	<u>\$ 140,483</u>

COMMUNITY FOUNDATION OF NORTH

CENTRAL MASSACHUSETTS, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2012

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Nature of Activities –

The Community Foundation of North Central Massachusetts, Inc. was 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.

Accounting Method –

The financial statements of the Community Foundation of North Central Massachusetts, Inc. have been prepared on the accrual basis of accounting and, accordingly, reflect all significant receivables, payables and other liabilities.

Basis of Presentation –

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board in its Accounting Standards Codification (ASC) 958. Under those provisions, net assets and revenues, gains and losses are classified based on the absence or existence and nature of donor-imposed restrictions as follows:

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

Temporarily restricted net assets – Net assets subject to donor-imposed stipulations that can be fulfilled by actions of the Community Foundation of North Central Massachusetts, Inc. pursuant to those stipulations or that expire by the passage of time.

Permanently restricted net assets – Net assets subject to donor-imposed stipulations that they be maintained permanently by the Organization. Generally, the donors of such assets permit the Organization to use all or part of the income earned on the assets.

COMMUNITY FOUNDATION OF NORTH

CENTRAL MASSACHUSETTS, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2012

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

Comparative Financial 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 accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended June 30, 2011, from which the summarized information was derived.

Cash and Cash Equivalents –

For financial statement purposes, the Community Foundation of North Central Massachusetts, Inc. considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

Property and Equipment –

The Organization follows the practice of capitalizing, as property and equipment, expenditures of \$500 or higher. Property and equipment are stated at cost or, in the case of gifts, at fair market value at the date of donation. Depreciation is provided on a straight-line basis over the following estimated useful lives of the assets:

	<u>Years</u>
Computers and computer software	3-5
Website	5

Contributed Services –

The Organization receives a substantial amount of services donated by volunteers in carrying out the organization'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 the Not-for-Profit Entities topic of the FASB Accounting Standards Codification 958.

COMMUNITY FOUNDATION OF NORTH

CENTRAL MASSACHUSETTS, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2012

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

Income Tax Status –

The Organization is a nonprofit organization and is exempt from federal income taxes under Section 501(C) (3) of the US Internal Revenue Code.

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. Accordingly, actual results could differ from those estimates.

Fair Value of Investment Securities –

The Organization follows the provisions of the Financial Accounting Standards Board in its Accounting Standards Codification (ASC) 958-320 “*Accounting for Certain Investments Held by Not-for-Profit Organizations*.” This guidance requires that investments in debt securities and certain equity securities be measured at fair value. Fair value is determined based on quoted market value. Realized and unrealized gains and losses on investments are recognized in the period in which they occur.

Investment Income and Gains –

Investment income and gains restricted by donors are reported as increases in unrestricted net assets if the restrictions are met (either a stipulated time period ends or a purpose restriction is accomplished) in the reporting period which the income and gains are recognized.

Expense Allocation –

The costs of providing various programs and other activities have been summarized on a functional basis in the Statement of Activities and in the Statement of Functional Expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

COMMUNITY FOUNDATION OF NORTH

CENTRAL MASSACHUSETTS, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2012

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

Designation of Unrestricted Net Assets –

It is the policy of the Board of Directors of the Organization to designate appropriate sums of unrestricted net assets to assure adequate financing for grant proposals.

Date of Management Review –

Subsequent events have been evaluated through September 7, 2012, which is the date the financial statements were available to be issued.

2. SHORT-TERM INVESTMENTS:

Short-term investments consisted of cash, money market accounts and short-term stock holdings.

3. CONTRIBUTIONS RECEIVABLE:

Unconditional promises to give at June 30, 2012, and 2011 are as follows:

	2012	2011
Receivable in less than one year	\$ 19,876	\$ 53,927
Receivable in one to five years	17,173	54,079
Total unconditional promises to give	37,049	108,006
Less: Discounts to net present value	(666)	(2,297)
Net unconditional contributions receivable	<u>\$ 36,383</u>	<u>\$ 105,709</u>

COMMUNITY FOUNDATION OF NORTH

CENTRAL MASSACHUSETTS, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2012

4. LONG-TERM INVESTMENTS:

Investments in debt securities and equity securities with readily determinable fair values are carried at fair value. Long-term investments at June 30, 2012 were comprised of the following:

	<u>Cost</u>	<u>Determinable Fair Market Value</u>	<u>Unrealized Gain (Loss)</u>
Mutual Funds	\$22,900,862	\$25,101,542	\$ 2,200,680
US Government / Municipal Bonds	<u>467,716</u>	<u>459,363</u>	<u>(8,353)</u>
Total long-term investments	<u><u>\$23,368,578</u></u>	<u><u>\$25,560,905</u></u>	<u><u>\$ 2,192,327</u></u>

5. PROPERTY AND EQUIPMENT:

As of June 30, 2012 and 2011, property and equipment consisted of:

	<u>2012</u>	<u>2011</u>
Computers and computer software	\$ 50,643	\$ 49,717
Website	<u>3,800</u>	<u>3,800</u>
	54,443	53,517
Less: Accumulated depreciation	<u>(52,050)</u>	<u>(49,241)</u>
Net assets	<u><u>\$ 2,393</u></u>	<u><u>\$ 4,276</u></u>

Depreciation expense was \$2,809 and \$3,604 for the years ended June 30, 2012 and 2011, respectively.

COMMUNITY FOUNDATION OF NORTH

CENTRAL MASSACHUSETTS, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2012

6. GRANTS PAYABLE:

Grants authorized but unpaid at year end are reported as liabilities in accordance with FASB ASC Topic 958-605. The following is a summary of grants authorized:

	<u>2012</u>	<u>2011</u>
General Endowment Grants	\$ 30,000	\$ 144,400
Donor Advised Grant Payable	<u>--</u>	<u>45,000</u>
	<u>\$ 30,000</u>	<u>\$ 189,400</u>

7. AGENCY FUNDS AND ENDOWMENTS:

Funds that the Foundation holds and invests for other not-for-profit organizations are treated as a liability since the funds are held by the Foundation for investing on the Organization's behalf. The income, expenses, 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 \$265,842 and \$122,056 and distributed \$543,468 and \$1,009,390 during the years ended June 30, 2012 and 2011, respectively.

8. CONTRIBUTIONS:

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions. All donor-restricted support is reported as an increase in temporarily or permanently restricted net assets depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

9. DONATED SPACE:

The Foundation has secured free office space through March 2013. The market value of this space at June 30, 2012 and 2011 was \$3,600 per year.

COMMUNITY FOUNDATION OF NORTH

CENTRAL MASSACHUSETTS, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2012

10. INVESTMENT INCOME:

Investment income of \$498,742 and \$463,213, in the accompanying statement of activities, is net of expenses relating to investment income, including custodial fees and investment advisory fees in the amount of \$41,123 and \$42,194 for the years ended June 30, 2012 and 2011, respectively.

11. ADMINISTRATIVE FEE REVENUE:

The Foundation charges administrative fees to the individual funds in order to cover the administrative tasks of managing the collection and distribution of the funds. These accounts are charged an annual fee not to exceed 1% of the fund's market value to cover the administrative tasks of managing these funds.

12. PAYROLL AND PAYROLL BENEFITS:

The Community Foundation of North Central Massachusetts, Inc. has a management contract with the United Way of North Central Massachusetts to provide administrative services. The contract between the two Organizations includes a Simplified Employee Pension Plan. Under the plan, the Organization contributes 8% of each eligible employee's salary. Expenses related to the plan were \$12,329 and \$13,701 for the years ended June 30, 2012 and 2011 respectively.

COMMUNITY FOUNDATION OF NORTH

CENTRAL MASSACHUSETTS, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2012

13. NET ASSETS:

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

Temporarily restricted net assets are available for the following purposes:

Funds available for donor recommendations	\$ 4,391,015
Scholarships	2,363,716
Endowment, other	1,102,183
Youth	448,229
Environment	336,361
Health	212,424
Capital campaign	172,978
Education	26,968
Literacy	16,953
Memorial funds	10,311
Hospice	391
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Total temporarily restricted net assets	\$ 9,081,529

Permanently restricted net assets consisted of the following:

Endowment, other	\$ 8,163,235
Youth organizations	2,413,276
Health	1,846,237
Environment	1,037,752
Scholarships	837,287
Funds available for donor restrictions	218,400
Education	182,781
Literacy	45,160
Memorial funds	10,000
Hospice	5,000
	<hr/>
Total permanently restricted net assets	\$ 14,759,128

COMMUNITY FOUNDATION OF NORTH

CENTRAL MASSACHUSETTS, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2012

14. RELATED PARTY TRANSACTIONS:

The Community Foundation of North Central Massachusetts, Inc. and the United Way of North Central Massachusetts share office space, office staff and both Organizations are managed by the same president. The payroll and related payroll benefits 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 the United Way for these costs on a monthly basis. The amounts billed for the shared payroll and related benefits was \$202,720 and \$254,648 for the years ended June 30, 2012 and 2011, respectively.

The Community Foundation of North Central Massachusetts Supporting Foundation is a related party nonprofit organization 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.