

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

FINANCIAL STATEMENTS

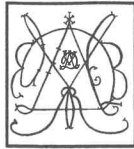
**FOR THE YEAR ENDED JUNE 30, 2016
(WITH SUMMARIZED FINANCIAL INFORMATION FOR 2015)**

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, 2016 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 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.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Community Foundation of North Central Massachusetts, Inc. as of June 30, 2016 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

The summarized comparative financial statements of the Foundation presented herein as of and for the year ended June 30, 2015, were audited by another auditor who expressed an unmodified opinion on those statements on September 11, 2015.

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

Leominster, MA
September 22, 2016

COMMUNITY FOUNDATION OF NORTH CENTRAL MASSACHUSETTS, INC.
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2016
(WITH SUMMARIZED FINANCIAL INFORMATION FOR 2015)

ASSETS			
		<u>2016</u>	<u>2015</u>
CURRENT ASSETS			
Cash	\$	727,797	268,994
Short-Term Investments		2,537,269	3,755,016
Pledge Receivable		25,672	77,431
Other Receivables		30,055	29,251
Prepaid Expenses		14,132	11,759
		<u>3,334,925</u>	<u>4,142,451</u>
Total Current Assets			
		<u>3,334,925</u>	<u>4,142,451</u>
LONG-TERM ASSETS			
Property and Equipment, Net		27,435	38,349
Long-Term Investments		35,142,758	35,941,070
		<u>35,170,193</u>	<u>35,979,419</u>
Total Long-Term Assets			
		<u>35,170,193</u>	<u>35,979,419</u>
TOTAL ASSETS		<u><u>\$ 38,505,118</u></u>	<u><u>\$ 40,121,870</u></u>
LIABILITIES AND NET ASSETS			
CURRENT LIABILITIES			
Accounts Payable	\$	50,247	\$ 30,422
Grants Payable		10,000	22,000
Agency Funds and Endowments		4,735,804	4,898,361
		<u>4,796,051</u>	<u>4,950,783</u>
Total Current Liabilities			
		<u>4,796,051</u>	<u>4,950,783</u>
NET ASSETS			
Unrestricted		1,862,530	1,983,619
Temporarily Restricted		11,192,688	13,243,040
Permanently Restricted		20,653,849	19,944,428
		<u>33,709,067</u>	<u>35,171,087</u>
Total Net Assets			
		<u>33,709,067</u>	<u>35,171,087</u>
TOTAL LIABILITIES AND NET ASSETS		<u><u>\$ 38,505,118</u></u>	<u><u>\$ 40,121,870</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, 2016
(WITH SUMMARIZED FINANCIAL INFORMATION FOR 2015)

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>2016 Total</u>	<u>2015 Total</u>
REVENUE AND OTHER SUPPORT					
Contributions	\$ 1,354,222	\$ 674,277	\$ 709,421	\$ 2,737,920	\$ 6,137,992
Less: Contributions to Agency Funds	(1,213,027)	-	-	(1,213,027)	(560,700)
Net Contributions	141,195	674,277	709,421	1,524,893	5,577,292
Net Unrealized Investment Gains (Losses)	(74,986)	(935,346)	-	(1,010,332)	(2,978,722)
Net Realized Investment Gains (Losses)	(377,097)	-	-	(377,097)	1,553,323
Investment Income	930,110	220,826	-	1,150,936	1,261,616
Fundraising Events	161,108	-	-	161,108	196,453
Administrative Fee Revenue	45,893	-	-	45,893	51,899
Operating Grant Revenue	36,000	-	-	36,000	52,644
Sponsorships	14,128	-	-	14,128	11,738
Net Assets Released from Restrictions					
Satisfaction of Program Restrictions	2,010,109	(2,010,109)	-	-	-
Total Revenue and Other Support	2,886,460	(2,050,352)	709,421	1,545,529	5,726,243
EXPENSES					
Management and General	173,781	-	-	173,781	144,724
Fund-Raising	182,493	-	-	182,493	178,567
Program (Excluding Grants and Donor Directed Distributions)	57,409	-	-	57,409	61,461
Total Expenses	413,683	-	-	413,683	384,752
Grants and Donor Directed Distributions	3,861,520	-	-	3,861,520	3,330,405
Less: Grants to Agency Funds	(1,270,040)	-	-	(1,270,040)	(458,773)
Net Grants and Donor Directed Distributions	2,591,480	-	-	2,591,480	2,871,632
Total Expenses and Donor Directed Distributions	3,005,163	-	-	3,005,163	3,256,384
RESULTS OF OPERATIONS	(118,703)	(2,050,352)	709,421	(1,459,634)	2,469,859
Loss on Disposition of Asset	(2,386)	-	-	(2,386)	-
CHANGES IN NET ASSETS	(121,089)	(2,050,352)	709,421	(1,462,020)	2,469,859
NET ASSETS, BEGINNING OF YEAR	1,983,619	13,243,040	19,944,428	35,171,087	32,701,228
NET ASSETS, END OF YEAR	<u>\$ 1,862,530</u>	<u>\$ 11,192,688</u>	<u>\$ 20,653,849</u>	<u>\$ 33,709,067</u>	<u>\$ 35,171,087</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, 2016
(WITH SUMMARIZED FINANCIAL INFORMATION FOR 2015)

EXPENSES	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>2016 Total</u>	<u>2015 Total</u>
Donor Directed Distributions	\$ 2,418,745	\$ -	\$ -	\$ 2,418,745	\$1,923,442
Grants	<u>1,442,775</u>	<u>-</u>	<u>-</u>	<u>1,442,775</u>	<u>1,406,963</u>
Grants and Donor Directed Distributions	3,861,520	-	-	3,861,520	3,330,405
Less: Grants from Agency Funds	<u>(1,270,040)</u>	<u>-</u>	<u>-</u>	<u>(1,270,040)</u>	<u>(458,773)</u>
Net Grants and Donor Directed Distributions	2,591,480	-	-	2,591,480	2,871,632
Management Fees	41,843	76,650	130,278	248,771	247,341
Accounting and Auditing	-	43,241	-	43,241	35,600
Design and Marketing	-	4,409	21,259	25,668	21,464
Software Maintenance	6,212	11,782	3,428	21,422	13,637
Legal Fees	-	11,936	-	11,936	1,388
Office Supplies and Postage	1,185	8,771	653	10,609	14,585
Conferences and Training	-	-	10,066	10,066	16,692
Occupancy	2,525	4,700	1,479	8,703	9,408
Insurance	-	4,832	-	4,832	3,842
Travel	907	924	2,013	3,846	3,074
Telephone	1,290	1,185	1,185	3,660	3,912
Dues and Subscriptions	-	3,536	-	3,536	3,959
Printing	855	1,228	472	2,555	3,157
Website	-	-	1,296	1,296	1,641
Miscellaneous	<u>-</u>	<u>14</u>	<u>-</u>	<u>14</u>	<u>510</u>
Total Expenses Before Depreciation	2,646,297	173,208	172,129	2,991,635	3,251,842
Depreciation	<u>2,592</u>	<u>573</u>	<u>10,364</u>	<u>13,528</u>	<u>4,542</u>
TOTAL FUNCTIONAL EXPENSES	<u><u>\$ 2,648,889</u></u>	<u><u>\$ 173,781</u></u>	<u><u>\$ 182,493</u></u>	<u><u>\$ 3,005,163</u></u>	<u><u>\$3,256,384</u></u>

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, 2016
(WITH SUMMARIZED FINANCIAL INFORMATION FOR 2015)

CASH FLOWS FROM OPERATING ACTIVITIES	<u>2016</u>	<u>2015</u>
Changes in Net Assets	\$ (1,462,020)	\$ 2,469,859
Adjustments to Reconcile Changes in Net Assets to Net Cash Used in Operating Activities:		
Depreciation Expense	13,528	4,542
Contributions Restricted for Long-Term Investment	(1,383,698)	(4,712,070)
Interest and Dividends Restricted for Long-Term Investment	(603,942)	(1,182,154)
Unrealized Loss on Investments	1,010,332	2,978,722
Loss on Disposition of Asset	2,386	-
(Increase) Decrease in Operating Assets:		
Pledge Receivable	51,759	51,227
Other Receivables	(804)	(3,268)
Prepaid Expenses	(2,373)	(1,765)
Increase (Decrease) in Operating Liabilities:		
Accounts Payable	19,825	551
Grants Payable	(12,000)	(109,737)
Agency Funds and Endowments	<u>(162,557)</u>	<u>16,625</u>
Net Cash Used In Operating Activities	<u>(2,529,564)</u>	<u>(487,468)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds From the Sale of Investments	5,052,614	10,808,079
Purchase of Investments	(4,046,887)	(16,151,804)
Expenditures for Property and Equipment	<u>(5,000)</u>	<u>(9,303)</u>
Net Cash Provided By (Used In) Investing Activities	<u>1,000,727</u>	<u>(5,353,028)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Receipts of Contributions Restricted for Long-Term Investment	1,383,698	4,712,070
Receipts of Interest and Dividends Restricted for Long-Term Investment	<u>603,942</u>	<u>1,182,154</u>
Net Cash Provided By Financing Activities	<u>1,987,640</u>	<u>5,894,224</u>
NET INCREASE IN CASH	458,803	53,728
CASH, BEGINNING OF YEAR	<u>268,994</u>	<u>215,266</u>
CASH, END OF YEAR	<u><u>\$ 727,797</u></u>	<u><u>\$ 268,994</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, 2016 AND 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities - The Community Foundation of North Central Massachusetts, Inc. 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.

Method 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, and accordingly reflect all significant receivables, payables, and other liabilities.

Financial Statement Presentation - The Foundation presents information regarding its financial position and activities according to three classifications of net assets described as follows:

Unrestricted - All resources over which the Governing Board has discretionary control. The Governing Board of the Foundation may elect to designate such resources for specific purposes. This designation may be removed at the Board's discretion.

Temporarily Restricted - Resources accumulated through donations or grants for specific operating or capital purposes. Such resources will become unrestricted when the requirements of the donor or grantor have been satisfied through expenditure for the specified purpose or program or through the passage of time.

Permanently Restricted - Endowment resources accumulated through donations or grants that are to be maintained permanently by the Foundation and are subject to the restriction in perpetuity that the principal be invested. Investment income and appreciation may be either an unrestricted or temporarily restricted resource when earned, determined according to the gift instruments and relevant state law.

As of June 30, 2016 and 2015, the Foundation has unrestricted, temporarily restricted and permanently restricted net assets.

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 Foundation's financial statements for the year ended June 30, 2015, from which the summarized information was derived.

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, 2016 and 2015.

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.

COMMUNITY FOUNDATION OF NORTH CENTRAL MASSACHUSETTS, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property and Equipment (Continued) - 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.

Contributions, Gifts and Grants - Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and nature of any donor restrictions. Contributions may include actual gifts or promises to give. Such contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Contribution of assets other than cash are recorded at their fair value on the date of the gift.

Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expires in the reporting period in which the contributions are recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets, depending on the nature of the restriction.

The Foundation receives services donated by volunteers in carrying out the Foundations 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 costs incurred to provide the various programs and other activities of the Foundation have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

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 unrecognized tax benefits 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, 2016 and 2015, the Foundation had \$284 and \$0, respectively, of unrelated business tax.

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 unrestricted and permanently restricted net assets.

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.

COMMUNITY FOUNDATION OF NORTH CENTRAL MASSACHUSETTS, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015

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.

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, 2016 consist of the following:

	<u>Cost</u>	<u>Fair Market Value</u>	<u>Unrealized Gain(Loss)</u>
<u>June 30, 2016</u>			
Mutual Funds	<u>\$ 2,273,587</u>	<u>\$ 2,537,269</u>	<u>\$ 263,682</u>

Short-term investments as of June 30, 2015 consist of the following:

	<u>Cost</u>	<u>Fair Market Value</u>	<u>Unrealized Gain(Loss)</u>
<u>June 30, 2015</u>			
Mutual Funds	<u>\$ 3,761,122</u>	<u>\$ 3,755,016</u>	<u>\$ (6,106)</u>

NOTE 3 - PLEDGE RECEIVABLE

Unconditional promises to give at June 30, 2016 and 2015 are as follows:

	<u>2016</u>	<u>2015</u>
Receivable in Less Than One Year	\$ 17,598	\$ 36,181
Receivable in One to Five Years	<u>8,467</u>	<u>43,075</u>
Total Unconditional Promises to Give	26,065	79,256
Less: Discounts to Net Present Value	<u>(393)</u>	<u>(1,825)</u>
Net Unconditional Contributions Receivable	<u>\$ 25,672</u>	<u>\$ 77,431</u>

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, 2016 consist of the following:

	<u>Cost</u>	<u>Fair Market Value</u>	<u>Unrealized Gain(Loss)</u>
<u>June 30, 2016</u>			
Mutual Funds	<u>\$ 33,718,911</u>	<u>\$ 35,142,758</u>	<u>\$ 1,423,847</u>

COMMUNITY FOUNDATION OF NORTH CENTRAL MASSACHUSETTS, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015

NOTE 4 - LONG-TERM INVESTMENTS (Continued)

Long-term investments as of June 30, 2015 consist of the following:

	<u>Cost</u>	<u>Fair Market Value</u>	<u>Unrealized Gain(Loss)</u>
<u>June 30, 2015</u>			
Mutual Funds	\$ 31,757,381	\$ 34,352,424	\$ 2,595,043
US Government/Municipal Bonds	<u>1,596,552</u>	<u>1,588,646</u>	<u>(7,906)</u>
Total Long-Term Investments	<u>\$ 33,353,933</u>	<u>\$ 35,941,070</u>	<u>\$ 2,587,137</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.

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.

COMMUNITY FOUNDATION OF NORTH CENTRAL MASSACHUSETTS, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015

NOTE 5 - FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

Fair value assets measured on a recurring basis as of June 30, 2016 are as follows:

	Total Fair Value at	Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
<u>June 30, 2016</u>				
Cash and Cash Equivalents	\$ 737,797	\$ 737,797	\$ -	\$ -
Short-Term Investments				
Mutual Funds	\$ 2,537,269	\$ 2,537,269	\$ -	\$ -
Long-Term Investments				
Mutual Funds	\$35,142,758	\$ 35,142,758	\$ -	\$ -

Fair value assets measured on a recurring basis as of June 30, 2015 are as follows:

	Total Fair Value at	Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
<u>June 30, 2015</u>				
Cash and Cash Equivalents	\$ 268,994	\$ 268,994	\$ -	\$ -
Short-Term Investments				
Mutual Funds	\$ 3,755,016	\$ 3,755,016	\$ -	\$ -
Long-Term Investments				
Mutual Funds	\$34,352,424	\$ 34,352,424	\$ -	\$ -
US Government/ Municipal Bonds	\$ 1,588,646	\$ 1,588,646	\$ -	\$ -

NOTE 6 - PROPERTY AND EQUIPMENT

Property and equipment consists of the following:

	<u>Useful Lives</u>	<u>2016</u>	<u>2015</u>
Computers and Software	3 - 5 years	\$ 56,206	\$ 54,785
Website	5 years	32,200	32,200
		88,406	86,985
Less: Accumulated Depreciation		(60,971)	(48,636)
Property and Equipment, Net		<u>\$ 27,435</u>	<u>\$ 38,349</u>

Depreciation expense for property and equipment was \$13,528 and \$4,542 for the year ended June 30, 2016 and 2015, respectively.

COMMUNITY FOUNDATION OF NORTH CENTRAL MASSACHUSETTS, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015

NOTE 7 - GRANTS PAYABLE

Grants authorized but unpaid at year end are reported as liabilities in accordance with FASB ASC 605, Revenue Recognition.

	<u>2016</u>	<u>2015</u>
Grants payable consists of the following:		
Donor Advised Grants Payable	\$ 10,000	\$ 22,000

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 Organization'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 \$1,213,027 and \$560,700 and distributed \$1,270,040 and \$458,773 during the years ended June 30, 2016 and 2015, respectively.

NOTE 9 - NET ASSETS

Temporarily restricted net assets are available for the following purposes:

	<u>2016</u>	<u>2015</u>
Scholarships	\$ 4,057,347	\$ 4,264,634
Funds Available for Donor Recommendations	3,928,898	4,404,648
Endowment, Other	1,018,501	1,608,410
Youth	665,652	713,123
Environment	612,646	593,079
Education	432,006	520,136
Critical Needs	390,438	511,479
Health	87,200	627,531
Total Temporarily Restricted Net Assets	<u>\$ 11,192,688</u>	<u>\$ 13,243,040</u>

Permanently restricted net assets are restricted to:

	<u>2016</u>	<u>2015</u>
Youth	\$ 5,635,862	\$ 5,712,332
Endowment, Other	5,556,401	5,160,142
Critical Needs	2,101,350	2,059,794
Health	2,146,502	2,060,956
Education	2,080,439	2,151,426
Environment	1,607,996	1,139,887
Scholarships	1,364,809	1,350,192
Funds Available for Donor Recommendations	160,490	309,699
Total Permanently Restricted Net Assets	<u>\$ 20,653,849</u>	<u>\$ 19,944,428</u>

COMMUNITY FOUNDATION OF NORTH CENTRAL MASSACHUSETTS, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015

NOTE 10 - INVESTMENT INCOME

Investment income of \$1,150,936 and \$1,261,616, 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 \$73,158 and \$63,471 for the years ended June 30, 2016 and 2015, respectively.

NOTE 11 - ADMINISTRATIVE FEE REVENUE

The Foundation charges an annual administrative fee to the individual funds, not to exceed 1% of the fund's market value. The fee covers the administrative tasks of managing the collection and distribution of the funds.

NOTE 12 - MANAGEMENT FEE

The Foundation has a management contract with the United Way of North Central Massachusetts, Inc. to provide administrative services. The contract between the two Organizations includes a Simplified Employee Pension Plan. Under the plan, the Foundation contributes 5% of each eligible employees salary. Effective January 1, 2016, the Foundation changed from a Simplified Employee Pension Plan to a 401(k) Plan (the "Plan") to provide retirement benefits for its employees. As allowed under Section 401(k) of the Internal Revenue Code, the Plan provides for tax-deferred salary contributions for eligible employees. The Plan allows employees to contribute a portion of their annual compensation to the Plan on a pretax basis up to the IRS legal limits. Employer contributions are discretionary, equal to a uniform percentage of salary deferrals determined annually. Expenses related to this plan was \$10,066 and \$11,137 for the years ended June 30, 2016 and 2015, respectively.

NOTE 13 - 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 14 - 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 are managed by the same president. The Management Fee 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>2016</u>	<u>2015</u>
Management Fees	\$ 248,771	\$ 247,341
Common Fees and Other Expenses	36,112	38,256
	<u>\$ 284,883</u>	<u>\$ 285,597</u>
Accounts payable to the United Way	<u>\$ 28,949</u>	<u>\$ 26,869</u>

COMMUNITY FOUNDATION OF NORTH CENTRAL MASSACHUSETTS, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015

NOTE 14 - RELATED PARTY TRANSACTIONS (Continued)

The Community Foundation of North Central Massachusetts Supporting Foundation is a related party non-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 or real estate and other hard to value assets for the benefit and support of the Community Foundation of North Central Massachusetts, Inc.

NOTE 15 - SUBSEQUENT EVENTS

In preparing the financial statements, the Foundation has evaluated events and transactions for potential recognition or disclosure through September 22, 2016, the date the financial statements were available to be issued. The Foundation is not aware of any subsequent events that would require recognition or disclosure in the financial statements.