

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

FINANCIAL STATEMENTS

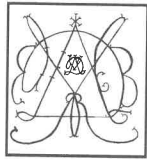
**FOR THE YEAR ENDED JUNE 30, 2023
(WITH SUMMARIZED FINANCIAL INFORMATION FOR 2022)**

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

Opinion

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, 2023 and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to in the previous paragraph present fairly, in all material respects, the financial position of Community Foundation of North Central Massachusetts, Inc. as of June 30, 2023 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.

Basis for Opinion

We conducted our audit in accordance with Generally Accepted Auditing Standards in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Community Foundation of North Central Massachusetts, Inc. and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Community Foundation of North Central Massachusetts, Inc.'s ability to continue as a going concern for the period of October 3, 2023 to October 3, 2024.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and Government Auditing Standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Community Foundation of North Central Massachusetts, Inc.'s internal control. Accordingly, no such opinion is expressed. In circumstances in which the auditor also has responsibility to express an opinion on the effectiveness of internal control in conjunction with the audit of the financial statements, omit the following: "but not for the purpose of expressing an opinion on the effectiveness of Community Foundation of North Central Massachusetts, Inc.'s internal control. Accordingly, no such opinion is expressed."
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Community Foundation of North Central Massachusetts, Inc.'s ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

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, 2022, and we expressed an unmodified audit opinion on those audited financial statements in our report dated November 1, 2022. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2022 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated October 3, 2023 on our consideration of Community Foundation of North Central Massachusetts, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Community Foundation of North Central Massachusetts, Inc.'s internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering Community Foundation of North Central Massachusetts, Inc.'s internal control over financial reporting and compliance.

Alario and Associates, Certified Public Accountants, P.C.

Leominster, MA
October 3, 2023

COMMUNITY FOUNDATION OF NORTH CENTRAL MASSACHUSETTS, INC.
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2023
(WITH SUMMARIZED FINANCIAL INFORMATION FOR 2022)

ASSETS		
	<u>2023</u>	<u>2022</u>
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 442,095	\$ 388,166
Short-Term Investments	4,979,764	5,174,789
Pledges Receivable, Net	40,000	-
Other Receivables	290,826	54,625
Prepaid Expenses	27,067	19,159
	<u>5,779,752</u>	<u>5,636,739</u>
Total Current Assets		
	<u>5,779,752</u>	<u>5,636,739</u>
PROPERTY AND EQUIPMENT, NET	<u>9,410</u>	<u>6,427</u>
OPERATING RIGHT OF USE ASSET, NET	<u>3,724</u>	<u>-</u>
OTHER ASSETS		
Investment In Non-Profit Center of NCM, Net	685,229	706,692
Long-Term Investments	65,753,321	60,881,272
	<u>66,438,550</u>	<u>61,587,964</u>
Total Other Assets		
	<u>66,438,550</u>	<u>61,587,964</u>
TOTAL ASSETS	<u>\$ 72,231,436</u>	<u>\$ 67,231,130</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts Payable	\$ 241,583	\$ 33,076
Pledge Payable	-	116
Deferred Revenue	100,000	133,436
Undesignated Revenue	1,568	5,612
Current Portion of Operating Lease Liability	1,853	-
Agency Funds and Endowments	6,719,672	6,006,988
	<u>7,064,676</u>	<u>6,179,228</u>
Total Current Liabilities		
	<u>7,064,676</u>	<u>6,179,228</u>
LONG-TERM LIABILITIES		
Operating Lease Liability, Net of Current Portion	<u>1,871</u>	<u>-</u>
Total Liabilities	<u>7,066,547</u>	<u>6,179,228</u>
NET ASSETS		
Net Assets Without Donor Restrictions	3,404,249	3,146,962
Net Assets With Donor Restrictions (See Note 10)	61,760,640	57,904,940
	<u>65,164,889</u>	<u>61,051,902</u>
Total Net Assets		
	<u>65,164,889</u>	<u>61,051,902</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 72,231,436</u>	<u>\$ 67,231,130</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, 2023
(WITH SUMMARIZED FINANCIAL INFORMATION FOR 2022)

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>2023 Total</u>	<u>2022 Total</u>
REVENUE AND OTHER SUPPORT				
Total Investment Return, Net (See Note 6)	\$ 817,955	\$ 5,804,405	\$ 6,622,360	\$ (8,156,944)
Less: Investment Returns on Agency Funds	(610,123)	-	(610,123)	746,840
Net Investment Return	<u>207,832</u>	<u>5,804,405</u>	<u>6,012,237</u>	<u>(7,410,104)</u>
Total Gifts and Donations	965,824	5,250,803	6,216,627	5,578,883
Less: Gifts and Donations for Agency Funds	(374,466)	-	(374,466)	(198,206)
Net Gifts and Donations	<u>591,358</u>	<u>5,250,803</u>	<u>5,842,161</u>	<u>5,380,677</u>
Fundraising Events, Net	234,973	-	234,973	112,251
Administrative Fee Revenue, Net	69,216	-	69,216	74,553
Sponsorships	4,520	-	4,520	2,000
Net Assets Released for Distributions, Net	<u>7,199,508</u>	<u>(7,199,508)</u>	<u>-</u>	<u>-</u>
Total Revenue and Other Support	<u>8,307,407</u>	<u>3,855,700</u>	<u>12,163,107</u>	<u>(1,840,623)</u>
EXPENSES				
Donor Services and Development	319,323	-	319,323	280,193
General and Administrative	425,418	-	425,418	419,344
Grantmaking and Community Leadership (Excluding Net Grants and Donor Directed Distributions)	<u>121,597</u>	<u>-</u>	<u>121,597</u>	<u>78,046</u>
Total Expenses	<u>866,338</u>	<u>-</u>	<u>866,338</u>	<u>777,583</u>
Grants and Donor Directed Distributions	7,368,783	-	7,368,783	6,478,304
Less: Grants from Agency Funds	<u>(206,463)</u>	<u>-</u>	<u>(206,463)</u>	<u>(1,906,642)</u>
Net Grants and Donor Directed Distributions	<u>7,162,320</u>	<u>-</u>	<u>7,162,320</u>	<u>4,571,662</u>
Total Expenses and Donor Directed Distributions	<u>8,028,658</u>	<u>-</u>	<u>8,028,658</u>	<u>5,349,245</u>
RESULTS OF OPERATIONS	<u>278,749</u>	<u>3,855,700</u>	<u>4,134,449</u>	<u>(7,189,868)</u>
OTHER INCREASE (DECREASE) IN NET ASSETS				
Depreciation on Non-Profit Center of NCM	(21,462)	-	(21,462)	(13,607)
Loss on Disposal of Fixed Asset	<u>-</u>	<u>-</u>	<u>-</u>	<u>(456)</u>
Total Other Decrease in Net Assets	<u>(21,462)</u>	<u>-</u>	<u>(21,462)</u>	<u>(14,063)</u>
CHANGES IN NET ASSETS	<u>257,287</u>	<u>3,855,700</u>	<u>4,112,987</u>	<u>(7,203,931)</u>
NET ASSETS, BEGINNING OF YEAR	<u>3,146,962</u>	<u>57,904,940</u>	<u>61,051,902</u>	<u>68,255,833</u>
NET ASSETS, END OF YEAR	<u>\$ 3,404,249</u>	<u>\$ 61,760,640</u>	<u>\$ 65,164,889</u>	<u>\$ 61,051,902</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, 2023
(WITH SUMMARIZED FINANCIAL INFORMATION FOR 2022)

EXPENSES	Supporting Services		Program Services	2023 <u>Total</u>	2022 <u>Total</u>
	<u>General and Administrative</u>	<u>Donor Services and Development</u>	<u>Grantmaking and Community Leadership</u>		
Donor Directed Distributions	\$ -	\$ -	\$ 2,414,674	\$ 2,414,674	\$ 1,213,053
Grants	-	-	4,954,109	4,954,109	5,265,251
Grants and Donor Directed Distributions	-	-	7,368,783	7,368,783	6,478,304
Less: Grants from Agency Funds	-	-	(206,463)	(206,463)	(1,906,642)
Net Grants and Donor Directed Distributions	-	-	7,162,320	7,162,320	4,571,662
Payroll and Benefits	313,762	219,051	94,340	627,153	558,482
Professional Fees	9,648	25,913	-	35,561	12,885
Occupancy	19,911	11,137	2,700	33,748	29,201
Software Maintenance	15,438	10,648	2,581	28,667	29,167
Accounting and Auditing	24,200	-	-	24,200	14,360
Miscellaneous	2,514	-	20,157	22,671	4,805
Design and Marketing	-	12,086	-	12,086	42,185
Development Events	-	11,293	-	11,293	13,363
Management Administrative Fees	10,425	-	-	10,425	10,751
Insurance	9,908	254	13	10,175	11,705
Conferences and Training	4,614	4,614	-	9,228	4,819
Website	-	8,388	-	8,388	8,989
Dues and Subscriptions	2,181	5,088	-	7,269	9,211
Office Supplies and Postage	4,202	2,350	570	7,122	7,626
Telephone	3,738	2,091	507	6,336	5,604
Printing	-	3,428	-	3,428	1,019
Leased Equipment	3,256	-	-	3,256	2,863
Travel	-	1,280	-	1,280	1,876
Bad Debt Expense	-	-	-	-	3,807
Total Expenses Before Depreciation	423,797	317,621	7,283,188	8,024,606	5,344,380
Depreciation	1,621	1,702	729	4,052	4,865
TOTAL FUNCTIONAL EXPENSES	\$ 425,418	\$ 319,323	\$ 7,283,917	\$ 8,028,658	\$ 5,349,245

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, 2023
(WITH SUMMARIZED FINANCIAL INFORMATION FOR 2022)

CASH FLOWS FROM OPERATING ACTIVITIES	<u>2023</u>	<u>2022</u>
Changes in Net Assets	\$ 4,112,987	\$ (7,203,931)
Adjustments to Reconcile Changes in Net Assets to Net Cash Used in Operating Activities:		
Depreciation Expense	4,052	4,865
Contributions Restricted for Long-Term Investment	(5,250,803)	(3,376,030)
Interest and Dividends Restricted for Long-Term Investment	(1,989,430)	(2,377,713)
Realized Gain on Investments	(895,709)	(2,393,875)
Unrealized Loss (Gain) on Investments	(3,223,643)	12,067,903
Loss on Disposal of Fixed Asset	-	456
Depreciation on Non-Profit Center of NCM	21,463	-
(Increase) Decrease in Operating Assets:		
Pledge Receivable	(40,000)	30,807
Other Receivables	(236,201)	24,417
Prepaid Expenses	(7,908)	(465)
Other Assets	-	705,000
Increase (Decrease) in Operating Liabilities:		
Accounts Payable	208,508	22,382
Grants Payable	-	(334,035)
Pledge Payable	(116)	116
Deferred Revenue	(33,436)	40,286
Undesignated Revenue	(4,044)	96
Agency Funds and Endowments	712,684	(2,535,820)
Net Cash Used In Operating Activities	<u>(6,621,596)</u>	<u>(5,325,541)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds From the Sale of Investments	10,909,583	8,538,168
Investment in Non-Profit Center of North Central Massachusetts	-	(706,692)
Purchase of Investments	(11,467,256)	(8,483,693)
Purchase of Equipment	(7,035)	-
Net Cash Used In Investing Activities	<u>(564,708)</u>	<u>(652,217)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Receipts of Contributions Restricted for Long-Term Investment	5,250,803	3,376,030
Receipts of Interest and Dividends Restricted for Long-Term Investment	1,989,430	2,377,713
Net Cash Provided By Financing Activities	<u>7,240,233</u>	<u>5,753,743</u>
NET INCREASE (DECREASE) IN CASH	53,929	(224,015)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>388,166</u>	<u>612,181</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u><u>\$ 442,095</u></u>	<u><u>\$ 388,166</u></u>
SUPPLEMENTAL DISCLOSURES		
Cash Paid During the Year for Unrelated Business Income Tax	<u><u>\$ 1,553</u></u>	<u><u>\$ 603</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, 2023 AND 2022

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, 2023 and 2022, 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, 2023 AND 2022

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, 2022, 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, 2023 AND 2022

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, 2023 and 2022.

Property and Equipment - The Foundation follows the practice of capitalizing as property and equipment expenditures of \$1,000 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 \$7,162,320 and \$4,571,662 net of agency distributions of \$206,463 and \$1,906,642, during the years ended June 30, 2023 and 2022, 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 are 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, 2023 AND 2022

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.

Leases - Effective July 1, 2022, the Foundation adopted Accounting Standards Updated (ASU) 2016-02, Leases (ASC Topic 842) and subsequent amendments. ASC 842 affects all companies that enter into lease arrangements, with certain exclusions under limited scope limitations. Under ASU 2016-02, an entity recognizes right-of-use assets and lease obligations on the balance sheet for all leases with a lease term of more than 12 months. Short-term rentals under year-to-year leases or remaining lease terms of 12 months or less are exempt from being capitalized.

In adopting the new lease standard, the Foundation elected to use a transition method under which existing leases were measured and capitalized as of the date of adoption, July 1, 2022, in lieu of applying the standard retrospectively to July 1, 2021. Consequently, the 2022 financial statements and disclosures do not reflect the effects of implementing the new lease standard.

Additionally, as part of the implementation, the Foundation elected to use a package of optional practical expedients which permit the Foundation to avoid reassessing previous lease identifications within contracts, the existence of initial direct costs, and the lease classifications of any expired and existing leases. Moreover, in accordance with the expedients, all leases classified as operating under previous U.S. GAAP are automatically classified as operating leases under the new standard, and all leases previously classified as capital leases are recorded as finance leases.

Leases recognized under the new standard include leases that were not capitalized under previous U.S. Generally Accepted Accounting Principles (U.S. GAAP).

On July 1, 2022, the Foundation recorded in its July 1, 2022 balance sheet a right-of-use asset and lease obligation for an operating lease related to leased office equipment.

The Foundation determined that the building lease existing as of July 1, 2022 was exempt from being capitalized due to the length and terms of the lease. The Foundation leases its building from the Non-Profit Center of North Central Massachusetts, which is a 501(c)(25) exempt organization and subsidiary of the Foundation, which it co-owns with the United Way of North Central Massachusetts, Inc. There is no lease obligation extending beyond a 12 month term, and all payments are variable lease payments based on the Non-Profit Center's annual budget, with additional rents charged evenly to both the Foundation and the United Way to cover an equal portion of the Non-Profit Center's operating costs. The Foundation's investment in the Non-Profit Center is recorded on the balance sheet net of accumulated depreciation, and no right-of-use asset or lease liability is recognized due to the length and nature of the lease.

COMMUNITY FOUNDATION OF NORTH CENTRAL MASSACHUSETTS, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The new standard requires that leases with a lease term of more than 12 months be classified as either finance or operating. Leases are classified as finance leases when the Foundation expects to consume a major part of the economic benefits of the leased assets over the remaining lease term. Conversely, the Foundation is not expected to consume a major part of the economic benefits of assets classified as operating lease. The lease classification affects both the pattern and presentation of expense recognized in the income statement, the categorization of assets and liabilities in the balance sheet, and classification of cash flows in the statement of cash flows.

Total lease cost consists of two components; amortization expense related to the write-off of right-of-use assets, and interest expense from lease obligations.

For financing leases, total lease cost is recorded on an accelerated basis whereby interest expense is recorded using the effective interest method and right-of-use assets are amortized on a straight-line basis over the remaining lease term. For operating leases, total lease cost is measured and recorded on a straight-line basis over the lease term.

Non-lease components, such as supplies overages and common area maintenance (CAM) charges, are separated from lease components based on the terms of the related lease. Variable lease components consist of all building lease payments to cover the operating costs of the Non-Profit Center.

Lease obligations are measured and recorded at the present value of future lease payments using a discount rate. Because the Foundation generally does not have access to the rate implicit in each lease, lease obligations are measured using the incremental borrowing rate as the discount rate. The incremental borrowing rate is the rate that would be paid to borrow on a collateralized basis over a similar term and amount equal to the lease payments in a similar economic environment. The Foundation applied an incremental borrowing rate of 4% to its equipment lease.

Right-of-use assets are generally measured and recorded at the sum of the lease obligation, any initial direct costs to consummate the lease, and any lease payments made on or before the commencement date.

No additional leases were capitalized in fiscal year 2023.

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.

COMMUNITY FOUNDATION OF NORTH CENTRAL MASSACHUSETTS, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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, 2023 and 2022, the Foundation had \$0 and \$603, respectively, of unrelated business tax.

Accounting Pronouncement on Contributions - In June 2018, FASB issued ASU 2018-08, Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made, with the stated purpose of providing guidance in evaluating whether transactions should be accounted for as contributions or exchanges. In addition, the update introduces the concept of barriers in providing additional guidance on identifying conditions that would preclude the recognition of a contribution as revenue. When any contribution is received, the Organization must determine whether the transaction is an exchange or contribution, identify and donor-imposed conditions or restrictions regarding its use, distinguish between barriers and donor-imposed restrictions, and conclude that all conditions are resolved prior to recognizing the contribution as revenue.

Accounting Pronouncement on Revenue Recognition - On July 1, 2021, the Foundation adopted ASC Topic 606, Revenue from Contracts with Customers. The Foundation derives certain revenues from grants. Revenue is therefore recognized when the goods or services are delivered.

A performance obligation is a promise in various grants to transfer distinct goods or services to the customer and is the unit of accounting in Topic 606. A grant's transaction price is allocated to each performance obligation and recognized as revenue when, or as, the performance obligation is satisfied. Program service revenue originates from contracts with customers with a single performance obligation, which is to provide the customer with various goods and services.

For the year ended June 30, 2023 and 2022, no contributions received were determined to be exchange transactions. The Foundation did identify grants containing barriers to overcome prior to recognizing grants as revenue. The Foundation had \$100,000 and \$133,436 in deferred revenue at June 30, 2023 and 2022, respectively.

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.

COMMUNITY FOUNDATION OF NORTH CENTRAL MASSACHUSETTS, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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, 2023 consist of the following:

	<u>Cost</u>	<u>Fair Market Value</u>	<u>Unrealized Loss</u>
<u>June 30, 2023</u>			
Money Markets, Short-Term Stock Holdings, Mutual Funds	<u>\$ 5,249,990</u>	<u>\$ 4,979,764</u>	<u>\$ (270,226)</u>

Short-term investments as of June 30, 2022 consist of the following:

	<u>Cost</u>	<u>Fair Market Value</u>	<u>Unrealized Loss</u>
<u>June 30, 2022</u>			
Money Markets, Short-Term Stock Holdings, Mutual Funds	<u>\$ 5,372,780</u>	<u>\$ 5,174,789</u>	<u>\$ (197,991)</u>

COMMUNITY FOUNDATION OF NORTH CENTRAL MASSACHUSETTS, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

NOTE 3 - PLEDGE RECEIVABLE

Unconditional promises to give at June 30, 2023 and 2022 are as follows:

	<u>2023</u>	<u>2022</u>
Receivable in Less Than One Year	\$ 10,000	\$ -
Receivable in One to Five Years	30,000	-
	<hr/>	<hr/>
Total Unconditional Promises to Give	40,000	-
Less: Discounts to Net Present Value	-	-
	<hr/>	<hr/>
Net Unconditional Contributions Receivable	<u><u>\$ 40,000</u></u>	<u><u>\$ -</u></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, 2023 consist of the following:

	<u>Cost</u>	<u>Fair Market Value</u>	<u>Unrealized Gain (Loss)</u>
<u>June 30, 2023</u>			
Investment in Non-Profit Center of NCM	720,299	685,229	(35,070)
Mutual Funds	49,183,495	65,753,321	16,569,826

Long-term investments as of June 30, 2022 consist of the following:

	<u>Cost</u>	<u>Fair Market Value</u>	<u>Unrealized Gain (Loss)</u>
<u>June 30, 2022</u>			
Investment in Non-Profit Center of NCM	720,299	706,692	(13,607)
Mutual Funds	51,508,535	60,881,272	9,372,737

COMMUNITY FOUNDATION OF NORTH CENTRAL MASSACHUSETTS, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

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.

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

COMMUNITY FOUNDATION OF NORTH CENTRAL MASSACHUSETTS, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

NOTE 5 - FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

Fair value assets measured on a recurring basis as of June 30, 2023 are as follows:

	Total Fair Value at	Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Un- Observable Inputs (Level 3)
<u>June 30, 2023</u>				
Cash and Cash Equivalents	\$ 442,095	\$ 442,095	\$ -	\$ -
Short-Term Investments				
Mutual Funds	\$ 4,979,764	\$ 4,979,764	\$ -	\$ -
Long-Term Investments				
Mutual Funds	\$ 65,753,321	\$ 65,753,321	\$ -	\$ -
Investment in Non-Profit Center of NCM, Net	\$ -	\$ -	\$ -	\$ 685,229

Fair value assets measured on a recurring basis as of June 30, 2022 are as follows:

	Total Fair Value at	Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Un- Observable Inputs (Level 3)
<u>June 30, 2022</u>				
Cash and Cash Equivalents	\$ 388,166	\$ 388,166	\$ -	\$ -
Short-Term Investments				
Mutual Funds	\$ 5,174,789	\$ 5,174,789	\$ -	\$ -
Long-Term Investments				
Mutual Funds	\$ 60,881,272	\$ 60,881,272	\$ -	\$ -
Investment in Non-Profit Center of NCM, Net	\$ -	\$ -	\$ -	\$ 706,692

Level 3 valuation for the Investment in Non-Profit Center of NCM is based on the Foundation's adjusted net book value in the Non-Profit Center. The following is a reconciliation of the Investment in Non-Profit Center of NCM in which significant unobservable inputs (Level 3) were used in determining value:

COMMUNITY FOUNDATION OF NORTH CENTRAL MASSACHUSETTS, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

NOTE 5 - FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

	<u>2023</u>	<u>2022</u>
Original Investment in Non-Profit Center of NCM	\$ 720,299	\$ 720,299
Accumulated Depreciation	<u>(35,070)</u>	<u>(13,607)</u>
Investment in Non-Profit Center of NCM, Net	<u><u>\$ 685,229</u></u>	<u><u>\$ 706,692</u></u>

NOTE 6 - INVESTMENTS

Total investment returns consist of the following for the years ended June 30, 2023 and 2022:

	<u>2023</u>	<u>2022</u>
Interest and Dividends	\$ 2,195,995	\$ 2,640,437
Realized Gains	1,034,163	2,393,875
Investment Fees	(105,971)	(125,191)
Unrealized Gains (Losses)	<u>3,498,173</u>	<u>(13,066,065)</u>
Total Investment Return	<u><u>\$ 6,622,360</u></u>	<u><u>\$ (8,156,944)</u></u>

NOTE 7 - PROPERTY AND EQUIPMENT

Property and equipment consists of the following:

	<u>Useful Lives</u>	<u>2023</u>	<u>2022</u>
Computers and Software	3 - 5 years	\$ 77,172	\$ 70,137
Website	5 years	<u>32,000</u>	<u>32,000</u>
		109,172	102,137
Less: Accumulated Depreciation		<u>(99,762)</u>	<u>(95,710)</u>
Property and Equipment, Net		<u><u>\$ 9,410</u></u>	<u><u>\$ 6,427</u></u>

Depreciation expense for property and equipment was \$4,052 and \$4,865 for the years ended June 30, 2023 and 2022, respectively.

COMMUNITY FOUNDATION OF NORTH CENTRAL MASSACHUSETTS, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

NOTE 8 - LEASES

As of June 30, 2023, right-of-use assets and lease liabilities related to operating leases were as follows:

	<u>Operating Leases</u>
Right-of-Use Assets:	
Cost	\$ 5,558
Less: Accumulated Amortization	(1,834)
Right-of-Use Asset, Net	<u>\$ 3,724</u>

The Foundation's lease consists of an office equipment lease with a lease term of four years and annual lease payments totaling approximately \$1,880, maturing June 2025.

A summary of total lease cost, by component, and other lease information for the fiscal year June 30, 2023 follows:

	<u>2023</u>
Lease Cost:	
Operating Lease Cost	\$ 1,881
Variable Lease Costs	1,375
Total Lease Cost	<u>\$ 3,256</u>

Other Lease Information:

	<u>2023</u>
Weighted-Average Remaining Lease Term:	
Operating Leases	2 Years
Weighted-Average Discount Rate:	
Operating Leases	1.00%

A summary of the future lease payments for operating and finance leases, reconciled to the lease liability recorded at June 30, 2023 follows:

		<u>Operating Leases</u>
Year Ending June 30,	2024	\$ 1,853
	2025	<u>\$ 1,871</u>
Total Lease Liability at June 30, 2023		\$ 3,724
Less: Current Portion		<u>\$ (1,853)</u>
Long-Term Lease Liability		<u>\$ 1,871</u>

COMMUNITY FOUNDATION OF NORTH CENTRAL MASSACHUSETTS, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

NOTE 9 - 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 agency'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 funds of \$374,466 and \$198,206 and distributed \$206,463 and \$1,906,642 during the years ended June 30, 2023 and 2022, respectively.

NOTE 10 - 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 \$3,404,249 and \$3,146,962 in net assets without donor restrictions at June 30, 2023 and 2022, 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>2023</u>	<u>2022</u>
Restricted for Particular Purposes	\$ 50,870,467	\$ 44,088,725
Scholarships	3,329,768	6,730,409
Subject to Expenditure with Donor Advice	6,438,146	5,780,275
Fiscal Sponsors	1,122,259	1,305,531
	<hr/>	<hr/>
Total	<u>\$ 61,760,640</u>	<u>\$ 57,904,940</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.

COMMUNITY FOUNDATION OF NORTH CENTRAL MASSACHUSETTS, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

NOTE 10 - NET ASSETS (Continued)

Changes in endowment net assets by class as of June 30, 2022 are as follows:

Endowment Net Assets, June 30, 2021	\$ 60,112,794
Total Investment Return	(6,899,925)
Gifts and Donations	2,625,569
Released from Restriction for Distributions and Administrative Fees	<u>(2,236,777)</u>
Endowment Net Assets, June 30, 2022	<u><u>\$ 53,601,661</u></u>

Changes in endowment net assets by class as of June 30, 2023 are as follows:

Total Investment Return	5,227,293
Gifts and Donations	988,615
Released from Restriction for Distributions and Administrative Fees	<u>(2,838,836)</u>
Endowment Net Assets, June 30, 2023	<u><u>\$ 56,978,733</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. As of June 30, 2023 and 2022, there were no deficiencies of this nature, and the values exceeded the amount of the original gifts.

Appreciation of funds of this nature are comprised of the following as of June 30:

	<u>2023</u>	<u>2022</u>
Current Fair Market Value	\$ 56,978,733	\$ 53,601,661
Original Gift	<u>41,831,837</u>	<u>41,521,877</u>
Appreciation	<u><u>\$ 15,146,896</u></u>	<u><u>\$ 12,079,784</u></u>

NOTE 11 - ADMINSTRATIVE FEE REVENUE

The Foundation charges an annual administrative fee not to exceed 1.25% or \$250, whichever is greater, to the individual funds based upon the market value of the fund, except for fiscal sponsor funds. Fiscal sponsor funds are charged a 1% administrative fee based upon the market value, plus an additional 4% surcharge on incoming contributions and outgoing distributions.

COMMUNITY FOUNDATION OF NORTH CENTRAL MASSACHUSETTS, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

NOTE 12 - ADMINISTRATIVE SERVICES

The Foundation has a shared service agreement with the United Way of North Central Massachusetts, Inc. to provide access to shared resources, such as IT support, Building Management Services, postage, and other office equipment maintained by the United Way that is located in the buildings common areas.

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. (the Organization) share office space and both organizations were managed by the same office manager. 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. Management fees paid in accordance with the shared services agreement with the Organization totaled \$10,425 and \$10,751 for the years ended June 30, 2023 and 2022, respectively. Other expense reimbursements paid to the Organization are minimal and are recorded as incurred by the Foundation, and are categorized based on the nature of the underlying expenses.

On November 12, 2021, the Foundation entered into a joint venture with the United Way of North Central Massachusetts, Inc. (the Organization). A non-profit organization was formed called the Non-Profit Center of North Central Massachusetts, Inc. (the Center). The Center was formed as a 501(c)(25) organization with the purpose of holding title to the real estate. The Organization transferred approximately \$679,000 of the net book value of their building, land, and improvements, net of accumulated depreciation, to the Center along with the title to the real estate upon formation. The Foundation transferred \$720,299, which consisted of an addition to the building along with some additional leasehold improvements to the Center, along with title to the real estate upon formation. The Foundation and the Organization each own 50% interest in the Center. The Center became responsible for collecting the shared occupancy costs in the form of rent, which is shared in equal parts by the United Way and the Foundation. Rent paid to the Center by the Organization was \$33,748 and \$29,201 for the years ended June 30, 2023 and 2022, respectively.

Distributions made from various donor advised and endowment funds to the United Way of North Central Massachusetts were \$229,801 and \$199,931 for years ended June 30, 2023 and 2022, respectively.

COMMUNITY FOUNDATION OF NORTH CENTRAL MASSACHUSETTS, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

NOTE 14 - RELATED PARTY TRANSACTIONS (Continued)

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.

NOTE 15 - 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>2023</u>	<u>2022</u>
Cash and Cash Equivalents	\$ 442,095	\$ 388,166
Short-Term Investments	<u>4,979,764</u>	<u>5,174,789</u>
Total	<u><u>\$ 5,421,859</u></u>	<u><u>\$ 5,562,955</u></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.

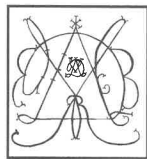
NOTE 16 - SUBSEQUENT EVENTS

In preparing the financial statements, the Foundation has evaluated events and transactions for potential recognition or disclosure through October 3, 2023, the date the financial statements were available to be issued. The Foundation is not aware of any other subsequent events that would require recognition or disclosure.

COMMUNITY FOUNDATION OF NORTH CENTRAL MASSACHUSETTS, INC.

OTHER REPORTS

FOR THE YEAR ENDED JUNE 30, 2023



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INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

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

We have audited in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Community Foundation of North Central Massachusetts, Inc. (the Foundation), which comprise the statement of financial position as of June 30, 2023, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements and have issued our report thereon dated October 3, 2023.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the organization's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the foundation's internal control. Accordingly, we do not express an opinion on the effectiveness of the foundation's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the foundation's financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit, we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the foundation's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

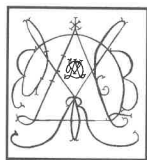
Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the foundation's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Audited Standards* in considering the organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Alario and Associates, Certified Public Accountants, P.C.

Leominster, MA
October 3, 2023

ANTHONY J. ALARIO 1941-1989
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INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH THE UNIFORM GUIDANCE

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

Report on Compliance for The Major Federal Program

Opinion on The Major Federal Program

We have audited Community Foundation of North Central Massachusetts, Inc.'s compliance with the types of compliance requirements identified as subject to audit in the OMB Compliance Supplement that could have a direct and material effect on the Community Foundation of North Central Massachusetts, Inc.'s major federal program for the year ended June 30, 2023. Community Foundation of North Central Massachusetts, Inc.'s major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, Community Foundation of North Central Massachusetts, Inc. complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2023.

Basis for Opinion on The Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States (Government Auditing Standards); and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of Community Foundation of North Central Massachusetts, Inc. and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for the major federal program. Our audit does not provide a legal determination of Community Foundation of North Central Massachusetts, Inc.'s compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to Community Foundation of North Central Massachusetts, Inc.'s federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Community Foundation of North Central Massachusetts, Inc.'s compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, Government Auditing Standards, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about Community Foundation of North Central Massachusetts, Inc.'s compliance with the requirements of the major federal program as a whole.

In performing an audit in accordance with GAAS, Government Auditing Standards, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding Community Foundation of North Central Massachusetts, Inc.'s compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of Community Foundation of North Central Massachusetts, Inc.'s internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of Community Foundation of North Central Massachusetts, Inc.'s internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control Over Compliance

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section on the previous page and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined in the previous paragraph. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Alario and Associates, Certified Public Accountants, P.C.

Leominster, MA
October 3, 2023

COMMUNITY FOUNDATION OF NORTH CENTRAL MASSACHUSETTS, INC.

SUPPLEMENTAL SCHEDULE

FOR THE YEAR ENDED JUNE 30, 2023

**COMMUNITY FOUNDATION OF NORTH CENTRAL MASSACHUSETTS, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2023**

<i>Grantor_Grant Awardee_Subawardee(s)</i>	<i>CFDA #</i>	<i>Award Identifier</i>	<i>Federal Grantor/Pass-through Grantor Program Title</i>	<i>Federal Expenditures</i>	<i>Expenditures to Subrecipients</i>
Commonwealth of Massachusetts Department of Housing and Community Development					
	14.228	B-20-DW-25001	Massachusetts Community Development Block Grant Program-Covid 19 Funding	\$1,067,553	\$1,015,581
Total Commonwealth of Massachusetts Department of Housing and Community Development				\$1,067,553	\$1,015,581
Total Expenditures of Federal Awards				\$1,067,553	\$1,015,581

See Independent Auditors' Report and Accompanying Notes to Schedule of Expenditures of Federal Awards

COMMUNITY FOUNDATION OF NORTH CENTRAL MASSACHUSETTS, INC.
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2023

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures of federal awards are recorded on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in Uniform Guidance, *Cost Principles for Non-Profit Organization*, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

COMMUNITY FOUNDATION OF NORTH CENTRAL MASSACHUSETTS, INC
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2023

Section I: Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

Are any material weaknesses identified?	___ Yes	_X_ No
Are any significant deficiencies identified not considered to be material weaknesses?	___ Yes	_X_ None Reported
Is any noncompliance material to financial statements noted?	___ Yes	_X_ No

Federal Awards

Type of auditors' report issued on compliance for major programs: Unmodified

Internal control over major program compliance:

Are any material weaknesses identified?	___ Yes	_X_ No
Are any significant deficiencies identified not considered to be material weaknesses?	___ Yes	_X_ None Reported
Are any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	___ Yes	_X_ No

Identification of major programs:

Assistance Listing Number(s) 14.228	Department of Housing and Community Development
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Enter the dollar threshold used to distinguish between Type A and Type B programs:	\$ <u>750,000</u>
Is the auditee qualified as a low risk auditee?	___ Yes _X_ No

COMMUNITY FOUNDATION OF NORTH CENTRAL MASSACHUSETTS, INC
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2023

Section II: Financial Statement Findings

None reported

Section III: Federal Awards Findings

None reported