COMMUNITY FOUNDATION OF WESTERN MASSACHUSETTS

FINANCIAL STATEMENTS

MARCH 31, 2018
WITH COMPARATIVE TOTALS
FOR THE YEAR ENDED MARCH 31, 2017

CohnReznick
Accounting • Tax • Advisory

COMMUNITY FOUNDATION OF WESTERN MASSACHUSETTS
FINANCIAL STATEMENTS

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Independent Auditor's Report

To the Trustees of
Community Foundation of Western Massachusetts

We have audited the accompanying financial statements of Community Foundation of Western Massachusetts (a nonprofit organization), which comprise the statement of financial position as of March 31, 2018, and the related statements of activities 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.

Auditor's 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 The Community Foundation of Western Massachusetts as of March 31, 2018, and the changes in its 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 financial statements of Community Foundation of Western Massachusetts as of March 31, 2017 were audited by other auditors whose report dated July 12, 2017, expressed an unqualified opinion on those financial statements. We were not engaged to audit, review or apply any procedures to the 2017 financial statements of Community Foundation of Western Massachusetts and, accordingly, we do not express an opinion or any other form of assurance on the 2017 financial summarized comparative information.

CohnReznick LLP

Hartford, Connecticut
July 24, 2018

COMMUNITY FOUNDATION OF WESTERN MASSACHUSETTS

STATEMENTS OF FINANCIAL POSITION
MARCH 31, 2018 AND 2017

ASSETS

	2018	2017
Cash and money market funds	$ 4,829,928	$ 5,820,874
Fees receivable	4,250	11,650
Investments	134,077,529	119,214,109
Assets held under charitable trusts	3,269,077	2,913,925
Contributions receivable	400,000	-
Notes receivable	543,501	543,501
Loans receivable, net	2,813,719	2,903,348
Prepaid expenses	47,870	68,327
Property and equipment, net	141,953	26,898
Total assets	$ 146,127,827	$ 131,502,632

LIABILITIES AND NET ASSETS

	2018	2017
Liabilities		
Accounts payable and accrued expenses	$ 233,306	$ 109,816
Liabilities under unitrust agreements	1,738,675	1,639,722
Agency funds	10,095,315	9,116,647
Total liabilities	12,067,296	10,866,185
Net assets		
Unrestricted	37,232,363	35,174,411
Temporarily restricted	90,612,093	80,038,524
Permanently restricted	6,216,075	5,423,512
Total net assets	134,060,531	120,636,447
Total liabilities and net assets	$ 146,127,827	$ 131,502,632

See Notes to Financial Statements.

COMMUNITY FOUNDATION OF WESTERN MASSACHUSETTS

STATEMENTS OF ACTIVITIES

FOR THE YEAR ENDED MARCH 31, 2018
WITH COMPARATIVE TOTALS FOR THE YEAR ENDED MARCH 31, 2017

	Unrestricted	Temporarily Restricted	Permanently Restricted	2018 Total	2017 Total
Support and revenues					
Contributions	$ 5,337,880	$ 5,221,274	$ 792,563	$ 11,351,717	$ 10,428,059
Administrative revenue	381,340	-	-	381,340	372,038
Interest and dividend income	687,400	2,098,885	-	2,786,285	2,188,849
Realized and unrealized gains (losses) on investments	2,571,734	7,574,744	-	10,146,478	9,402,425
Change in split interest agreements	-	257,700	-	257,700	148,091
Miscellaneous revenue	2,100	-	-	2,100	5,749
Net assets released from restrictions	4,879,398	(4,879,398)	-	-	-
Change in donor restriction	(300,364)	300,364	-	-	-
Total support and revenues	13,559,488	10,573,569	792,563	24,925,620	22,545,211
Expenses					
Disbursements for grants and scholarships	8,653,445	-	-	8,653,445	7,717,374
Investment management fees	252,479	-	-	252,479	230,463
Salaries and benefits	1,913,198	-	-	1,913,198	1,676,860
Professional services	183,470	-	-	183,470	142,370
Office operations	270,125	-	-	270,125	316,763
Occupancy costs	130,294	-	-	130,294	120,917
Publications	31,182	-	-	31,182	22,615
General marketing	67,343	-	-	67,343	52,899
Total expenses	11,501,536	-	-	11,501,536	10,280,261
Change in net assets	2,057,952	10,573,569	792,563	13,424,084	12,264,950
Net assets, beginning of year	35,174,411	80,038,524	5,423,512	120,636,447	108,371,497
Net assets, end of year	$ 37,232,363	$ 90,612,093	$ 6,216,075	$ 134,060,531	$ 120,636,447

See Notes to Financial Statements

COMMUNITY FOUNDATION OF WESTERN MASSACHUSETTS

STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED MARCH 31, 2018 AND 2017

	2018	2017
Cash flows from operating activities		
Change in net assets	$ 13,424,084	$ 12,264,950
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	7,269	53
Bad debt	186,293	-
Net realized and unrealized (gains) losses on investments	(10,146,478)	(9,402,425)
Change in reserve for uncollectible loans	-	(278,223)
Net changes in operating assets and liabilities:		
Fees receivable	7,400	30,444
Contributions receivable	(400,000)	-
Prepaid expenses	20,457	(20,850)
Donated investments immediately liquidated	3,726,728	1,519,145
Accounts payable and accrued expenses	123,490	24,032
Liability under unitrust agreements	98,953	(18,589)
Agency funds	978,668	744,828
Net cash provided by operating activities	8,026,864	4,863,365
Cash flows from investing activities		
Purchases of investments	(36,072,167)	(30,969,650)
Proceeds from the sales and maturities of investments	27,273,345	24,238,495
Purchases of property and equipment	(122,324)	(26,898)
Net collections loans and notes receivable	(96,664)	290,592
Net cash used in investing activities	(9,017,810)	(6,467,461)
Net (decrease) increase in cash and money market funds	(990,946)	(1,604,096)
Cash and money market funds, beginning of year	5,820,874	7,424,970
Cash and money market funds, end of year	$ 4,829,928	$ 5,820,874
Supplemental disclosure of cash flow information		
Cash paid for taxes	$ 12,288	$ 4,601

See Notes to Financial Statements.

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2018 AND 2017

1. NATURE OF OPERATIONS:

The Community Foundation of Western Massachusetts (the "Foundation") was established by a trust instrument effective November 15, 1990. The Foundation is a nonprofit Foundation, which administers and distributes funds to worthy organizations, students and causes throughout the Pioneer Valley. The Foundation's programs are supported primarily by contributions and investment returns.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Comparative information
The financial statements include certain prior year summarized comparative information shown 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 March 31, 2017, from which the summarized information was derived.

Method of accounting
The financial statements of the Foundation have been prepared on the accrual basis of accounting. Accordingly, assets are recorded when the Foundation obtains the rights of ownership or is entitled to claims for receipt and liabilities are recorded when the obligation is incurred.

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 grantee have been satisfied through expenditure for the specified purpose or program or by the passage of time. This category includes those funds which allow the Foundation to adhere to its current spending policy.

Permanently restricted - Resources accumulated through donations or grants that are subject to the restriction that the corpus be maintained permanently. Investment income may be either an unrestricted or temporarily restricted resource when earned, determined according to the gift instruments. The Foundation utilizes a total return concept for payout as described in the investment policies and procedures.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)

Liquidity

A statement of financial position that sequences assets and liabilities based upon their relative liquidity is presented.

Cash and money market funds

The Foundation considers all short-term investments with an original maturity date of 90 days or less to be cash and money market funds (a cash equivalent).

Loans and fee receivable

As part of their mission, the Foundation advances loans to eligible students. These loans are unsecured and recorded at amortized cost less a reserve for uncollectible balances. The collection of these loans begins 90 days after the student has graduated, at which time regular payments are made for up to five years. These loans are non-interest bearing. An allowance for doubtful accounts is recorded based upon management's evaluation of the collectability of individual student accounts (Note 8). The Foundation considers any account which has stopped regular payment as past due and is written off only after all methods of collection have been exhausted. The Foundation paid fees to assist with the administration of these loans of $23,499 in 2018 and $22,864 in 2017.

At times, administrative revenue is collected after services are provided. These receivables are non-interest bearing. An allowance for doubtful accounts is recorded based upon prior collection experience (there is no allowance as of March 31, 2018 and 2017). The Foundation will write off old uncollected amounts only after all methods of collection have been exhausted.

Investments including endowments

Investments are stated at fair value using methodologies discussed in Notes 4 and 5. Gains and losses that result from market fluctuations are recognized in the period such fluctuations occur. Realized gains and losses resulting from sales or maturities are calculated on a specific identification basis. Dividend and interest income are accrued when earned and reported net of investment advisory fees of $228,980 and $213,130 for the years ended March 31, 2018 and 2017, respectively. Investment activity is reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulation or by law.

Investment securities are exposed to various risks, such as interest rate, market and credit risk. Due to the level of uncertainty related to changes in interest rates, market volatility and credit risks, it is at least reasonably possible that changes in these risks could materially affect the fair value of investments and related activity reported on the financial statements.

The Foundation’s investments also include limited partnership interests in private equity hedge funds and certain other funds (“Funds”) whose underlying investments are comprised of other funds and partnerships. These Funds make investments that include both publicly traded investments as well as others that do not have readily ascertainable market values. Certain interests may be subject to withdrawal restrictions. The underlying investments within these funds primarily include private equity, venture capital, mezzanine debt, long/short equity positions, distressed companies, oil and gas, timber and real estate.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)

Investments including endowments (continued)
The managers of the Funds that hold certain non-marketable investments initially value these investments at cost. They require that changes in value be established by meaningful third party transaction or a significant development in the financial condition or operating performance of the issuer. To the extent that the Funds hold marketable securities in the underlying partnerships or funds, the managers of the Funds value the investments in these funds based upon the quoted market values as provided by the managers or fund managers of the underlying funds. The Foundation values its investments in such Funds in accordance with valuations provided by the managers of the Funds. The Foundation's management may, in addition, consider other factors in assessing the fair value of these investments.

The Foundation's investments consist of donor restricted endowment funds and funds functioning as quasi-endowment funds (Note 4). Donor restricted endowments consist of gifts received with a donor stipulation that require the funds to be invested in perpetuity. Funds functioning as quasi-endowment funds consist of board designated, donor restricted purpose funds and donor advised funds. Board designated funds consist of monies internally designated. Donor restricted purpose funds consist of gifts received with a donor stipulation to be used for a particular purpose, but with no requirement for the funds to be invested in perpetuity and for which a fund was established to function as an endowment.

Professional and accounting literature provides guidance on the net asset classification of donor restricted endowment funds for a not-for-profit organization that is subject to an enacted version of the Uniform Prudent Management Institutional Funds Act of 2006 ("UPMIFA") which serves as a model act for states to modernize their laws governing donor restricted endowment funds. This standard also requires additional disclosures about endowments (both donor restricted funds and quasi-endowment funds). The Trustees of the Foundation have interpreted the Massachusetts Uniform Prudent Management of Institutional Funds Act ("MPMIFA") as requiring the preservation of the fair value of the original gift as of the gift date of the donor restricted endowment funds absent explicit donor stipulations to the contrary.

Under this interpretation, the historic dollar value of the original gift that establishes a donor restricted endowment fund (and any subsequent gifts) is classified as permanently restricted.

MPMIFA allows prudent appropriation of the total return on donor restricted endowment funds taking into consideration the Foundation's long and short-term needs, present and anticipated financial requirements, expected future total return on its investments, price level trends and general economic conditions. The Trustees have authorized a spending policy based on 4.25% of a trailing thirteen quarter rolling market value of these funds. This policy is designed to preserve the value of donor restricted endowment funds in real terms (after inflation) and provide a predictable flow of funds to support operations. Although not required by state law, the same spending policy is followed for the donor restricted purpose funds. For the years ended March 31, 2018 and 2017, the Foundation had approximately $4,067,000 and $3,800,400, respectively, of this return available for spending, of which the Foundation utilized $3,112,966 and $3,101,886, respectively.

Property and equipment
Property and equipment are stated at cost less accumulated depreciation. Depreciation is computed on a straight-line basis over the estimated useful lives of the respective assets ranging from 3-10 years. Maintenance and repairs are charged to expense as incurred.

The Foundation follows the policy of capitalizing property that costs more than $5,000.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)

Liabilities under unitrust agreements

Assets held in charitable trusts and charitable gift annuities are recorded as follows:

Charitable trusts – the Foundation serves as trustee for various charitable remainder trusts. Under the terms of these agreements, the Foundation makes distributions to income beneficiaries for a given term or the life of the beneficiaries. At the end of the term, or upon the death of the income beneficiaries, assets remaining in the trust will be transferred to the Foundation. The Foundation records the assets held in these trusts at their fair value based on current quoted market values and records a liability for the respective agreements at the estimated discounted value of the amounts due to the income beneficiaries based on Internal Revenue Service group annuity tables. The present value of payments to beneficiaries under these agreements is calculated using discount rates representing risk-free rates in existence at the date of the gift. Gains or losses resulting from changes in the value of split interest agreements are recorded in the statement of activities.

Charitable gift annuities – Donors have contributed assets to the Foundation in exchange for a promise by the Foundation to pay a fixed amount for a specified period of time to the donor or to individuals designated by the donor. Under the terms of such agreements, no trust exists, as the assets received are held by and the liability is an obligation of the Foundation. The present value of payments to beneficiaries under these agreements is calculated using discount rates representing risk-free rates in existence at the date of the gift.

Agency funds

The Foundation accepts contributions from a donor and agrees to transfer those assets, the return on investment of those assets, or both, to another entity that is specified by the donor. If a not-for-profit organization establishes a fund at a community foundation with its own funds and specifies itself as the beneficiary of that fund, that community foundation must account for the transfer of such assets as a liability rather than as a contribution.

Contributions

Unconditional promises to give are recorded as contributions receivable when the promise is received. 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 gifts of cash or promises to give. Such contributions are considered to be available for unrestricted use unless specifically restricted by the donor or grantor. Contributions of assets other than cash are recorded at their fair value on the date of the gift. Gifts or promises restricted as to use or passage of time are required to be reported as temporarily restricted support in the period received and are then reclassified as unrestricted support upon satisfaction of the donor restriction. It is the Foundation’s policy to record temporarily restricted contributions whose restrictions are met in the same reporting period as unrestricted support.

Administrative revenue

The Foundation charges administrative fees on the funds it holds for charitable purposes. Administrative fee revenue is recorded as earned. The Trustees of the Foundation are responsible for the adoption and implementation of the administrative revenue policy.

Grants paid

Grants are recorded as expense when distributed since the Foundation reserves the right to rescind any unpaid grants.

2. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)**

Income taxes

The Foundation is a nonprofit organization exempt from income tax under Section 501(c)(3) of the Internal Revenue Code and is classified as an organization that is not a private foundation as defined in Section 509(a) of the Internal Revenue Code. The Foundation monitors its activities and it considers the potential for income taxes if any activities are not related to its exempt purpose.

Uncertain tax positions

Professional accounting standards provide detailed guidance for the financial statement recognition, measurement and disclosure of uncertain tax positions recognized in an enterprise's financial statements. They require an entity to recognize the financial statement impact of a tax position when it is more likely than not that the position will be sustained upon examination. A tax position is deemed to include such things as the Foundation's tax exempt status.

Management has evaluated significant tax positions against the criteria established by professional standards and believes there are no such tax positions requiring accounting recognition. The Foundation's tax returns are subject to examination by taxing authorities for all years ended on or after March 31, 2015.

Contributed services

The Foundation pays for most services requiring specific expertise. However, many individuals volunteer their time and perform a variety of tasks that assist the Foundation with specific programs, gift solicitations, and various committee assignments. The value of this contributed time and service is not reflected in these statements since it is not susceptible to objective measurement or valuation.

Accounting 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 the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reported period. Actual results could differ from those estimates.

New accounting pronouncements

The FASB has issued ASU No. 2016-14, Not for Profit Entities. This standard requires net assets to be presented in two classifications (without donor restriction and with donor restriction), essentially collapsing 'temporarily restricted' and 'permanently restricted' net assets into one net asset class. The election to treat gifts to purchase long-lived assets as temporarily restricted net assets has been eliminated. When implemented, an organization with underwater endowment funds will reclassify the underwater portion of the endowment fund from 'without donor restriction' to 'with donor restrictions'. The ASU requires that direct internal investment expenses be included as an investment expense, shown netted from investment revenue. An analysis of expenses by both functional expense and natural classification will be required as part of the basic financial statements. Additionally, organizations will be required to provide qualitative and quantitative information on the way they manage their liquidity and availability of funds. Management is currently assessing the impact of this standard on their financial statements and will apply its requirements for the year ending March 31, 2019.

3. CHARITABLE LEAD TRUSTS:

From time to time, the Foundation Trustees have been named as term beneficiary for charitable lead trusts. At March 31, 2018 and March 31, 2017, the Foundation was not named as term beneficiary on any such trusts.

4. INVESTMENTS AND ASSETS HELD UNDER CHARITABLE TRUSTS INCLUDING ENDOWMENTS:

The Foundation Trustees, as the governing board, are responsible for oversight of the Foundation's investments. Implementation of investment policy, including the selection of investment managers, has been delegated by the Foundation Trustees to its Investment Committee. Investments authorized by the Investment Committee include high quality, readily marketable equity and fixed income securities; other types of investments may be made with the prior approval of the Foundation Trustees.

The Foundation's investment portfolio consists of a number of investment pools in which a large number of individual funds (donor restricted endowment funds and funds functioning as endowment funds) participate in order to benefit from the diversification and economies of scale. The primary investment objective of the long-term investment portfolios is growth of principal sufficient to preserve purchasing power and to provide income to support current and future activities of the Foundation.

The Trustees have authorized a spending policy based on 4.25% of a thirteen quarter rolling market value of the funds, as discussed in Note 2.

From time to time, the fair value of assets associated with individual donor restricted endowment funds may fall below the level that the donor or MPMIFA requires to be retained for perpetual funds ("underwater"). The historic gift value of donor restricted endowment funds cannot be reduced for any excess losses. Any excess losses shall reduce temporarily restricted net assets to the extent there is net appreciation on the related funds. Any remaining excess losses shall reduce unrestricted net assets. There are no underwater funds at March 31, 2018 and 2017.

Investments, including assets held under charitable trusts (collectively "Investments"), at March 31 are as follows:

	2018 Fair Value	2017 Fair Value
Mutual funds	$ 129,715,127	$ 107,336,126
U.S. Government obligations	93,086	5,093,956
Municipal and corporate bonds	313,362	285,243
Common stocks	2,062,213	1,944,708
Limited partnerships	5,162,818	7,468,001
Total investments and assets held under charitable trusts	$ 137,346,606	$ 122,128,034

4. INVESTMENTS AND ASSETS HELD UNDER CHARITABLE TRUSTS INCLUDING ENDOWMENTS: (CONTINUED)

At March 31, 2018 and 2017, approximately 96% and 94% respectively, of investments are reported at fair value based on quoted market prices (level 1 investments - see Note 5). The remaining investments are reported at estimated fair value as determined by management based upon various valuation techniques developed by the general partners or investment managers. Because these investments are not readily marketable, their reported values are subject to additional uncertainty, and therefore values realized upon disposition may vary significantly from the currently reported amounts.

The Foundation is obligated under the terms of certain limited partnership agreements to remit additional funding periodically as capital calls are exercised. At March 31, 2018 and 2017, the Foundation had uncalled commitments of $387,965 and $778,806, respectively. Such commitments are generally callable over a period of years and the related agreements contain fixed expiration dates or other termination clauses.

Investments are carried at fair value and are based on quoted market prices, except for certain alternative investments such as limited partnership interests, for which quoted market prices are not available (see Note 5).

The limited partnership agreements associated with the limited partnership investments have original termination dates ranging from December 2012 through December 2016 with extensions available at the discretion of the General Partner or consent of a majority of limited partners with transfers approved only by the discretion of these same parties. Pine Grove Offshore Fund allows quarterly redemptions and requires a written notice of redemption 100 days in advance ($1,235,956 of investments at March 31, 2018 and $1,177,590 at March 31, 2017). The redemption restrictions on the remaining investments in this category as of March 31, 2018 vary based upon termination date of the partnership and is at the discretion of the general partner ($3,926,862 of investments at March 31, 2018 and $4,769,623 at March 31, 2017).

During the year ended March 31, 2018, a request for full redemption was submitted to Pine Grove. This redemption took place subsequent to March 31, 2018.

5. FAIR VALUE MEASUREMENTS:

A fair value hierarchy that prioritizes the inputs is used to measure fair value. An asset or liability's classification within the hierarchy is determined based on the lowest level input that is significant to the fair value measurement. This hierarchy prioritizes the inputs into three broad levels as follows:

Level 1 Quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 Inputs other than Level 1 that are observable, either directly or indirectly, 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 Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

There were no changes in the valuation techniques during 2018.

5. FAIR VALUE MEASUREMENTS: (CONTINUED)

Assets measured at fair value on a recurring basis at March 31 were as follows:

	Total 2018	Quoted Prices in Active Markets for Identical Assets	Significant Other Observable Inputs	Significant Unobservable Inputs
		Level 1	Level 2	Level 3
Assets				
Mutual funds:				
Equity index funds	$ 75,593,045	$ 75,593,045	$	$
Bond index funds	28,614,212	28,614,212		
Growth funds	12,608,724	12,608,724		
Balanced funds	5,364,313	5,364,313		
Income funds	550,884	550,884		
Bond funds	3,595,961	3,595,961		
Commodity fund	341,281	341,281		
Hedge funds	3,046,707	3,046,707		
U.S. Government obligations	93,086	93,086		
Municipal and corporate bonds:				
Municipal	24,635		24,635	
Corporate	288,727		288,727	
Common stocks:				
Energy	80,060	80,060		
Financial services	392,036	392,036		
Consumer goods	487,499	487,499		
Industrials	306,138	306,138		
Health care	194,433	194,433		
Materials	41,812	41,812		
Technology	473,906	473,906		
Telecommunications	21,041	21,041		
Utilities	34,847	34,847		
Real estate	30,441	30,441		
Limited partnerships:				
Private equity venture capital	1,725,159			1,725,159
Natural resources	1,372,619			1,372,619
Real estate	829,084			829,084
Hedge funds	1,235,956			1,235,956
	$ 137,346,606	$ 131,870,426	$ 313,362	$ 5,162,818
Liabilities				
Liabilities under unitrust agreement	$ 1,738,675			$ 1,738,675

5. FAIR VALUE MEASUREMENTS: (CONTINUED)

	Total 2017	Quoted Prices in Active Markets for Identical Assets	Significant Other Observable Inputs	Significant Unobservable Inputs
		Level 1	Level 2	Level 3
Assets				
Mutual funds:				
Equity index funds	$ 61,299,233	$ 61,299,233	$	$
Bond index funds	21,544,145	21,544,145		
Growth funds	14,450,805	14,450,805		
Balanced funds	5,004,263	5,004,263		
Income funds	545,499	545,499		
Bond funds	3,689,428	3,689,428		
Commodity fund	802,753	802,753		
U.S. Government obligations	5,093,956	5,093,956		
Corporate bonds	285,243		285,243	
Common stocks:				
Energy	75,777	75,777		
Financial services	349,599	349,599		
Consumer goods	586,210	586,210		
Industrials	213,757	213,757		
Health care	190,566	190,566		
Materials	39,075	39,075		
Technology	414,461	414,461		
Telecommunications	21,451	21,451		
Utilities	21,248	21,248		
Real estate	32,564	32,564		
Limited partnerships:				
Private equity venture capital	2,113,211			2,113,211
Natural resources	1,670,292			1,670,292
Real estate	986,120			986,120
Hedge funds	2,698,378			2,698,378
	$ 122,128,034	$ 114,374,790	$ 285,243	$ 7,468,001
Liabilities				
Liabilities under unitrust agreement	$ 1,639,722			$ 1,639,722

Cash and money market funds

The carrying value of cash and money market funds approximates fair value as maturities are less than 90 days.

5. FAIR VALUE MEASUREMENTS: (CONTINUED)

Mutual funds, common stocks, and U.S. Government obligations
Valued at closing price reported on the active market on which the individual securities are traded.

Municipal and corporate bonds
Valued using pricing models maximizing the use of observable inputs for similar securities. This includes basing value on yields currently available on comparable securities of issuers with similar credit ratings. When quoted prices are not available for identical or similar bonds, those corporate bonds are valued under a discounted cash flow approach that maximizes observable inputs, such as current yields or similar instruments, but includes adjustments for certain risks that may not be observable, such as credit and liquidity risks.

Limited partnerships
Underlying investments are valued at the closing prices reported on the active market on which the individual securities are traded. Included in the portfolios are securities that are not actively or frequently traded, and for which public information can be minimal or not available. When market quotations are not readily available, portfolio securities are valued at their net asset value as determined in good faith under procedures established by and under the general supervision of the trustee or the investment manager.

Liabilities under unitrust agreements
The fair value of split interest agreements was determined by calculating the present value of the agreement using life expectancy tables and a 6.5% discount rate.

Level 3 fair value measurements
The following schedule reconciles fair value measurements using significant unobservable inputs (Level 3) as noted above for the years ended March 31, 2018 and 2017:

	Liabilities Under Unitrust Agreements	Limited Partnerships
Balance April 1, 2016	$ 1,658,311	$ 21,147,067
Total gains	281,666	1,016,905
Purchases, issuances and settlements	(300,255)	(14,695,971)
Balance March 31, 2017	1,639,722	7,468,001
Total gains	189,120	409,860
Purchases, issuances and settlements	(90,167)	(2,715,043)
Balance March 31, 2018	$ 1,738,675	$ 5,162,818
Total activity for the period included on the statement of activities related to change in realized and unrealized gains for Level 3 assets held at March 31, 2017	$ 281,666	$ 1,016,905
Total activity for the period included on the statement of activities related to change in realized and unrealized gains for Level 3 assets still held at March 31, 2018	$ 189,120	$ 409,860

5. Fair Value Measurements: (continued)

Level 3 fair value measurements (continued)

The estimated fair value of limited partnership investments is based on quarterly valuations and other data provided by the external investment managers, updated for capital calls and distributions and other market activity. Since the value is determined by the external managers, the Foundation is not applying any unobservable inputs to measure these investments at fair value. The valuations from the external managers for these alternative investments involve appraisals, assumptions, and methods that are reviewed by the Foundation's management, as well as the Investment Committee. Accordingly, such values may differ from the values that would have been used had a readily available market for these investments existed. Such differences could be material. The limited partnership interests are comprised of other funds, partnerships and trusts with underlying investments primarily consisting of private equity, venture capital, mezzanine debt, long/short equity positions, distressed companies, oil and gas, timber and real estate.

The following table describes the valuation techniques used for fair value measurements for liabilities in Level 3 of the fair value hierarchy.

Quantitative Information about Level 3 Fair Value Measurements

	Fair Value at March 31, 2018	Valuation Techniques	Unobservable Inputs	Range (Weighted Average)
Liabilities under Unitrust Agreements	$ 1,738,675	Present value based on life expectancies	Present value	4.5% - 9.9%

Quantitative Information about Level 3 Fair Value Measurements

	Fair Value at March 31, 2017	Valuation Techniques	Unobservable Inputs	Range (Weighted Average)
Liabilities under Unitrust Agreements	$ 1,639,722	Present value based on life expectancies	Present value	4.5% - 9.9%

Fair value of other financial instruments

The fair value of contributions receivable, notes receivable, loans receivable and agency funds approximate carrying value. The Foundation's financial instruments are as follows at March 31:

	March 31, 2018		March 31, 2017	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Assets				
Notes receivable	$ 543,501	$ 543,501	$ 543,501	$ 543,501
Loans receivable, net	2,813,719	2,813,719	2,903,348	2,903,348
Liabilities				
Agency funds	10,095,315	10,095,315	9,116,647	9,116,647

6. CONTRIBUTIONS RECEIVABLE:

Contributions receivable as of March 31, 2018 amounts to $400,000 and is expected to be received in less than one year. The Foundation is known to have been named as beneficiary in the wills of certain supporters. These conditional contributions have not been recorded as of March 31, 2018 and 2017 as they are deemed revocable.

7. NOTES RECEIVABLE:

A note receivable of $543,501 at March 31, 2018 and 2017, due for collection on January 15, 2019. Interest only is receivable quarterly at 6%. Collateral is 160 shares of common stock of H.S. Gere & Sons, Inc.

8. LOANS RECEIVABLE:

Loans receivable at March 31 are as follows:

	2018	2017
Loans receivable	$ 3,179,343	$ 3,477,703
Less: reserve for uncollectable loans	(365,624)	(574,355)
	$ 2,813,719	$ 2,903,348

The loans, primarily advances to students, are unsecured and non-interest bearing with collection periods of up to five years.

9. PROPERTY AND EQUIPMENT:

Property and equipment at March 31 are as follows:

	2018	2017
Computer equipment and furniture	$ 110,643	$ 49,951
Leasehold improvements	61,632	-
	172,275	49,951
Less: accumulated depreciation	(30,322)	(23,053)
	$ 141,953	$ 26,898

10. LEASE COMMITMENT:

The Foundation leases office space under an agreement which expires on March 31, 2027. Rent expense for the years ended March 31, 2018 and 2017 amounted to $100,581 and $82,462, respectively.

10. LEASE COMMITMENT: (CONTINUED)

The following is a schedule of future minimum lease payments excluding building and maintenance costs:

Year ending March 31,		
2019	$	100,581
2020		100,581
2021		100,581
2022		100,581
2023		108,318
Thereafter		433,272
Total future minimum lease payments	$	943,914

11. CONDITIONAL PROMISES TO GIVE:

The Foundation has made certain conditional promises to give in the amount of approximately $77,100 as of March 31, 2018. The allocations are contingent upon certain agency performance targets and availability of funding. Conditional promises to give are not recorded until conditions have been met and as such, the related expense and grant payable have not been recorded in the accompanying financial statements. The Foundation anticipates payment being made over the period from April 1, 2018 to March 31, 2019.

12. EMPLOYEE BENEFIT PLAN:

The Foundation has a defined contribution 401(k) Profit Sharing Plan. All full time employees completing one year of service are eligible to participate through voluntary tax deferred contributions. The Foundation contributes 7% of each eligible participant's annual gross salary and matches up to 2% of any voluntary contributions. The plan expense was $104,749 and $79,844 for the years ended March 31, 2018 and 2017, respectively.

13. RELATED PARTY TRANSACTION:

Certain Trustees are distribution advisors to various funds held by the Foundation. The Foundation also receives contributions from Trustees. Total donations from Trustees were $406,187 and $425,284 in 2018 and 2017, respectively.

14. TEMPORARILY RESTRICTED NET ASSETS:

Temporarily restricted net assets as of March 31 are comprised of the following:

	2018	2017
Colgan and Sutton Annen loan funds	$ 9,007,198	$ 8,668,566
Gifts restricted to particular purposes	81,604,895	71,369,958
	$ 90,612,093	$ 80,038,524

14. TEMPORARILY RESTRICTED NET ASSETS: (CONTINUED)

During the years ended March 31, 2018 and 2017 temporarily restricted net assets were released from restrictions to support the Foundation's activities, as follows:

	2018	2017
Qualifying grant expenditures	$ 4,879,398	$ 4,456,755

During the year ended March 31, 2018, two donors changed the intent for use of their funds resulting in a change from an unrestricted net asset to a temporarily restricted net asset. Total amount of change in donor restriction for 2018 was $300,364.

15. PERMANENTLY RESTRICTED NET ASSETS:

Permanently restricted net assets as of March 31, 2018 and 2017 are comprised of the following:

	2018	2017
Grant making purposes	$ 5,726,617	$ 4,934,054
Scholarships	489,458	489,458
	$ 6,216,075	$ 5,423,512

16. FUNCTIONAL EXPENSES:

Expenses by functional classification for the years ended March 31, 2018 and 2017 are as follows:

	2018	2017
Grants	$ 7,713,072	$ 6,803,091
Scholarship	1,893,612	1,780,551
Total program expenses	9,606,684	8,583,642
Management and general	1,264,165	1,117,238
Fund raising	630,687	579,381
	$ 11,501,536	$ 10,280,261

17. GRANT ADMINISTRATION:

The Distribution Committee of the Foundation makes recommendations to the Bank of America Charitable Trusts (Eugene A. Dexter Charitable Fund, Nan and Matilda Heydt Fund, and The Valley Charitable Trust Fund) as to which projects should be funded. The Foundation serves as a centralized clearinghouse for grant applications, notification of awards, distribution of funds and monitoring and evaluation of grants. For the grants administration service, the Foundation received amounts from the aforementioned trusts totaling $226,398 and $229,925 for the years ended March 31, 2018 and 2017, respectively, which have been recorded as administrative fees revenue.

18. CONCENTRATIONS AND CREDIT RISKS:

During 2018, there was one donor who made 19% of total contributions. During 2017, the same donor made 28% of total contributions.

The Foundation maintains its cash balances at various banks and other financial institutions. Cash balances at banks are insured by the Federal Deposit Insurance Corporation ("FDIC") up to $250,000. At various times during the year, the cash balances may exceed the insured amount. At March 31, 2018 and 2017, the Foundation had $1,721,193 and $1,422,488 in excess of the FDIC insurance limit, respectively. The Foundation has not experienced any losses on these accounts. The Foundation believes it is not exposed to any significant credit risk on cash and money market accounts.

19. RECLASSIFICATIONS:

Certain prior year amounts have been reclassified for consistency with the current year presentation. These reclassifications had no effect on the reported results of operations.

20. SUBSEQUENT EVENTS:

Management has evaluated subsequent events through July 24, 2018, the date which the financial statements were available to be issued.

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