

***COMMUNITY FOUNDATION  
OF WESTERN MASSACHUSETTS***

***FINANCIAL STATEMENTS***

***MARCH 31, 2015 WITH COMPARATIVE TOTALS  
FOR THE YEAR ENDED MARCH 31, 2014***



## **INDEPENDENT AUDITORS' REPORT**

To the Board of Trustees of  
Community Foundation of Western Massachusetts

### **Report on the Financial Statements**

We have audited the accompanying financial statements of Community Foundation of Western Massachusetts (the "Foundation"), which comprise the statement of financial position as of March 31, 2015, 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.

### **Auditors' Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Foundation's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Foundation's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

## Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Community Foundation of Western Massachusetts as of March 31, 2015 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.

## Other Matters

### Report on Summarized Comparative Information

We have previously audited Community Foundation of Western Massachusetts's 2014 financial statements and, in our report dated June 30, 2014 expressed an unmodified opinion on those audited financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended March 31, 2014, is consistent, in all material respects, with the audited financial statements from which it has been derived.

*Maureen Beothell Kalicka, P.C.*

Holyoke, Massachusetts  
June 30, 2015

*COMMUNITY FOUNDATION OF WESTERN MASSACHUSETTS*

**Statements of Financial Position**

**March 31, 2015 and 2014**

**ASSETS**

	<u>2015</u>	<u>2014</u>
Cash and money market funds	\$ 5,461,452	\$ 5,639,608
Administrative fees receivable	9,500	-
Investments	109,041,989	101,896,928
Assets held under charitable trusts	3,200,200	3,268,557
Notes receivable	543,501	543,501
Loans receivable, net	3,014,902	2,915,085
Prepaid expenses	27,889	27,349
Property and equipment, net	705	2,599
<b>TOTAL ASSETS</b>	<u>\$ 121,300,138</u>	<u>\$ 114,293,627</u>

**LIABILITIES AND NET ASSETS**

**LIABILITIES**

Accounts payable and accrued expenses	\$ 64,867	\$ 30,475
Liability under unitrust agreements	1,888,222	1,992,830
Agency funds	8,580,919	7,479,744
<b>TOTAL LIABILITIES</b>	<u>10,534,008</u>	<u>9,503,049</u>

**NET ASSETS**

Unrestricted	30,954,045	30,624,432
Temporarily restricted	75,121,124	69,475,185
Permanently restricted	4,690,961	4,690,961
<b>TOTAL NET ASSETS</b>	<u>110,766,130</u>	<u>104,790,578</u>

**TOTAL LIABILITIES AND NET ASSETS**

<u>\$ 121,300,138</u>	<u>\$ 114,293,627</u>
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The accompanying notes are an integral part of these financial statements.

**COMMUNITY FOUNDATION OF WESTERN MASSACHUSETTS**

**Statements of Activities**

**for the year ended March 31, 2015  
with comparative totals for the year ended March 31, 2014**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>2015 Total</u>	<u>2014 Total</u>
<b>SUPPORT AND REVENUES</b>					
Contributions	\$ 4,384,595	\$ 3,888,311	\$ -	\$ 8,272,906	\$ 7,874,113
Administrative revenue	274,514	-		274,514	245,591
Interest and dividend income	480,138	1,152,701		1,632,839	1,608,388
Realized and unrealized gains on investments	621,389	3,804,439		4,425,828	9,428,562
Change in split interest agreements	-	36,122		36,122	90,312
Net assets released from restrictions	3,846,419	(3,846,419)		-	-
Change in donor restriction	(610,785)	610,785		-	-
<b>TOTAL SUPPORT AND REVENUES</b>	<b>8,996,270</b>	<b>5,645,939</b>	<b>-</b>	<b>14,642,209</b>	<b>19,246,966</b>
<b>EXPENSES</b>					
Disbursements for grants and scholarships	6,780,884			6,780,884	7,230,039
Investment management fees	205,041			205,041	210,968
Salaries and benefits	1,143,522			1,143,522	1,172,725
Professional services	137,199			137,199	90,228
Office operations	165,922			165,922	148,799
Occupancy costs	107,720			107,720	108,248
Publications	25,199			25,199	25,680
General marketing	101,170			101,170	78,278
<b>TOTAL EXPENSES</b>	<b>8,666,657</b>	<b>-</b>	<b>-</b>	<b>8,666,657</b>	<b>9,064,965</b>
<b>Changes in Net Assets</b>	<b>329,613</b>	<b>5,645,939</b>	<b>-</b>	<b>5,975,552</b>	<b>10,182,001</b>
<b>Net Assets, beginning of year</b>	<b>30,624,432</b>	<b>69,475,185</b>	<b>4,690,961</b>	<b>104,790,578</b>	<b>94,608,577</b>
<b>Net Assets, end of year</b>	<b>\$ 30,954,045</b>	<b>\$ 75,121,124</b>	<b>\$ 4,690,961</b>	<b>\$ 110,766,130</b>	<b>\$ 104,790,578</b>

The accompanying notes are an integral part of these financial statements.

**COMMUNITY FOUNDATION OF WESTERN MASSACHUSETTS**

**Statements of Cash Flows**

**for the years ended March 31, 2015 and 2014**

	<u>2015</u>	<u>2014</u>
<b>Cash flows from operating activities:</b>		
Change in net assets	\$ 5,975,552	\$ 10,182,001
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	1,894	4,482
Net realized and unrealized gains on investments	(4,425,828)	(9,428,562)
Change in reserve for uncollectible loans	42,718	57,911
Net changes in operating assets and liabilities:		
Administrative fees receivable	(9,500)	-
Contributions receivable	-	37,736
Prepaid expenses	(540)	21,102
Donated investments immediately liquidated	1,440,457	-
Accounts payable and accrued expenses	34,392	8,630
Liability under unitrust agreements	(104,608)	(656,626)
Agency funds	1,101,175	1,140,002
Net cash provided by operating activities	<u>4,055,712</u>	<u>1,366,676</u>
<b>Cash flows from investing activities:</b>		
Purchases of investments	(24,790,507)	(20,515,937)
Proceeds from the sales and maturities of investments	20,699,174	22,131,583
Purchases of property and equipment	-	(1,952)
Net collections (advances) loans and notes receivable	(142,535)	29,749
Net cash (used) provided in investing activities	<u>(4,233,868)</u>	<u>1,643,443</u>
<b>Net (decrease) increase in cash and money market funds</b>	(178,156)	3,010,119
<b>Cash and money market funds, beginning of year</b>	<u>5,639,608</u>	<u>2,629,489</u>
<b>Cash and money market funds, end of year</b>	<u>\$ 5,461,452</u>	<u>\$ 5,639,608</u>
<b>Supplemental disclosure of non cash activities</b>		
Non-cash investing activities:		
Investments transferred to beneficiary	\$ -	\$ 818,570

The accompanying notes are an integral part of these financial statements.

# COMMUNITY FOUNDATION OF WESTERN MASSACHUSETTS

## Notes to Financial Statements March 31, 2015 and 2014

### **Note 1: Foundation**

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 or property to worthy organizations and causes.

### **Note 2: 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 grants from the aforementioned trusts totaling \$236,148 and \$216,953 for the years ended March 31, 2015 and 2014, respectively, which have been recorded as administrative fees revenue.

### **Note 3: Summary of Significant Accounting Policies**

#### **A. 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, 2014, from which the summarized information was derived.

#### **B. 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.

#### **C. 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.

#### **D. 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.

#### **E. Liquidity**

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

#### **F. 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.

# COMMUNITY FOUNDATION OF WESTERN MASSACHUSETTS

## Notes to Financial Statements March 31, 2015 and 2014

### G. Loans Receivable

The Foundation awards student loans each year. These loans are unsecured and recorded at amortized cost less a reserve for uncollectible accounts. The collection of these loans begin ninety 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 prior collection and bad debt experience. 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.

### H. Investments Including Endowments

Investments are stated at fair value using methodologies discussed in Notes 5 and 6. 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 \$180,145 and \$185,584 for the years ended March 31, 2015 and 2014, 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.

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 5). Donor restricted endowments consist of gifts received with a donor stipulation that require the funds to be invested in perpetuity. Funds functioning as 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.



# COMMUNITY FOUNDATION OF WESTERN MASSACHUSETTS

## Notes to Financial Statements March 31, 2015 and 2014

### Note 3: Summary of Significant Accounting Policies (continued)

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 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. The amount available to spend on grants under this policy was approximately \$2,659,800 and \$2,825,500 for the years ended March 31, 2015 and 2014, respectively.

#### **I. 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 3-7 years. Maintenance and repairs are charged to expense as incurred.

#### **J. Liability 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.

#### **K. 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 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.

#### **L. Contributions**

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.

#### **M. Administrative Revenue**

The Foundation charges administrative fees on the funds it holds for charitable purposes. Administrative fee revenue is recorded as earned, net of fees paid of \$1,346,127 in 2015 resulting in a net revenue from these fees of \$54 for 2015 and net of fees paid of \$1,312,406 for a net revenue of \$56,025 for 2014. The Trustees of the Foundation are responsible for the adoption and implementation of the administrative revenue policy. The remaining administrative revenue presented on the Statement of Activities is related to a separate portfolio the Foundation administers.

#### **N. Grants Paid**

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

# **COMMUNITY FOUNDATION OF WESTERN MASSACHUSETTS**

## **Notes to Financial Statements March 31, 2015 and 2014**

### **Note 3: Summary of Significant Accounting Policies (continued)**

#### **O. 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.

#### **P. 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, 2012.

#### **Q. 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.

### **Note 4: Charitable Lead Trusts**

From time to time, the Foundation Trustees have been named as term beneficiary for charitable lead trusts. At March 31, 2015 and March 31, 2014, the Foundation was not named as term beneficiary on any trusts.

### **Note 5: 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 3.

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. 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, 2015 and 2014.

**COMMUNITY FOUNDATION OF WESTERN MASSACHUSETTS**

**Notes to Financial Statements  
March 31, 2015 and 2014**

**Note 5: Investments and Assets Held Under Charitable Trusts including Endowments (continued)**

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

	<u>2015</u>		<u>2014</u>
	Fair Value		Fair Value
Mutual funds	\$ 83,016,634	\$	75,172,330
U.S. Government obligations	4,381,276		3,575,400
Corporate bonds	250,511		249,380
Common stocks	1,074,846		1,111,532
Limited partnerships and other	<u>23,518,922</u>		<u>25,056,843</u>
 Total investments	 \$ <u>112,242,189</u>	 \$	 <u>105,165,485</u>

At March 31, 2015 and 2014, approximately 77% and 76% respectively, of investments are reported at fair value based on quoted market prices (level 1 investments - see Note 6). 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, possibly 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, 2015 and 2014, the Foundation had uncalled commitments of \$913,624 and \$1,077,004, 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. The estimated fair value of these alternative 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. The valuations 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 and other 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 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 (\$1,165,846 of investments at March 31, 2015 and \$1,157,574 at March 31, 2014). The Alternative Investments Group investment can be redeemed twice yearly on June 30<sup>th</sup> and December 31<sup>st</sup> with 90 days notice with a 5-10% hold back (\$1,243,067 at March 31, 2015 and \$2,216,401 at March 31, 2014). The High Vista investment has an initial two year period where redemption is not allowed and then 60 days notice are required with a 10% holdback (\$6,656,746 at March 31, 2015 and \$6,333,836 at March 31, 2014). Only the TIFF investment holds no redemption restriction of investments at March 31, 2015 and (\$7,117,389 of investments at March 31, 2015 and \$6,967,832 at March 31, 2014). The redemption restrictions on the remaining investments in this category vary based upon termination date of the partnership and is at the discretion of the general partner (\$7,335,874 of investments at March 31, 2015 and \$8,381,200 at March 31, 2014).

Endowed investments and assets held under charitable trusts by net asset class and type at March 31, 2015 consist of:

	<u>Unrestricted</u>		<u>Temporarily Restricted</u>		<u>Permanently Restricted</u>		<u>Total</u>
Donor advised funds	\$ 32,448,256	\$	-	\$	-	\$	32,448,256
Donor restricted purpose funds	-		75,102,972		-		75,102,972
Donor restricted endowment funds	-		-		4,690,961		4,690,961
Total investments	<u>\$ 32,448,256</u>	\$	<u>75,102,972</u>	\$	<u>4,690,961</u>	\$	<u>112,242,189</u>

**COMMUNITY FOUNDATION OF WESTERN MASSACHUSETTS**

**Notes to Financial Statements  
March 31, 2015 and 2014**

**Note 5: Investments and Assets Held Under Charitable Trusts including Endowments (continued)**

Endowed investments and assets held under charitable trusts by net asset class and type at March 31, 2014 consist of:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor advised funds	\$ 31,961,081	\$ -	\$ -	\$ 31,961,081
Donor restricted purpose funds	-	68,513,443	-	68,513,443
Donor restricted endowment funds	-	-	4,690,961	4,690,961
Total investments	<u>\$ 31,961,081</u>	<u>\$ 68,513,443</u>	<u>\$ 4,690,961</u>	<u>\$ 105,165,485</u>

The following schedule reconciles the change in investments by net asset class for the years ended March 31, 2015 and 2014:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Investments -- April 1, 2013	\$ 30,089,023	\$ 62,572,585	\$ 4,690,961	\$ 97,352,569
Investment income	426,493	1,147,991	-	1,574,484
Realized and unrealized gains	3,058,816	6,369,746	-	9,428,562
Contributions received	-	1,373,450	-	1,373,450
Spending policy distributions	-	(2,229,252)	-	(2,229,252)
Split interest agreements investment gain	-	418,604	-	418,604
Other/release from restriction	<u>(1,613,251)</u>	<u>(1,139,681)</u>	-	<u>(2,752,932)</u>
Investments -- March, 31, 2014	31,961,081	68,513,443	4,690,961	105,165,485
Investment income	445,352	1,152,701	-	1,598,053
Realized and unrealized gains	1,076,581	3,804,439	-	4,881,020
Contributions received	-	3,470,197	-	3,470,197
Spending policy distributions	-	(2,282,123)	-	(2,282,123)
Split interest agreements investment gain	-	117,432	-	117,432
Other/release from restriction	<u>(1,034,758)</u>	<u>326,883</u>	-	<u>(707,875)</u>
Investments -- March, 31, 2015	<u>\$ 32,448,256</u>	<u>\$ 75,102,972</u>	<u>\$ 4,690,961</u>	<u>\$ 112,242,189</u>

**Note 6: 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 2015.

**COMMUNITY FOUNDATION OF WESTERN MASSACHUSETTS**

**Notes to Financial Statements  
March 31, 2015 and 2014**

**Note 6: Fair Value Measurements**

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

	Total 2015	Quoted Prices in Active Markets for Identical Assets	Significant Other Observable Inputs	Significant Unobservable Inputs
		Level 1	Level 2	Level 3
<b>Assets</b>				
Cash and money market funds	\$ 5,461,452	\$ 5,461,452		
Mutual funds:				
Equity index funds	46,844,237	46,844,237		
Bond index funds	12,763,535	12,763,535		
Growth funds	14,268,863	14,268,863		
Balanced funds	5,827,451	5,827,451		
Income funds	583,962	583,962		
Bond funds	2,728,586	2,728,586		
U.S. Government obligations	4,381,276	4,381,276		
Corporate bonds:				
AAA Rating	166,261	166,261		
A Rating	36,230	36,230		
A- Rating	17,092	17,092		
BBB+ Rating	30,928	30,928		
Common stocks:				
Energy	62,762	62,762		
Financial services	190,906	190,906		
Consumer goods	178,243	178,243		
Industrials	166,702	166,702		
Health care	126,419	126,419		
Materials	37,961	37,961		
Technology	220,074	220,074		
Telecommunications	47,239	47,239		
Utilities	44,540	44,540		
Limited partnerships and other:				
Private equity venture capital	10,460,314		\$	10,460,314
Natural resources	3,365,210			3,365,210
Real estate	824,727			824,727
Hedge funds	8,780,014			8,780,014
Mezzanine	88,657			88,657
<b>Liabilities</b>				
Liability under unitrust agreement	\$ 1,888,222		\$	1,888,222

**COMMUNITY FOUNDATION OF WESTERN MASSACHUSETTS**

**Notes to Financial Statements  
March 31, 2015 and 2014**

**Note 6: Fair Value Measurements (continued)**

	<u>Total 2014</u>	<u>Quoted Prices in Active Markets for Identical Assets</u>	<u>Significant Other Observable Inputs</u>	<u>Significant Unobservable Inputs</u>
		<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
<b>Assets</b>				
Cash and money market funds	\$ 5,639,608	\$ 5,639,608		
Mutual funds:				
Equity index funds	42,662,670	42,662,670		
Bond index funds	10,510,669	10,510,669		
Growth funds	12,015,191	12,015,191		
Balanced funds	7,305,660	7,305,660		
Income funds	554,238	554,238		
Bond funds	2,123,902	2,123,902		
U.S. Government obligations	3,575,400	3,575,400		
Corporate bonds:				
AAA Rating	188,453	188,453		
AA+ Rating	35,884	35,884		
A+ Rating	25,043	25,043		
Common stocks:				
Energy	102,890	102,890		
Financial services	186,469	186,469		
Consumer goods	185,746	185,746		
Industrials	171,036	171,036		
Health care	103,991	103,991		
Materials	41,152	41,152		
Technology	217,854	217,854		
Telecommunications	56,139	56,139		
Utilities	46,255	46,255		
Limited partnerships and other:				
Private equity venture capital	9,649,842		\$ 9,649,842	
Natural resources	3,659,462			3,659,462
Real estate	1,289,709			1,289,709
Hedge funds	10,341,806			10,341,806
Mezzanine	116,024			116,024
<b>Liabilities</b>				
Liability under unitrust agreement	\$ 1,992,830		\$ 1,992,830	

**Cash and money market funds**

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

**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.

**Corporate bonds**

Valued at quoted market prices.

**COMMUNITY FOUNDATION OF WESTERN MASSACHUSETTS**

**Notes to Financial Statements  
March 31, 2015 and 2014**

**Note 6: Fair Value Measurements (continued)**

**Limited partnerships and other**

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 fair value as determined in good faith under procedures established by and under the general supervision of the trustee or the investment manager.

**Liability 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, 2015 and 2014:

	<u>Liability Under Unitrust Agreements</u>	<u>Limited Partnerships And Other</u>
Balance 4/1/13	\$ 2,649,456	\$ 23,787,684
Total gains	418,604	2,436,707
Purchases, issuances and settlements	<u>(1,075,230)</u>	<u>(1,167,548)</u>
Balance 3/31/14	1,992,830	25,056,843
Total gains	117,432	1,389,711
Purchases, issuances and settlements	<u>(222,040)</u>	<u>(2,927,632)</u>
Balance 3/31/15	<u>\$ 1,888,222</u>	<u>\$ 23,518,922</u>
Total activity for the period included on the statement of activities related to change in unrealized gains for Level 3 assets held at March 31, 2014	\$ 418,604	\$ 2,436,707
Total activity for the period included on the statement of activities related to change in unrealized gains for Level 3 assets still held at March 31, 2015	\$ 117,432	\$ 1,389,711

Limited partnerships and other are valued at fair value using net asset values received on monthly or quarterly statements received from the fund managers adjusted for any capital calls or distributions from the funds from the valuation date received from the fund managers to year end. As such, the net asset value is determined by a third party and the Foundation is not applying any unobservable inputs to measure these investments at fair value.

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

**Quantitative Information about Level 3 Fair Value Measurements**

	<u>Fair Value at March 31, 2015</u>	<u>Valuation Techniques</u>	<u>Unobservable Inputs</u>	<u>Range (Weighted Average)</u>
Liability Under Unitrust Agreements	\$ 1,888,222	Present value based on life expectancies	Present value	4.5% - 9.9%

**COMMUNITY FOUNDATION OF WESTERN MASSACHUSETTS**

**Notes to Financial Statements  
March 31, 2015 and 2014**

**Note 6: Fair Value Measurements (continued)**

<b>Quantitative Information about Level 3 Fair Value Measurements</b>				
	<b>Fair Value at March 31, 2014</b>	<b>Valuation Techniques</b>	<b>Unobservable Inputs</b>	<b>Range (Weighted Average)</b>
Liability Under Unitrust Agreements	\$ 1,992,830	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:

	<b>March 31, 2015</b>		<b>March 31, 2014</b>	
	<b>Carrying Amount</b>	<b>Fair Value</b>	<b>Carrying Amount</b>	<b>Fair Value</b>
<b>Assets</b>				
Notes receivable	\$ 543,501	\$ 543,501	\$ 543,501	\$ 543,501
Loans receivable, net	3,014,902	3,014,902	2,915,085	2,915,085
<b>Liabilities</b>				
Agency funds	8,580,919	8,580,919	7,479,744	7,479,744

**Note 7: Contributions Receivable**

There are no contributions receivable as of March 31, 2015 and 2014. 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, 2015.

**Note 8: Notes Receivable**

Notes receivable consist of the following:

A note receivable of \$543,501 at March 31, 2015 and 2014, 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.

**Note 9: Loans Receivable**

Loans receivable at March 31 are as follows:

	<b>2015</b>	<b>2014</b>
Loans receivable	\$ 3,867,480	\$ 3,724,945
Less: reserve for uncollectable loans	(852,578)	(809,860)
	\$ <u>3,014,902</u>	\$ <u>2,915,085</u>

The loans are unsecured and non-interest bearing with repayment terms of up to five years.



**COMMUNITY FOUNDATION OF WESTERN MASSACHUSETTS**

**Notes to Financial Statements  
March 31, 2015 and 2014**

**Note 10: Property and Equipment**

Property and equipment at March 31 are as follows:

	<u>2015</u>		<u>2014</u>
Computer equipment and furniture	\$ 147,245	\$	147,245
Less: accumulated depreciation	(146,540)		(144,646)
	<u>\$ 705</u>	\$	<u>2,599</u>

**Note 11: Lease Commitment**

The Foundation leases office space under an agreement which expired in March 2014 but was extended for an additional two years. Rent expense for the years ended March 31, 2015 and 2014 amounted to \$85,552 and \$85,581, respectively. The future minimum lease payments exclusive of building maintenance expense are estimated at \$82,462 for the year ending March 31, 2016. The future minimum lease payments exclusive of building maintenance expense are \$20,616 for the year ending March 31, 2017.

**Note 12: Conditional Promises To Give**

The Foundation has made certain conditional promises to give in the amount of approximately \$55,200 as of March 31, 2015. 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 allocation payable have not been recorded in the accompanying financial statements. The Foundation anticipates payment being made over the period from April 1, 2014 to March 31, 2015.

**Note 13: 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 \$72,652 and \$74,687 for the years ended March 31, 2015 and 2014, respectively.

**Note 14: 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 \$714,705 and \$443,084 in 2015 and 2014, respectively.

**Note 15: Temporarily Restricted Net Assets**

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

	<u>2015</u>		<u>2014</u>
Colgan and Sutton Annen loan funds	\$ 8,805,509	\$	8,549,681
Gifts restricted to particular purposes	66,315,615		60,925,504
	<u>\$ 75,121,124</u>	\$	<u>69,475,185</u>

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

	<u>2015</u>		<u>2014</u>
Qualifying grant expenditures	\$ 3,846,419	\$	3,585,395

During the year ended March 31, 2015, three donors changed the intent 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 2015 was \$610,785.

**COMMUNITY FOUNDATION OF WESTERN MASSACHUSETTS**

**Notes to Financial Statements  
March 31, 2015 and 2014**

**Note 16: Permanently Restricted Net Assets**

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

	<u>2015</u>	<u>2014</u>
Grant making purposes	\$ 4,201,503	\$ 4,201,503
Scholarships	489,458	489,458
	<u>\$ 4,690,961</u>	<u>\$ 4,690,961</u>

**Note 17: Functional Expenses**

Expenses by functional classification for the years ended March 31 are as follows:

	<u>2015</u>	<u>2014</u>
Grants	\$ 5,378,683	\$ 5,940,669
Scholarship	2,424,865	2,276,740
Management and general	461,888	459,972
Fund raising	401,221	387,584
	<u>\$ 8,666,657</u>	<u>\$ 9,064,965</u>

**Note 18: Concentrations and Credit Risks**

During 2015, there was one donor who made 24% of total contributions (12% in 2014) and another donor who made 8% of total contributions (8% in 2014).

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. 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.

**Note 19: Subsequent Events**

Management has evaluated subsequent events through June 30, 2015, the date which the financial statements were available to be issued.



## INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTARY INFORMATION

To the Board of Trustees of  
Community Foundation of Western Massachusetts

We have audited the financial statements of Community Foundation of Western Massachusetts as of and for the years ended March 31, 2015 and 2014, and have issued our reports thereon dated June 30, 2015 and June 30, 2014, which contained an unmodified opinion on those financial statements. Our audits were performed for the purpose of forming an opinion on the financial statements as a whole. The Operating Fund Statements are presented for the purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

*MeYers Brothers Kalicka, P.C.*

Holyoke, Massachusetts  
June 30, 2015

**COMMUNITY FOUNDATION OF WESTERN MASSACHUSETTS**

**Operating Fund Statements**

**For the years ended March 31, 2015 and 2014**

	<u>2015</u>	<u>2014</u>
Operating Revenue:		
Contributions	\$ 209,314	\$ 171,352
Administrative fee and other revenue	1,669,483	1,487,048
Transfer to Board Stabilization Funds	<u>(258,247)</u>	<u>(92,635)</u>
Total Operating Revenue	<u>1,620,550</u>	<u>1,565,765</u>
Operating Expenses:		
Salary and wages	906,081	923,466
Benefits	235,278	245,850
Office rent	85,552	85,581
Accounting and auditing	79,470	31,305
Computer services and supplies	73,824	45,821
Office supplies and expenses	50,942	89,023
Meetings, conferences and travel	38,299	33,666
Dues, subscriptions and memberships	20,621	18,332
Annual report	20,306	19,257
Investment consulting	20,000	20,000
Donor and special events	18,024	-
Marketing consultant	15,800	-
Newsletters, brochures and special mailings	15,664	10,892
Insurance	12,907	11,693
Legal	10,143	14,077
Telephone	8,096	8,863
Annual meeting	5,849	3,457
Depreciation expense	1,894	4,482
Website development	<u>1,800</u>	<u>-</u>
Total Operating Expenses	<u>1,620,550</u>	<u>1,565,765</u>
Net Operating Revenue Over Expenses	<u>\$ -</u>	<u>\$ -</u>