

***COMMUNITY FOUNDATION
OF WESTERN MASSACHUSETTS***

FINANCIAL STATEMENTS

***MARCH 31, 2020
WITH COMPARATIVE TOTALS
FOR THE YEAR ENDED MARCH 31, 2019***

**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, 2020, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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 Community Foundation of Western Massachusetts as of March 31, 2020, 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

We have previously audited the Community Foundation of Western Massachusetts' 2019 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated August 13, 2019. In our opinion, the summarized comparative information presented herein as of and for the year ended March 31, 2019 is consistent, in all material respects, with the audited financial statements from which it has been derived.

CohnReznick LLP

Hartford, Connecticut
November 6, 2020

COMMUNITY FOUNDATION OF WESTERN MASSACHUSETTS

**STATEMENTS OF FINANCIAL POSITION
MARCH 31, 2020 AND 2019**

ASSETS

	<u>2020</u>	<u>2019</u>
Cash and money market funds	\$ 6,981,633	\$ 5,383,763
Fees receivable	-	2,125
Investments	149,570,884	140,990,956
Assets held under charitable trusts	3,028,041	3,460,507
Notes receivable	331,751	326,751
Loans receivable, net	2,999,943	2,828,628
Prepaid expenses	59,078	70,098
Property and equipment, net	<u>138,929</u>	<u>134,360</u>
	<u><u>\$ 163,110,259</u></u>	<u><u>\$ 153,197,188</u></u>

LIABILITIES AND NET ASSETS

Liabilities

Accounts payable and accrued expenses	\$ 193,759	\$ 167,399
Grants payable	864,280	5,000
Liabilities under unitrust agreements	1,551,356	1,783,449
Agency funds	<u>16,356,542</u>	<u>15,879,797</u>
	<u>18,965,937</u>	<u>17,835,645</u>

Net assets

Without donor restrictions - undesignated	34,600,562	36,513,294
Without donor restrictions - Board designated	1,250,231	1,354,253
With donor restrictions	<u>108,293,529</u>	<u>97,493,996</u>
	<u>144,144,322</u>	<u>135,361,543</u>

Total liabilities and net assets

<u><u>\$ 163,110,259</u></u>	<u><u>\$ 153,197,188</u></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, 2020
WITH COMPARATIVE TOTALS FOR THE YEAR ENDED MARCH 31,
2019**

	Without Donor Restrictions	With Donor Restrictions	2020 Total	2019 Total
Support and revenues				
Contributions	\$ 8,524,036	\$ 23,601,335	\$ 32,125,371	\$ 12,732,888
Less amounts received from agency funds	(1,818,764)	-	(1,818,764)	(5,688,859)
Net contributions	6,705,272	23,601,335	30,306,607	7,044,029
Investment gains and other investment activity				
Interest and dividend income	1,341,633	2,330,753	3,672,386	3,096,894
Realized and unrealized gains (losses)	(3,877,141)	(9,352,137)	(13,229,278)	2,233,994
Less amounts received from agency funds	795,695	-	795,695	(676,141)
Net investment activity	(1,739,813)	(7,021,384)	(8,761,197)	4,654,747
Administrative revenue	300,203	-	300,203	396,147
Change in split interest agreements	-	(230,969)	(230,969)	146,656
Net assets released from restrictions	5,549,449	(5,549,449)	-	-
Total support and revenues	10,815,111	10,799,533	21,614,644	12,241,579
Expenses				
Disbursements for grants and scholarships	9,944,621	-	9,944,621	8,320,433
Less amounts distributed to agency funds	(390,479)	-	(390,479)	(499,802)
Total disbursements for grants and scholarships	9,554,142	-	9,554,142	7,820,631
Operating expenses	3,277,723	-	3,277,723	3,119,936
Total expenses	12,831,865	-	12,831,865	10,940,567
Change in net assets	(2,016,754)	10,799,533	8,782,779	1,301,012
Net assets, beginning of year	37,867,547	97,493,996	135,361,543	134,060,531
Net assets, end of year	\$ 35,850,793	\$ 108,293,529	\$ 144,144,322	\$ 135,361,543

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

COMMUNITY FOUNDATION OF WESTERN MASSACHUSETTS

STATEMENTS OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED MARCH 31, 2020
WITH COMPARATIVE TOTALS FOR THE YEAR ENDED MARCH 31, 2019

	Program expenses	Management and general	Fundraising	2020 Total	2019 Total
Disbursements for grants and scholarships	\$ 9,944,621	\$ -	\$ -	\$ 9,944,621	\$ 8,320,433
Less amounts distributed to agency funds	(390,479)	-	-	(390,479)	(499,802)
Net distributions for grants and scholarships	9,554,142	-	-	9,554,142	7,820,631
Salaries	552,600	725,223	434,608	1,712,431	1,598,062
Employee benefits and payroll taxes	148,974	195,511	117,164	461,649	412,938
Professional services	233,544	236,579	157,816	627,939	393,691
Information technology	48,246	48,873	32,602	129,721	119,949
Office expense	33,671	34,109	22,753	90,533	74,759
Occupancy	54,082	54,785	36,546	145,413	139,798
Publications	11,334	11,482	7,659	30,475	22,179
Conferences and meetings	11,331	11,478	7,657	30,466	19,979
Travel	4,647	4,708	3,140	12,495	17,547
Advertising and marketing	11,767	11,920	7,952	31,639	77,944
Bad debt	4,962	-	-	4,962	243,090
Total expenses	<u>\$ 10,669,300</u>	<u>\$ 1,334,668</u>	<u>\$ 827,897</u>	<u>\$ 12,831,865</u>	<u>\$ 10,940,567</u>

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, 2020 AND 2019

	<u>2020</u>	<u>2019</u>
Cash flows from operating activities		
Change in net assets	\$ 8,782,779	\$ 1,301,012
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	17,937	15,241
Bad debt	4,962	243,090
Net realized and unrealized (gains) losses on investments	13,229,278	(2,233,994)
Net changes in operating assets and liabilities:		
Fees receivable	2,125	2,125
Contributions receivable	-	400,000
Prepaid expenses	11,020	(22,228)
Donated investments immediately liquidated	2,398,522	2,339,093
Accounts payable and accrued expenses	26,360	(65,907)
Grants payable	859,280	5,000
Liabilities under unitrust agreements	(232,093)	44,774
Agency funds	476,745	5,784,482
Net cash provided by operating activities	<u>25,576,915</u>	<u>7,812,688</u>
Cash flows from investing activities		
Purchases of investments	(74,574,929)	(27,791,171)
Proceeds from the sales and maturities of investments	50,799,667	20,581,215
Notes receivable	(5,000)	216,750
Purchases of property and equipment	(22,506)	(7,648)
Loan proceeds	402,723	471,001
Loan disbursements	(579,000)	(729,000)
Net cash used in investing activities	<u>(23,979,045)</u>	<u>(7,258,853)</u>
Net increase in cash and money market funds	1,597,870	553,835
Cash and money market funds, beginning of year	<u>5,383,763</u>	<u>4,829,928</u>
Cash and money market funds, end of year	<u>\$ 6,981,633</u>	<u>\$ 5,383,763</u>
Supplemental disclosure of cash flow information		
Cash paid for taxes	\$ 2,394	\$ 2,342

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

COMMUNITY FOUNDATION OF WESTERN MASSACHUSETTS

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2020 AND 2019

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 Hampden, Hampshire and Franklin Counties. 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, 2019, 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.

Net assets

The Foundation presents information regarding its financial position and activities according to two classifications of net assets described as follows:

Net assets without donor restrictions - Resources include donor-advised funds and 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.

Net assets with donor restrictions - 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. Net assets with donor restrictions also include assets which are intended to be held in perpetuity, and the related accumulated unspent appreciation and earnings on such funds. 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.

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).

COMMUNITY FOUNDATION OF WESTERN MASSACHUSETTS

NOTES TO FINANCIAL STATEMENTS MARCH 31, 2020 AND 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)

Loans receivable

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 7). 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. Bad debts, including the change in the allowance for doubtful accounts, for the years ending March 31, 2020 and 2019 were \$4,962 and \$243,090, respectively. The Foundation paid fees to assist with the administration of these loans of \$52,175 in 2020 and \$32,879 in 2019.

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. Investment activity is reported as increases or decreases in net assets without donor restrictions 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, 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.

COMMUNITY FOUNDATION OF WESTERN MASSACHUSETTS

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2020 AND 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)

Investments including endowments (continued)

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 net assets with donor restrictions.

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, 2020 and 2019, the Foundation had \$5,229,250 and \$4,062,150, respectively, of this return available for spending, of which the Foundation utilized \$4,247,875 and \$3,808,762, 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.

COMMUNITY FOUNDATION OF WESTERN MASSACHUSETTS

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2020 AND 2019

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.

Charitable lead trusts - From time to time, the Foundation Trustees have been named as term beneficiary for charitable lead trusts. At March 31, 2020 and March 31, 2019, the Foundation was not named as term beneficiary on any such trusts

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

The Foundation reports unconditional promises to give as revenue when the promise is received. Conditional promises to give are recognized as revenue when the condition is met. Contributions received are recorded as with or without donor restrictions depending on the existence and/or nature of any donor restrictions. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions. Donor restricted contributions whose restrictions are met in the same reporting period have been reported as support increasing net assets without donor restrictions in the statement of activities. Contributions of assets other than cash are recorded at their fair value on the date of the gift.

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.

COMMUNITY FOUNDATION OF WESTERN MASSACHUSETTS

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2020 AND 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)

Grants paid

Grants are recorded as expense and accrued as a liability when approved by the Distribution Committee. Conditional grants are expensed when the specific conditions are met. Grants payable were \$864,280 and \$5,000 at March 31, 2020 and 2019, respectively. There are no conditional grants at March 31, 2020 and 2019.

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, 2017.

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.

Functional allocation of expenses

The statement of functional expenses presents the nature and function of expenses. Expenses that can be identified with a specific program or supporting function are charged directly to that program or support function. Expenses that are attributed to multiple functions are allocated using a reasonable allocation method that is consistently applied. Salaries and related costs are allocated based on staff functions. Non-personnel costs are allocated based on full-time equivalents for each program and supporting function.

COMMUNITY FOUNDATION OF WESTERN MASSACHUSETTS

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2020 AND 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)

Adoption of new accounting standards

The Foundation adopted Financial Accounting Standards Board (“FASB”) Accounting Standards Update (“ASU 2018-08”), *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. This standard assists entities in evaluating whether transactions should be accounted for as contributions or exchange transactions and determining whether a contribution is conditional. The Foundation adopted the provisions of ASU 2018-08 on April 1, 2019 applicable to both contributions received and to contributions made in the accompanying financial statements under a modified prospective basis. There is no effect on net assets in connection with the implementation of ASU 2018-08.

In June 2020, the FASB issued Accounting Standards Update No. 2020-05 (“ASU 2020-05”), *Revenue from Contracts with Customers* (Topic 606) and *Leases* (Topic 842): *Effective Dates for Certain Entities*, which provides for elective deferrals of the effective dates of Topic 606 and Topic 842 for certain entities.

The Foundation has elected to apply the deferral provided by ASU 2020-05 and, therefore, expects to adopt Topic 606 for annual reporting periods beginning after December 15, 2019 on a modified retrospective basis and adopt Topic 842 for fiscal years beginning after December 15, 2021 on a modified retrospective basis. The Foundation is currently evaluating the potential impact of adopting Topic 606 and 842 on its financial statements

The Foundation early adopted ASU 2018-13, *Fair Value Measurement* (Topic 820). This standard changes the disclosure requirements for fair value measurement. The Foundation adopted the provisions of ASU 2018-13 on April 1, 2019. There is no effect on net assets in connection with the implementation of ASU 2018-13.

3. LIQUIDITY:

Financial assets available for use by the Foundation within one year from March 31, 2020 and 2019 are as follows:

	<u>2020</u>	<u>2019</u>
Financial assets at year-end:		
Cash and money market funds	\$ 6,981,633	\$ 5,383,763
Fees receivable	-	2,125
Investments	152,598,925	144,451,463
Notes receivable	331,751	326,751
Loans receivable	<u>2,999,943</u>	<u>2,828,628</u>
Total financial assets	162,912,252	152,992,730
Less amounts not available to be used within one year:		
Notes receivable	(271,751)	(271,751)
Assets held under charitable trusts	(3,028,041)	(3,460,507)
Agency funds	(16,356,542)	(15,879,797)
Donor restricted funds	(107,940,902)	(96,529,897)
Board designated funds	(1,029,424)	(1,137,657)
Donor/Agency advised funds	<u>(26,684,331)</u>	<u>(29,648,198)</u>
Financial assets available to meet general expenditures within one year	<u>\$ 7,601,261</u>	<u>\$ 6,336,674</u>

COMMUNITY FOUNDATION OF WESTERN MASSACHUSETTS

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2020 AND 2019

3. LIQUIDITY: (CONTINUED)

The above table reflects board designated funds as unavailable because it is the Foundation's intention to invest these resources for long-term support of the Foundation. However, in the case of need, the Trustees could make these board designated funds available for general use. The Foundation has no outstanding debt and has no plan to incur any debt.

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.

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

	2020	2019
	<u>Fair Value</u>	<u>Fair Value</u>
Mutual funds	\$ 148,148,918	\$ 138,407,006
U.S. Government obligations	125,103	453,964
Municipal and corporate bonds	366,712	307,729
Common stocks	1,387,893	2,018,069
Limited partnerships	<u>2,570,300</u>	<u>3,264,695</u>
Total investments and assets held under charitable trusts	<u>\$ 152,598,925</u>	<u>\$ 144,451,463</u>

COMMUNITY FOUNDATION OF WESTERN MASSACHUSETTS

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2020 AND 2019

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

At March 31, 2020 and 2019, approximately 98% 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, 2020 and 2019, the Foundation had uncalled commitments of \$366,614 and \$369,725, 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. During the year ending March 31, 2020, Metropolitan Real Estate Partners Fund III was redeemed.

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 2020.

COMMUNITY FOUNDATION OF WESTERN MASSACHUSETTS

NOTES TO FINANCIAL STATEMENTS MARCH 31, 2020 AND 2019

5. FAIR VALUE MEASUREMENTS: (CONTINUED)

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

	Total 2020	Quoted Prices in Active Markets for Identical Assets	Significant Other Observable Inputs	Significant Unobservable Inputs
		Level 1	Level 2	Level 3
Mutual funds:				
Equity index funds	\$ 84,039,067	\$ 84,039,067	\$	\$
Bond index funds	33,905,486	33,905,486		
Growth funds	2,880,550	2,880,550		
Balanced funds	159,514	159,514		
Income funds	18,021,030	18,021,030		
Bond funds	9,143,271	9,143,271		
U.S. Government obligations	125,103	125,103		
Municipal and corporate				
Municipal	25,279	25,279		
Corporate	341,434	341,434		
Common stocks:				
Energy	7,305	7,305		
Financial services	124,252	124,252		
Consumer goods	304,056	304,056		
Industrials	126,818	126,818		
Health care	178,898	178,898		
Materials	74,334	74,334		
Technology	325,934	325,934		
Telecommunications	176,772	176,772		
Utilities	42,608	42,608		
Real estate	26,915	26,915		
Limited partnerships:				
Private equity venture capital	1,203,336	38,821		1,164,515
Natural resources	816,739	88,637		728,102
Real estate	550,224	25,797		524,427
	<u>\$ 152,598,925</u>	<u>\$ 150,181,881</u>	<u>\$ -</u>	<u>\$ 2,417,044</u>
Liabilities under unitrust agreement	\$ 1,551,356			\$ 1,551,356

COMMUNITY FOUNDATION OF WESTERN MASSACHUSETTS

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2020 AND 2019

5. FAIR VALUE MEASUREMENTS: (CONTINUED)

	Total 2020	Quoted Prices in Active Markets for Identical Assets	Significant Other Observable Inputs	Significant Unobservable Inputs
		Level 1	Level 2	Level 3
Mutual funds:				
Equity index funds	\$ 81,549,650	\$81,549,650	\$	\$
Bond index funds	32,566,497	32,566,497		
Growth funds	7,788,123	7,788,123		
Balanced funds	8,385,582	8,385,582		
Income funds	526,147	526,147		
Bond funds	2,432,631	2,432,631		
Commodity fund	1,286,342	1,286,342		
Hedge funds	3,872,033	3,872,033		
U.S. Government obligations	453,964	453,964		
Municipal and corporate bonds:				
Municipal	25,070	25,070		
Corporate	282,659	282,659		
Common stocks:				
Energy	73,802	73,802		
Financial services	222,812	222,812		
Consumer goods	387,473	387,473		
Industrials	289,705	289,705		
Health care	220,206	220,206		
Materials	91,541	91,541		
Technology	415,254	415,254		
Telecommunications	198,152	198,152		
Utilities	64,076	64,076		
Real estate	55,049	55,049		
Limited partnerships:				
Private equity venture capital	1,488,709			1,488,709
Natural resources	1,074,727			1,074,727
Real estate	701,259			701,259
Liabilities	\$ 144,451,463	\$ 141,186,768	\$ -	\$ 3,264,695
Liabilities under unitrust agreement	\$ 1,783,449			

COMMUNITY FOUNDATION OF WESTERN MASSACHUSETTS

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2020 AND 2019

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.

Level 3 fair value measurements

Limited partnership purchases and issuances for the years ended March 31, 2020 and 2019 were \$572,949 and \$2,116,846, respectively. Purchases and issuances for liabilities under unitrust agreements were \$29,460 and \$62,960 for the years ended March 31, 2020 and 2019, respectively.

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

	<u>Fair Value at March 31, 2020</u>	<u>Valuation Techniques</u>	<u>Unobservable Inputs</u>	<u>Range (Weighted Average)</u>
Liabilities under Unitrust Agreements	\$ 1,551,356	Present value based on life expectancies	Present value	4.5% - 9.9%

Quantitative Information about Level 3 Fair Value Measurements

	<u>Fair Value at March 31, 2019</u>	<u>Valuation Techniques</u>	<u>Unobservable Inputs</u>	<u>Range (Weighted Average)</u>
Liabilities under Unitrust Agreements	\$ 1,783,449	Present value based on life expectancies	Present value	4.5% - 9.9%

COMMUNITY FOUNDATION OF WESTERN MASSACHUSETTS

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2020 AND 2019

6. NOTES RECEIVABLE:

The Foundation has a note receivable of \$271,751 at March 31, 2020 and 2019 which is due for collection on January 15, 2024. Interest only is receivable quarterly at 6%.

A note receivable of \$60,000 at March 31, 2020 from the Franklin Land Trust is due for collection on July 31, 2020. Interest accrues at 1.8% for the first six months and prime less ½% for the next 12 months and prime thereafter. The note was repaid subsequent to March 31, 2020.

7. LOANS RECEIVABLE:

Loans receivable at March 31 are as follows:

	<u>2020</u>	<u>2019</u>
Loans receivable	\$ 3,336,978	\$ 3,171,108
Less: Reserve for uncollectable loans	<u>(337,035)</u>	<u>(342,480)</u>
	<u>\$ 2,999,943</u>	<u>\$ 2,828,628</u>

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

8. PROPERTY AND EQUIPMENT:

Property and equipment at March 31 are as follows:

	<u>2020</u>	<u>2019</u>
Computer equipment and furniture	\$ 140,797	\$ 118,291
Leasehold improvements	<u>61,632</u>	<u>61,632</u>
	202,429	179,923
Less: Accumulated depreciation	<u>(63,500)</u>	<u>(45,563)</u>
	<u>\$ 138,929</u>	<u>\$ 134,360</u>

Depreciation expense was \$17,937 and \$15,241 for the years ended March 31, 2020 and 2019, respectively.

COMMUNITY FOUNDATION OF WESTERN MASSACHUSETTS

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2020 AND 2019

9. LEASE COMMITMENT:

The Foundation leases office space under an agreement which expires on March 31, 2027. The Foundation has the option to extend the lease for one five-year period. Rent expense for the years ended March 31, 2020 and 2019 amounted to \$100,581.

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

Year ending March 31,	
2021	\$ 100,581
2022	100,581
2023	108,318
2024	108,318
2025	108,318
Thereafter	<u>216,636</u>
Total future minimum lease payments	\$ <u>742,752</u>

10. 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 \$132,237 and \$123,341 for the years ended March 31, 2020 and 2019, respectively.

11. 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 \$482,737 and \$246,809 in 2020 and 2019, respectively.

12. NET ASSETS:

Net assets without donor restrictions include certain amounts that the Trustees have designated as a reserve for operations. Net assets without donor restrictions as of March 31 are comprised of the following:

	<u>2020</u>	<u>2019</u>
Designated by the Trustees for:		
Operating reserves	\$ 220,807	\$ 216,596
Quasi-endowment	1,029,424	1,137,657
Undesignated	<u>34,600,562</u>	<u>36,513,294</u>
	\$ <u>35,850,793</u>	\$ <u>37,867,547</u>

COMMUNITY FOUNDATION OF WESTERN MASSACHUSETTS

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2020 AND 2019

12. NET ASSETS: (CONTINUED)

Net assets with donor restrictions as of March 31 are comprised of the following:

	<u>2020</u>	<u>2019</u>
Colgan and Sutton Annen loan funds	\$ 8,202,639	\$ 8,704,996
Gifts restricted to particular purposes	93,874,815	82,572,925
Funds held in perpetuity	<u>6,216,075</u>	<u>6,216,075</u>
	<u>\$ 108,293,529</u>	<u>\$ 97,493,996</u>

During the years ended March 31, 2020 and 2019, net assets released from restrictions to support the Foundation's activities, as follows:

	<u>2020</u>	<u>2019</u>
Qualifying grant expenditures	\$ 5,549,449	\$ 5,277,919

During the year ended March 31, 2019, 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 the years ended March 31, 2020 and 2019 was \$0 and \$655,616, respectively.

13. GRANT ADMINISTRATION:

The Distribution Committee of the Foundation made 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 served 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 \$112,156 and \$226,398 for the years ended March 31, 2020 and 2019, respectively, which have been recorded as administrative fees revenue.

During the fiscal year, ownership of the Bank of America Charitable Trusts was transferred to the Foundation by the court. The transfer occurred in October 2019, hence the decrease in fees received compared to prior years. The result to this transfer was an increase in Foundation assets of \$22,082,070. These funds are now administered as all other funds of the Foundation.

14. CONCENTRATIONS AND CREDIT RISKS:

During 2020, there was one donor who made 73% of total contributions (see footnote 13). During 2019, there was one donor who made 16% 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, 2020 and 2019, the Foundation had \$2,149,481 and \$1,545,670 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.

COMMUNITY FOUNDATION OF WESTERN MASSACHUSETTS

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2020 AND 2019

15. 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.

16. SUBSEQUENT EVENTS:

Management has evaluated subsequent events through November 6, 2020, the date which the financial statements were available to be issued.

17. CONTINGENCY:

In early 2020, an outbreak of a novel strain of coronavirus ("COVID-19") emerged globally. As a result, events have occurred including mandates from federal, state and local authorities leading to an overall decline in economic activity which could result in a loss of revenues and other material adverse effects to the Foundation's financial position, results of activities, and cash flows. The Foundation is not able to estimate the length or severity of this outbreak and the related financial impact. Management plans to adjust its operations accordingly and will continue to assess and monitor the situation as it evolves. If the length of the outbreak and related effects on the Foundation's operations continue for an extended period of time, the Foundation may have to seek alternative measures to finance its operations.



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