

***COMMUNITY FOUNDATION OF
WESTERN MASSACHUSETTS
FINANCIAL STATEMENTS
MARCH 31, 2023
WITH COMPARATIVE TOTALS
FOR THE YEAR ENDED MARCH 31, 2022***

**COMMUNITY FOUNDATION OF WESTERN MASSACHUSETTS
FINANCIAL STATEMENTS**

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Independent Auditor's Report

To the Trustees of Community Foundation of Western Massachusetts

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Community Foundation of Western Massachusetts, which comprise the statements of financial position as of March 31, 2023, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Community Foundation of Western Massachusetts as of March 31, 2023 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.

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Community Foundation of Western Massachusetts's ability to continue as a going concern for one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

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

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

Report on Summarized Comparative Information

We have previously audited the Community Foundation of Western Massachusetts' 2022 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated August 19, 2022. In our opinion, the summarized comparative information presented herein as of and for the year ended March 31, 2022, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated August 17, 2023 on our consideration of Community Foundation of Western Massachusetts internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Community Foundation of Western Massachusetts internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Community Foundation of Western Massachusetts internal control over financial reporting and compliance.



Hartford, Connecticut
August 17, 2023

COMMUNITY FOUNDATION OF WESTERN MASSACHUSETTS

STATEMENTS OF FINANCIAL POSITION

MARCH 31, 2023

WITH COMPARATIVE TOTALS FOR THE YEAR ENDED MARCH 31, 2022

ASSETS

	<u>2023</u>	<u>2022</u>
Cash and money market funds	\$ 11,104,423	\$ 14,139,067
Investments	219,733,637	240,737,421
Assets held under charitable trusts	2,178,313	3,118,738
Receivables	387,158	-
Loans receivable, net	3,126,068	2,838,520
Contributions receivable	2,500,000	2,650,000
Prepaid expenses	76,888	66,841
Property and equipment, net	<u>87,681</u>	<u>126,502</u>
	<u><u>\$ 239,194,168</u></u>	<u><u>\$ 263,677,089</u></u>

LIABILITIES AND NET ASSETS

Liabilities

Accounts payable and accrued expenses	\$ 236,622	\$ 239,394
Grants payable	87,900	1,012,413
Liabilities under unitrust agreements	1,040,234	1,364,953
Agency funds	<u>22,360,256</u>	<u>23,351,155</u>
	<u>23,725,012</u>	<u>25,967,915</u>

Net assets

Without donor restrictions - undesignated	61,833,642	71,129,913
Without donor restrictions - Board designated	1,813,412	1,657,994
With donor restrictions	<u>151,822,102</u>	<u>164,921,267</u>
	<u>215,469,156</u>	<u>237,709,174</u>

Total liabilities and net assets

<u><u>\$ 239,194,168</u></u>	<u><u>\$ 263,677,089</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, 2023

WITH COMPARATIVE TOTALS FOR THE YEAR ENDED MARCH 31, 2022

	Without Donor Restrictions	With Donor Restrictions	2023 Total	2022 Total
Support and revenues				
Contributions	\$ 7,176,923	\$ 4,654,829	\$ 11,831,752	\$ 40,300,739
Less amounts received from agency funds	(1,490,599)	-	(1,490,599)	(1,879,980)
Net contributions	5,686,324	4,654,829	10,341,153	38,420,759
Government grants and contracts	1,695,101	-	1,695,101	-
Investment gains and other investment activity				
Interest and dividend income	1,688,855	3,251,916	4,940,771	4,354,676
Realized and unrealized gains (losses)	(6,054,174)	(13,360,155)	(19,414,329)	6,672,220
Adjustment from investment (gains) losses from agency funds	1,122,553	-	1,122,553	(1,126,557)
Net investment activity	(3,242,766)	(10,108,239)	(13,351,005)	9,900,339
Administrative revenue	244,940	52,617	297,557	221,087
Change in split interest agreements	-	(54,134)	(54,134)	(128,555)
Net assets released from restrictions	7,644,238	(7,644,238)	-	-
Total support and revenues	12,027,837	(13,099,165)	(1,071,328)	48,413,630
Expenses				
Disbursements for grants and scholarships	18,044,887	-	18,044,887	16,190,495
Less amounts distributed to agency funds	(1,122,173)	-	(1,122,173)	(1,244,062)
Total disbursements for grants and scholarships	16,922,714	-	16,922,714	14,946,433
Operating expenses	4,245,976	-	4,245,976	3,429,244
Total expenses	21,168,690	-	21,168,690	18,375,677
Change in net assets	(9,140,853)	(13,099,165)	(22,240,018)	30,037,953
Net assets, beginning of year	72,787,907	164,921,267	237,709,174	207,671,221
Net assets, end of year	<u>\$ 63,647,054</u>	<u>\$ 151,822,102</u>	<u>\$ 215,469,156</u>	<u>\$ 237,709,174</u>

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, 2023
WITH COMPARATIVE TOTALS FOR THE YEAR ENDED MARCH 31, 2022**

	Program expenses	Management and general	Fundraising	2023 Total	2022 Total
Disbursements for grants and scholarships	\$ 18,044,887	\$ -	\$ -	\$ 18,044,887	\$ 16,190,495
Less amounts distributed to agency funds	(1,122,173)	-	-	(1,122,173)	(1,244,062)
Net distributions for grants and scholarships	16,922,714	-	-	16,922,714	14,946,433
Employee wages and benefits	1,140,822	1,029,691	656,717	2,827,230	2,340,441
Professional services	248,311	402,639	25,366	676,316	533,402
Information technology	49,513	33,780	37,994	121,287	115,973
Office expense	80,683	74,035	77,861	232,579	187,125
Occupancy	65,698	63,361	65,537	194,596	168,255
Communications and marketing	8,425	56,795	12,092	77,312	64,130
Conferences and meetings	13,746	29,397	9,846	52,989	17,350
Travel	6,304	2,314	2,689	11,307	167
Bad debt	52,360	-	-	52,360	2,401
Total expenses	<u>\$ 18,588,576</u>	<u>\$ 1,692,012</u>	<u>\$ 888,102</u>	<u>\$ 21,168,690</u>	<u>\$ 18,375,677</u>

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

COMMUNITY FOUNDATION OF WESTERN MASSACHUSETTS

**STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED MARCH 31, 2023
WITH COMPARATIVE TOTALS FOR THE YEAR ENDED MARCH 31, 2022**

	<u>2023</u>	<u>2022</u>
Cash flows from operating activities		
Change in net assets	\$ (22,240,018)	\$ 30,037,953
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	38,821	38,822
Bad debt	52,360	2,401
Net realized and unrealized (gains) losses on investments	19,414,329	(6,672,220)
Net changes in operating assets and liabilities:		
Receivable	(387,158)	-
Contributions receivable	150,000	(2,650,000)
Prepaid expenses	(10,047)	(15,526)
Donated investments immediately liquidated	2,318,316	3,794,162
Accounts payable and accrued expenses	(2,772)	36,893
Grants payable	(924,513)	1,004,413
Liability under unitrust agreements	(324,719)	(220,512)
Agency funds	(990,899)	1,539,639
Net cash (used in) provided by operating activities	<u>(2,906,300)</u>	<u>26,896,025</u>
Cash flows from investing activities		
Purchases of investments	(24,359,435)	(40,179,313)
Proceeds from the sales and maturities of investments	24,571,000	19,836,235
Notes Receivable	-	271,751
Loan Proceeds	389,092	427,464
Loan Disbursements	<u>(729,000)</u>	<u>(384,000)</u>
Net cash used in investing activities	<u>(128,343)</u>	<u>(20,027,863)</u>
Net (decrease) increase in cash and money market funds	<u>(3,034,644)</u>	<u>6,868,163</u>
Cash and money market funds, beginning of year	<u>14,139,067</u>	<u>7,270,904</u>
Cash and money market funds, end of year	<u><u>\$ 11,104,423</u></u>	<u><u>\$ 14,139,067</u></u>
Supplemental disclosure of cash flow information		
Cash paid for taxes	<u><u>\$ 50,648</u></u>	<u><u>\$ 15,331</u></u>

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

COMMUNITY FOUNDATION OF WESTERN MASSACHUSETTS

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2023 AND 2022

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 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, 2022, 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 grantor 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). Cash equivalents at March 31, 2023 and 2022 were \$2,159,447 and \$2,215,043, respectively.

COMMUNITY FOUNDATION OF WESTERN MASSACHUSETTS

NOTES TO FINANCIAL STATEMENTS MARCH 31, 2023 AND 2022

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)

Loans receivable

As part of their mission, the Foundation advances loans to eligible students. These loans are unsecured and recorded at amortized cost less a reserve for uncollectible balances. The collection of these loans begins 90 days after the student has graduated, at which time regular payments are made for up to five years. These loans are non-interest bearing. An allowance for doubtful accounts is recorded based upon management's evaluation of the collectability of individual student accounts (Note 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, 2023 and 2022 were \$52,360 and \$2,401, respectively. The Foundation paid fees to assist with the administration of these loans of \$35,256 in 2023 and \$39,133 in 2022.

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, 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, 2023 AND 2022

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)

Investments including endowments (continued)

The Foundation manages its investment portfolio in a manner consistent with the Massachusetts Uniform Prudent Management of Institutional Funds Act ("MPMIFA"). 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 Foundation activities. Although not required by state law, the same spending policy is followed for the donor restricted purpose funds. For the years ended March 31, 2023 and 2022, the Foundation had approximately \$6,161,050 and \$5,316,450, respectively, of this return available for spending, of which the Foundation utilized \$5,756,028 and \$5,100,270 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.

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.

COMMUNITY FOUNDATION OF WESTERN MASSACHUSETTS

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2023 AND 2022

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)

Agency funds

There are times when the Foundation accepts contributions from a donor and agrees to transfer those assets, the return on investment of those assets, to a nonprofit entity that is specified by the donor. If a nonprofit organization establishes a fund at a community foundation with its own funds and specifies itself as the beneficiary of that fund, the Foundation must account for the transfer of such assets, the return on investment of those assets, or both 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 consolidated statements 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.

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 \$87,900 and \$1,012,413 at March 31, 2023 and 2022, respectively. There are no conditional grants at March 31, 2023.

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 not be sustained upon examination. A tax position is deemed to include such things as the Foundation's tax-exempt status.

Management has analyzed the tax positions taken by the Organization and has concluded that, as of March 31, 2023, there are no uncertain tax positions taken or expected to be taken that would require recognition of a liability (or asset) or disclosure in the financial statements. The Foundation's tax returns are subject to examination by taxing authorities for all years ended on or after March 31, 2020.

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.

COMMUNITY FOUNDATION OF WESTERN MASSACHUSETTS

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2023 AND 2022

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)

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.

Reclassifications

Certain items from the prior year financial statements have been reclassified to conform to the current year presentation.

3. LIQUIDITY:

Financial assets available for use by the Foundation within one year from March 31, 2023 and 2022 are as follows:

	<u>2023</u>	<u>2022</u>
Financial assets at year end:		
Cash and money market funds	\$ 11,104,423	\$ 14,139,067
Investments	221,911,950	243,856,159
Accounts receivable	387,158	-
Contributions receivable	2,500,000	2,650,000
Loans receivable	<u>3,126,068</u>	<u>2,838,520</u>
Total financial assets	239,029,599	263,483,746
Less amounts not available to be used within one year:		
Loans & Contributions Receivable	(5,626,068)	(5,488,520)
Assets held under charitable trusts	(2,178,313)	(3,118,738)
Agency funds	(22,360,256)	(23,351,155)
Donor restricted funds (temp/perm)	(144,017,721)	(162,421,267)
Board Designated	(1,589,428)	(1,437,204)
Donor/Agency Advised funds	<u>(58,205,759)</u>	<u>(57,504,451)</u>
Financial assets available to meet general expenditures within one year	<u>\$ 5,052,054</u>	<u>\$ 10,162,411</u>

COMMUNITY FOUNDATION OF WESTERN MASSACHUSETTS

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2023 AND 2022

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:

	2023	2022
	Fair Value	Fair Value
Mutual funds	\$ 200,743,851	\$ 219,081,561
U.S. Government obligations	2,973,308	3,138,034
Municipal and corporate bonds	8,312,558	9,788,875
Common stocks	7,832,533	8,986,579
Limited partnerships	2,049,700	2,861,110
Total investments and assets held under charitable trusts	<u>\$ 221,911,950</u>	<u>\$ 243,856,159</u>

COMMUNITY FOUNDATION OF WESTERN MASSACHUSETTS

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2023 AND 2022

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

At March 31, 2023 and 2022, approximately 99% 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.

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.

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 2023.

COMMUNITY FOUNDATION OF WESTERN MASSACHUSETTS

**NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2023 AND 2022**

5. FAIR VALUE MEASUREMENTS: (CONTINUED)

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

	Total 2023	Quoted Prices in Active Markets for Identical Level 1	Significant Other Observable Inputs Level 2	Significant Unobservable Inputs Level 3
Mutual Funds				
Equity Index Funds	\$ 140,355,071	\$ 140,355,071	\$ -	\$ -
Bond Index Funds	18,834,607	18,834,607	-	-
Balanced Funds	192,385	192,385	-	-
Income Funds	28,118,278	28,118,278	-	-
Bond Funds	13,243,510	13,243,510	-	-
US Government Obligations	2,973,308	2,973,308	-	-
Municipal and Corporate Bonds				
Municipal	3,485,290	-	3,485,290	-
Corporate	4,827,268	-	4,827,268	-
Common Stocks				
Financial Services	1,338,454	1,338,454	-	-
Consumer Goods	933,691	933,691	-	-
Industrials	1,174,129	1,174,129	-	-
Health Care	737,496	737,496	-	-
Materials	512,959	512,959	-	-
Technology	2,349,704	2,349,704	-	-
Telecommunications	437,709	437,709	-	-
Utilities	249,698	249,698	-	-
Real Estate	98,693	98,693	-	-
Alternative Investments				
Private Equity Venture Cap	880,971	-	-	880,971
Natural Resources	540,211	-	-	540,211
Real Estate	628,518	-	-	628,518
TOTALS	<u>221,911,950</u>	<u>211,549,692</u>	<u>8,312,558</u>	<u>2,049,700</u>
Liabilities				
Liabilities under unitrust agreement	<u>\$ 1,040,234</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,040,234</u>

COMMUNITY FOUNDATION OF WESTERN MASSACHUSETTS

**NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2023 AND 2022**

5. FAIR VALUE MEASUREMENTS: (CONTINUED)

	Total 2022	Quoted Prices in Active Markets for Identical Level 1	Significant Other Observable Inputs Level 2	Significant Unobservable Inputs Level 3
Mutual Funds				
Equity Index Funds	\$ 156,494,633	\$ 156,494,633	\$ -	\$ -
Bond Index Funds	19,683,812	19,683,812	-	-
Growth Funds	-	-	-	-
Balanced Funds	210,552	210,552	-	-
Income Funds	28,442,933	28,442,933	-	-
Bond Funds	14,249,631	14,249,631	-	-
US Government Obligations	3,138,034	3,138,034	-	-
Municipal and Corporate Bonds				
Municipal	3,676,124	-	3,676,124	-
Corporate	6,112,751	-	6,112,751	-
Common Stocks				
Energy	-	-	-	-
Financial Services	1,546,516	1,546,516	-	-
Consumer Goods	1,219,848	1,219,848	-	-
Industrials	1,215,718	1,215,718	-	-
Health Care	911,692	911,692	-	-
Materials	583,853	583,853	-	-
Technology	2,489,749	2,489,749	-	-
Telecommunications	650,015	650,015	-	-
Utilities	267,772	267,772	-	-
Real Estate	101,416	101,416	-	-
Limited Partnerships				
Private Equity Venture Capital	1,587,094	-	-	1,587,094
Natural Resources	449,512	-	-	449,512
Real Estate	824,504	-	-	824,504
TOTALS	<u><u>\$ 243,856,159</u></u>	<u><u>\$ 231,206,174</u></u>	<u><u>\$ 9,788,875</u></u>	<u><u>\$ 2,861,110</u></u>
Liabilities				
Liabilities under unitrust agreement	<u><u>\$ 1,364,953</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 1,364,953</u></u>

COMMUNITY FOUNDATION OF WESTERN MASSACHUSETTS

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2023 AND 2022

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. Partnerships are valued using significant unobservable inputs 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

There were no limited partnership purchases for the years ended March 31, 2023 and 2022. There were no new agreements for liabilities under unitrust agreements for the years ended March 31, 2023 and 2022, respectively. Terminations of agreements for liabilities under unitrust agreements were \$147,632 and \$125,102 for the years ended March 31, 2023 and 2022, respectively.

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

<u>Quantitative Information about Level 3 Fair Value Measurements</u>				
	<u>Fair Value at March 31, 2023</u>	<u>Valuation Techniques</u>	<u>Unobservable Inputs</u>	<u>Range (Weighted Average)</u>
Liabilities under Unitrust Agreements	\$ 1,040,234	Present value based on life expectancies	Present value	4.3% - 6.8%

<u>Quantitative Information about Level 3 Fair Value Measurements</u>				
	<u>Fair Value at March 31, 2022</u>	<u>Valuation Techniques</u>	<u>Unobservable Inputs</u>	<u>Range (Weighted Average)</u>
Liabilities under Unitrust Agreements	\$ 1,364,953	Present value based on life expectancies	Present value	4.3% - 9.9%

COMMUNITY FOUNDATION OF WESTERN MASSACHUSETTS

NOTES TO FINANCIAL STATEMENTS MARCH 31, 2023 AND 2022

6. CONTRIBUTIONS RECEIVABLE:

Contributions receivable at March 31, 2023 is made up of one pledge of \$2,500,000 that is due by fiscal year 2025. As of March 31, 2022 there were two pledges receivable for a total of \$2,650,000 of which \$150,000 was paid in fiscal year 2023.

7. LOANS RECEIVABLE:

Loans receivable at March 31 are as follows:

	<u>2023</u>	<u>2022</u>
Loans receivable	\$ 3,512,436	\$ 3,189,348
Less: Reserve for uncollectable loans	<u>(386,368)</u>	<u>(350,828)</u>
	<u>\$ 3,126,068</u>	<u>\$ 2,838,520</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>2023</u>	<u>2022</u>
Computer, equipment and furniture	\$ 196,698	\$ 196,698
Leasehold improvements	<u>61,632</u>	<u>61,632</u>
	258,330	258,330
Less: Accumulated depreciation	<u>(170,649)</u>	<u>(131,827)</u>
	<u>\$ 87,681</u>	<u>\$ 126,502</u>

Depreciation expense was \$38,821 and \$38,822 for the years ended March 31, 2023 and 2022, respectively.

9. EMPLOYEE BENEFIT PLAN:

The Foundation has a defined contribution 401(k) Profit Sharing Plan. All full-time employees 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 after completing one year of service. The plan expense was \$131,379 and \$109,709 for the years ended March 31, 2023 and 2022, respectively.

10. 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 \$215,625 and \$299,408 in 2023 and 2022, respectively.

COMMUNITY FOUNDATION OF WESTERN MASSACHUSETTS

NOTES TO FINANCIAL STATEMENTS MARCH 31, 2023 AND 2022

11. 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>2023</u>	<u>2022</u>
Designated by the Trustees for:		
Operating reserves	\$ 223,984	\$ 220,790
Quasi-endowment	1,589,428	1,437,204
Undesignated	<u>61,833,642</u>	<u>71,129,913</u>
	<u>\$ 63,647,054</u>	<u>\$ 72,787,907</u>

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

	<u>2023</u>	<u>2022</u>
Colgan and Sutton Annen loan funds	\$ 9,975,400	\$ 10,922,214
Gifts restricted to particular purposes	133,130,627	144,982,978
Gifts restricted to time	2,500,000	2,800,000
Funds held in perpetuity	<u>6,216,075</u>	<u>6,216,075</u>
	<u>\$ 151,822,102</u>	<u>\$ 164,921,267</u>

During the years ended March 31, 2023 and 2022 net assets released from restrictions to support the Foundation's activities, as follows:

	<u>2023</u>	<u>2022</u>
Grant expenditures and other qualifying expenses	\$ 7,644,238	\$ 6,766,868

12. CONCENTRATIONS AND CREDIT RISKS:

During 2023, there were no donors who made 10% or more of total contributions. During 2022, there were four donors who made 72% 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, 2023 and 2022, the Foundation had \$6,045,680 and \$9,136,651 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.

13. SUBSEQUENT EVENTS:

Management has evaluated subsequent events through August 17, 2023, the date which the financial statements were available to be issued.

COMMUNITY FOUNDATION OF WESTERN MASSACHUSETTS

NOTES TO FINANCIAL STATEMENTS MARCH 31, 2023 AND 2022

14. CONDITIONAL GRANT:

The Foundation was awarded a conditional grant to implement the ValleyCreates Initiative which promotes better connections among artists and art organizations. At March 31, 2023, the Foundation has \$1,200,000 remaining for this grant award. Revenue from this grant will be recorded when the conditions are met.



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