

COMMUNITY FOUNDATION OF NORTH
CENTRAL MASSACHUSETTS, INC.
FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2011 AND 2010

COMMUNITY FOUNDATION OF NORTH

CENTRAL MASSACHUSETTS, INC.

TABLE OF CONTENTS

	<u>Page No.</u>
INDEPENDENT AUDITORS' REPORT	1
FINANCIAL STATEMENTS	
Statement of financial position	2
Statement of activities	3
Statement of functional expenses	4
Statements of cash flows	5
NOTES TO FINANCIAL STATEMENTS	6

REAGAN & COMPANY, PC

CERTIFIED PUBLIC ACCOUNTANTS

Independent Auditors' Report

Fitchburg, Massachusetts
August 31, 2011

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

We have audited the accompanying statement of financial position of the Community Foundation of North Central Massachusetts, Inc. (a nonprofit organization) as of June 30, 2011 and the related statements of activities, functional expenses, and cash flows for the year then ended. These financial statements are the responsibility of the Community Foundation of North Central Massachusetts, Inc.'s management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year summarized comparative information has been derived from the Community Foundation of North Central Massachusetts, Inc.'s June 30, 2010 financial statements and, in our report dated August 30, 2010, we expressed an unqualified opinion on those financial statements.

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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Community Foundation of North Central Massachusetts, Inc. as of June 30, 2011, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Reagan & Company PC

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

STATEMENT OF FINANCIAL POSITION

JUNE 30, 2011

(with comparative totals for June 30, 2010)

ASSETS

	<u>2011</u>	<u>2010</u>
Cash	\$ 140,483	\$ 88,725
Short-term investments (Note 2)	3,429,117	5,509,173
Contributions receivable (Note 3)	105,709	245,372
Other receivables	25,087	27,094
Prepaid expenses	7,014	7,477
Long-term investments (Note 4)	21,576,952	19,179,151
Property and equipment, net (Note 5)	4,276	7,067
Total assets	<u>\$ 25,288,638</u>	<u>\$ 25,064,059</u>

LIABILITIES AND NET ASSETS

Accounts payable	\$ 25,857	\$ 30,184
Grants payable (Note 6)	189,400	20,000
Agency funds and endowments (Note 7)	5,788,478	5,781,122
Total liabilities	<u>6,003,735</u>	<u>5,831,306</u>
NET ASSETS:		
Unrestricted net assets	1,695,224	1,483,880
Temporarily restricted net assets (Note 13)	10,394,859	10,898,319
Permanently restricted net assets (Note 13)	7,194,820	6,850,554
Total net assets	<u>19,284,903</u>	<u>19,232,753</u>
Total liabilities and net assets	<u>\$ 25,288,638</u>	<u>\$ 25,064,059</u>

COMMUNITY FOUNDATION OF NORTH CENTRAL MASSACHUSETTS, INC.

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2011

(with comparative totals for June 30, 2010)

	Unrestricted	Temporarily Restricted	Permanently Restricted	Totals 2011	Totals 2010
REVENUES:					
Contributions (Note 8)	\$ 886,191	\$ 818,219	\$ 344,266	\$ 2,048,676	\$ 6,001,660
Donated space (Note 9)	3,600	-	-	3,600	3,600
Investment income (Note 10)	64,850	398,363	-	463,213	409,935
Realized gains (losses) on sale of investments	208,549	354,109	-	562,658	(881,738)
Administrative fee revenue (Note 11)	61,546	-	-	61,546	54,097
Sponsorships	11,800	-	-	11,800	600
Operating grant revenue	25,600	-	-	25,600	55,315
Assets released from restrictions - expiriation of use restrictions	2,731,322	(2,731,322)	-	-	-
Total revenue	3,993,458	(1,160,631)	344,266	3,177,093	5,643,469
EXPENSES:					
Management and general	109,321	-	-	109,321	112,861
Fund-raising	171,250	-	-	171,250	141,298
Program (excluding grants and donor directed distributions)	35,184	-	-	35,184	51,839
Total expenses	315,755	-	-	315,755	305,998
Grants and donor directed distributions	5,278,869	-	-	5,278,869	2,892,844
Total expenses and donor directed distributions	5,594,624	-	-	5,594,624	3,198,842
INCREASE (DECREASE) IN NET ASSETS FROM OPERATIONS	(1,601,166)	(1,160,631)	344,266	(2,417,531)	2,444,627
OTHER INCREASE IN NET ASSETS:					
Unrealized gain on investments	1,812,510	657,171	-	2,469,681	2,469,816
INCREASE (DECREASE) IN NET ASSETS	211,344	(503,460)	344,266	52,150	4,914,443
NET ASSETS - BEGINNING OF PERIOD	1,483,880	10,898,319	6,850,554	19,232,753	14,318,310
NET ASSETS - END OF PERIOD	\$ 1,695,224	\$ 10,394,859	\$ 7,194,820	\$ 19,284,903	\$ 19,232,753

See Independent Auditors' Report and Accompanying Notes to Financial Statements

COMMUNITY FOUNDATION OF NORTH CENTRAL MASSACHUSETTS, INC.
STATEMENT OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED JUNE 30, 2011
(with comparative totals for June 30, 2010)

	Management and General	Fund-raising	Program	Totals 2011	Totals 2010
Donor directed distributions	\$ -	\$ -	\$ 4,582,149	\$ 4,582,149	\$ 2,426,811
Grants	-	-	696,720	696,720	466,033
Grants and donor directed distributions	-	-	5,278,869	5,278,869	2,892,844
Payroll and payroll benefits (Note 12)	51,998	127,852	31,354	211,204	213,853
Accounting and auditing	31,460	-	-	31,460	27,741
Conferences and training	351	10,174	17	10,542	3,734
Depreciation	3,604	-	-	3,604	3,676
Design and marketing	-	20,530	-	20,530	20,530
Dues and subscriptions	737	-	1,890	2,627	3,267
Insurance	4,208	-	-	4,208	4,412
Miscellaneous	295	-	-	295	827
Newsletter	-	2,639	-	2,639	1,710
Occupancy	1,800	1,800	-	3,600	3,600
Office supplies and postage	7,993	1,223	188	9,404	6,779
Printing	1,541	19	-	1,560	1,703
Software maintenance	3,635	2,862	544	7,041	7,435
Telephone	692	545	104	1,341	1,326
Travel	1,007	1,956	1,087	4,050	3,605
Website	-	1,650	-	1,650	1,800
	\$ 109,321	\$ 171,250	\$ 5,314,053	\$ 5,594,624	\$ 3,198,842

**COMMUNITY FOUNDATION OF NORTH
CENTRAL MASSACHUSETTS, INC.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2011 AND 2010**

	<u>2011</u>	<u>2010</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Increase in net assets	\$ 52,150	\$ 4,914,443
Adjustments to reconcile increase in net assets to net cash used for operating activities:		
Depreciation	3,604	3,676
Contributions restricted for long-term investment	(1,162,485)	(5,938,656)
Interest and dividends restricted for long-term investment	(398,363)	(367,245)
Unrealized gains on investments	(2,469,681)	(2,469,816)
(Increase) decrease in:		
Contributions receivable	139,663	(41,625)
Other receivables	2,007	1,747
Prepaid expenses	463	472
Increase (decrease) in:		
Accounts payable	(4,327)	18,710
Grants payable	169,400	(90,637)
Agency funds and endowments	7,356	714,325
Net cash used for operating activities	<u>(3,660,213)</u>	<u>(3,254,606)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of equipment	(813)	-
Proceeds from sale of investments	11,683,729	5,707,347
Purchase of investments	(9,531,793)	(8,763,691)
Net cash provided by (used for) investing activities	<u>2,151,123</u>	<u>(3,056,344)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Receipts of contributions restricted for long-term investment	1,162,485	5,938,656
Interest and dividends restricted for long-term investment	398,363	367,245
Net cash provided by financing activities	<u>1,560,848</u>	<u>6,305,901</u>
NET INCREASE (DECREASE) IN CASH	51,758	(5,049)
CASH - BEGINNING OF YEAR	<u>88,725</u>	<u>93,774</u>
CASH - END OF YEAR	<u>\$ 140,483</u>	<u>\$ 88,725</u>

See Independent Auditors' Report and Accompanying Notes to Financial Statements

COMMUNITY FOUNDATION OF NORTH

CENTRAL MASSACHUSETTS, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Nature of Activities –

The Community Foundation of North Central Massachusetts, Inc. was organized March 21, 2001. The Foundation is a collection of charitable funds established by various donors to be utilized for the benefit of the overall community needs.

Accounting Method –

The financial statements of the Community Foundation of North Central Massachusetts, Inc. have been prepared on the accrual basis of accounting and, accordingly, reflect all significant receivables, payables and other liabilities.

Basis of Presentation –

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board in its Accounting Standards Codification (ASC) 958, (*formerly Statement of Financial Accounting Standards (SFAS) No. 117, Financial Statements of Not-For-Profit Organizations*). Under those provisions, net assets and revenues, gains and losses are classified based on the absence or existence and nature of donor-imposed restrictions as follows:

Unrestricted net assets – Net assets that are not subject to donor-imposed stipulations.

Temporarily restricted net assets – Net assets subject to donor-imposed stipulations that can be fulfilled by actions of the Community Foundation of North Central Massachusetts, Inc. pursuant to those stipulations or that expire by the passage of time.

Permanently restricted net assets – Net assets subject to donor-imposed stipulations that they be maintained permanently by the Organization. Generally, the donors of such assets permit the Organization to use all or part of the income earned on the assets.

COMMUNITY FOUNDATION OF NORTH

CENTRAL MASSACHUSETTS, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

Comparative Financial Information –

The financial statements include certain prior-year summarized comparative information in total, but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended June 30, 2010, from which the summarized information was derived.

Cash and Cash Equivalents –

For financial statement purposes, the Community Foundation of North Central Massachusetts, Inc. considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

Property and Equipment –

Property and equipment are stated at cost or, in the case of gifts, at fair market value at the date of donation. Depreciation of property and equipment is provided on a straight-line basis over the following estimated useful lives of the assets:

	<u>Years</u>
Computers and computer software	3-5
Website	5

Contributed Services –

The Organization receives a substantial amount of services donated by volunteers in carrying out the organization's fundraising activities. No amounts have been reflected in the financial statements for those services since they do not meet the criteria for recognition under the Not-for-Profit Entities topic of the FASB Accounting Standards Codification 958 (*formerly SFAS No. 116, Accounting for Contributions Received and Contributions Made*).

COMMUNITY FOUNDATION OF NORTH

CENTRAL MASSACHUSETTS, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

Income Tax Status –

The Organization is a nonprofit organization and is exempt from federal income taxes under Section 501(c)(3) of the US Internal Revenue Code.

Estimates –

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Fair Value of Investment Securities –

The Organization follows the provisions of the Financial Accounting Standards Board in its Accounting Standards Codification (ASC) 958-320 (*formerly Statement of Financial Accounting Standards (“SFAS”) No. 124, “Accounting for Certain Investments Held by Not-for-Profit Organizations.”*) This statement requires that investments in debt securities and certain equity securities be measured at fair value. Fair value is determined based on quoted market value. Realized and unrealized gains and losses on investments are recognized in the period in which they occur.

Investment Income and Gains –

Investment income and gains restricted by donors are reported as increases in unrestricted net assets if the restrictions are met (either a stipulated time period ends or a purpose restriction is accomplished) in the reporting period which the income and gains are recognized.

Expense Allocation –

The costs of providing various programs and other activities have been summarized on a functional basis in the Statement of Activities and in the Statement of Functional Expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

COMMUNITY FOUNDATION OF NORTH

CENTRAL MASSACHUSETTS, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:** (Continued)

Designation of Unrestricted Net Assets –

It is the policy of the Board of Directors of the Organization to designate appropriate sums of unrestricted net assets to assure adequate financing for grant proposals.

Date of Management Review –

Subsequent events have been evaluated through August 31, 2011 which is the date the financial statements were available to be issued.

2. **SHORT-TERM INVESTMENTS:**

Short-term investments consisted of cash, money market accounts and short-term stock holdings.

3. **CONTRIBUTIONS RECEIVABLE:**

Unconditional promises to give at June 30, 2011, and 2010 are as follows:

	<u>2011</u>	<u>2010</u>
Receivable in less than one year	\$ 53,927	\$ 180,952
Receivable in one to five years	54,079	68,144
Total unconditional promises to give	<u>108,006</u>	<u>249,096</u>
Less: Discounts to net present value	<u>(2,297)</u>	<u>(3,724)</u>
Net unconditional contributions receivable	<u>\$ 105,709</u>	<u>\$ 245,372</u>

COMMUNITY FOUNDATION OF NORTH

CENTRAL MASSACHUSETTS, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

4. LONG-TERM INVESTMENTS:

Investments in debt securities and equity securities with readily determinable fair values are carried at fair value. Long-term investments at June 30, 2011 were comprised of the following:

	<u>Cost</u>	<u>Determinable Fair Market Value</u>	<u>Unrealized Gain (Loss)</u>
Mutual Funds	\$17,783,551	\$21,042,665	\$ 3,259,114
US Government / Municipal Bonds	467,716	463,927	(3,789)
M&T Bank Corp	67,332	70,360	3,028
Total long-term investments	<u><u>\$18,318,599</u></u>	<u><u>\$21,576,952</u></u>	<u><u>\$ 3,258,353</u></u>

5. PROPERTY AND EQUIPMENT:

As of June 30, 2011 and 2010, property and equipment consisted of:

	<u>2011</u>	<u>2010</u>
Computers and computer software	\$ 49,717	\$ 48,904
Website	3,800	3,800
	53,517	52,704
Less: Accumulated depreciation	<u>(49,241)</u>	<u>(45,637)</u>
Net assets	<u><u>\$ 4,276</u></u>	<u><u>\$ 7,067</u></u>

Depreciation expense was \$3,604 and \$3,676 for the years ended June 30, 2011 and 2010, respectively.

COMMUNITY FOUNDATION OF NORTH

CENTRAL MASSACHUSETTS, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

6. GRANTS PAYABLE:

Grants authorized but unpaid at year end are reported as liabilities in accordance with FASB ASC Topic 958 - 605 (formerly, SFAS No. 116, *Accounting for Contributions Received and Contributions Made*). The following is a summary of grants authorized:

	<u>2011</u>	<u>2010</u>
General Endowment Grants	\$ 144,400	\$ 20,000
Donor Advised Grant Payable	<u>45,000</u>	<u>-</u>
	<u>\$ 189,400</u>	<u>\$ 20,000</u>

7. AGENCY FUNDS AND ENDOWMENTS:

Funds that the Foundation holds and invests for other not-for-profit organizations are treated as a liability since the funds are held by the Foundation for investing on the Organization's behalf. The income, expenses, realized and unrealized gains and losses are not included in the statement of activities as they are reported in the individual organization's financial statements. The Foundation received agency fund contributions of \$122,056 and \$702,971 and distributed \$1,009,390 and \$389,214 during the years ended June 30, 2011 and 2010, respectively.

8. CONTRIBUTIONS:

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions. All donor-restricted support is reported as an increase in temporarily or permanently restricted net assets depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

9. DONATED SPACE:

The Foundation has secured free office space and the market value of this space at June 30, 2011 and 2010 was \$3,600 per year.

COMMUNITY FOUNDATION OF NORTH

CENTRAL MASSACHUSETTS, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

10. INVESTMENT INCOME:

Investment income of \$463,213 and \$409,935, in the accompanying statement of activities, is net of expenses relating to investment income, including custodial fees and investment advisory fees in the amount of \$42,194 and \$44,399 for the years ended June 30, 2011 and 2010, respectively.

11. ADMINISTRATIVE FEE REVENUE:

The Foundation charges administrative fees to the individual funds in order to cover the administrative tasks of managing the collection and distribution of the funds. These accounts are charged an annual fee not to exceed 1% of the fund's market value to cover the administrative tasks of managing these funds.

12. PAYROLL AND PAYROLL BENEFITS:

The Community Foundation of North Central Massachusetts, Inc. has a management contract with the United Way of North Central Massachusetts to provide administrative services. The contract between the two Organizations includes a Simplified Employee Pension Plan. Under the plan, the Organization contributes 8% of each eligible employee's salary. Expenses related to the plan were \$13,701 and 13,341 for the years ended June 30, 2011 and 2010 respectively.

COMMUNITY FOUNDATION OF NORTH

CENTRAL MASSACHUSETTS, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

13. NET ASSETS:

Temporarily restricted net assets are subject to donor-imposed stipulations that may or will be met either by actions of the Organization and/or the passage of time.

Temporarily restricted net assets are available for the following purposes:

Funds available for donor recommendations	\$ 5,067,621
Scholarships	2,688,077
Endowment, other	1,148,164
Youth	647,005
Environment	591,281
Capital campaign	139,139
Education	60,413
Health	30,065
Literacy	19,424
Memorial funds	2,795
Hospice	875
	<hr/>
Total temporarily restricted net assets	\$ 10,394,859

Permanently restricted net assets consisted of the following:

Youth organizations	\$ 2,213,276
Health	1,741,466
Endowment, other	1,156,406
Environment	1,000,000
Scholarships	749,016
Education	182,781
Funds available for donor restrictions	63,290
Literacy	45,160
Domestic violence	28,425
Memorial funds	10,000
Hospice	5,000
	<hr/>
Total permanently restricted net assets	\$ 7,194,820

COMMUNITY FOUNDATION OF NORTH

CENTRAL MASSACHUSETTS, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

14. RELATED PARTY TRANSACTIONS:

The Community Foundation of North Central Massachusetts, Inc. and the United Way of North Central Massachusetts share office space, office staff and both Organizations are managed by the same president. The payroll and related payroll benefits for the Community Foundation of North Central Massachusetts, Inc. are reported and paid by the United Way of North Central Massachusetts, Inc. The foundation reimburses the United Way for these costs on a monthly basis. The amounts billed for the shared payroll and related benefits was \$254,648 and \$223,682 for the years ended June 30, 2011 and 2010, respectively.

The Community Foundation of North Central Massachusetts Supporting Foundation is a related party nonprofit organization that shares officers with the Community Foundation of North Central Massachusetts, Inc. The supporting foundation's primary purpose is to promote charitable giving through the acceptance of real estate and other hard to value assets for the benefit and support of the Community Foundation of North Central Massachusetts, Inc.