

COMMUNITY FOUNDATION OF NORTH
CENTRAL MASSACHUSETTS, INC.
FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2010 AND 2009

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COMMUNITY FOUNDATION OF NORTH

CENTRAL MASSACHUSETTS, INC.

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REAGAN & COMPANY, PC

CERTIFIED PUBLIC ACCOUNTANTS

Independent Auditors' Report

Fitchburg, Massachusetts
August 30, 2010

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. as of June 30, 2010 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. We previously audited and reported in our report dated August 4, 2009 on the financial statements for the year ended June 30, 2009, totals of which are included for comparative purposes only.

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, 2010 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.

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**COMMUNITY FOUNDATION OF NORTH
CENTRAL MASSACHUSETTS, INC.
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2010
(with comparative totals for June 30, 2009)**

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<u>ASSETS</u>		
	2010	2009
Cash	\$ 88,725	\$ 93,774
Short-term investments (Note 2)	5,509,173	4,871,121
Contributions receivable (Note 3)	245,372	203,747
Other receivables	27,094	28,841
Prepaid expenses	7,477	7,949
Long-term investments (Note 4)	19,179,151	14,291,043
Property and equipment, net (Note 5)	7,067	10,743
Total assets	\$ 25,064,059	\$ 19,507,218
<u>LIABILITIES AND NET ASSETS</u>		
Accounts payable	\$ 30,184	\$ 11,474
Grants payable (Note 6)	20,000	110,637
Agency funds and endowments (Note 7)	5,781,122	5,066,797
Total liabilities	5,831,306	5,188,908
NET ASSETS:		
Unrestricted net assets -		
Operating	142,682	74,468
Board designated for charitable purposes	1,334,131	1,262,933
Fixed assets	7,067	10,743
Total unrestricted net assets	1,483,880	1,348,144
Temporarily restricted net assets (Note 13)	10,898,319	6,226,107
Permanently restricted net assets (Note 13)	6,850,554	6,744,059
Total net assets	19,232,753	14,318,310
Total liabilities and net assets	\$ 25,064,059	\$ 19,507,218

See accompanying Notes to Financial Statements

COMMUNITY FOUNDATION OF NORTH CENTRAL MASSACHUSETTS, INC.
STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2010
(with comparative totals for June 30, 2009)

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	Unrestricted	Temporarily Restricted	Permanently Restricted	Totals 2010	Totals 2009
REVENUES:					
Contributions (Note 8)	\$ 63,004	\$ 5,832,161	\$ 106,495	\$ 6,001,660	\$ 6,550,980
Donated space (Note 9)	3,600	-	-	3,600	3,600
Investment income (Note 10)	42,690	367,245	-	409,935	460,412
Realized gains (losses) on sale of investments	(71,253)	(810,485)	-	(881,738)	(931,140)
Administrative fee revenue (Note 11)	54,097	-	-	54,097	51,538
Sponsorships	600	-	-	600	6,000
Operating grant revenue	55,315	-	-	55,315	236,137
Assets released from restrictions - expiration of use restrictions	2,974,661	(2,974,661)	-	-	-
Total revenue	<u>3,122,714</u>	<u>2,414,260</u>	<u>106,495</u>	<u>5,643,469</u>	<u>6,377,527</u>
EXPENSES:					
Management and general	112,861	-	-	112,861	92,155
Fund-raising	141,298	-	-	141,298	171,974
Program (excluding grants and donor directed distributions)	51,839	-	-	51,839	39,009
Total expenses	<u>305,998</u>	<u>-</u>	<u>-</u>	<u>305,998</u>	<u>303,138</u>
Grants and donor directed distributions	2,892,844	-	-	2,892,844	1,812,829
Total expenses and donor directed distributions	<u>3,198,842</u>	<u>-</u>	<u>-</u>	<u>3,198,842</u>	<u>2,115,967</u>
INCREASE (DECREASE) IN NET ASSETS FROM OPERATIONS	(76,128)	2,414,260	106,495	2,444,627	4,261,560
OTHER INCREASE (DECREASE) IN NET ASSETS:					
Unrealized gain (loss) on investments	211,864	2,257,952	-	2,469,816	(1,310,491)
INCREASE IN NET ASSETS	135,736	4,672,212	106,495	4,914,443	2,951,069
NET ASSETS - BEGINNING OF PERIOD	1,348,144	6,226,107	6,744,059	14,318,310	11,063,264
PRIOR PERIOD ADJUSTMENT (Note 15)	-	-	-	-	303,977
NET ASSETS - BEGINNING OF PERIOD, ADJUSTED	1,348,144	6,226,107	6,744,059	14,318,310	11,367,241
NET ASSETS - END OF PERIOD	\$ 1,483,880	\$ 10,898,319	\$ 6,850,554	\$ 19,232,753	\$ 14,318,310

See accompanying Notes to Financial Statements.

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

FOR THE YEAR ENDED JUNE 30, 2010

(with comparative totals for June 30, 2009)

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	Management & General	Fund-raising	Program	Totals 2010	Totals 2009
Donor directed distributions	\$ -	\$ -	\$ 2,426,811	\$ 2,426,811	\$ 1,525,846
Grants	-	-	466,033	466,033	286,983
Grants and donor directed distributions	-	-	2,892,844	2,892,844	1,812,829
Payroll and payroll benefits (Note 12)	64,329	102,835	46,689	213,853	206,947
Accounting and auditing	27,741	-	-	27,741	28,324
Conferences and training	785	2,949	-	3,734	7,335
Depreciation	3,676	-	-	3,676	3,677
Design and marketing	-	20,530	-	20,530	20,530
Dues and subscriptions	1,667	-	1,600	3,267	3,916
Insurance	4,412	-	-	4,412	4,331
Miscellaneous	827	-	-	827	683
Newsletter	-	1,710	-	1,710	855
Occupancy	1,800	1,800	-	3,600	3,600
Office supplies and postage	3,232	2,714	833	6,779	5,500
Printing	255	1,249	199	1,703	2,065
Software maintenance	2,528	3,717	1,190	7,435	7,798
Telephone	451	663	212	1,326	1,704
Travel	1,158	1,331	1,116	3,605	3,623
Website	-	1,800	-	1,800	2,250
	\$ 112,861	\$ 141,298	\$ 2,944,683	\$ 3,198,842	\$ 2,115,967

See accompanying Notes to Financial Statements.

**COMMUNITY FOUNDATION OF NORTH
CENTRAL MASSACHUSETTS, INC.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2010 AND 2009**

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	<u>2010</u>	<u>2009</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Increase in net assets	\$ 4,914,443	\$ 2,951,069
Adjustments to reconcile increase in net assets to net cash used for operating activities:		
Depreciation	3,676	3,677
Contributions restricted for long-term investment	(5,938,656)	(5,594,084)
Interest and dividends restricted for long-term investment	(367,245)	(385,673)
Unrealized (gains) losses on investments	(2,469,816)	1,310,304
(Increase) decrease in:		
Contributions receivable	(41,625)	(16,885)
Other receivables	1,747	4,961
Prepaid expenses	472	539
Increase (decrease) in:		
Accounts payable	18,710	10,518
Grants payable	(90,637)	65,966
Agency funds and endowments	714,325	(676,151)
Net cash used for operating activities	<u>(3,254,606)</u>	<u>(2,325,759)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of equipment	-	(4,180)
Proceeds from sale of investments	5,707,347	4,879,309
Purchase of investments	(8,763,691)	(8,478,822)
Net cash used for investing activities	<u>(3,056,344)</u>	<u>(3,603,693)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Receipts of contributions restricted for long-term investment	5,938,656	5,594,084
Interest and dividends restricted for long-term investment	367,245	385,673
Net cash provided by financing activities	<u>6,305,901</u>	<u>5,979,757</u>
NET INCREASE (DECREASE) IN CASH	(5,049)	50,305
CASH - BEGINNING OF YEAR	<u>93,774</u>	<u>43,469</u>
CASH - END OF YEAR	<u>\$ 88,725</u>	<u>\$ 93,774</u>

See accompanying Notes to Financial Statements

COMMUNITY FOUNDATION OF NORTH
CENTRAL MASSACHUSETTS, INC.
NOTES TO FINANCIAL STATEMENTS

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JUNE 30, 2010

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 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

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JUNE 30, 2010

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, 2009, 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 SFAS No. 116, *Accounting for Contributions Received and Contributions Made*.

COMMUNITY FOUNDATION OF NORTH

CENTRAL MASSACHUSETTS, INC.

NOTES TO FINANCIAL STATEMENTS

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JUNE 30, 2010

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.

Investment Securities –

The Organization follows the provisions of 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.

COMMUNITY FOUNDATION OF NORTH

CENTRAL MASSACHUSETTS, INC.

NOTES TO FINANCIAL STATEMENTS

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JUNE 30, 2010

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

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.

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.

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, 2010, and 2009 are as follows:

	<u>2010</u>	<u>2009</u>
Receivable in less than one year	\$ 180,952	\$ 76,302
Receivable in one to five years	68,144	132,977
Total unconditional promises to give	249,096	209,279
Less: Discounts to net present value	<u>(3,724)</u>	<u>(5,532)</u>
Net unconditional contributions receivable	<u>\$ 245,372</u>	<u>\$ 203,747</u>

COMMUNITY FOUNDATION OF NORTH

CENTRAL MASSACHUSETTS, INC.

NOTES TO FINANCIAL STATEMENTS

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JUNE 30, 2010

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, 2010 were comprised of the following:

	<u>Cost</u>	<u>Determinable Fair Market Value</u>	<u>Unrealized Gain (Loss)</u>
Mutual Funds	\$15,672,723	\$15,828,244	\$ 155,521
U.S. Government/Municipal Bonds	3,321,784	3,316,927	(4,857)
M&T Bank Corp	31,084	33,980	2,896
Total long-term investments	<u>\$19,025,591</u>	<u>\$19,179,151</u>	<u>\$ 153,560</u>

5. PROPERTY AND EQUIPMENT:

As of June 30, 2010 and 2009, property and equipment consisted of:

	<u>2010</u>	<u>2009</u>
Computers and computer software	\$ 48,904	\$ 48,904
Website	3,800	3,800
	<u>52,704</u>	<u>52,704</u>
Less: Accumulated depreciation	<u>(45,637)</u>	<u>(41,961)</u>
Net assets	<u>\$ 7,067</u>	<u>\$ 10,743</u>

Depreciation expense was \$3,676 and \$3,677 for the years ended June 30, 2010 and 2009 respectively.

COMMUNITY FOUNDATION OF NORTH

CENTRAL MASSACHUSETTS, INC.

NOTES TO FINANCIAL STATEMENTS

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JUNE 30, 2010

6. GRANTS PAYABLE:

Grants authorized but unpaid at year end are reported as liabilities in accordance with SFAS No. 116, *Accounting for Contributions Received and Contributions Made*. The following is a summary of grants authorized:

	<u>2010</u>	<u>2009</u>
General Endowment Grants	<u>\$ 20,000</u>	<u>\$ 110,637</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 \$702,971 and \$762,688 and distributed \$389,214 and \$701,017 during the years ended June 30, 2010 and 2009 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, 2010 and 2009 was \$3,600 per year.

COMMUNITY FOUNDATION OF NORTH

CENTRAL MASSACHUSETTS, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2010

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10. INVESTMENT INCOME:

Investment income of \$409,935 and \$460,412, 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 \$44,399 and \$26,156 for the years ended June 30, 2010 and 2009 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 \$13,341 and 11,233 for the years ended June 30, 2010 and 2009 respectively.

COMMUNITY FOUNDATION OF NORTH

CENTRAL MASSACHUSETTS, INC.

NOTES TO FINANCIAL STATEMENTS

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JUNE 30, 2010

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	\$ 7,687,782
Scholarships	2,265,113
Endowment, other	670,918
Environment	317,547
Education	31,225
Capital campaign	18,860
Literacy	7,171
Health	<u>(100,297)</u>
Total temporarily restricted net assets	<u>\$ 10,898,319</u>

Permanently restricted net assets consisted of the following:

Youth organizations	\$ 2,013,275
Health	1,701,108
Endowment, other	1,119,324
Environment	1,000,000
Scholarships	657,767
Education	182,144
Funds available for donor restrictions	90,351
Literacy	45,160
Domestic violence	26,425
Memorial funds	10,000
Hospice	<u>5,000</u>
Total permanently restricted net assets	<u>\$ 6,850,554</u>

COMMUNITY FOUNDATION OF NORTH

CENTRAL MASSACHUSETTS, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2010

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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 executive director. 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 \$223,682 and \$209,304 for the years ended June 30, 2010 and 2009 respectively.

15. PRIOR PERIOD ADJUSTMENT

A fund held by the Foundation was misclassified as an agency fund prior to the year ended June 30, 2010. As a result, the financial statements for the year ended June 30, 2009 were adjusted resulting in an additional increase in net assets of \$86,349. In addition, the net assets as of June 30, 2008 were increased by \$303,977.