

COMMUNITY FOUNDATION FOR NANTUCKET, INC.

FINANCIAL STATEMENTS

with

INDEPENDENT AUDITORS' REPORT

YEARS ENDED DECEMBER 31, 2019 AND 2018

Smith  Sullivan
& Brown PC
CERTIFIED PUBLIC ACCOUNTANTS

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COMMUNITY FOUNDATION FOR NANTUCKET, INC.

REPORT ON FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2019 AND 2018

Mission Statement

Our mission is to strengthen Nantucket now and for future generations through informed philanthropy and community leadership.

In pursuit of this mission we act as a:

Steward - by creating and managing funds to ensure a legacy for charitable solutions

Grant Maker - by awarding grants through the Nantucket Fund™ and donor-directed funds that respond to pressing needs

Charitable Resource - by maintaining in-depth knowledge of the non-profit sector, and by providing resources for donors, non-profits, and the community

Catalyst - by mobilizing community leadership to affect collaborative solutions for Nantucket's most critical issues

Our Vision

We see a Nantucket where everyone - equally and inclusively –

- has a place to call home,*
- has support when coping with personal struggles,*
- knows their children are safe and active during the work day,*
- can rely on year-round, affordable public transportation,*
- and may age gracefully with trust in the services they need and deserve.*

COMMUNITY FOUNDATION FOR NANTUCKET, INC.

REPORT ON FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2019 AND 2018

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INDEPENDENT AUDITORS' REPORT

To the Board of Trustees
Community Foundation for Nantucket, Inc.
Nantucket, Massachusetts

We have audited the accompanying financial statements of Community Foundation for Nantucket, Inc. (a Massachusetts nonprofit organization), which comprise the statements of financial position as of December 31, 2019 and 2018, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits 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 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 Foundation's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Foundation's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Community Foundation for Nantucket, Inc. as of December 31, 2019 and 2018 and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Smith, Sullivan & Brown, PC.

Westborough, Massachusetts
April 17, 2020

COMMUNITY FOUNDATION FOR NANTUCKET, INC.

STATEMENTS OF FINANCIAL POSITION AS OF DECEMBER 31, 2019 AND 2018

	<u>2019</u>	<u>2018</u>
<u>ASSETS</u>		
<u>CURRENT ASSETS:</u>		
Cash and Cash Equivalents	\$ 1,709,250	\$ 1,156,826
Contributions Receivable	856,452	383,576
Prepaid Expenses	5,841	3,112
Total Current Assets	<u>2,571,543</u>	<u>1,543,514</u>
<u>NET PROPERTY AND EQUIPMENT</u>	<u>938,952</u>	<u>3,601</u>
<u>NON-CURRENT ASSETS:</u>		
Long-Term Investments	10,206,385	6,883,672
Cash Held for Real Estate Purchase	-	79,000
Real Estate Purchase Deposit	-	79,750
Contributions Receivable, Net of Discount	554,652	517,120
Total Non-Current Assets	<u>10,761,037</u>	<u>7,559,542</u>
<u>TOTAL ASSETS</u>	<u>\$ 14,271,532</u>	<u>\$ 9,106,657</u>
<u>LIABILITIES AND NET ASSETS</u>		
<u>CURRENT LIABILITIES:</u>		
Current Portion of Long-Term Debt	\$ 10,451	\$ -
Accounts Payable	20,522	7,882
Grants Payable	-	34,956
Grants Payable from Agency Funds Held for Others	63,277	-
Agency Funds Held For Others	248,871	270,100
Total Current Liabilities	<u>343,121</u>	<u>312,938</u>
<u>LONG-TERM LIABILITIES:</u>		
Long-Term Debt, Net of Current Portion	<u>588,409</u>	<u>-</u>
Total Long-Term Liabilities	<u>588,409</u>	<u>-</u>
<u>TOTAL LIABILITIES</u>	<u>931,530</u>	<u>312,938</u>
<u>NET ASSETS:</u>		
Net Assets Without Donor Restrictions:		
Donor-Advised Funds	5,182,851	3,967,205
Designated Funds	132,704	141,203
Special Project Funds	223,139	182,742
Partner Funds	574,156	517,541
Scholarship Funds	556,194	483,346
Nantucket Fund - Grantmaking	780,252	615,234
Nantucket Fund - Board Designated Endowment	1,250,957	645,560
Operating Funds	357,199	503,253
Invested in Property and Equipment	340,092	-
Total Net Assets Without Donor Restrictions	<u>9,397,544</u>	<u>7,056,084</u>
Net Assets With Donor Restrictions:		
Restricted by Time	555,904	900,696
Nantucket Fund - Donor Designated Endowment	3,386,554	836,939
Total Net Assets With Donor Restrictions	<u>3,942,458</u>	<u>1,737,635</u>
Total Net Assets	<u>13,340,002</u>	<u>8,793,719</u>
<u>TOTAL LIABILITIES AND NET ASSETS</u>	<u>\$ 14,271,532</u>	<u>\$ 9,106,657</u>

COMMUNITY FOUNDATION FOR NANTUCKET, INC.

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2019

	<u>WITHOUT DONOR</u> <u>RESTRICTIONS</u>	<u>WITH DONOR</u> <u>RESTRICTIONS</u>	<u>TOTAL</u> <u>ACTIVITIES</u>
<u>SUPPORT, REVENUES AND RECLASSIFICATIONS:</u>			
<i>Gifts, Grants and Contributions:</i>			
Grants and Contributions	\$ 3,506,082	\$ 2,452,156	\$ 5,958,238
In-Kind Donations	112,630	-	112,630
<i>Other Revenues:</i>			
Investment Return	1,080,984	230,965	1,311,949
Project Revenue	136,083	-	136,083
<i>Reclassification of Net Assets:</i>			
Satisfaction of Donor Restrictions	478,298	(478,298)	-
<u>TOTAL SUPPORT, REVENUES AND RECLASSIFICATIONS</u>	<u>5,314,077</u>	<u>2,204,823</u>	<u>7,518,900</u>
<u>FUNCTIONAL EXPENSES:</u>			
Program Services	2,687,302	-	2,687,302
Administrative	192,016	-	192,016
Fund Raising	93,299	-	93,299
<u>TOTAL FUNCTIONAL EXPENSES</u>	<u>2,972,617</u>	<u>-</u>	<u>2,972,617</u>
<u>CHANGE IN NET ASSETS</u>	<u>2,341,460</u>	<u>2,204,823</u>	<u>4,546,283</u>
<u>NET ASSETS - BEGINNING OF YEAR</u>	<u>7,056,084</u>	<u>1,737,635</u>	<u>8,793,719</u>
<u>NET ASSETS - END OF YEAR</u>	<u>\$ 9,397,544</u>	<u>\$ 3,942,458</u>	<u>\$ 13,340,002</u>

COMMUNITY FOUNDATION FOR NANTUCKET, INC.

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2018

	<u>WITHOUT DONOR</u> <u>RESTRICTIONS</u>	<u>WITH DONOR</u> <u>RESTRICTIONS</u>	<u>TOTAL</u> <u>ACTIVITIES</u>
<u>SUPPORT, REVENUES AND RECLASSIFICATIONS:</u>			
<i>Gifts, Grants and Contributions:</i>			
Grants and Contributions	\$ 2,958,326	\$ 1,630,013	\$ 4,588,339
<i>Other Revenues:</i>			
Investment Return	(270,671)	(38,049)	(308,720)
Project Revenue	140,389	-	140,389
<i>Reclassification of Net Assets:</i>			
Satisfaction of Donor Restrictions	<u>298,894</u>	<u>(298,894)</u>	<u>-</u>
<u>TOTAL SUPPORT, REVENUES AND RECLASSIFICATIONS</u>	<u>3,126,938</u>	<u>1,293,070</u>	<u>4,420,008</u>
<u>FUNCTIONAL EXPENSES:</u>			
Program Services	3,578,410	-	3,578,410
Administrative	178,156	-	178,156
Fund Raising	<u>81,186</u>	<u>-</u>	<u>81,186</u>
<u>TOTAL FUNCTIONAL EXPENSES</u>	<u>3,837,752</u>	<u>-</u>	<u>3,837,752</u>
<u>CHANGE IN NET ASSETS</u>	(710,814)	1,293,070	582,256
<u>NET ASSETS - BEGINNING OF YEAR</u>	<u>7,766,898</u>	<u>444,565</u>	<u>8,211,463</u>
<u>NET ASSETS - END OF YEAR</u>	<u>\$ 7,056,084</u>	<u>\$ 1,737,635</u>	<u>\$ 8,793,719</u>

COMMUNITY FOUNDATION FOR NANTUCKET, INC.

STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2019

	<u>PROGRAM</u> <u>EXPENSES</u>	<u>ADMINI-</u> <u>STRATIVE</u>	<u>FUND</u> <u>RAISING</u>	<u>TOTAL</u> <u>FUNCTIONAL</u> <u>EXPENSES</u>
<i>Grants:</i>				
Donor-Advised Funds	\$ 2,031,064	\$ -	\$ -	\$ 2,031,064
Partner Funds	93,771	-	-	93,771
Nantucket Fund™	657,292	-	-	657,292
Designated Funds	24,698	-	-	24,698
Special Project Funds	8,463	-	-	8,463
Scholarship Funds	64,500	-	-	64,500
Less: Interfund Grants	<u>(559,511)</u>	<u>-</u>	<u>-</u>	<u>(559,511)</u>
Total Grants	<u>2,320,277</u>	<u>-</u>	<u>-</u>	<u>2,320,277</u>
Program Expenses on Behalf of Funds <i>(Note 13)</i>	<u>138,477</u>	<u>-</u>	<u>-</u>	<u>138,477</u>
<i>Operating Expenses:</i>				
Salaries and Wages	141,203	63,638	53,431	258,272
Payroll Taxes	10,549	4,795	3,836	19,180
Employee Benefits	8,951	7,033	5,328	21,312
Consultants and Professional Fees	-	13,085	-	13,085
Fiscal Administration and Technology Fees	12,620	21,640	6,310	40,570
Occupancy	27,351	29,455	4,558	61,364
Insurance	3,816	1,908	1,908	7,632
Marketing and Promotional Expenses	-	22,320	13,667	35,987
Office Supplies and Expense	-	12,695	-	12,695
Website	-	4,347	-	4,347
Depreciation Expense	21,371	3,562	3,562	28,495
Dues and Subscriptions	292	4,658	146	5,096
Meetings and Conferences	2,395	553	553	3,501
Bank Fees and Miscellaneous	<u>-</u>	<u>2,327</u>	<u>-</u>	<u>2,327</u>
Total Operating Expenses	<u>228,548</u>	<u>192,016</u>	<u>93,299</u>	<u>513,863</u>
Total Functional Expenses	<u>\$ 2,687,302</u>	<u>\$ 192,016</u>	<u>\$ 93,299</u>	<u>\$ 2,972,617</u>
	<u>91%</u>	<u>6%</u>	<u>3%</u>	<u>100%</u>

COMMUNITY FOUNDATION FOR NANTUCKET, INC.

STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2018

	<u>PROGRAM</u> <u>EXPENSES</u>	<u>ADMINI-</u> <u>STRATIVE</u>	<u>FUND</u> <u>RAISING</u>	<u>TOTAL</u> <u>FUNCTIONAL</u> <u>EXPENSES</u>
<i>Grants:</i>				
Donor-Advised Funds	\$ 2,890,787	\$ -	\$ -	\$ 2,890,787
Partner Funds	344,029	-	-	344,029
Nantucket Fund™	177,520	-	-	177,520
Designated Funds	27,257	-	-	27,257
Special Project Funds	249,207	-	-	249,207
Scholarship Funds	56,000	-	-	56,000
Less: Interfund Grants	<u>(659,129)</u>	<u>-</u>	<u>-</u>	<u>(659,129)</u>
Total Grants	<u>3,085,671</u>	<u>-</u>	<u>-</u>	<u>3,085,671</u>
Program Expenses on Behalf of Funds <i>(Note 13)</i>	<u>283,316</u>	<u>-</u>	<u>-</u>	<u>283,316</u>
<i>Operating Expenses:</i>				
Salaries and Wages	140,927	62,103	37,519	240,549
Payroll Taxes	11,056	4,685	2,998	18,739
Employee Benefits	8,757	6,278	1,487	16,522
Consultants and Professional Fees	-	16,578	4,727	21,305
Fiscal Administration and Technology Fees	10,000	19,777	5,000	34,777
Rent and Utilities	32,044	5,340	5,340	42,724
Insurance	2,179	1,090	1,089	4,358
Marketing and Promotional Expenses	-	22,252	17,913	40,165
Office Supplies and Expense	-	12,547	-	12,547
Website	-	16,978	-	16,978
Depreciation Expense	2,526	421	421	3,368
Dues and Subscriptions	-	3,269	3,269	6,538
Meetings and Conferences	1,934	1,423	1,423	4,780
Bank Fees and Miscellaneous	<u>-</u>	<u>5,415</u>	<u>-</u>	<u>5,415</u>
Total Operating Expenses	<u>209,423</u>	<u>178,156</u>	<u>81,186</u>	<u>468,765</u>
Total Functional Expenses	<u>\$ 3,578,410</u>	<u>\$ 178,156</u>	<u>\$ 81,186</u>	<u>\$ 3,837,752</u>
	<u>93%</u>	<u>5%</u>	<u>2%</u>	<u>100%</u>

COMMUNITY FOUNDATION FOR NANTUCKET, INC.

STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

	<u>2019</u>	<u>2018</u>
<u>CASH FLOWS FROM OPERATING ACTIVITIES:</u>		
Change in Net Assets	\$ 4,546,283	\$ 582,256
<i>Adjustments to Reconcile the Above to Net Cash Provided (Used) by Operating Activities:</i>		
Contributions Restricted for Long-Term Purposes	(2,375,000)	(874,988)
Investment Return	(1,311,949)	308,720
Loss on Fixed Asset Disposals	316	-
Depreciation Expense	28,495	3,368
Donated Property	(137,630)	-
<i>(Increase) Decrease in Current Assets:</i>		
Contributions Receivable	(472,876)	(243,800)
Prepaid Expenses	(2,729)	704
<i>Increase (Decrease) in Current Liabilities:</i>		
Accounts Payable	12,640	(9,948)
Grants Payable	(34,956)	34,956
Grants Payable from Agency Funds Held for Others	63,277	-
Agency Funds Held for Others	(21,229)	(158,954)
<i>(Increase) Decrease in Non-Current Assets:</i>		
Real Estate Purchase Deposit	-	(79,750)
Contributions Receivable, Net of Discount	(37,532)	(212,331)
Net Adjustment	(4,289,173)	(1,232,023)
<u>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</u>	<u>257,110</u>	<u>(649,767)</u>
<u>CASH FLOWS FROM INVESTING ACTIVITIES:</u>		
Purchases of Property and Equipment	(52,544)	(1,798)
Cash Outlay for Purchase of Real Estate	(87,238)	-
Proceeds from Sale of Investments	2,367,370	1,164,943
Purchase of Investments	(4,378,134)	(4,130,192)
Net Cash Flows from Investing Activities	<u>(2,150,546)</u>	<u>(2,967,047)</u>
<u>CASH FLOWS FROM FINANCING ACTIVITIES:</u>		
Principal Payments on Long-Term Debt	(8,140)	-
Contributions Restricted for Long-Term Purposes	2,375,000	874,988
Net Cash Flows from Financing Activities	<u>2,366,860</u>	<u>874,988</u>
<u>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</u>	<u>473,424</u>	<u>(2,741,826)</u>
<u>CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR</u>	<u>1,235,826</u>	<u>3,977,652</u>
<u>CASH AND CASH EQUIVALENTS - END OF YEAR</u>	<u>\$ 1,709,250</u>	<u>\$ 1,235,826</u>
<i>Cash Balances :</i>		
Cash and Cash Equivalents	\$ 1,709,250	\$ 1,156,826
Cash Held for Real Estate Purchase	-	79,000
Total Cash Balances	<u>\$ 1,709,250</u>	<u>\$ 1,235,826</u>
<i>Supplemental Disclosure :</i>		
Interest Paid	<u>\$ 22,849</u>	<u>\$ -</u>
<i>Non-Cash Investing and Financing Transactions :</i>		
Real Estate Acquisition (Note 8)	<u>\$ 607,000</u>	<u>\$ -</u>
Property Acquired by In-Kind Donation	<u>\$ 137,630</u>	<u>\$ -</u>

COMMUNITY FOUNDATION FOR NANTUCKET, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2019 AND 2018

NOTE 1 ORGANIZATION

Community Foundation for Nantucket, Inc. (“CFN” or the “Foundation”) is incorporated under the provisions of Massachusetts General Laws Chapter 180 and qualifies as a tax-exempt, not-for-profit corporation under Section 501(c)(3) of the Internal Revenue Code. The Community Foundation for Nantucket, Inc. has been classified as an organization which is not a private foundation under IRC Section 509(a); accordingly, contributions made to the Foundation qualify for the maximum charitable deduction for federal income tax purposes.

NOTE 2 NATURE OF FUNDS

The Community Foundation for Nantucket is primarily funded through contributions and pledges from the general public. Contributions are made to various types of funds. The Foundation held and made grants from the following types of funds for the years presented:

Donor-Advised Funds:

The Foundation offers several types of funds that enable donors to identify funding opportunities aligned with their values and charitable interests. Donor-Advised Funds allow donors to recommend grant recipients, subject to the Foundation’s diligence and approval. Collectively, these funds granted \$2,031,064 and \$2,890,787 for charitable purposes during 2019 and 2018, respectively, including grants to other funds at the Foundation of \$56,279 and \$439,065, respectively.

Nantucket Fund:

Through the Nantucket Fund™, donors can contribute funds to address community needs. This fund primarily serves as a permanent charitable resource for Nantucket. It grows through community support and provides much-needed funding for local programs and services. It allows the Foundation to act strategically to improve the community by addressing the most urgent needs. Nantucket Fund funds fall into three sub-categories:

Nantucket Fund – Grantmaking: The grantmaking fund distributed \$180,000 and \$177,520 to charitable organizations on Nantucket during 2019 and 2018, respectively.

Nantucket Fund – Board Designated Endowment: Because the Foundation's mission is to strengthen Nantucket now and for future generations through informed philanthropy and community leadership, portions of the Nantucket Fund have been designated by the Board of Trustees to act as an endowment.

Nantucket Fund – Donor Designated Endowment: Because the Foundation's mission is to strengthen Nantucket now and for future generations through informed philanthropy and community leadership, portions of the Nantucket Fund have been designated by some of the Foundation’s donors to act as an endowment.

During the years ended December 31, 2019 and 2018, \$500,000 and \$682,306, respectively, was transferred from the Nantucket Fund - Grantmaking to the Nantucket Fund – Board Designated Endowment.

COMMUNITY FOUNDATION FOR NANTUCKET, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2019 AND 2018

(Continued)

NOTE 2 *(Continued)*

Field of Interest Funds:

Overall, Field of Interest Funds enable donors to support a broad charitable purpose or a category of interest (e.g., mental health, animal welfare, arts, education, human services) and/or target populations (e.g., youth, immigrants, senior citizens). Field of Interest funds fall into three sub-categories:

General Field of Interest Funds: Like the Nantucket Fund, provides funding for local programs and services, but only makes grants to charitable organizations aligned with the purpose or category of interest fund. CFN had no General Field of Interest Funds during the years presented.

Foundation Partners: When the Trustees believe there is a long-term need to maintain a fund with a specific purpose or category of interest and there is a group in the local community that will maintain a leadership role, they will designate the fund a “Foundation Partner” fund. Examples include the Nantucket License Plate Fund and Madaket Conservation Association Project Fund. Foundation Partner Funds distributed \$93,771 and \$344,029 to their respective projects during 2019 and 2018, respectively.

Project Funds: Additionally, certain special project funds are categorized as Field of Interest Funds. Although the primary purpose of the Foundation is to build endowment funds to secure the future of charitable giving on Nantucket, the Trustees are aware that there is sometimes a short-term need for funding to carry out a project (e.g., a bike path, landscape beautification) that will be a long-term benefit to Nantucket. In other cases, a worthy organization is in the process of filing for charitable status and needs to receive donations and process costs associated with their program while their tax-exempt application is pending. In such cases, the Foundation has the ability to establish a special project Field of Interest Fund as a service to the community. This type of Field of Interest Fund leaves the sponsoring group free to concentrate on fundraising and completing the project and the Foundation handles the administration. Together, the special project Field of Interest Funds distributed \$65,589 and \$448,662 during 2019 and 2018, respectively, to their respective projects through a combination of grants and *Program Expenses on Behalf of Funds*. Examples of special project Field of Interest Funds include the Nantucket Pond Coalition Fund and the Addiction Solutions Fund. The expenses associated with these projects and programs are not a part of the operating expense of the Foundation, but the expenses are paid from the funds received that were specifically donated to the special project Field of Interest Fund.

Scholarship Funds:

The Foundation administers 12 scholarship programs, all of which are designated for residents of Nantucket. During 2019 and 2018, the amounts awarded from scholarship funds totaled \$64,500 and \$56,000, respectively. During 2019 and 2018, scholarships were received by 28 and 27 Nantucket students, respectively.

Designated Funds:

The Foundation administers Designated Funds that benefit a specific charitable organization(s). Designated Funds distributed \$26,043 and \$27,257 to their respective areas of focus during 2019 and 2018, respectively. Designated Funds can only make grants to designated nonprofit organizations.

COMMUNITY FOUNDATION FOR NANTUCKET, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2019 AND 2018

(Continued)

NOTE 2 *(Continued)*

Operating Funds:

The Foundation operates with a full-time Executive Director and 2.5 full-time equivalent employees. Additional services related to investment management, accounting, administration and information technology are provided under an agreement with Greater Horizons, a subsidiary of the Greater Kansas City Community Foundation. Funds for administration and the Foundation's community leadership activities are sourced from administrative fees, contributions to the Foundation's Operating Fund and contributions from the Foundation's Nantucket Fund (in accordance with its annual spending policy).

NOTE 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies which affect significant elements of the Foundation's financial statements are described below to enhance the usefulness of the financial statements to the reader. The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates; however, adherence to generally accepted accounting principles has, in management's opinion, resulted in reliable and consistent financial reporting by the Foundation.

Basis of Accounting:

The Foundation's policy is to maintain its books and prepare its financial statements on the accrual basis of accounting in accordance with generally accepted accounting principles. Consequently, revenues and gains are recognized when earned, and expenses and losses are recognized when a liability has been incurred.

Fair Value of Financial Instruments:

The Foundation reports required types of financial instruments in accordance with fair value accounting standards. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. These standards require an entity to maximize the use of observable inputs (such as quote prices in active markets) and minimize the use of unobservable inputs (such as appraisals or other valuation techniques) to determine fair value. Fair value measurement standards also require the Foundation to classify these financial instruments into a three-level hierarchy, based on the priority of inputs to the valuation technique or in accordance with net asset value practical expedient rules, which allow for either Level 2 or Level 3 reporting, depending on lock-up and notice periods associated with the underlying funds.

The value of the Foundation's investment in the pooled fund is determined using net asset value ("NAV") provided by investment managers based on the shares held in the pool at year end as a "practical expedient". The practical expedient allows net asset value per share to represent fair value for financial reporting purposes when the criteria for using this method are met; therefore, these investments are excluded from the value hierarchy for the years ended December 31, 2019 and 2018.

COMMUNITY FOUNDATION FOR NANTUCKET, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2019 AND 2018

(Continued)

NOTE 3 *(Continued)*

Instruments measured and reported at fair value are classified and disclosed in one of the following categories:

- Level 1 - Quoted prices are available in active markets for identical instruments as of the reporting date.

- Level 2 - Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly. Level 2 inputs include quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets in markets that are not active; observable inputs other than quoted prices for the asset or liability (for example, interest rate and yield curves); and inputs derived principally from, or corroborated by, observable market data by correlation or by other means.

- Level 3 - Pricing inputs are unobservable for the instrument and include situations where there is little, if any, market activity for the instrument.

In some instances, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such instances, an instrument's level within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement.

Financial Statement Presentation:

As required by the *FASB Accounting Standards Codification*TM, the Foundation reports information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions. These classifications are related to the existence or absence of donor-imposed restrictions as follows:

Net Assets Without Donor Restrictions - consists of assets, public support, investment return and other revenues which are available and used for operations, grant-giving and program expenses on behalf of non-agency funds. Net assets without donor restrictions represents the portion of net assets of the Foundation that is not restricted by donor-imposed stipulations. Contributions are considered available for unrestricted use unless specifically restricted by the donor. Generally accepted accounting principles provide that if the governing body of an organization has the unilateral power to redirect the use of donor contributions to another beneficiary, such contributions should be classified as net assets without donor restrictions. The Foundation's governing documents and fund agreements give the Foundation's Board of Trustees variance power to modify donor instructions that are incapable of fulfillment or inconsistent with the charitable needs of the community. As a result of this variance power, non-endowed contributions are classified as net assets without donor restrictions for financial statement purposes. Additionally, the Board has established a board-designated endowment as part of The Nantucket Fund.

COMMUNITY FOUNDATION FOR NANTUCKET, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2019 AND 2018

(Continued)

NOTE 3 *(Continued)*

Net Assets With Donor Restrictions - includes funds with donor-imposed restrictions which permit the donee organization to expend the assets as specified and is satisfied either by the passage of time or by actions of the Foundation. Resources of this nature originate from gifts, grants, bequests, and may include investment income earned on restricted funds. The Foundation's net assets with donor restriction are comprised of amounts due under multi-year pledge commitments. These assets are classified as restricted due to time restrictions, as the assets will not become available for the Foundation's use until the time a stated event occurs. Once the event occurs (the time which the pledge becomes due), these assets are subject to the same variance power as those aforementioned and are reclassified to net assets without donor restriction. Other donor imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity.

Endowment Funds:

Some of the Foundation's funds are established as endowment funds with the earnings and appreciation either available for general giving or restricted for specific purposes by the endowment agreement. As required by the Commonwealth of Massachusetts, the Foundation follows the guidance of the Uniform Prudent Management of Institutional Funds Act ("UPMIFA"). UPMIFA establishes law for the management of investment of endowment funds with donor restrictions. The Board of Directors' interpretation of state law is that the Foundation, absent explicit donor stipulations to the contrary, may appropriate as much of the net appreciation as is prudent considering the Foundation's long and short-term needs, present and anticipated financial requirements, expected total return on its investments, price-level trends, and general economic conditions.

In accordance with UPMIFA, the Foundation considers the following factors in making a determination of whether to invest or appropriate endowment funds with donor restrictions:

- The duration and preservation of the fund
- The purposes of the Foundation and the endowment funds with donor restrictions
- General economic conditions
- The possible effect of inflation and deflation
- The expected total return from income and the appreciation of investments
- Other resources of the Foundation
- The investment policies of the Foundation

Income and appreciation earned on endowment investments are classified as net assets with donor restrictions until appropriated for expenditure by the Board of Directors based on the above criteria.

From time to time, the fair value of assets associated with individual endowment funds with donor restrictions may fall below the level of the original corpus. As required by the *FASB Accounting Standards Codification*TM, deficiencies of this nature are reported in net assets with donor restrictions. As of December 31, 2018, the endowment fund fell below the level of its original corpus. The total required corpus of this fund is \$874,988. The balance at year end was \$836,939 leaving a deficiency of \$38,049. There was no such deficiency as of December 31, 2019.

COMMUNITY FOUNDATION FOR NANTUCKET, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2019 AND 2018

(Continued)

NOTE 3 *(Continued)*

The Foundation's endowment funds consists of both funds with donor restrictions and a Board-Designated endowment fund. The Foundation also holds "spending-policy" funds which are treated similar to endowment funds. The Foundation has adopted investment and spending policies for endowment assets, and funds functioning as endowment, that attempt to provide a predictable stream of funding for programs supported by its endowment, while seeking to maintain the purchasing power of the endowment assets. Under this policy, as approved by the Board of Directors, the endowment is to maintain its purchasing power by generating a total return, net of fees, that exceeds the spending rate over the long-term. The spending rate on the endowment funds and funds held under "spending policy agreements" is 3% to 5% of the average trailing 36 months' market value of the fund.

To satisfy its long-term rate-of-return objectives, the Foundation relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Foundation targets a diversified asset allocation to achieve its long-term return objectives within prudent constraints.

Cash Equivalents:

For purposes of the Statements of Cash Flows, the Foundation considers all highly liquid investments purchased with a maturity of three months or less to be cash equivalents. For the years presented, cash and cash equivalents include both bank accounts held directly by the Foundation and money market funds held in a pooled fund at Greater Horizons.

Contributions Receivable:

Contributions Receivable represents multi-year promises to give. Receivables are classified as current if they are scheduled for payment within one year, and non-current when the expected payment date exceeds one year. Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Management periodically reviews specific promises to give and agreements to determine if any balances are uncollectible. Management believes that all receivables are collectible; therefore, no allowance for doubtful amounts has been established. If balances due are determined to be uncollectible in subsequent periods, an allowance will be established at that time. For the years ended December 31, 2019 and 2018, there were no losses on uncollectible receivables.

Property and Equipment:

Property, equipment, furnishing and improvement purchases in excess of \$1,000 are capitalized at cost, if purchased, or if donated, at fair value on the date of receipt. Expenditures for maintenance repairs and renewals are charged to expense as incurred, whereas, major betterments are capitalized as additions to property and equipment. Depreciation of property and equipment is computed using the straight-line method, and is charged against income over the estimated useful lives of the assets as expressed in terms of years.

Real Estate Purchase Deposit:

In December 2018, the Foundation put a deposit of \$79,750 toward the purchase of a condominium for office space.

COMMUNITY FOUNDATION FOR NANTUCKET, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2019 AND 2018

(Continued)

NOTE 3 *(Continued)*

Long-Term Investments:

The Foundation maintains its investments in pooled investment portfolios with Greater Horizons, a subsidiary of the Greater Kansas City Community Foundation. Amounts held in these pooled funds are valued at net asset value which approximates fair value (*See Note 6*). Investment earnings, unrealized and realized gains/losses and investment expenses are allocated monthly on a pro rata basis representative of the Foundation's percentage of ownership in each pooled fund, as adjusted for additions to or deductions from the account. As the intent is to hold these funds for long-term purposes, the Foundation reports its investments in the pooled funds as non-current.

Agency Funds Held for Others ("Organizational Funds"):

As required under generally accepted accounting principles, if a nonprofit organization establishes with its own funds, a fund at the Foundation for its own benefit, the transfer of assets to the Foundation is not considered contribution revenue to the Foundation and is accounted for as a liability. Contributions to agency funds and income, expenses, realized and unrealized gains/losses on those funds are not included in the Statement of Activities. Organizational Funds are held on behalf of Nantucket nonprofit organizations in order to allow them to access the Foundation's pooled investment services. Agency funds, although considered an exchange transaction under generally accepted accounting principles, are considered funds of the Foundation and fall under the same set of responsibilities and variance power provisions as all other funds of the Foundation.

Contributions, Gifts and Grants:

As required by the FASB Accounting Standards Codification™, contributions are required to be recorded as receivables and revenues and the Organization is required to distinguish between contributions received for each net asset category in accordance with donor-imposed restrictions.

The Organization recognizes contributions when cash, securities or other assets; an unconditional promise to give; or a notification of a beneficial interest is received. Conditional promises to give-that is, those with a measurable performance or other barrier and right of return-are not recognized until the conditions on which they depend have been met. Contributions of assets other than cash are reported at their estimated fair value.

Multi-year commitments are recognized in the year during which the initial commitment was made. Contributions to be received after one year are discounted at an appropriate discount rate commensurate with the risk involved, when such amounts are considered material.

Support that is restricted by the donor is reported as an increase in net assets with donor restrictions until the restrictions expire, at which time the assets are reclassified to net assets without donor restrictions.

Project Revenue:

Project Revenue represents earned income from project activities. Revenue is recognized at the time the event takes place or services are rendered.

COMMUNITY FOUNDATION FOR NANTUCKET, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2019 AND 2018

(Continued)

NOTE 3 (Continued)

Donated Goods, Facilities and Services:

As required by the *FASB Accounting Standards Codification*TM, the Community Foundation of Nantucket, Inc. maintains a policy whereby the value of the donated goods, facilities and services that create or enhance nonfinancial assets or that require specialized skills, are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation, are recognized as revenue on the Statements of Activities and are reported as expenses on the Statements of Functional Expenses.

Grants Expense and Grants Payable:

The Foundation recognizes grants expense at the time the Board of Trustees approves awards and all significant conditions are met.

Functional Expenses:

Community Foundation for Nantucket, Inc. allocates its expenses on a functional basis among its various programs and support services. Expenses that can be identified with a specific program and support service are allocated directly according to their natural expenditure classification. Other expenses that are common to several functions are allocated based on space and time usage. For the years presented, the following expenses are allocated based on employee time and effort: *Salaries and Wages, Payroll Taxes, Employee Benefits, Rent and Utilities, Donated Facilities and Depreciation* and all other building related expenses are allocated based on square footage. Supporting services are those related to operating and managing CFN and its programs on a day-to-day basis.

Supporting services have been sub-classified as follows:

Administrative - includes all activities related to Community Foundation for Nantucket, Inc.'s internal management and accounting for program services.

Fund Raising - includes all activities related to maintaining contributor information, writing grant proposals, distribution of materials and other similar projects related to the procurement of donated funds.

Advertising:

The Foundation uses print advertising and other media to promote its programs and events. Advertising costs are expensed as incurred.

COMMUNITY FOUNDATION FOR NANTUCKET, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2019 AND 2018

(Continued)

NOTE 3 *(Continued)*

Recent Accounting Guidance:

Recently Implemented Standards

In May 2014, the FASB issued ASC Update No. 2014-09, (Topic 606) *Revenue from Contracts with Customers*. This ASU is a comprehensive new revenue recognition model that requires an organization to recognize revenue to depict the transfer of goods or services to a customer at an amount that reflects the consideration it expects to receive in exchange for those goods or services. This updated guidance impacts not-for-profit entities that have revenue transactions other than contributions. In August 2015, the FASB deferred the effective date of ASC Update No. 2014-09 by one year when it issued ASC Update No. 2015-14, (Topic 606) *Revenue from Contracts with Customers*. This standard is effective for this Foundation in financial statements issued for fiscal years beginning January 1, 2019. The adoption of this ASU did not have a material effect on the Foundation's financial position or change in net assets.

In June 2018, the FASB issued ASC Update No. 2018-08, (Topic 958) *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. This ASU provides a more robust framework for determining whether a transaction should be accounted for as a contribution or as an exchange transaction. The ASU also provides additional guidance to help determine whether a contribution is conditional or unconditional. This standard is effective for this Foundation in financial statements issued for fiscal years beginning January 1, 2019. The adoption of this ASU did not have a material effect on the Foundation's financial position or change in net assets.

NOTE 4 CONTRIBUTIONS RECEIVABLE

As of December 31, 2019 and 2018, *Contributions Receivable* were discounted to present value at effective annual interest rates of 1.69% and 2.51%, respectively, and were due for collections as follows:

	<u>2019</u>	<u>2018</u>
Receivables Due in Less than One Year	\$ 856,452	\$383,576
Receivables Due in One to Five Years	595,685	559,320
Total Contributions Receivable	1,452,137	942,896
Less: Discount to Present Value	<u>(41,033)</u>	<u>(42,200)</u>
Net Contributions Receivable	<u>\$1,411,104</u>	<u>\$900,696</u>

NOTE 5 PROPERTY AND EQUIPMENT

The following is a summary of the Foundation's property and equipment as of December 31, 2019 and 2018:

<u>Asset Category</u>	<u>Est. Life</u>	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>Net Book Value</u>	
				<u>2019</u>	<u>2018</u>
Building	39	\$798,988	\$18,780	\$780,208	\$ -
Building Improvements	15	143,573	6,295	137,278	-
Furniture and Equipment	7	6,902	679	6,223	-
Computer Equipment and Software	3	22,839	7,596	15,243	2,811
Leasehold Improvements	2	-	-	-	790
Total		<u>\$972,302</u>	<u>\$33,350</u>	<u>\$938,952</u>	<u>\$3,601</u>

COMMUNITY FOUNDATION FOR NANTUCKET, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2019 AND 2018

(Continued)

NOTE 6 INVESTMENTS

As of December 31, 2019 and 2018, investment costs and unrealized gains and losses for the Foundation's pooled investment funds held at Greater Horizons were as follows:

<u>Fund Type</u>	<u>December 31, 2019</u>			<u>Fair Value (NAV)</u>
	<u>Cost</u>	<u>Unrealized Gains</u>	<u>Unrealized (Losses)</u>	
GH - Domestic Equity Pool	\$2,896,812	\$1,329,306	\$ -	\$ 4,226,118
GH - International Equity Pool	1,546,544	142,899	-	1,689,443
GH - Short-Term Fixed Income Pool	2,454,217	24,965	-	2,479,182
GH - Intermediate Fixed Income Pool	1,602,963	59,836	-	1,662,799
GH - Other	<u>148,843</u>	<u>-</u>	<u>-</u>	<u>148,843</u>
Total	<u>\$8,649,379</u>	<u>\$1,557,006</u>	<u>\$ -</u>	<u>\$10,206,385</u>

<u>Fund Type</u>	<u>December 31, 2018</u>			<u>Fair Value (NAV)</u>
	<u>Cost</u>	<u>Unrealized Gains</u>	<u>Unrealized (Losses)</u>	
GH - Equity Pool	\$3,491,481	\$368,377	\$ -	\$3,859,858
GH - Short-Term Fixed Income Pool	1,832,735	-	(30,976)	1,801,759
GH - Intermediate Fixed Income Pool	1,235,215	-	(23,568)	1,211,647
GH - Other	<u>10,408</u>	<u>-</u>	<u>-</u>	<u>10,408</u>
Total	<u>\$6,569,839</u>	<u>\$368,377</u>	<u>\$(54,544)</u>	<u>\$6,883,672</u>

Investment activity for the years presented consists of the following:

<u>Components of Investment Return</u>	<u>2019</u>	<u>2018</u>
Interest and Dividends	\$1,147,351	\$ 166,968
Investment Fees	(9,708)	(12,605)
Net Realized/Unrealized Gain on Investments	<u>219,436</u>	<u>(475,132)</u>
Total Investment Return (Loss)	1,357,079	(320,769)
Less: Agency Allocation	<u>45,130</u>	<u>12,049</u>
Net Investment Return (Loss)	<u>\$1,311,949</u>	<u>\$(308,720)</u>

NOTE 7 AGENCY FUNDS HELD FOR OTHERS ("ORGANIZATIONAL FUNDS")

Organizational transactions during the years ended December 31, 2019 and 2018 were as follows:

	<u>2019</u>	<u>2018</u>
Agency Funds Held for Others, January 1	\$270,100	\$429,054
Amounts Received on Behalf of Others	-	46,336
Earnings Allocated to Agency Accounts	45,155	(12,049)
Grants Made	(63,277)	(190,000)
CFN Management Fee	<u>(3,107)</u>	<u>(3,241)</u>
Agency Funds Held for Others, December 31	<u>\$248,871</u>	<u>\$270,100</u>

COMMUNITY FOUNDATION FOR NANTUCKET, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2019 AND 2018

(Continued)

NOTE 8 DEBT

On January 10, 2019, the Foundation entered into a \$607,000 mortgage to purchase a condominium for their administrative office. The loan bears interest at a rate of 4.5% through January 10, 2029, at which time the interest changes to a variable rate through the date of maturity. The loan is due in monthly principal and interest installments of \$3,099 through January 10, 2029, at which time the monthly payment will be based on the change to the interest rate through the date of maturity. A final payment of the entire unpaid balance of principal and interest is due on January 10, 2039. The mortgage is secured by the condominium.

The principal maturities for the following subsequent periods are as follows:

<u>Fiscal Year Ending</u>	<u>Principal Due</u>
December 31, 2020	\$ 10,451
December 31, 2021	10,931
December 31, 2022	11,434
December 31, 2023	11,959
December 31, 2024	12,508
Thereafter	<u>541,577*</u>
Total	<u>\$598,860</u>

*Includes a balloon payment of \$292,278.

NOTE 9 NET ASSETS

Activities by fund for the years ended December 31, 2019 and 2018 are as follows:

<u>Fund Type</u>	<u>January 1</u>	<u>Inflows*</u>	<u>Outflows*</u>	<u>December 31, 2019</u>	
				<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>
Donor-Advised Funds	\$3,967,205	\$3,300,396	\$(2,084,750)	\$5,182,851	\$ -
Designated Funds	141,203	20,566	(29,065)	132,704	-
Special Project Funds	182,742	103,100	(62,703)	223,139	-
Partner Funds	517,541	240,891	(184,276)	574,156	-
Scholarship Funds	483,346	146,538	(73,690)	556,194	-
Nantucket Fund**	2,883,480	3,194,403	(182,583)	2,031,209	3,864,091
Operating Funds	<u>618,202</u>	<u>675,145</u>	<u>(517,689)</u>	<u>697,291</u>	<u>78,367</u>
Total	8,793,719	7,681,039	(3,134,756)	9,397,544	3,942,458
Less: Interfund Transactions	-	<u>(559,511)</u>	<u>559,511</u>	-	-
Total	<u>\$8,793,719</u>	<u>\$7,121,528</u>	<u>\$(2,575,245)</u>	<u>\$9,397,544</u>	<u>\$3,942,458</u>

**Grantmaking and Endowment Funds

COMMUNITY FOUNDATION FOR NANTUCKET, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2019 AND 2018

(Continued)

NOTE 9 *(Continued)*

<u>Fund Type</u>	<u>January 1</u>	<u>Inflows*</u>	<u>Outflows*</u>	<u>December 31, 2018</u>	
				<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>
Donor-Advised Funds	\$4,703,899	\$1,769,093	\$(2,505,787)	\$3,967,205	\$ -
Designated Funds	121,378	54,066	(34,241)	141,203	-
Special Project Funds	238,844	304,410	(360,512)	182,742	-
Partner Funds	814,531	40,883	(337,873)	517,541	-
Scholarship Funds	484,397	64,038	(65,089)	483,346	-
Nantucket Fund**	1,300,112	1,761,515	(178,147)	1,260,794	1,622,686
Operating Funds	<u>548,302</u>	<u>545,162</u>	<u>(475,262)</u>	<u>503,253</u>	<u>114,949</u>
Total	8,211,463	4,539,167	(3,956,911)	7,056,084	1,737,635
Less: Interfund Transactions	<u>-</u>	<u>(659,129)</u>	<u>659,129</u>	<u>-</u>	<u>-</u>
Total	<u>\$8,211,463</u>	<u>\$3,880,038</u>	<u>\$(3,297,782)</u>	<u>\$7,056,084</u>	<u>\$1,737,635</u>

*Inflows include contributions, investment returns and other revenue received on behalf of the funds.

Outflows include grants awarded, program expenditures paid on behalf of funds and administrative fees.

NOTE 10 ENDOWMENT NET ASSETS

As of December 31, 2019 and 2018, the net asset composition of the endowment is as follows:

<u>Type of Endowment</u>	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>			<u>Total Endowment 2019</u>
		<u>Original Gift Amount</u>	<u>Accumulated Gains (Losses) and Other</u>	<u>Total With Donor Restrictions</u>	
Donor-Restricted	\$ -	\$3,249,988	\$136,566	\$3,386,554	\$3,386,554
Board-Designated	<u>1,250,957</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,250,957</u>
Total	<u>\$1,250,957</u>	<u>\$3,249,988</u>	<u>\$136,566</u>	<u>\$3,386,554</u>	<u>\$4,637,511</u>

<u>Type of Endowment</u>	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>			<u>Total Endowment 2018</u>
		<u>Original Gift Amount</u>	<u>Accumulated Gains (Losses) and Other</u>	<u>Total With Donor Restrictions</u>	
Donor-Restricted	\$ -	\$874,988	\$(38,049)	\$836,939	\$ 836,939
Board-Designated	<u>645,560</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>645,560</u>
Total	<u>\$645,560</u>	<u>\$874,988</u>	<u>\$(38,049)</u>	<u>\$836,939</u>	<u>\$1,482,499</u>

COMMUNITY FOUNDATION FOR NANTUCKET, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2019 AND 2018

(Continued)

NOTE 10 (Continued)

The following schedule summarizes the change in endowment net assets for the year ended December 31, 2019 and 2018:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>			<u>Total Funds</u>
		<u>Original Gift Amount</u>	<u>Net Appreciation</u>	<u>Total With Donor Restrictions</u>	
Endowment Net Assets, December 31, 2017	\$ -	\$ -	\$ -	\$ -	\$ -
Contributions	682,306	874,988	-	874,988	1,557,294
Investment Return	(29,670)	-	(38,049)	(38,049)	(67,719)
Appropriated for Expenditures	<u>(7,076)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(7,076)</u>
Endowment Net Assets, December 31, 2018	645,560	874,988	(38,049)	836,939	1,482,499
Contributions	500,000	2,375,000	-	2,375,000	2,875,000
Investment Return	118,489	-	230,965	230,965	349,454
Appropriated for Expenditures	<u>(13,092)</u>	<u>-</u>	<u>(56,350)</u>	<u>(56,350)</u>	<u>(69,442)</u>
Endowment Net Assets, December 31, 2019	<u>\$1,250,957</u>	<u>\$3,249,988</u>	<u>\$ 136,566</u>	<u>\$3,386,554</u>	<u>\$4,637,511</u>

NOTE 11 DONATED GOODS AND SERVICES

During 2019, donated office improvements totaling \$112,630 were provided in connection with the purchase and renovation of the office space purchased during the year. These costs have been capitalized as part of the building improvement costs.

NOTE 12 CONDITIONAL COMMITMENTS

During 2015, a generous donor made a challenge grant of \$150,000 over three years towards operations, contingent upon the Foundation receiving \$200,000 annually from additional donors to cover operating costs. In addition, this donor made a capstone pledge of \$250,000 that will be paid to the Foundation when it reaches the \$4,750,000 mark for the Nantucket Fund™. As of December 31, 2018, aggregate conditional commitments totaling \$250,000 had not been recognized in the accompanying financial statements, as the conditions upon which the funding depends had not been met. During 2019, the Foundation received the final \$50,000 payment on the three year challenge grant and met the requirement to receive the \$250,000 from the capstone pledge for the Nantucket Fund™.

NOTE 13 PROGRAM EXPENSES ON BEHALF OF FUNDS

Under certain fund agreements, the Foundation will pay expenses directly on behalf of the fund in accordance with the charitable purpose for which the fund was established. For the years presented, program expenses were paid on behalf of funds for community programs/projects and other charitable initiatives.

For the year ended December 31, 2018, 33% of these expenditures were related to three separate programs related to the Nantucket Project Academy (the “Academy”) and their initiatives. As of July 2018, the Academy received its own charitable status and the remaining funds were granted to the Academy.

COMMUNITY FOUNDATION FOR NANTUCKET, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2019 AND 2018

(Continued)

NOTE 14 MANAGEMENT CONSULTING AGREEMENT

The Foundation is a party to a contractual agreement with Greater Horizons to provide various management services. The agreement is reviewed annually on or before January 1. If necessary, any mutually agreed-upon changes to services and fees will result in an amendment to the contract at that time. Either party may terminate this agreement, with or without cause, upon 60 days advance written notice to the other party.

Fees paid to Greater Horizons for these services are reported as *Fiscal Administration and Technology Fees* in the accompanying Statements of Functional Expenses.

NOTE 15 OPERATING LEASES

Through May 2018, the Foundation was a party to a lease agreement at below market rates. The lease was a month-to-month tenancy-at-will with nominal amounts due. As discussed in Note 3, the Foundation has reflected the fair value of this office space in excess of amounts paid as *Donated Facilities* in the accompanying financial statements.

Facility:

The Foundation entered into a lease agreement in April 2018 for its administrative office under an operating lease agreement. The effective dates of the lease agreement are June 1, 2018 through April 30, 2019. Monthly rent for the lease is \$4,000 with a 3% annual increase, and the Foundation sub-leases a portion of its facility for \$1,500 per month.

Total rent expense for the year ended December 31, 2019 and 2018 was \$2,240 and \$28,337, respectively, and is included in *Rent and Utilities* in the accompanying Statement of Functional Expenses.

NOTE 16 CONCENTRATIONS

Cash and Cash Equivalents:

Cash balances are held in two high-quality local banks in checking and money market accounts. Cash deposits are insured by the Federal Deposit Insurance Corporation (“FDIC”) up to \$250,000 per institution. One of these financial institutions is also a member of the Depositors Insurance Fund, which covers in full deposits in excess of FDIC limits. Funds held in these financial institutions in excess of federal insured limits are \$597,341 and \$547,815 as of December 31, 2019 and 2018, respectively; however, Greater Horizons and CFN management are constantly evaluating the financial stability of these institutions and believes the risk of loss is minimal. As of December 31, 2019, \$72,939 was held in a pooled operating account with Greater Horizons which is subject to FDIC limits applicable to the entire bank account. Management considers overall credit risk on cash to be low.

Investments:

The Foundation’s investments in the Greater Horizon Investment Pools are held in professionally managed money market, equity and fixed-income mutual funds and alternative investment funds that contain various types of marketable securities. The Foundation’s investments are exposed to various risks, such as fluctuations in market value, and credit risk. Thus, it is at least reasonably possible that changes in the near term could materially affect investment balances. The Foundation’s investment performance is reviewed by the Board of Trustees on a periodic basis.

COMMUNITY FOUNDATION FOR NANTUCKET, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2019 AND 2018

(Continued)

NOTE 16 *(Continued)*

Revenue:

For the year ended December 31, 2019, contributions to one Donor-Advised fund accounted for 25% of total support and revenue.

Contributions Receivable:

As of December 31, 2019, amounts due from one donor accounted for 35% of total *Contributions Receivable*.

NOTE 17 RELATED PARTY TRANSACTIONS

One board member of the Foundation serves as an officer of a local banking institution with which the Foundation has a depository relationship. Additionally, during 2019 the Foundation purchased a condo for office space from the bank *(See Note 8)*.

NOTE 18 LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

The following table reflects the Foundation's financial assets as of December 31, 2019 and 2018, reduced by amounts which are not available for general expenditure within one year. Financial assets are considered unavailable when illiquid or not convertible to cash within one year of the Statement of Financial Position date or because the governing board has set aside the funds for a specific contingency reserve or long-term investments.

	<u>2019</u>	<u>2018</u>
Financial Assets		
Cash and Cash Equivalents	\$ 1,709,250	\$ 1,235,826
Investments	10,206,385	6,883,672
Contributions Receivable	<u>1,411,104</u>	<u>900,696</u>
Total Financial Assets	13,326,739	9,020,194
Less Amounts not Available Within One Year		
Cash Held for Funds	(1,345,132)	(830,826)
Cash Held for Real Estate Purchase and Renovations	-	(129,000)
Investments Held For Funds	(10,206,385)	(6,883,672)
Contributions Receivable, Non-Current	(554,652)	(517,120)
Contributions Receivable Held for Funds	<u>(808,242)</u>	<u>(335,361)</u>
Financial Assets Available Within One Year to Meet Cash Needs for General Expenditures Within One Year	<u>\$ 412,328</u>	<u>\$ 324,215</u>

As part of the Foundation's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and others obligations come due. The Foundation has various sources of liquidity at its disposal. Monthly expenses are budgeted to be \$45,500 which results in approximately 9 months of cash on hand for operations.

In addition to these funds available for general expenditures, the Foundation's Board of Directors has chosen to charge an administrative fee to include all funds based on the fund's average assets to cover general expenditures. The administrative fee rate is .25% - 1.5% depending upon the fund size and structure. The fees are calculated monthly and assessed quarterly.

COMMUNITY FOUNDATION FOR NANTUCKET, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2019 AND 2018

(Continued)

NOTE 19 SUBSEQUENT EVENTS

Management is required to consider events subsequent to the financial statement date for potential adjustment to or disclosure in the financial statements. Therefore, Management has evaluated subsequent events through April 17, 2020, the date which the financial statements were available for issue, and noted the following material events which met the recognition criteria:

2020 COVID-19 Pandemic:

Subsequent to year end, the global economies have been impacted by the COVID-19 pandemic. This has led to large market swings impacting the daily value of the Foundation's long-term investments. It is the opinion of management that market volatility will not hinder daily operations of the Foundation. Investments are considered long-term by management.