

**COMMUNITY FOUNDATION FOR NANTUCKET, INC.**

**FINANCIAL STATEMENTS**

*with*

**INDEPENDENT AUDITORS' REPORT**

**YEARS ENDED DECEMBER 31, 2018 AND 2017**

Smith  Sullivan  
& Brown PC  
CERTIFIED PUBLIC ACCOUNTANTS

80 Flanders Road, Suite 200  Westborough, Massachusetts 01581  
Tel: 508.871.7178 Fax: 508.871.7179 [www.ssbcpa.com](http://www.ssbcpa.com)

**COMMUNITY FOUNDATION FOR NANTUCKET, INC.**

**REPORT ON FINANCIAL STATEMENTS**

**YEARS ENDED DECEMBER 31, 2018 AND 2017**

**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, 2018 AND 2017

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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, 2018 and 2017, 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, 2018 and 2017 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  
May 14, 2019

COMMUNITY FOUNDATION FOR NANTUCKET, INC.

STATEMENTS OF FINANCIAL POSITION AS OF DECEMBER 31, 2018 AND 2017

<u>ASSETS</u>	<u>2018</u>	<u>2017</u>
<u>CURRENT ASSETS:</u>		
Cash and Cash Equivalents	\$ 1,156,826	\$ 3,977,652
Contributions Receivable	383,576	139,776
Prepaid Expenses	3,112	3,816
Total Current Assets	<u>1,543,514</u>	<u>4,121,244</u>
<u>NET PROPERTY AND EQUIPMENT</u>	<u>3,601</u>	<u>5,171</u>
<u>NON-CURRENT ASSETS:</u>		
Long-Term Investments	6,883,672	4,227,143
Cash Held for Real Estate Purchase	79,000	-
Real Estate Purchase Deposit	79,750	-
Contributions Receivable, Net of Discount	517,120	304,789
Total Non-Current Assets	<u>7,559,542</u>	<u>4,531,932</u>
<u>TOTAL ASSETS</u>	<u>\$ 9,106,657</u>	<u>\$ 8,658,347</u>
<u>LIABILITIES AND NET ASSETS</u>		
<u>CURRENT LIABILITIES:</u>		
Accounts Payable	\$ 7,882	\$ 17,830
Grants Payable	34,956	-
Agency Funds Held For Others	270,100	429,054
Total Current Liabilities	<u>312,938</u>	<u>446,884</u>
<u>TOTAL LIABILITIES</u>	<u>312,938</u>	<u>446,884</u>
<u>NET ASSETS:</u>		
Net Assets Without Donor Restrictions:		
Donor-Advised Funds	3,967,205	4,703,899
Designated Funds	141,203	121,378
Special Project Funds	182,742	238,844
Partner Funds	517,541	814,531
Scholarship Funds	483,346	484,397
Nantucket Fund - Grantmaking	615,234	976,239
Nantucket Fund - Board Designated Endowment	645,560	-
Operating Funds	503,253	427,610
Total Net Assets Without Donor Restrictions	<u>7,056,084</u>	<u>7,766,898</u>
Net Assets With Donor Restrictions:		
Restricted by Time	900,696	444,565
Nantucket Fund Endowment	836,939	-
Total Net Assets With Donor Restrictions	<u>1,737,635</u>	<u>444,565</u>
Total Net Assets	<u>8,793,719</u>	<u>8,211,463</u>
<u>TOTAL LIABILITIES AND NET ASSETS</u>	<u>\$ 9,106,657</u>	<u>\$ 8,658,347</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>
<b><u>SUPPORT, REVENUES AND RECLASSIFICATIONS:</u></b>			
<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)
Other Revenue Received on Behalf of Funds	140,389	-	140,389
<i>Reclassification of Net Assets:</i>			
Satisfaction of Donor Restrictions	<u>298,894</u>	<u>(298,894)</u>	<u>-</u>
<b><u>TOTAL SUPPORT, REVENUES AND RECLASSIFICATIONS</u></b>	<b><u>3,126,938</u></b>	<b><u>1,293,070</u></b>	<b><u>4,420,008</u></b>
<b><u>FUNCTIONAL EXPENSES:</u></b>			
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>
<b><u>TOTAL FUNCTIONAL EXPENSES</u></b>	<b><u>3,837,752</u></b>	<b><u>-</u></b>	<b><u>3,837,752</u></b>
<b><u>CHANGE IN NET ASSETS</u></b>	<b>(710,814)</b>	<b>1,293,070</b>	<b>582,256</b>
<b><u>NET ASSETS - BEGINNING OF YEAR</u></b>	<b><u>7,766,898</u></b>	<b><u>444,565</u></b>	<b><u>8,211,463</u></b>
<b><u>NET ASSETS - END OF YEAR</u></b>	<b><u>\$ 7,056,084</u></b>	<b><u>\$ 1,737,635</u></b>	<b><u>\$ 8,793,719</u></b>

COMMUNITY FOUNDATION FOR NANTUCKET, INC.

STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2017

	<u>WITHOUT DONOR</u> <u>RESTRICTIONS</u>	<u>WITH DONOR</u> <u>RESTRICTIONS</u>	<u>TOTAL</u> <u>ACTIVITIES</u>
<b><u>SUPPORT, REVENUES AND RECLASSIFICATIONS:</u></b>			
<i>Gifts, Grants and Contributions:</i>			
Grants and Contributions	\$ 4,967,319	\$ 137,945	\$ 5,105,264
Donated Facilities	15,000	-	15,000
<i>Other Revenues:</i>			
Investment Return	479,099	-	479,099
Other Revenue Received on Behalf of Funds	127,084	-	127,084
<i>Reclassification of Net Assets:</i>			
Satisfaction of Donor Restrictions	<u>206,932</u>	<u>(206,932)</u>	<u>-</u>
<b><u>TOTAL SUPPORT, REVENUES AND RECLASSIFICATIONS</u></b>	<b><u>5,795,434</u></b>	<b><u>(68,987)</u></b>	<b><u>5,726,447</u></b>
<b><u>FUNCTIONAL EXPENSES:</u></b>			
Program Services	3,772,239	-	3,772,239
Administrative	153,996	-	153,996
Fund Raising	<u>60,205</u>	<u>-</u>	<u>60,205</u>
<b><u>TOTAL FUNCTIONAL EXPENSES</u></b>	<b><u>3,986,440</u></b>	<b><u>-</u></b>	<b><u>3,986,440</u></b>
<b><u>CHANGE IN NET ASSETS</u></b>	<b>1,808,994</b>	<b>(68,987)</b>	<b>1,740,007</b>
<b><u>NET ASSETS - BEGINNING OF YEAR</u></b>	<b><u>5,957,904</u></b>	<b><u>513,552</u></b>	<b><u>6,471,456</u></b>
<b><u>NET ASSETS - END OF YEAR</u></b>	<b><u>\$ 7,766,898</u></b>	<b><u>\$ 444,565</u></b>	<b><u>\$ 8,211,463</u></b>

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 11)</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>
<b>Total Functional Expenses</b>	<b><u>\$ 3,578,410</u></b>	<b><u>\$ 178,156</u></b>	<b><u>\$ 81,186</u></b>	<b><u>\$ 3,837,752</u></b>
	<b><u>93%</u></b>	<b><u>5%</u></b>	<b><u>2%</u></b>	<b><u>100%</u></b>



COMMUNITY FOUNDATION FOR NANTUCKET, INC.

STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED DECEMBER 31, 2017

	<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	\$ 1,682,560	\$ -	\$ -	\$ 1,682,560
Partner Funds	548,075	-	-	548,075
Nantucket Fund™	178,237	-	-	178,237
Designated Funds	122,000	-	-	122,000
Special Project Funds	185,001	-	-	185,001
Scholarship Funds	45,000	-	-	45,000
Less: Interfund Grants	<u>(135,709)</u>	<u>-</u>	<u>-</u>	<u>(135,709)</u>
Total Grants	<u>2,625,164</u>	<u>-</u>	<u>-</u>	<u>2,625,164</u>
Program Expenses on Behalf of Funds <i>(Note 11)</i>	<u>943,069</u>	<u>-</u>	<u>-</u>	<u>943,069</u>
<i>Operating Expenses:</i>				
Salaries and Wages	137,689	49,853	16,331	203,873
Payroll Taxes	12,119	2,606	1,564	16,289
Employee Benefits	8,196	1,366	1,366	10,928
Consultants and Professional Fees	-	11,850	14,000	25,850
Fiscal Administration and Technology Fees	-	34,245	-	34,245
Donated Facilities	11,250	1,875	1,875	15,000
Rent and Utilities	25,047	4,175	4,176	33,398
Insurance	1,718	859	859	3,436
Marketing and Promotional Expenses	-	18,465	18,464	36,929
Office Supplies and Expense	-	17,159	-	17,159
Website	5,148	858	858	6,864
Depreciation Expense	1,155	192	192	1,539
Dues and Subscriptions	-	4,193	-	4,193
Meetings and Conferences	1,684	520	520	2,724
Bank Fees and Miscellaneous	<u>-</u>	<u>5,780</u>	<u>-</u>	<u>5,780</u>
Total Operating Expenses	<u>204,006</u>	<u>153,996</u>	<u>60,205</u>	<u>418,207</u>
<b>Total Functional Expenses</b>	<b><u>\$ 3,772,239</u></b>	<b><u>\$ 153,996</u></b>	<b><u>\$ 60,205</u></b>	<b><u>\$ 3,986,440</u></b>
	<b><u>94%</u></b>	<b><u>4%</u></b>	<b><u>2%</u></b>	<b><u>100%</u></b>

COMMUNITY FOUNDATION FOR NANTUCKET, INC.

STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

	<u>2018</u>	<u>2017</u>
<b><u>CASH FLOWS FROM OPERATING ACTIVITIES:</u></b>		
Change in Net Assets	\$ 582,256	\$ 1,740,007
<i>Adjustments to Reconcile the Above to Net Cash Provided by Operating Activities:</i>		
Investment Return	308,720	(479,099)
Depreciation Expense	3,368	1,539
<i>(Increase) Decrease in Current Assets:</i>		
Contributions Receivable	(243,800)	55,316
Prepaid Expenses	704	(2,034)
<i>Increase (Decrease) in Current Liabilities:</i>		
Accounts Payable	(9,948)	3,597
Grants Payable	34,956	-
Agency Funds Held for Others	(158,954)	140,788
<i>(Increase) Decrease in Non-Current Assets:</i>		
Real Estate Purchase Deposit	(79,750)	-
Contributions Receivable, Net of Discount	(212,331)	13,671
Net Adjustment	(357,035)	(266,222)
<b><u>NET CASH PROVIDED BY OPERATING ACTIVITIES</u></b>	<b><u>225,221</u></b>	<b><u>1,473,785</u></b>
<b><u>CASH FLOWS FROM INVESTING ACTIVITIES:</u></b>		
Purchases of Property and Equipment	(1,798)	(6,710)
Proceeds from Sale of Investments	1,164,943	1,960,257
Purchase of Investments	(4,130,192)	(1,413,523)
Net Cash Flows from Investing Activities	(2,967,047)	540,024
<b><u>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</u></b>	<b><u>(2,741,826)</u></b>	<b><u>2,013,809</u></b>
<b><u>CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR</u></b>	<b><u>3,977,652</u></b>	<b><u>1,963,843</u></b>
<b><u>CASH AND CASH EQUIVALENTS - END OF YEAR</u></b>	<b><u>\$ 1,235,826</u></b>	<b><u>\$ 3,977,652</u></b>
<i>Cash Balances :</i>		
Cash and Cash Equivalents	\$ 1,156,826	\$ 3,977,652
Cash Held for Real Estate Purchase	79,000	-
Total Cash Balances	<u>\$ 1,235,826</u>	<u>\$ 3,977,652</u>

COMMUNITY FOUNDATION FOR NANTUCKET, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2018 AND 2017

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 \$2,890,787 and \$1,682,560 for charitable purposes during 2018 and 2017, respectively, including grants to other funds at the Foundation of \$439,065 and \$94,035, 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. The Nantucket Fund™ granted \$177,520 and \$178,237 to charitable organizations on Nantucket during 2018 and 2017, respectively. Additionally, during the year ended December 31, 2018, \$682,306 was transferred from the Nantucket Fund to create the Nantucket Fund Board-Designated Endowment. During the year ended December 31, 2018, the spending policy from both funds was to annually appropriate between 3.5- 5% of the average trailing 36 months’ market value of the fund to support current operations of the Foundation along with its significant annual discretionary grant giving. December 31, 2017, the spending policy from The Nantucket Fund™ was to annually appropriate 3.5- 5% of the average trailing 24 months’ market value of the fund to support current operations of the Foundation along with its significant annual discretionary grant giving.

**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.

COMMUNITY FOUNDATION FOR NANTUCKET, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2018 AND 2017

*(Continued)*

NOTE 2     *(Continued)*

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 \$344,029 and \$548,075 to their respective projects during 2018 and 2017, 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 \$448,662 and \$532,034 during 2018 and 2017, 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. During 2017, one special project fund received its 501(c)(3) status and the fund balance of \$185,001 was converted to an agency fund held with the Foundation.

**Scholarship Funds:**

The Foundation administers 12 scholarship programs, all of which are designated for residents of Nantucket. During 2018 and 2017, the amounts awarded from scholarship funds totaled \$56,000 and \$45,000, respectively. During 2018 and 2017, scholarships were received by 27 and 21 Nantucket students, respectively.

**Designated Funds:**

The Foundation administers Designated Funds that benefit a specific charitable organization(s). Designated Funds distributed \$27,257 and \$122,000 to their respective areas of focus during 2018 and 2017, respectively. Designated Funds can only make grants to designated nonprofit organizations.

**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).

COMMUNITY FOUNDATION FOR NANTUCKET, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2018 AND 2017

*(Continued)*

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.

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.

COMMUNITY FOUNDATION FOR NANTUCKET, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2018 AND 2017

(Continued)

NOTE 3 (Continued)

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.

The primary use of fair value measures in the Foundation's financial statements are the recurring measurement of the Foundation's investments. There have been no changes to this valuation methodology.

**Financial Statement Presentation:**

As required by the *FASB Accounting Standards Codification*<sup>TM</sup>, 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, most contributions are classified as net assets without donor restrictions for financial statement purposes.

*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.

COMMUNITY FOUNDATION FOR NANTUCKET, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2018 AND 2017

*(Continued)*

NOTE 3     *(Continued)*

**Endowment Funds:**

Many 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*<sup>TM</sup>, 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, 2017.

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 3.5% 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.

COMMUNITY FOUNDATION FOR NANTUCKET, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2018 AND 2017

*(Continued)*

NOTE 3     *(Continued)*

**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, 2018 and 2017, 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 (*See Note 17*).

**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.



COMMUNITY FOUNDATION FOR NANTUCKET, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2018 AND 2017

*(Continued)*

NOTE 3     *(Continued)*

**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*<sup>TM</sup>, contributions are required to be recorded as receivables and revenues and the Foundation is required to distinguish between contributions received for each net asset category in accordance with donor-imposed restrictions. Contributions may include gifts of cash, bequests, stocks or promises to give.

Contributions, including unconditional promises to give, are recognized as revenues in the period received. Conditional promises to give are not recognized until they become unconditional, that is, at the time when the conditions on which they depend are substantially met. Contributions of assets other than cash are reported at their estimated fair value.

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. The Foundation updates its discount rate to the year-end Treasury Yield annually. Support that is restricted by the donor is reported as an increase in net assets with donor restrictions until the restriction expires, at which time temporarily restricted net assets are reclassified to net assets without donor restrictions. Based on the variance power held by the Foundation, for the years presented, all contributions, gifts and grants are considered net assets without donor restrictions with the exception of the inherent time restriction on multi-year pledges.

**Other Revenue Received on Behalf of Funds:**

*Other Revenue Received on Behalf of Funds* represents earned income from project activities. Revenue is recognized at the time the event takes place or services are rendered.

**Donated Goods, Facilities and Services:**

As required by the *FASB Accounting Standards Codification*<sup>TM</sup>, 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. Through May 2017, the Foundation rented office space below market rates. Management has determined that the fair value of its office space rent is approximately \$3,000 per month (\$36,000 annually which ended in May 2017). Accordingly, the Foundation has recognized the rent differential of \$15,000 for the year ended December 31, 2017, as *Donated Facilities* in the accompanying financial statements.

COMMUNITY FOUNDATION FOR NANTUCKET, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2018 AND 2017

*(Continued)*

NOTE 3     *(Continued)*

**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. As of December 31, 2018, all amounts included in *Grants Payable* are expected to be paid in 2019. As of December 31, 2017, all unconditional grants awarded during the year had been paid in full.

**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.

**Recent Accounting Guidance:**

*Recently Implemented Standards*

In August 2016, the Financial Accounting Standards Board ("FASB") issued ASC Update No. 2016-14, (Topic 958) *Presentation of Financial Statements of Not-for-Profit Entities*, with the goal of improving not-for-profit financial statements to provide more useful information to donors, grantors, creditors, and other financial statement users. This ASU modified the current guidance over several criteria, of which the following affected the Foundation's financial statements:

COMMUNITY FOUNDATION FOR NANTUCKET, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2018 AND 2017

*(Continued)*

NOTE 3     *(Continued)*

- The Foundation’s net assets are segregated into two categories, “with donor restrictions” and “without donor restrictions” as opposed to the previous requirement of three classes of net assets.
- The Foundation provided qualitative and quantitative information relating to management of liquidity and the availability of financial assets to cover short-term cash needs within one year from the statement of financial position date.
- The Foundation provided a more in depth explanation of the methods used to allocate costs among program and supporting functions.
- The Foundation presented its investment return net of external and direct internal investment expenses

In accordance with this ASU, the Foundation has applied a modified retrospective application of the above standard, and as a result, is not presenting a liquidity and availability disclosure for the year ended December 31, 2017.

*Recently Issued 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 is not expected to 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 is not expected to have a material effect on the Foundation’s financial position or change in net assets.

In February 2016, the FASB issued ASC Update No. 2016-02, (Topic 842) *Leases* which establishes a comprehensive new lease accounting model. The new standard clarifies the definition of a lease and causes lessees to recognize leases on the balance sheet as a lease liability with a corresponding right-of-use asset for leases with a lease term of more than one year. This standard is effective for this Foundation in financial statements issued for fiscal years beginning January 1, 2020. The new standard requires a modified retrospective transition for capital or operating leases existing at or entered into after the beginning of the earliest comparative period presented in the financial statements, but it does not require transition accounting for leases that expire prior to the date of initial application. The adoption of this ASU is not expected to have a material effect on the Foundation’s financial position or change in net assets.

COMMUNITY FOUNDATION FOR NANTUCKET, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2018 AND 2017

(Continued)

NOTE 4      CONTRIBUTIONS RECEIVABLE

As of December 31, 2018 and 2017, *Contributions Receivable* were discounted to present value at effective annual interest rates ranging from 2.51% to 1.65% and were due for collections as follows:

	<u>2018</u>	<u>2017</u>
Receivables Due in Less than One Year	\$383,576	\$139,776
Receivables Due in One to Five Years	<u>559,320</u>	<u>318,914</u>
Total Contributions Receivable	942,896	458,690
Less: Discount to Present Value	<u>(42,200)</u>	<u>(14,125)</u>
Net Contributions Receivable	<u>\$900,696</u>	<u>\$444,565</u>

NOTE 5      PROPERTY AND EQUIPMENT

The following is a summary of the Foundation's property and equipment as of December 31, 2018 and 2017:

<u>Asset Category</u>	<u>Est.</u>	<u>Cost</u>	<u>Accumulated</u>	<u>Net Book Value</u>	
	<u>Life</u>		<u>Depreciation</u>	<u>2018</u>	<u>2017</u>
Computer Equipment and Software	3	\$ 8,139	\$5,328	\$2,811	\$2,486
Leasehold Improvements	2	<u>3,790</u>	<u>3,000</u>	<u>790</u>	<u>2,685</u>
Total		<u>\$11,929</u>	<u>\$8,328</u>	<u>\$3,601</u>	<u>\$5,171</u>

NOTE 6      INVESTMENTS

As of December 31, 2018 and 2017, 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, 2018</u>			
	<u>Cost</u>	<u>Unrealized</u> <u>Gains</u>	<u>Unrealized</u> <u>(Losses)</u>	<u>Fair Value</u> <u>(NAV)</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>
<u>Fund Type</u>	<u>December 31, 2017</u>			
	<u>Cost</u>	<u>Unrealized</u> <u>Gains</u>	<u>Unrealized</u> <u>(Losses)</u>	<u>Fair Value</u> <u>(NAV)</u>
GH - Equity Pool	\$1,853,756	\$605,028	\$ -	\$2,458,784
GH - Short-Term Fixed Income Pool	1,027,968	-	(9,330)	1,018,638
GH - Intermediate Fixed Income Pool	681,015	5,726	(2,596)	684,145
GH - Other	<u>65,576</u>	<u>-</u>	<u>-</u>	<u>65,576</u>
Total	<u>\$3,628,315</u>	<u>\$610,754</u>	<u>\$(11,926)</u>	<u>\$4,227,143</u>

COMMUNITY FOUNDATION FOR NANTUCKET, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2018 AND 2017

(Continued)

NOTE 6 (Continued)

Investment activity for the years presented consists of the following:

<u>Components of Investment Return</u>	<u>2018</u>	<u>2017</u>
Interest and Dividends	\$ 166,968	\$105,705
Investment Fees	(12,605)	(9,341)
Net Realized/Unrealized Gain on Investments	<u>(475,132)</u>	<u>425,332</u>
Total Investment Return (Loss)	(320,769)	521,696
Less: Agency Allocation	<u>12,049</u>	<u>(42,597)</u>
Net Investment Return (Loss)	<u>\$(308,720)</u>	<u>\$479,099</u>

NOTE 7 AGENCY FUNDS HELD FOR OTHERS (“ORGANIZATIONAL FUNDS”)

Organizational transactions during the years ended December 31, 2018 and 2017 were as follows:

	<u>2018</u>	<u>2017</u>
Agency Funds Held for Others, January 1	\$429,054	\$ 288,266
Amounts Received on Behalf of Others	46,336	214,190
Earnings Allocated to Agency Accounts	(12,049)	46,818
Grants Made	(190,000)	(116,000)
CFN Management Fee	<u>(3,241)</u>	<u>(4,220)</u>
Agency Funds Held for Others, December 31	<u>\$270,100</u>	<u>\$ 429,054</u>

NOTE 8 NET ASSETS

Activities by fund for the years ended December 31, 2018 and 2017 are as follows:

<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>(659,129)</u>	<u>659,129</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>

\*\*Grantmaking and Endowment Funds

COMMUNITY FOUNDATION FOR NANTUCKET, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2018 AND 2017

*(Continued)*

NOTE 8     *(Continued)*

<u>Fund Type</u>	<u>January 1</u>	<u>Inflows*</u>	<u>Outflows*</u>	<u>December 31, 2017</u>	
				<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>
Donor-Advised Funds	\$2,824,047	\$3,602,341	\$(1,722,489)	\$4,703,899	\$ -
Designated Funds	218,275	8,477	(105,374)	121,378	-
Special Project Funds	334,200	620,679	(716,035)	238,844	-
Partner Funds	966,660	819,306	(971,435)	814,531	-
Scholarship Funds	460,338	78,600	(54,541)	484,397	-
Nantucket Fund	1,195,313	274,390	(169,591)	976,239	323,873
Operating Funds	<u>472,623</u>	<u>406,306</u>	<u>(330,627)</u>	<u>427,610</u>	<u>120,692</u>
Total	6,471,456	5,810,099	(4,070,092)	7,766,898	444,565
Less: Interfund Transactions	-	(211,784)	211,784	-	-
Total	<u>\$6,471,456</u>	<u>\$5,598,315</u>	<u>\$(3,858,308)</u>	<u>\$7,766,898</u>	<u>\$444,565</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 9     ENDOWMENT NET ASSETS

As of December 31, 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 With Donor Restrictions</u>	<u>Total Endowment 2018</u>
		<u>Original Gift Amount</u>	<u>Accumulated Gains (Losses) and Other</u>		
Donor-Restricted	\$ -	\$874,988	\$(38,049)	\$836,939	\$ 836,939
Board-Designated	<u>645,560</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>

There were no endowment net assets as of December 31, 2017.

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

	<u>Without Donor Restrictions</u>	<u>Original Gift Amount</u>	<u>With Donor Restrictions</u>		<u>Total Funds</u>
			<u>Accumulated Gains (Losses) and Other</u>	<u>Total With Donor Restrictions</u>	
Endowment Net Assets, December 31, 2017	\$ -	\$ -	\$ -	\$ -	\$ -
Contributions and Revenue	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>(7,076)</u>
Endowment Net Assets, December 31, 2018	<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, 2018 AND 2017

*(Continued)*

NOTE 10    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, 2017, aggregate conditional commitments totaling \$300,000 had not been recognized in the accompanying financial statements, as the conditions upon which the funding depends had not been met. During 2018, the Foundation received the required matching funds and the third \$50,000 was met and received on this commitment. The remaining unrecognized conditional amount as of December 31, 2018 was \$250,000.

NOTE 11    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 years ended December 31, 2018 and 2017, 33% and 82% respectively, 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.

NOTE 12    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 13    OPERATING LEASES

Through May 2017, 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 2017 for its administrative office under an operating lease agreement. The effective dates of the lease agreement are June 1, 2017 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.

COMMUNITY FOUNDATION FOR NANTUCKET, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2018 AND 2017

*(Continued)*

NOTE 13 *(Continued)*

Future minimum lease payments for the remainder of the lease term are as follows:

<u>Fiscal Year Ending</u>	<u>Gross Lease Obligation</u>	<u>Sub-Lease</u>	<u>Net Lease Obligation</u>
December 31, 2019	<u>\$16,480</u>	<u>\$(6,000)</u>	<u>\$10,480</u>
Total	<u>\$16,480</u>	<u>\$(6,000)</u>	<u>\$10,480</u>

Total rent expense for the year ended December 31, 2018 and 2017 was \$64,335 and \$43,514, respectively, and is included in *Donated Facilities* and *Rent and Utilities* in the accompanying Statement of Functional Expenses.

NOTE 14 CONCENTRATIONS

**Cash and Cash Equivalents:**

Cash balances are held in three 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. Two of these financial institutions are also members 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 \$547,815 and \$2,620,180 as of December 31, 2018 and 2017, 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, 2018, \$26,299 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.

**Revenue:**

For the years ended December 31, 2018 and 2017, contributions to one Donor-Advised fund accounted for 25% and 31%, respectively, of total support and revenue.

**Contributions Receivable:**

As of December 31, 2017, amounts due under multi-year commitments from one donor, accounted for 20% of total *Contributions Receivable*.



COMMUNITY FOUNDATION FOR NANTUCKET, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2018 AND 2017

*(Continued)*

NOTE 15    RELATED PARTY TRANSACTIONS

As discussed in Note 3, the Foundation rented office space below market rates in an office owned by Nantucket Bank, a division of Blue Hills Bank. A senior executive of the bank became a member of the Foundation's Board of Directors in 2017. The Foundation has reflected the fair value of its office space in excess of nominal amounts paid as *Donated Facilities* in the accompanying financial statements.

As discussed in Note 13, during 2017, the Foundation entered into a lease in a building owned by the son of a Board Member.

NOTE 16    LIQUIDITY AND AVAILABILITY

Financial assets as of December 31, 2018 designated for operating purposes and available for general expenditures within one year:

Financial Assets	
Cash and Cash Equivalents	\$1,235,826
Contributions Receivable, Current	<u>383,576</u>
Total Financial Assets	1,619,402
Less Amounts not Available Within One Year	
Cash Held for Funds	(830,826)
Cash Held for Real Estate Purchase and Renovations	(129,000)
Contributions Receivable Held for Funds	<u>(335,361)</u>
Financial Assets Available Within One Year to Meet Cash	
Needs for General Expenditures Within One Year	<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 8 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.

NOTE 17    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 May 14, 2019, the date which the financial statements were available for issue, and noted the following material events which met the recognition criteria:

COMMUNITY FOUNDATION FOR NANTUCKET, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2018 AND 2017

*(Continued)*

NOTE 17 *(Continued)*

**Purchase of Condominium:**

In December 2018, the Foundation put a deposit of \$79,750 toward the purchase of a condominium for office space at 9B Bayberry Court. In February 2019, the Foundation closed on the sale for \$790,000. The purchase of the condominium will be financed as follows:

<u>Source of Financing</u>	<u>Amount</u>
Cash Paid as Deposit	\$ 79,750
Cash Paid at Closing	103,250
Mortgage Note	<u>607,000</u>
Total Acquisition Cost	<u>\$790,000</u>