Greater Lowell Community Foundation, Inc.

Financial Statements &
Independent Auditor's Report

December 31, 2019 and 2018

Greater Lowell Community Foundation, Inc.
Financial Statements
December 31, 2019 and 2018

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Independent Auditor's Report

To the Board Directors of
Greater Lowell Community Foundation, Inc.

We have audited the accompanying financial statements of Greater Lowell Community Foundation, Inc. (a non-profit 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.

Auditor's 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 entity'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 entity'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.

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

Emphasis of Matter
Change in Accounting Principle

As discussed in Notes 2 to the financial statements, during the year ended December 31, 2019, the Foundation adopted Accounting Standards Update (ASU) 2018-08, *"Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made."* As a result, the standard was retroactively applied to the financial statements for the fiscal year ending December 31, 2018. Analysis of various provisions of this standard resulted in no significant changes in the way the Foundation recognizes revenue and therefore, no changes to the previously issued audited financial statements were required on a retrospective basis as a result of the adoption of this standard. Our opinion is not modified with respect to that matter.

As discussed in Notes 2 and 8 to the financial statements, in 2019, management elected to early adopt Accounting Standards Update 2016-02, *"Leases."* Our opinion is not modified with respect to that matter.

Anstiss & Co., P.C.

Anstiss & Co., P.C.
Lowell, MA
May 5, 2020

Greater Lowell Community Foundation, Inc.
Statements of Financial Position
December 31, 2019 and 2018

	2019	2018
ASSETS		
Cash and cash equivalents	$ 1,586,363	$ 1,264,451
Investments at fair value	6,066,918	4,094,896
Pledges receivable	90,901	9,000
Accounts receivable - Other	469	-
Prepaid expenses and other assets	20,791	26,205
Fixed assets - net	-	1,336
Assets under operating leases	268,763	-
Endowment investments	35,104,257	29,664,273
Total assets	$ 43,138,462	$ 35,060,161
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable	$ 42,467	$ 10,612
Grants payable	5,225	6,000
Accrued expenses	28,237	27,388
Liabilities under operating leases	269,827	-
Fiscal agency liability	366,509	285,489
Split-interest obligations	1,897	1,640
Agency endowment funds	4,962,916	3,655,367
Total liabilities	5,677,078	3,986,496
Net assets		
Without donor restrictions		
Undesignated	1,666,188	933,341
Designated for operating reserves	523,531	455,919
Designated for endowment	30,394,062	25,751,278
Total without donor restrictions	32,583,781	27,140,538
With donor restrictions		
Perpetual in nature	1,583,464	1,583,464
Purpose restrictions	3,203,238	2,340,663
Time-restricted	90,901	9,000
Total with donor restrictions	4,877,603	3,933,127
Total net assets	37,461,384	31,073,665
Total liabilities and net assets	$ 43,138,462	$ 35,060,161

See the accompanying notes to these financial statements.

Greater Lowell Community Foundation, Inc.
Statements of Activities
For the Years Ended December 31, 2019 and 2018

	2019 Without Donor Restrictions	2019 With Donor Restrictions	2019 Total	2018 Without Donor Restrictions	2018 With Donor Restrictions	2018 Total
Support and revenue						
Contributions, grants, and gifts	$ 2,036,336	$ 315,635	2,351,971	$ 2,736,459	$ 50,276	2,786,735
Investment return	5,798,690	902,191	6,700,881	(1,522,133)	(303,111)	(1,825,244)
Donated goods and services	15,898	-	15,898	10,139	-	10,139
Net assets released from restrictions	273,350	(273,350)	-	228,676	(228,676)	-
Total support and revenue	8,124,274	944,476	9,068,750	1,453,141	(481,511)	971,630
Expenses						
Program services	2,267,199	-	2,267,199	2,652,385	-	2,652,385
Management and general	176,821	-	176,821	156,939	-	156,939
Fundraising	237,011	-	237,011	222,622	-	222,622
Total expenses	2,681,031	-	2,681,031	3,031,946	-	3,031,946
Change in net assets	5,443,243	944,476	6,387,719	(1,578,805)	(481,511)	(2,060,316)
Net assets at beginning of year	27,140,538	3,933,127	31,073,665	28,719,343	4,414,638	33,133,981
Net assets at end of year	$ 32,583,781	$ 4,877,603	$ 37,461,384	$ 27,140,538	$ 3,933,127	$ 31,073,665

See the accompanying notes to these financial statements.

Greater Lowell Community Foundation, Inc.
Statements of Functional Expenses
For the Years Ended December 31, 2019 and 2018

	2019				2018			
	Program	Management & General	Fundraising	Total	Program	Management & General	Fundraising	Total
Grants	$ 1,594,320	-	-	$ 1,594,320	$ 1,891,064	-	-	$ 1,891,064
Salaries and related	342,365	113,187	178,565	634,117	289,802	95,603	157,855	543,260
Project costs	93,941	4,979	650	99,570	255,773	13,491	550	269,814
Office supplies and expenses	64,924	11,375	11,264	87,563	73,374	9,609	11,301	94,284
Conferences	80,269	10,080	10,455	100,804	54,861	7,257	10,455	72,573
Occupancy	31,172	9,547	17,451	58,170	27,516	8,540	15,452	51,508
Project support	29,542	3,163	2,613	35,318	42,561	4,515	2,892	49,968
Other expenses	10,280	1,065	11,124	22,469	1,772	141	18,185	20,098
Legal and accounting	-	22,909	-	22,909	-	16,915	-	16,915
Travel	14,648	-	-	14,648	6,575	-	-	6,575
Insurance	3,183	245	1,469	4,897	3,672	282	1,694	5,648
Meals and entertainment	511	-	3,019	3,530	1,360	-	3,019	4,379
Depreciation	802	133	401	1,336	2,440	406	1,219	4,065
Professional fees-other	1,242	138	-	1,380	1,615	180	-	1,795
Total expenses by function	$ 2,267,199	$ 176,821	$ 237,011	$ 2,681,031	$ 2,652,385	$ 156,939	$ 222,622	$ 3,031,946

See the accompanying notes to these financial statements.

Greater Lowell Community Foundation, Inc.
Statements of Cash Flows
For the Years Ended December 31, 2019 and 2018

	2019	2018
Reconciliation of change in net assets to net cash from operating activities		
Change in net assets	$ 6,387,719	$ (2,060,316)
Adjustments to reconcile changes in net assets to net cash from operating activities		
Depreciation	1,336	4,065
Amortization of lease incentives	1,064	-
Realized and unrealized gain on operating investments	(740,791)	(331,039)
Contributions restricted to endowment	(755,539)	(1,124,380)
Change in value of fiscal agency liability	81,020	241,967
Change in value of agency endowment liability	1,281,340	(55,358)
Endowment net investment return	(6,764,942)	1,626,294
Changes in operating assets and liabilities		
Decrease in accrued interest receivable	-	14,236
Decrease (increase) in prepaid expenses and other assets	5,414	(9,062)
(Increase) decrease in pledges receivable	(81,901)	12,703
(Increase) decrease in accounts receivable- other	(469)	1,075
Increase (decrease) in accounts payable and accrued expenses	32,704	(4,529)
Decrease in grants payable	(775)	(5,075)
Net cash used by operating activities	(553,820)	(1,689,419)
Cash flows from investing activities		
Purchase of operating investments	(3,215,245)	(4,016,601)
Proceeds from sale of operating investments	1,984,014	4,032,498
Withdrawals from (additions to) agency endowment funds - net	26,209	26,209
(Additions to) withdrawals from assets held under split-interest agreements	257	-
(Additions to) withdrawals from endowment-net	2,080,497	2,171,565
Net cash provided by investing activities	875,732	2,213,671
Net change in cash and cash equivalents	321,912	524,252
Cash and cash equivalents at beginning of year	1,264,451	740,199
Cash and cash equivalents at end of year	$ 1,586,363	$ 1,264,451
Supplemental information:		
In-kind contributions	$ 268,050	$ 1,910,086

See the accompanying notes to these financial statements.

NOTE 1 - ORGANIZATION

Greater Lowell Community Foundation, Inc. (the "Foundation") is a nonprofit organization established on May 23, 1997. The mission of the Foundation is to improve the quality of life in the Greater Lowell area by developing permanent charitable endowments and by providing leadership on key community issues, as well as by providing grants and technical assistance to nonprofit organizations. The Foundation is responsible for investing and distributing charitable funds in accordance with donor instructions. On February 8, 2013, the Greater Lowell Community Foundation was granted a five-year Accreditation and Recertification of Compliance with National Standards of U.S. Community Foundations. Accreditation was renewed during 2019.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (GAAP).

The Foundation reports information regarding its financial position and activities in two classes of net assets based upon the existence or absence of donor-imposed restrictions as follows:

<u>Net Assets Without Donor Restrictions</u>

Net assets that are not subject to donor-imposed stipulations are classified as without donor restrictions and those subject to the Foundation's variance power and spending policy.

From time to time, the Board may vote to set aside a certain dollar amount or percentage of net assets without donor restrictions for use at a specific time, for a specific purpose, or to function as endowment, as it sees fit. These board-designated net assets may become undesignated with the passage of time or when used for their intended purpose. In addition, the Board may undesignated these net assets at its discretion if the originally intended time period or purpose is deemed no longer relevant or applicable to the needs of the Foundation.

<u>Net Assets With Donor Restrictions</u>

Net assets subject to donor-imposed stipulations that may or will be met, either by actions of the Foundation and/or the passage of time, are classified as net assets with donor restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

Also included in this category are net assets subject to donor restrictions to be maintained in perpetuity as permanent assets of the Foundation. Generally, all income and unrealized and realized net gains on investments related to these net assets can be made available for operations as the Foundation appropriates its annual spending based on the use of a spending policy or in accordance with donor restrictions.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cash and Cash Equivalents

For purposes of the statement of cash flows, cash equivalents include time deposits, certificates of deposit, and other highly liquid financial instruments with original maturities of three months or less, which are neither held, nor restricted by donors, for long-term purposes. Cash, time deposits, certificates of deposit, and other highly liquid financial instruments restricted to endowments that are perpetual in nature or other long-term purposes are excluded from this definition. As of December 31, 2019 and 2018, there was $47,868 and $45,827, respectively, of cash held for use by the organizations for which the Foundation acts as fiscal agent.

Fair Value Measurements

The Foundation follows the provisions of ASC 820-10, "*Fair Value Measurements.*" ASC 820-10 applies to reported balances that are required or permitted to be measured at fair value on a recurring basis under an existing accounting pronouncement. ASC 820-10 emphasizes that fair value is a market-based measurement, not an entity-specific measurement. Therefore, a fair value measurement should be determined based on the assumptions that market participants would use in pricing the asset or liability and establishes a fair value hierarchy consisting of three levels of inputs that may be used to measure fair value as follows:

Level 1 – Inputs that utilize quoted prices (unadjusted) in active markets for identical assets or liabilities that the Foundation has the ability to access.

Level 2 – Inputs that include quoted prices for similar assets and liabilities in active markets and inputs that are observable for the assets or liabilities, either directly or indirectly, for substantially the full term of the financial instrument. Fair values for these instruments are estimated using pricing models, quoted prices of securities with similar characteristics, or discounted cash flows.

Level 3 – Inputs that are unobservable inputs for the asset or liability, which are typically based on an entity's own assumptions, as there is little, if any, related market activity.

In instances where the determination of the fair value measurement is based on inputs from different levels of the fair value hierarchy, the level in the fair value hierarchy within which the entire fair value measurement falls is based on the lowest level input that is significant to the fair value measurement in its entirety.

ASC 825-10, "*Fair Value Measurements,*" permits an entity to measure many financial instruments and certain other assets and liabilities at fair value on an instrument-by-instrument basis. The Foundation has not adopted any of the additional fair value options allowed in the standard. Management has determined that the fair values of its financial instruments not carried at fair value, including cash, receivables, and payables are substantially equivalent to their carrying values as of December 31, 2019 and 2018 because of their relatively short-term nature.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments

The Foundation invests its assets in a manner intended to achieve a total rate of return sufficient to replace the assets spent for grants and expenses and recoup any value lost due to inflation. To minimize risk, the Foundation diversifies its investments among various financial instruments and asset categories and uses multiple investment strategies and managers. Significant investment decisions are made by the Board of Directors' Investment Committee, which has oversight responsibility for the Foundation's investment program. The Foundation's portfolio is managed by outside investment managers who invest according to the investment guidelines recommended by the Investment Committee and approved by the Board of Directors.

Investments in equity securities with readily determinable fair values and all investments in debt securities are measured at fair value in the statements of financial position. Fair value is based on market value in the case of marketable securities. The market value of publicly traded securities is based upon quoted prices from principal exchanges on which the securities are traded. Investment return (including realized and unrealized gains and losses on investments, and interest, and dividends net of investment management fees) is included in the current period change in net assets. Realized and unrealized investment gains and losses in total are determined by changes in market value. Interest and dividend income is recognized when earned.

Alternative investments include non-marketable securities such as hedge funds which are valued using current estimates of fair value obtained from investment managers or general partners in the absence of readily determinable public market values. Such valuations as determined by fund managers generally consider variables such as operating results, comparable earnings multiples, projected cash flows, recent sales prices, and other pertinent information, and may reflect discounts for the illiquid nature of certain investments held. Because of the inherent uncertainty of valuation for these investments, the estimate of the investment manager or general partner may differ from the values that would have been used had a ready market existed, and the differences could be significant. The agreements underlying participation in non-marketable investment funds may limit the Foundation's ability to liquidate its interest in such investments for a period of time. Foundation management is responsible for the fair measurements of investments reported in the financial statements.

The Foundation has applied the accounting guidance in Accounting Standards Update No. 2009-12, "*Investments in Certain Entities that Calculate Net Asset Value per Share (or Its Equivalent),*" which permits the use of net asset value (NAV) or its equivalent reported by each underlying alternative investment fund as a practical expedient to estimate the fair value of the investment. These investments are generally redeemable or may be liquidated at NAV under the original terms of the subscription agreements or operations of the underlying assets. However, it is possible that these redemption rights may be restricted by the funds in the future in accordance with the underlying fund agreements, as applicable. Changes in market conditions, the economic environment, or the funds' liquidity provisions may

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments (continued)

significantly impact the NAV of the funds, and consequently, the fair value of the Foundation's interest in such funds. Although certain investments may be sold in a secondary market, the secondary market is not active and individual transactions are not necessarily observable. It is therefore possible that if the Foundation were to sell its interest in a fund in the secondary market, the sale could occur at an amount materially different from the reported value. The Foundation has implemented policies and procedures to assess the reasonableness of the fair values provided. The Foundation believes that reported fair values of non-marketable securities at the statement of financial position dates are reasonable.

At December 31, 2019 and 2018, there was $318,641 and $285,489 of investments held for use by the organizations for which the Foundation acts as fiscal agent.

Promises to Give

Contributions are recognized when the donor makes a promise (pledge) to give to the Foundation that is, in substance, unconditional. Promises to give due next year are recorded at their net realizable value. Promises to give due in subsequent years are reported at the present value of their net realizable value, using a discount interest rate of 3.5% applicable to the years in which the promises are to be received.

Fixed Assets

All fixed asset purchases of $2,500 or more are recorded at cost if purchased or constructed, or at fair market value at the date of gift if donated. Maintenance, repairs, rearrangement expenses, and renewal and betterments that do not significantly enhance the value or increase the basic productive capacity of the assets are charged to expenses as incurred. The Foundation depreciates furnishings and equipment under the straight-line method over the estimated useful lives of the assets capitalized as follows:

	Years
Software	3
Furnishings and equipment	5-8

The Foundation reviews long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of long-lived assets is measured by comparison to the future undiscounted net cash flows expected to be generated by the assets. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the estimated fair value of the assets. Assets to be disposed of are reportable at the lower of the carrying amount or fair value, less costs to sell.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Leases

In February 2016, the FASB issued ASU 2016-02, *"Leases,"* which requires lessees to recognize leases on the statement of financial position and disclose key information about leasing arrangements. The new standard establishes a right-of-use model (ROU) that requires a lessee to recognize a ROU asset and lease liability on the statement of financial position for all leases. The Foundation has exercised the option under ASU 2016-02, to adopt a policy of expensing payments on operating leases with lease terms of twelve months or less. Under this standard, leases will be classified as either finance or operating, with classification affecting the recognition of expenses in the statement of activities.

The Foundation has early adopted this standard for the fiscal year ending December 31, 2019, as the Foundation entered into a new operating lease for office space during the year. Consequently, as of December 31, 2019, the Foundation has recorded a liability under the operating lease of $269,827 based on the present value of the remaining minimum rental payments. A corresponding asset under the operating lease of $268,763 was recorded net of deferred straight-line rent in the amount of $1,064.

Agency Endowment Funds

Agency endowment arises when a transfer is received from a not-for-profit organization that specifies itself as the beneficiary. ASC 958-605-50, *"Contributions Received,"* requires that such transfers received by a community foundation be accounted for as a liability as the transaction is deemed to be reciprocal. Agency endowment funds held by the Foundation as of December 31, 2019 and 2018 were $4,962,916 and $3,655,367, respectively.

Split Interest agreements

Split interest agreements are created to provide an annuity-type payment to a beneficiary with the principal transferred to the Foundation at the death of the beneficiary. Earnings and market gains are maintained within net assets with donor restrictions and are used to meet current or future annuity obligations. As of December 31, 2019 and 2018, the Foundation had $1,444 and $2,072, respectively, in cash and investments to meet minimum future annuity obligations. This liability is payable in fixed amounts during the lifetime of the beneficiaries. The remainder is classified as net assets with donor restrictions. The annuity obligations are estimates that may differ from amounts actually paid.

As of December 31, 2019 and 2018, the Foundation also had $3,792 and $2,999, respectively, of future obligations on charitable gift annuities that have been insured in full. The Foundation limits its contracts to insurance companies with the strongest ranking based on nationally recognized rating agencies. No amounts are recorded in the financial statements for the value of future obligations to be paid on these reinsured charitable gift annuities or for the expected proceeds to be received from the insurance company.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fiscal Agency Funds

The Foundation acts as a fiscal agent for other organizations in the Lowell area. The organizations place funds with the Foundation and direct the Foundation to disburse funds from time to time on the organizations' behalf. Fiscal agency funds reported in the statement of financial position of $366,509 and $285,489, represent undisbursed funds held by the Foundation at December 31, 2019 and 2018, respectively.

Revenue Recognition

Program service fees are recognized when services are performed. Program service fees billed or collected in advance are recorded as deferred revenue until the services are performed.

Contributions are recognized when cash, securities or other assets, an unconditional promise to give, or notification of a beneficial interest is received. Gifts of assets other than cash are recorded at their estimated fair value on the date of the gift. Pledges receivable are stated at the estimated net present value, net of an allowance for uncollectible amounts. Conditional promises to give are not recognized until the conditions on which they depend have been substantially met.

The Foundation has adopted ASU 2018-08, *"Not-for-Profit Entities: Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made (Topic 605),"* as management believes this standard improves the usefulness and understandability of the Foundation's financial reporting. Analysis of various provisions of this standard resulted in no significant changes in the way the Foundation recognizes revenue, and therefore, no changes to the previously issued audited financial statements were required on a retrospective basis as a result of the adoption of this standard. The presentation and disclosures of revenue have been enhanced in accordance with the standard.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount 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.

In-Kind Contributions

Donated goods and services are recorded as contributions at their estimated fair value on the date of donation. Such donations are reported as increases in net assets without donor restrictions unless the donor has restricted the donated asset to a specific purpose. The value of donated goods, services and securities was $268,050 and $1,910,086 for the years ended December 31, 2019 and 2018, respectively.

The Foundation receives donated services from unpaid volunteers who assist in various activities for the Foundation. No amounts have been recognized in the financial statements because the criteria for recognition have not been met.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Functional Allocation of Expenses

The costs of providing the Foundation's various programs and supporting services have been summarized on a functional basis in the statements of functional expenses. The statement of functional expenses is required to present the natural classification detail of expenses by function, allocated on a reasonable basis that is consistently applied. Expenses that can be identified with a specific program or support service are allocated directly. Based on management's estimates, certain costs have been allocated among major classes of program services and supporting activities. Salaries and wages, benefits, payroll taxes, are allocated based on estimates of time and effort. Professional services, office expenses and supplies, travel costs, and certain other expenses are allocated based on each program's expense to the total expense. Other unallocable costs, general and administrative, and fundraising costs are allocated to management and general or fundraising, as appropriate.

Concentrations of Credit Risk

The Foundation places its cash and cash equivalents with high quality financial institutions. Such deposits are covered by Federal Deposit Insurance Commission (FDIC) insurance and by state level insurance for balances exceeding FDIC limits. To minimize risk management routinely assesses the financial strength of the institutions.

Investments are exposed to various risks such as market and credit risks. Due to the level of risk associated with such investments and the level of uncertainty related to changes in the value of such investments, it is at least reasonably possible that changes in values in the near term could materially affect investment balances and the amounts reported in the financial statements.

Income Taxes and Uncertain Tax Positions

The Foundation incorporated under Chapter 180 of the Massachusetts General Laws as a tax-exempt entity, has been granted tax-exempt status under Internal Revenue Code (IRC) Section 501(c)(3) and is classified as other than a private foundation as defined by section 509(a) of the IRC. Therefore, it is generally exempt from federal and state income taxes. Accordingly, no provision for income taxes is provided for in the accompanying financial statements.

ASC 740-10, "*Accounting for Uncertainty in Income Taxes,*" requires the Foundation to evaluate and disclose tax positions that could have an effect on the Foundation's financial statements. The Foundation reports its activities to the Internal Revenue Service and to the Commonwealth of Massachusetts on an annual basis. These informational returns are generally subject to audit and review by the governmental agencies for a period of three years after filing. The Foundation's information returns for fiscal years ending December 31, 2016 through 2019 remain subject to audit and review by the Internal Revenue Service and state taxing jurisdictions to which we are subject. Substantially all of the Foundation's income, expenditures, and activities relate to its exempt purpose, therefore, management has determined that the Foundation is not subject to unrelated business income taxes and will continue to qualify as a tax-exempt not-for-profit entity.

NOTE 3 - LIQUIDITY

Financial assets available within one year for general expenditure such as operating expenses and distributions in accordance with the Foundation's spending policy, were as follows for the years ending December 31st:

	2019	2018
Cash and cash equivalents	$ 1,493,032	$1,264,451
Investments	307,293	154,040
Pledges receivable	10,000	-
Distributions from annuitized split-interest agreements	13,221	10,401
Endowment spending policy appropriations	1,363,492	1,626,895
Total available for general expenditure	$ 3,187,038	$3,055,787

To manage liquidity, the Foundation's Board strives to maintain a minimum of 4 months of operating reserves to meet current liquidity needs and to address shortfalls in cash flow caused by seasonal revenue cycles. The operating reserve funds of $523,531 and $455,919 as of December 31, 2019 and 2018, respectively, are maintained in investment accounts with asset allocations consistent with the investment policy. These operating reserves have been Board designated and are not accessible to management for operations without approval by the Board. The Foundation had $728,702 and $696,950 in Board designated funds functioning as endowment (quasi-endowment) as of December 31, 2019 and 2018, respectively. The annual distribution from the quasi-endowment is reviewed each year by the Finance Committee and approved by the Board. The annual distributions may be used for current operations.

The Foundation maintains its general ledger accounts in accordance with the principles of fund accounting. Under this method of accounting, resources for various purposes are classified into funds that are in accordance with activities or objectives specified by donors. Separate accounts are maintained for each fund. The Foundation charges each fund an annual administrative fee of 0.75-2.0% depending on the type and size of the fund, with a minimum fee of $250, consistent with the Foundation's Administrative Fee Policy. The administrative fee serves as support for current operations. In addition, the amount for annual distributions is typically based on a spending policy amount, which is calculated as a percentage of the average market value of the fund for the twenty prior quarters. Historically, the spending policy has been 4-5% of this average value. The Board sets the actual spending rate each fall following a recommendation by the Investment Committee. If upon the establishment of a fund, a donor elects to establish a nonpermanent fund, distributions may be made from principal and income. For donor-advised funds, the amount and timing of distributions are based on recommendations from donors.

NOTE 4 – PROMISES TO GIVE

Pledges receivable consisted of the following as of December 31st:

	2019	2018
Due within one year	$ 30,133	$ 3,000
Due in two to five years	60,768	6,000
Pledges receivable - net	$ 90,091	$ 9,000

As of December 31, 2019 and 2018, there were no significant concentrations in pledges receivable. Of the total pledges receivable as of December 31, 2019 and 2018, $53,402 and $9,000 were donor restricted for endowment, respectively.

NOTE 5 – FIXED ASSETS

Fixed assets are composed of the following as of December 31st:

	2019	2018
Software	$ 41,031	$ 41,031
Furnishings and equipment	38,400	38,400
Total fixed assets	79,431	79,431
Less accumulated depreciation	79,431	78,095
Fixed assets - net	$ -	$ 1,336

Depreciation expense is $1,336 and $4,065 for the years ending December 31, 2019 and 2018, respectively.

NOTE 6 - FAIR VALUE OF FINANCIAL INSTRUMENTS

The Foundation uses fair value measurements to record fair value adjustments to certain assets and liabilities and to determine fair value disclosures (see Note 2). The following table presents the Foundation's fair value hierarchy for those assets and liabilities measured at fair value on a recurring basis as of December 31st:

2019				
	Total	Quoted prices in active markets for identical assets Level 1	Significant other observable inputs Level 2	Significant unobservable inputs Level 3
Cash equivalents	$ 1,585,388	$ 1,585,388	$ -	$ -
Certificates of deposit	847,011	847,011	-	-
Equities - mutual funds	3,144,722	3,144,722	-	-
Common stock	24,145,246	24,145,246	-	-
Fixed income	8,501,301	4,388,987	4,112,314	-
Exchange traded funds	2,947,507	2,947,507	-	-
Total	$ 41,171,175	$ 37,058,861	$ 4,112,314	$ -

NOTE 6 - FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

	2018			
	Total	Quoted prices in active markets for identical assets Level 1	Significant other observable inputs Level 2	Significant unobservable inputs Level 3
Cash equivalents	$ 1,162,829	$ 1,162,829	$ -	$ -
Certificates of deposit	583,062	583,062	-	-
Equities - mutual funds	3,646,124	3,646,124	-	-
Common stock	17,618,877	17,618,877	-	-
Fixed income	8,898,552	3,744,784	5,153,768	-
Exchange traded funds	1,849,725	1,849,725	-	-
Total	$ 33,759,169	$ 28,605,401	$ 5,153,768	$ -

NOTE 7 - INVESTMENT RETURN

Investment return on cash equivalents and investments consist of the following for the years ended December 31st:

	2019	2018
Unrealized gains (losses)	$ 5,916,460	$ (4,770,061)
Realized gains	264,315	2,413,385
Interest and dividends	732,010	725,994
Investment management fees	(211,904)	(194,562)
Total investment return	$ 6,700,881	$ (1,825,244)

Interest and dividends are shown net of investment management and custody fees that were not paid directly to the managers but rather are netted from the return on certain investments.

NOTE 8 – ASSETS AND LIABILITIES UNDER LEASES

The Foundation occupies office space located in Lowell, Massachusetts, under an operating lease effective May 1, 2019 expiring April 30, 2024. This lease provides for use of the space for monthly payments of $3,200 through April 30, 2020, increasing thereafter every year for the initial lease term. Common Area Maintenance (CAM) charges are based on the previous year's maintenance expenses. This lease has an option to extend for an additional three-year term expiring April 30, 2027, which the Foundation is more likely than not to exercise.

In accordance with FASB ASC 842, "Leases," which the Foundation adopted in 2019, a lease liability was recorded in the amount of $269,827 as of December 31, 2019. This lease liability represents the present value of the remaining lease payments for the extended lease term at the Foundation's incremental borrowing rate of 3.25%. As of December 31, 2019, a corresponding lease asset was recorded in the amount of $268,763, based on the lease liability net of the deferred rent in the amount of $1,064 for the year ending December 31, 2019. Deferred rent allows for recognition of straight-line rent expense for a lease with graduated payments over the lease term, in accordance with U.S. GAAP.

Rent expense for fiscal years 2019 and 2018 was $43,300 and $39,328, respectively. Future minimum lease payments for the years ending December 31st are:

2020	$38,920
2021	$39,700
2022	$40,520
2023	$41.360
2024	$13,880

The Foundation also maintains a deminimis operating lease with Xerox to use a copy machine for five years expiring on June 15, 2022. This lease provides for monthly payments of $193. The minimum required lease payments are as follows for the fiscal years ending December 31st:

2020	$2,310
2021	$2,310
2022	$ 770

NOTE 9 - NET ASSETS

Net assets consisted of the following at December 31, 2019 and 2018, respectively:

	2019		
	Without donor restrictions	With donor restrictions	Total
Other undesignated funds	$ 776,011	$ -	$ 776,011
Designated operating reserves	523,531	-	523,531
Non-endowed funds	890,177	76,507	966,684
Invested in fixed assets	-	-	-
Pledges receivable	-	90,901	90,901
Endowment funds	30,394,062	4,710,195	35,104,257
	$32,583,781	$4,877,603	$37,461,384

	2018		
	Without donor restrictions	With donor restrictions	Total
Other undesignated funds	$ 402,534	$ -	$ 402,534
Designated operating reserves	455,919	-	455,919
Non-endowed funds	529,471	11,131	540,602
Invested in fixed assets	1,336	-	1,336
Pledges receivable	-	9,000	9,000
Endowment funds	25,751,278	3,912,996	29,664,274
	$27,140,538	$3,933,127	$31,073,665

The endowment component of net assets without donor restrictions is comprised of amounts designated by the Board to function as endowment, which amounted to $728,702 and $696,950 as of December 31, 2019 and 2018, respectively, and other donor created endowments that are subject to both the Foundation's variance power and spending policy.

For years ending December 31, 2019 and 2018, net assets with donor restrictions included net assets of $1,583,464, consisting of 7 individual endowment funds which must be held by the Foundation in perpetuity. Earnings on perpetual endowment funds with purpose restrictions consist of funds restricted for a variety of uses within and outside Middlesex County, Massachusetts which meet the charitable needs of the community.

NOTE 9 - NET ASSETS (continued)

In addition, there were net assets with donor restrictions consisting of temporarily restricted contributions and earnings on perpetual endowment funds subject to time restrictions under the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as adopted by the Commonwealth of Massachusetts as follows:

	2019	2018
Cumulative earnings - perpetual endowment funds		
With purpose restrictions	$ 56,250	$ (8,196)
Without purpose restrictions	497,133	239,278
Subtotal	553,383	231,082
Other funds temporarily restricted for purpose	2,649,855	2,109,581
Other funds temporarily restricted for time	90,901	9,000
Total temporarily restricted net assets	$3,294,139	$2,349,663

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose or by occurrence of the passage of time or other events specified by the donors as follows for the years ended December 31, 2019 and 2018:

	2019	2018
Expiration of restrictions	$273,350	$228,876

NOTE 10 - EMPLOYEE BENEFIT PLANS

The Foundation sponsors a tax-sheltered annuity plan for all its employees under Internal Revenue Code Section 403(b). The plan is funded through employee contributions.

The Foundation also maintains a premium pretax salary reduction plan available to all full-time employees. The plan is intended to qualify as a cafeteria plan under Section 125 of the Internal Revenue Code, and benefits provided under the plan are excluded from federal income tax. The Foundation is not required to make any contributions to the plan. The benefits offered are insurance premium benefits for health, other medical expenses and dependent care assistance benefits.

NOTE 11 - ENDOWMENT FUND ACTIVITY

The Foundation's endowment consists of approximately 352 individual funds established for a variety of purposes. Its endowment consists of both donor-restricted endowment funds and funds established by the Board of Directors to function as endowments.

Under the Uniform Prudent Management of Institutional Funds Act ("UPMIFA"), the Board of Directors has discretion to determine appropriate expenditure of a donor-restricted endowment fund in accordance with specific guidelines about what constitutes prudent spending. UPMIFA permits the Foundation to appropriate for expenditure or accumulate so much of an endowment fund as the Foundation determines to be prudent for the uses, benefits, purposes, and duration for which the endowment is established. Although UPMIFA offers short-term spending flexibility, the explicit consideration of the preservation of the funds suggests that a donor-restricted endowment fund is perpetual in nature. Although the Foundation is permitted to continue a prudent payout even if the market value of the fund is below historic principal value, there is an expectation that over time, the permanently restricted amount will remain intact.

The Board of Directors of the Foundation has interpreted UPMIFA as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Foundation classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of the subsequent gifts donated to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Foundation in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

(1) General economic conditions
(2) The possible effect of inflation and deflation
(3) The expected tax consequences, if any, of investment decisions
(4) The role that each investment or course of action plays within the overall investment portfolio of the fund
(5) The expected total return from income and appreciation of investments
(6) Other resources of the organization
(7) The needs of the Foundation and the fund to make distributions and to preserve capital
(8) An asset's special relationship or special value, if any, to the charitable purposes of the Foundation
(9) The duration and preservation of the fund
(10) The investment policy of the Foundation

NOTE 11 - ENDOWMENT FUND ACTIVITY (Continued)

At times, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires the foundation to retain as a fund of perpetual duration. These deficiencies can result from unfavorable market fluctuations that occur in newer endowment funds, shortly after the investment of new perpetually restricted contributions, or when there was continued appropriation for certain programs that were deemed prudent by the Board of Directors. As of December 31, 2019, there were no underwater endowments. As of December 31, 2018, the fair value of the underwater endowments was $421,048, whereas the original endowment gifts were $432,266. In accordance with GAAP, the resulting deficiency of $11,218 is reported in net assets with donor restrictions as of December 31, 2018.

The Foundation has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the Foundation must hold in perpetuity for a donor-specified period(s) as well as board-designated funds. Under this policy, as approved by the board of Directors, the endowment assets are invested in a manner that is intended to produce results that conform to the Total Return Concept while assuming a moderate level of investment risk. The Foundation expects its endowment funds to provide an average rate of return of 8% as measured over a three to five-year period. Actual returns in any given year may vary from this amount.

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 that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

The Foundation currently has a spending policy of appropriating up to 5% of its endowment fund's average fair value for distribution each year. In establishing this policy, the Foundation considered the long-term expected return on its endowment. Accordingly, over the long-term, the Foundation expects the current spending policy to allow its endowments to grow. This is consistent with the Foundation's objective to maintain the purchasing power of the endowment assets held in perpetuity or for a specified term as well as to provide additional real growth through new gifts and investment return.

The Articles of Organization of the Foundation include a variance power provision which gives the Board of Directors the power to modify any restriction or condition placed on gifts, if in its sole judgment, the Board determines that the restriction becomes, in effect, incapable of fulfillment or is inconsistent with the charitable needs of the community.

NOTE 11 - ENDOWMENT FUND ACTIVITY (Continued)

Endowment net asset composition by fund type as of December 31, 2019 and 2018 was as follows:

	2019		
	Without donor restrictions	With donor restrictions	Total
Donor created funds	$29,665,360	$ 4,710,195	$34,375,555
Board created funds	728,702	-	728,702
	$30,394,062	$ 4,710,195	$35,104,257

	2018		
	Without donor restrictions	With donor restrictions	Total
Donor created funds	$25,054,328	$ 3,912,995	$28,967,323
Board created funds	696,950	-	696,950
	$25,751,278	$ 3,912,995	$29,664,273

Changes in endowment net assets for the years ending December 31, 2019 and 2018 are:

	2019		
	Without donor restrictions	With donor restriction	Total
Endowment net assets, beginning of year	$25,751,278	$ 3,912,995	$29,664,273
Investment return:			
Investment income	887,730	132,762	1,020,492
Appreciation/depreciation	4,966,686	777,764	5,744,450
Total investment return	5,854,416	910,526	6,764,942
Contributions,	644,391	111,148	755,539
Appropriation of assets for expenditure	(1,209,153)	(156,526)	(1,365,679)
Other changes	(646,870)	(67,948)	(714,818)
Endowment net assets, end of year	$30,394,062	$ 4,710,195	$35,104,257

NOTE 11 - ENDOWMENT FUND ACTIVITY (Continued)

	2018		
	Without donor restrictions	With donor restrictions	Total
Endowment net assets, beginning of year	$27,946,161	$ 4,391,591	$32,337,752
Investment return:			
Investment income	2,677,034	366,446	3,043,480
Appreciation/depreciation	(4,013,808)	(655,966)	(4,669,774)
Total investment return	(1,336,774)	(289,520)	(1,626,294)
Contributions	1,074,594	49,786	1,124,380
Appropriation of assets for expenditure	(1,398,763)	(186,011)	(1,584,774)
Other changes	(533,940)	(52,851)	(586,791)
Endowment net assets, end of year	$25,751,278	$ 3,912,995	$29,664,273

NOTE 12 - RELATED PARTY ACTIVITY

The Foundation contracts with a local bank to perform investment management services. Certain officers of the bank also serve on the Foundation's Board of Directors. During the year ending December 31, 2019 and 2018, the Foundation paid $74,117 and $71,182, respectively, to the bank in investment management fees.

NOTE 13 – GRANTS

During the years ended December 31, 2019 and 2018, the Foundation issued total grants of $1,676,079 and $2,405,175, respectively. Only $1,594,320 and $1,891,064, respectively, is reported in program service expenses in the statement of activities. The remaining $81,759 and $514,111, respectively, represent agency endowment grants which are netted with all other agency endowment fund activity and reported in the statement of financial position as agency endowment fund liability for the years ended December 31, 2019 and 2018.

NOTE 14 – INTERFUND ACTIVITY

Subject to approval by the Board of Directors, advisors to donor advised funds may, at times, recommend a transfer of funds from one named fund to the Foundation's operating fund or another named fund of the Foundation to meet the advisors' philanthropic goals. During the years ended December 31, 2019 and 2018, interfund grants of this type amounting to $382,972 and $1,798,016, respectively, were offset by corresponding interfund revenues. All interfund activity is eliminated for financial statement presentation.

NOTE 15 - RECLASSIFICATIONS

During 2019, certain amounts from the prior year audited financial statements were reclassified to conform to current year presentation.

NOTE 16 - SUBSEQUENT EVENTS

ASC 855-10, "*Subsequent Events*," defines further disclosure requirements for events that occur after the statement of financial position date but before financial statements are issued. In accordance with ASC 855-10, the Foundation's management has evaluated events subsequent to December 31, 2019 through May 5, 2020, which is the date this report was available to be issued.

In December 2019, there was an outbreak of a novel strain of Coronavirus (COVID-19) which has since spread to many countries, including the United States. On March 11, 2020, the World Health Organization characterized COVID-19 as a pandemic. In addition, the U.S. has declared a state of emergency. It is anticipated that the impacts from this pandemic will continue for some time. There has been no immediate impact to the Foundation's operations. Potential impacts may include disruptions or restrictions on our employees' ability to work, our donors' ability to contribute, our ability to fundraise, or our capacity to support program services. Changes to the operating environment may increase operating costs. The future effects of these issues are unknown.

Since December 31, 2019, major U.S. and foreign stock indices have continued to experience significant volatility and declines due to the COVID-19 pandemic. Management is monitoring investment market conditions and the impact such declines are having on the Foundation's investment portfolio. There is a significant uncertainty regarding the impact that the current volatility will have on the future value of the Foundation's investment portfolio or on the amounts approved for expenditure under the Foundation's spending policy. There were no material events noted during this period that would impact the results reflected in this report.