

**BROOKLINE COMMUNITY FOUNDATION, INC.**

**FINANCIAL STATEMENTS**

*with*

**INDEPENDENT AUDITORS' REPORT**

**YEAR ENDED DECEMBER 31, 2017**

*(With Summarized Comparative Information for 2016)*

Smith  Sullivan  
& Brown PC  
CERTIFIED PUBLIC ACCOUNTANTS

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**BROOKLINE COMMUNITY FOUNDATION, INC.**

**REPORT ON FINANCIAL STATEMENTS**

**YEAR ENDED DECEMBER 31, 2017**

*(With Summarized Comparative Information for 2016)*



**Mission Statement**

*The Brookline Community Foundation shines a spotlight on community needs, inspires philanthropy and awards strategic grants to build a more vibrant, engaged and equitable Brookline.*

BROOKLINE COMMUNITY FOUNDATION, INC.

REPORT ON FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2017  
*(With Summarized Comparative Information for 2016)*

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**INDEPENDENT AUDITORS' REPORT**

To the Board of Trustees  
Brookline Community Foundation, Inc.  
Brookline, Massachusetts

We have audited the accompanying financial statements of Brookline Community Foundation, Inc. (a Massachusetts nonprofit organization), which comprise the statement of financial position as of December 31, 2017, and the related statements of activities, functional expenses and cash flows for the year 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 audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit 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 Brookline Community Foundation, Inc. as of December 31, 2017 and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Brookline Community Foundation, Inc.  
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**Report on Summarized Comparative Information**

We have previously audited Brookline Community Foundation, Inc.'s 2016 financial statements, and our audit report dated April 26, 2017, expressed an unmodified opinion on those audited financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2016, is consistent, in all material respects, with the audited financial statements from which it has been derived.

*Smith, Sullivan & Brown, PC*

Westborough, Massachusetts  
April 25, 2018

BROOKLINE COMMUNITY FOUNDATION, INC.

STATEMENTS OF FINANCIAL POSITION AS OF DECEMBER 31, 2017 AND 2016

**ASSETS**

	<u>2017</u>	<u>2016</u>
<b><u>CURRENT ASSETS:</u></b>		
Cash	\$ 566,735	\$ 200,518
Accounts Receivable	6,683	5,916
Pledges Receivable	302,425	328,326
Prepaid Expenses	8,951	6,488
Total Current Assets	<u>884,794</u>	<u>541,248</u>
<b><u>PROPERTY AND EQUIPMENT:</u></b>		
Net of Accumulated Depreciation	<u>229,906</u>	<u>243,923</u>
<b><u>NON-CURRENT ASSETS:</u></b>		
Long-Term Investments	5,007,892	4,021,706
Endowment Investments	1,742,451	1,434,957
Beneficial Interest in Perpetual Trust	119,648	112,000
Pledges Receivable, Net of Discount	228,736	189,732
Total Non-Current Assets	<u>7,098,727</u>	<u>5,758,395</u>
<b><u>TOTAL ASSETS</u></b>	<b><u>\$ 8,213,427</u></b>	<b><u>\$ 6,543,566</u></b>

**LIABILITIES AND NET ASSETS**

<b><u>CURRENT LIABILITIES:</u></b>		
Accounts Payable	\$ 12,878	\$ 11,550
Accrued Payroll and Related Costs	13,166	11,425
Grants Payable	237,000	73,050
Deferred Rental Revenue	136	4,286
Total Current Liabilities	<u>263,180</u>	<u>100,311</u>
<b><u>TOTAL LIABILITIES</u></b>	<b><u>263,180</u></b>	<b><u>100,311</u></b>
<b><u>NET ASSETS:</u></b>		
Unrestricted Net Assets	3,310,296	3,276,366
Temporarily Restricted Net Assets	2,598,073	1,821,748
Permanently Restricted Net Assets	2,041,878	1,345,141
Total Net Assets	<u>7,950,247</u>	<u>6,443,255</u>
<b><u>TOTAL LIABILITIES AND NET ASSETS</u></b>	<b><u>\$ 8,213,427</u></b>	<b><u>\$ 6,543,566</u></b>

BROOKLINE COMMUNITY FOUNDATION, INC.

STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2017

*(With Summarized Comparative Totals for 2016)*

<u>SUPPORT, REVENUES AND RECLASSIFICATIONS:</u>	<u>UNRESTRICTED</u>	<u>TEMPORARILY RESTRICTED</u>	<u>PERMANENTLY RESTRICTED</u>	<u>TOTAL ACTIVITIES</u>	
				<u>2017</u>	<u>2016</u>
<i>Gifts, Grants and Contributions:</i>					
Grants and Contributions	\$ 123,207	\$ 1,024,220	\$ 689,089	\$ 1,836,516	\$ 1,082,827
Special Fund Raising Events	-	98,816	-	98,816	112,220
Less: Cost of Direct Benefits to Donors	-	(43,358)	-	(43,358)	(46,158)
Donated Goods and Services	1,683	-	-	1,683	25,332
<i>Other Revenues:</i>					
Investment Return	430,098	407,507	-	837,605	537,907
Change in Value of Beneficial Interest in Perpetual Trust	-	-	7,648	7,648	-
Rental Income	71,917	-	-	71,917	72,409
Other Miscellaneous Revenue	125	-	-	125	29
<i>Reclassification of Net Assets:</i>					
Satisfaction of Donor Restrictions	710,860	(710,860)	-	-	-
<b><u>TOTAL SUPPORT, REVENUES AND RECLASSIFICATIONS</u></b>	<b><u>1,337,890</u></b>	<b><u>776,325</u></b>	<b><u>696,737</u></b>	<b><u>2,810,952</u></b>	<b><u>1,784,566</u></b>
<b><u>EXPENSES:</u></b>					
Program Services	1,026,973	-	-	1,026,973	960,219
Administrative	73,858	-	-	73,858	77,784
Fund Raising	203,129	-	-	203,129	178,836
<b><u>TOTAL EXPENSES</u></b>	<b><u>1,303,960</u></b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>1,303,960</u></b>	<b><u>1,216,839</u></b>
<b><u>CHANGE IN NET ASSETS</u></b>	<b><u>33,930</u></b>	<b><u>776,325</u></b>	<b><u>696,737</u></b>	<b><u>1,506,992</u></b>	<b><u>567,727</u></b>
<b><u>NET ASSETS - BEGINNING OF YEAR</u></b>	<b><u>3,276,366</u></b>	<b><u>1,821,748</u></b>	<b><u>1,345,141</u></b>	<b><u>6,443,255</u></b>	<b><u>5,875,528</u></b>
<b><u>NET ASSETS - END OF YEAR</u></b>	<b><u>\$ 3,310,296</u></b>	<b><u>\$ 2,598,073</u></b>	<b><u>\$ 2,041,878</u></b>	<b><u>\$ 7,950,247</u></b>	<b><u>\$ 6,443,255</u></b>

BROOKLINE COMMUNITY FOUNDATION, INC.

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

*(With Summarized Comparative Totals for 2016)*

	<u>PROGRAMS</u>	<u>COMMUNITY</u>	<u>BUILDING</u>	<u>FUND</u>	<u>TOTAL</u>	<u>ADMINI-</u>	<u>FUND</u>	<u>TOTAL</u>	
	<u>AND GRANTS</u>	<u>LEADERSHIP</u>	<u>SERVICES</u>	<u>SERVICES</u>	<u>PROGRAM</u>	<u>STRATIVE</u>	<u>RAISING</u>	<u>2017</u>	<u>2016</u>
Grants:									
BCF Fund for Brookline	\$ 148,724	\$ -	\$ -	\$ -	\$ 148,724	\$ -	\$ -	\$ 148,724	\$ 112,150
Scholarships	20,900	-	-	-	20,900	-	-	20,900	12,450
Field of Interest	120,507	-	-	-	120,507	-	-	120,507	120,500
Designated	21,750	-	-	-	21,750	-	-	21,750	-
Safety Net	140,000	-	-	-	140,000	-	-	140,000	160,000
Rapid Response	1,500	-	-	-	1,500	-	-	1,500	-
Brookline Youth	50,000	-	-	-	50,000	-	-	50,000	50,000
Rental Subsidies	11,100	-	-	-	11,100	-	-	11,100	11,100
Pass-Through and Designated	2,007	-	-	-	2,007	-	-	2,007	6,252
Total Grants	516,488	-	-	-	516,488	-	-	516,488	472,452
Salaries and Wages	108,921	84,275	24,246	69,510	286,952	36,001	109,135	432,088	419,704
Payroll Taxes	9,237	7,016	2,121	5,761	24,135	3,058	7,923	35,116	35,103
Employee Benefits	8,598	8,059	3,192	9,866	29,715	4,456	14,802	48,973	38,199
Consultants and Professional Fees	7,783	8,415	3,334	12,447	31,979	18,960	12,124	63,063	57,413
Donated Goods and Services	-	-	200	1,305	1,505	178	-	1,683	25,331
Expenses for Fiscally Sponsored Projects	-	-	-	19,081	19,081	-	-	19,081	19,027
Maintenance and Repairs	1,204	999	43,125	686	46,014	1,090	996	48,100	23,084
Utilities	248	185	5,274	125	5,832	123	247	6,202	6,855
Staff Development	1,105	1,668	666	101	3,540	181	1,805	5,526	2,379
Insurance	289	204	3,655	131	4,279	1,968	270	6,517	6,014
Printing and Postage	88	5,971	1,316	43	7,418	58	39,063	46,539	41,002
Office Supplies and Expense	4,365	3,825	3,521	2,365	14,076	1,515	5,181	20,772	23,685
Telephone, Internet and Equipment Rental	828	609	3,718	466	5,621	312	778	6,711	6,662
Depreciation Expense	2,899	1,209	11,898	3,500	19,506	1,087	3,623	24,216	20,886
Dues, Bank Fees and Miscellaneous	567	1,389	3,766	248	5,970	4,658	5,810	16,438	7,207
Meetings, Conferences and Events	641	3,417	577	227	4,862	213	44,730	49,805	57,994
<b>Total Functional Expenses</b>	<b>663,261</b>	<b>127,241</b>	<b>110,609</b>	<b>125,862</b>	<b>1,026,973</b>	<b>73,858</b>	<b>246,487</b>	<b>1,347,318</b>	<b>1,262,997</b>
Cost of Direct Benefits to Donors	-	-	-	-	-	-	(43,358)	(43,358)	(46,158)
<b>Total Expenses Per Statement of Activities</b>	<b>\$ 663,261</b>	<b>\$ 127,241</b>	<b>\$ 110,609</b>	<b>\$ 125,862</b>	<b>\$ 1,026,973</b>	<b>\$ 73,858</b>	<b>\$ 203,129</b>	<b>\$ 1,303,960</b>	<b>\$ 1,216,839</b>



BROOKLINE COMMUNITY FOUNDATION, INC.

STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

	<u>2017</u>	<u>2016</u>
<b><u>CASH FLOWS FROM OPERATING ACTIVITIES:</u></b>		
Change in Net Assets	\$ 1,506,992	\$ 567,727
<i>Adjustments to Reconcile the Above to Net Cash Provided (Used) by Operating Activities:</i>		
Contributions Restricted for Long-Term Purposes	(113,604)	(289,409)
Donated Stock	(656,638)	(9,831)
Investment Return	(837,605)	(537,907)
Depreciation Expense	24,217	20,886
<i>(Increase) Decrease in Current Assets:</i>		
Accounts Receivable	(767)	(712)
Pledges Receivable	25,901	(76,723)
Prepaid Expenses	(2,463)	(1,924)
<i>Increase (Decrease) in Current Liabilities:</i>		
Accounts Payable	1,328	7,570
Accrued Payroll and Related Costs	1,741	(3,452)
Grants Payable	163,950	(43,950)
Deferred Rental Revenue	(4,150)	3,880
<i>(Increase) Decrease in Non-Current Assets:</i>		
Beneficial Interest in Perpetual Trust	(7,648)	-
Pledges Receivable, Net of Discount	(39,004)	(49,376)
Net Adjustment	<u>(1,444,742)</u>	<u>(980,948)</u>
<b><u>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</u></b>	<b><u>62,250</u></b>	<b><u>(413,221)</u></b>
<b><u>CASH FLOWS FROM INVESTING ACTIVITIES:</u></b>		
Equipment Purchases	(10,200)	(58,420)
Proceeds from Sales of Investments	<u>200,563</u>	<u>-</u>
Net Cash Flows from Investing Activities	<u>190,363</u>	<u>(58,420)</u>
<b><u>CASH FLOWS FROM FINANCING ACTIVITIES:</u></b>		
Contributions Restricted for Long-Term Purposes	<u>113,604</u>	<u>289,409</u>
Cash Flows from Financing Activities	<u>113,604</u>	<u>289,409</u>
<b><u>NET INCREASE (DECREASE) IN CASH BALANCES</u></b>	<b>366,217</b>	<b>(182,232)</b>
<b><u>CASH BALANCES - BEGINNING OF YEAR</u></b>	<b><u>200,518</u></b>	<b><u>382,750</u></b>
<b><u>CASH BALANCES - END OF YEAR</u></b>	<b><u>\$ 566,735</u></b>	<b><u>\$ 200,518</u></b>

BROOKLINE COMMUNITY FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2017

*(With Summarized Comparative Information for 2016)*

NOTE 1      ORGANIZATION

The Brookline Community Foundation, Inc. (“BCF” 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 Brookline Community Foundation 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.

The Brookline Community Foundation, Inc. is a tax-exempt, nonprofit, autonomous, publicly supported nonsectarian philanthropic institution with the long-term goal of building permanent, named component funds established by many separate donors to carry out their charitable interests and for the broad-based charitable interest of and for the benefit of Brookline, Massachusetts. With roots in the community dating back to the 19th century, the Foundation evolved from women active in the temperance movement in 1878 who organized and incorporated the Brookline Friendly Society in 1905. For much of the 20th century, the Brookline Friendly Society provided both health and social services for Brookline's neediest residents. In 1999, the organization renamed itself the Brookline Community Fund and provided small grants to the community. The Brookline Community Fund was then renamed the Brookline Community Foundation (“BCF”) in 2005 to reflect its expanded mission.

The Brookline Community Foundation's mission is to shine a spotlight on community needs, inspire philanthropy and award strategic grants to build a more vibrant, engaged and equitable Brookline.

NOTE 2      PROGRAM SERVICES

Since 1999, the Brookline Community Foundation has given more than \$5.75 million to more than 120 nonprofits that address critical needs in the town. Generally, the Foundation strives to build a better Brookline by:

- **shining a spotlight on community needs** through leadership on research and convenings;
- **inspiring philanthropy** throughout the town including working with donors to build and leverage annual and permanent charitable funds; and
- **awarding strategic grants** to our non-profit partners to meet the most pressing needs in town.

BCF's strategic plan for 2014 – 2017 focuses on three priorities:

- **reduce and alleviate poverty** with an expanded financial safety net, a strengthened service network, and more pathways to economic security, so residents can get help when they need it and find stability over the long term.
- **expand opportunities for youth** beyond school hours so that all Brookline families can access high-quality programming that promotes success in school, positive youth development and a bright future for every Brookline child; and
- **invest in the Foundation's capacity** with more efficient systems and technologies so that every dollar makes the greatest impact today and positions the Foundation and its donors to make a significant, positive contribution into the future.

BROOKLINE COMMUNITY FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2017

*(With Summarized Comparative Information for 2016)*

*(Continued)*

NOTE 2      *(Continued)*

BCF's programmatic activity includes: Program and Grants - awarding strategic grants in two grant cycles, offering programs to donors and community leaders to learn about the community and grantee work and offering year-round funding through Spotlight Grants and Brookline for All; Community Leadership - conducting research, hosting convenings with community partners and facilitating groups for community leaders to deepen collaborative work to make a bigger impact; Building Services - offering below-market rate office and meeting space to community partners; and Fund and Donor Services - providing a wide range of funds to meet donor needs including Endowed and Non-Endowed Funds, Donor-Advised Funds, Designated Funds, and Field of Interest Funds as well as opportunities to give now and in the future through planned gifts.

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 for the years presented.

**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 its fair value measures using a three-level hierarchy that prioritizes the inputs used to measure fair value. The hierarchy, established by generally accepted accounting principles, requires that entities maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The three levels of inputs used to measure fair value are as follows:

- Level 1 - Quoted prices are available in active markets for identical instruments as of the reporting date. Instruments which are generally included in this category include listed equity and debt securities publicly traded on an exchange.
- 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.

BROOKLINE COMMUNITY FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2017

*(With Summarized Comparative Information for 2016)*

*(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. The inputs into the determination of fair value require significant management judgment or estimation.

When available, the Foundation measures fair value using level 1 inputs because they generally provide the most reliable evidence of fair value. 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 three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. These classifications are related to the existence or absence of donor-imposed restrictions as follows:

*Unrestricted Net Assets* - consists of assets, public support and other revenues which are available and used for operations and programs. Unrestricted net assets represents the portion of net assets of the Foundation that is neither permanently restricted nor temporarily restricted by donor-imposed stipulations. Contributions are considered available for unrestricted use unless specifically restricted by the donor. Unrestricted net assets of the Foundation include funds totaling \$226,285 and \$195,547, as of December 31, 2017 and 2016, respectively, which represent resources designated by the Board of Trustees as a grant-making reserve. Additionally, the Board has established an operating reserve totaling \$71,183 and \$61,521 as of December 31, 2017 and 2016, respectively.

*Temporarily Restricted Net Assets* - 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, contracts and investment income earned on restricted funds.

*Permanently Restricted Net Assets* - includes resources which have a permanent donor-imposed restriction which stipulates that the assets are to be maintained permanently, but permits the Foundation to expend part or all of the income derived from the donated assets.

The financial statements include certain 2016 comparative information. With respect to the Statement of Activities, such prior year information is not presented by net asset class and in the Statement of Functional Expenses, 2016 expenses by line item are in total rather than by functional category or specific program service. Accordingly, such information should be read in conjunction with the Foundation's financial statements for the year ended December 31, 2016, from which the summarized information was derived.

BROOKLINE COMMUNITY FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2017

*(With Summarized Comparative Information for 2016)*

*(Continued)*

NOTE 3     *(Continued)*

Accounting principles generally accepted in the United States of America 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 unrestricted net assets. The Board of Trustees of the Brookline Community Foundation, Inc. has the ability known as variance power; however, the Board would generally intend to exercise this authority only if the stated purpose of a contribution becomes no longer applicable and incapable of fulfillment. Accordingly, these financial statements reflect certain donor-advised funds, non-endowed donor-designated funds, field of interest funds, scholarship funds and fiscal sponsorship funds as temporarily restricted net assets and the original corpus of all endowed funds as permanently restricted net assets.

The Brookline Community Foundation held the following types of funds for the years presented:

*Donor-Advised Funds* - Funds established through a formal agreement with the Foundation and the donor whereby the donor may advise the charity on the treatment of the fund and recommend grants from their accounts. All donor-advised funds held by BCF during the years presented included a specification by the donor as to the area of interest they recommend the funds be spent. Therefore, although BCF holds variance power over the ultimate use of the funds, the Foundation reports these funds as temporarily restricted. If the Foundation would receive a donor-advised gift which is silent as to the specific areas of interest to the donor, those donor-advised funds would be included in unrestricted net assets.

*Donor-Designated Funds - Non-Endowed* - Funds established through a formal agreement with the Foundation whereby the donor has specified that the funds should go to a specific organization or group.

*Field of Interest Funds* - Funds established through a formal agreement with the Foundation whereby the donor identifies one (or more) areas of community interest. For the years presented, BCF held both endowed and non-endowed field of interest funds.

*Scholarship Funds* - Funds established to support scholarships for Brookline High School students. For the years presented, BCF held both endowed and non-endowed scholarship funds.

*Fiscal Sponsorship* - During each of the years presented, BCF acted as a fiscal sponsor for several local groups (the “sponsees”). In accordance with the *FASB Accounting Standards Codification*<sup>™</sup>, as BCF retains ultimate variance power over these contributions, amounts received on behalf of the sponsoree are treated as temporarily restricted contributions to BCF and expenses paid on behalf of the group are treated as expenses of the Foundation.

*General Endowed Funds* - Funds established through a formal agreement with a donor whereby the donor has requested that the original corpus, and any additional contributions to the corpus, be held in perpetuity.

BROOKLINE COMMUNITY FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2017

*(With Summarized Comparative Information for 2016)*

*(Continued)*

NOTE 3      *(Continued)*

**Receivables:**

*Accounts Receivable* represents amounts due under rental agreements for common area fees. *Pledges 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. 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, 2017 and 2016, there were no losses on uncollectible receivables.

**Property and Equipment:**

Property, equipment, furnishing and improvement purchases in excess of \$1,500 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 to activities over the estimated useful lives of the assets as expressed in terms of years.

**Long-Term Investments:**

The Foundation maintains an investment portfolio which includes cash and publicly traded mutual funds and exchange-traded funds. As required by *FASB Accounting Standards Codification*<sup>TM</sup>, investments are reported at their fair value, including unrealized gains and losses. Cash held in brokerage accounts is reported as investments for purposes of these financial statements. Investments are classified as either short-term or long-term, depending upon the underlying intention.

**Endowment Funds:**

The Foundation's endowment funds consist of individual donor-restricted endowed funds established to support activities of the Foundation. As required by *FASB Accounting Standards Codification*<sup>TM</sup>, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

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 donor-restricted endowment funds. The Board of Trustees' 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.

BROOKLINE COMMUNITY FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2017

*(With Summarized Comparative Information for 2016)*

*(Continued)*

NOTE 3 *(Continued)*

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

- The duration and preservation of the fund
- The purposes of the Foundation and the donor-restricted endowment fund
- 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 temporarily restricted until appropriated for expenditure by the Board of Trustees based on the criteria above.

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level of the original corpus which is reported as a permanently restricted net asset. As required by the *FASB Accounting Standards Codification*<sup>TM</sup>, deficiencies of this nature are reported in unrestricted net assets. There was no such deficiency as of December 31, 2017 and 2016.

The Foundation has adopted investment and spending policies for endowment assets 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 Trustees, 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 target range on the endowment is 4% to 5% of a trailing, twelve-quarter, average market value as of the quarter ending six months prior to the start of the fiscal year. The intention is for this rate to cover all expenditures from the endowment.

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 constraints.

The Board of Trustees designates only a portion of the Foundation's cumulative investment return on its general endowments for support of current operations and the remainder is retained to support operations of future years and to offset potential market declines. The amount computed under the endowment spending policy of the investment pool is used to support current operations and grants.

BROOKLINE COMMUNITY FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2017

*(With Summarized Comparative Information for 2016)*

*(Continued)*

NOTE 3 *(Continued)*

**Beneficial Interest in Perpetual Trust:**

The Organization reports the fair value of its beneficial interest in a perpetual trust (the “Trust”) as a long-term asset as required by the *FASB Accounting Standards Codification*<sup>TM</sup>. The *Beneficial Interest in Perpetual Trust* is reported at its fair value, which is estimated at the value of the underlying Trust assets, and is classified within Level 3 of the fair value hierarchy. The change in the value of the *Beneficial Interest in Perpetual Trust* is reported as an increase in permanently restricted net assets. Income earned on assets held in the *Beneficial Interest in Perpetual Trust* is recognized as a component of *Investment Return* when received.

**Agency Funds:**

As required by 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. As of December 31, 2017 and 2016, the Foundation did not have any funds of this nature.

**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, collection items, stocks or promises to give. Contributions of assets other than cash are reported at their estimated fair value.

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 to be received after one year are discounted at an appropriate discount rate commensurate with the risk involved when such amounts are considered material. Support that is restricted by the donor is reported as an increase in temporarily or permanently restricted net assets depending on the nature of the restriction until the restriction expires, at which time temporarily restricted net assets are reclassified to unrestricted net assets.

**Fiscal Sponsorship of Fund Raising Event:**

During 2017 and 2016, the Foundation fiscally sponsored a fund raising event on behalf of one of its donor-advised funds.



BROOKLINE COMMUNITY FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2017

*(With Summarized Comparative Information for 2016)*

*(Continued)*

NOTE 3 *(Continued)*

**Donated Goods and Services:**

As required by the *FASB Accounting Standards Codification*<sup>TM</sup>, Brookline Community Foundation, Inc. maintains a policy whereby the value of the donated goods 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 Statement of Activities and are reported as expenses on the Statement of Functional Expenses.

**Investment Return:**

Interest and dividends on investments are recognized when earned. Realized and unrealized gains and losses are recognized as incurred or based on market value changes during the period. Investment expenses are netted against the investment return.

**Rental Income:**

During the years presented, the Foundation leased office space to three other nonprofit organizations under agreements which are renewable annually. Income attributable to these lease agreements is recognized in the month earned. Additionally, BCF leases this space at below market rental rates. The difference between the market rates that could be charged for the square footage and the actual rates charged by the Foundation was determined to be \$11,100 for each of the years presented. These amounts are reflected as *Rental Income* in the Statement of Activities and *Rental Subsidies*, within the Grants category in the Statement of Functional Expenses.

**Functional Expenses:**

Brookline Community Foundation, 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 by various statistical bases used in conjunction with the Foundation's cost allocation plan. Supporting services are those related to operating and managing BCF and its programs on a day-to-day basis.

Supporting services have been sub-classified as follows:

*Administrative* - includes all activities related to Brookline Community Foundation, 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, costs of fund raising events and other similar projects related to the procurement of donated funds.

BROOKLINE COMMUNITY FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2017

*(With Summarized Comparative Information for 2016)*

*(Continued)*

NOTE 3     *(Continued)*

**Grants Expense and Grants Payable:**

The Foundation recognizes a grant expense at the time the Board of Trustees approves the award and all significant conditions are met. BCF Fund for Brookline grants are grants made by the Foundation which are generally approved by the Program and Grants Committee based on community need and an application process. Designated grants are grants made from funds established to support specific organizations. As of December 31, 2017 and 2016, all amounts included in *Grants Payable* are expected to be paid in the following year.

**Advertising:**

Brookline Community Foundation, Inc. uses print advertising and other media to promote its programs and events. Advertising costs are expensed as incurred. Total advertising costs for the years ended December 31, 2017 and 2016 were \$438 and \$5,672, respectively, and are included in *Expenses for Fiscally Sponsored Projects* in the Statement of Functional Expenses.

**Recent Accounting Guidance:**

In August 2016, the 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. The new guidance simplifies and improves how not-for-profit entities classify net assets as well as the information presented in financial statements and notes about the function and nature of expenses, liquidity, financial performance, and cash flows. This guidance will be effective for this Foundation beginning after December 15, 2017 and is not expected to have a material effect on the Foundation's financial position or change in net assets.

NOTE 4     PLEDGES RECEIVABLE

As of December 31, 2017, non-current pledges receivable, discounted to fair value at 3.8%, were due for collection as follows:

<u>Year to be Paid</u>	<u>Balance Due</u>
2019	\$160,100
2020	36,350
2021	35,000
2022	<u>15,000</u>
Total Pledges	246,450
Less: Discount	<u>(17,714)</u>
Net Fair Value	<u>\$228,736</u>

BROOKLINE COMMUNITY FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2017

*(With Summarized Comparative Information for 2016)*

*(Continued)*

NOTE 5     PROPERTY AND EQUIPMENT

The following is a summary of the Foundation's property and equipment as of December 31, 2017 and 2016:

<u>Asset Category</u>	<u>Est. Life</u>	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>Net Book Value</u>	
				<u>2017</u>	<u>2016</u>
Land	-	\$ 3,500	\$ -	\$ 3,500	\$ 3,500
Building and Improvements	33	345,932	147,022	198,910	201,961
Computer Technology/Equipment	3	60,105	45,014	15,091	23,778
Furniture and Fixtures	3 - 10	<u>25,290</u>	<u>12,885</u>	<u>12,405</u>	<u>14,684</u>
Total		<u>\$434,827</u>	<u>\$204,921</u>	<u>\$229,906</u>	<u>\$243,923</u>

During the year ended December 31, 2016, the Foundation disposed of fully depreciated computer equipment, furniture and fixtures with an original cost of \$23,718. This disposal had no effect on the change in net assets for that year. Additionally, during 2016, the Foundation invested in a grant management system which resulted in a significant increase in computer technology in 2016.

NOTE 6     INVESTMENTS

As of December 31, 2017 and 2016, investment costs and unrealized gains and losses consisted of the following components *(See Note 12)*:

<u>Investment Type</u>	<u>December 31, 2017</u>			
	<u>Cost</u>	<u>Unrealized Gains</u>	<u>Unrealized Losses</u>	<u>Fair Value (Level 1)</u>
Money Market Funds	\$ 74,295	\$ -	\$ -	\$ 74,295
Mutual Funds:				
U.S. Bond Funds	837,181	-	(11,755)	825,426
International Bond Funds	311,549	-	(6,648)	304,901
U.S. Equity Funds	3,231,346	657,861	-	3,889,207
International Equity Funds/ETFs	<u>1,507,049</u>	<u>149,465</u>	<u>-</u>	<u>1,656,514</u>
Total	<u>\$5,961,420</u>	<u>\$807,326</u>	<u>\$(18,403)</u>	<u>\$6,750,343</u>
<u>Investment Type</u>	<u>December 31, 2016</u>			
	<u>Cost</u>	<u>Unrealized Gains</u>	<u>Unrealized Losses</u>	<u>Fair Value (Level 1)</u>
Money Market Funds	\$ 37,640	\$ -	\$ -	\$ 37,640
Mutual Funds:				
U.S. Bond Funds	628,335	-	(16,746)	611,589
International Bond Funds	306,577	-	(21,924)	284,653
U.S. Equity Funds	3,281,325	240,662	-	3,521,987
International Equity Funds/ETFs	<u>1,095,468</u>	<u>-</u>	<u>(94,674)</u>	<u>1,000,794</u>
Total	<u>\$5,349,345</u>	<u>\$240,662</u>	<u>\$(133,344)</u>	<u>\$5,456,663</u>

BROOKLINE COMMUNITY FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2017

*(With Summarized Comparative Information for 2016)*

*(Continued)*

NOTE 6     *(Continued)*

The Foundation uses the following ways to determine the fair value of its investments:

Money Market Funds: Determined by the published net asset value (“NAV”) per unit at the end of the last trading day of the fiscal year, which is the basis for transactions at that date.

Mutual Funds: Determined at the published NAV unit at the end of the last trading day of the fiscal year, which is the basis for the transactions at that date. NAV is based on the value of the underlying assets owned by the fund, minus its liabilities and then divided by the number of shares issued by the Foundation at year end. NAV is quoted in an active market.

Exchange-Traded Funds (“ETFs”): Determined by the published closing price on the last business day of the fiscal year.

Investments are classified as follows for the years presented:

<u>Investment Classification</u>	<u>2017</u>	<u>2016</u>
Long-Term Investments	\$5,007,892	\$4,021,706
Endowment Investments	<u>1,742,451</u>	<u>1,434,957</u>
Total Investments	<u>\$6,750,343</u>	<u>\$5,456,663</u>
<u>Components of Investment Return</u>	<u>2017</u>	<u>2016</u>
Interest and Dividends	\$230,536	\$167,400
Investment Fees	(28,566)	(25,870)
Net Realized/Unrealized Gain on Investments	<u>635,635</u>	<u>396,377</u>
Net Investment Return	<u>\$837,605</u>	<u>\$537,907</u>

NOTE 7     RESTRICTED NET ASSETS

**Temporarily Restricted:**

Temporarily restricted net assets consisted of the following as of December 31, 2017 and 2016:

<u>Nature of Restriction</u>	<u>2017</u>	<u>2016</u>
Donor-Advised Funds*	\$1,153,212	\$1,029,569
Donor-Designated Funds - Non-Endowed	60,342	32,382
Field of Interest Funds - Non-Endowed	385,333	198,061
Fiscally Sponsored Projects	25,423	31,553
Brookline Safety Net Fund	234,184	65,584
Scholarship Fund - Non-Endowed	108,290	47,633
BCF Rapid Response	5,568	6,210
Time Restricted - Multi-Year Pledges	230,078	208,940
Endowment Appreciation	<u>395,643</u>	<u>201,816</u>
Total	<u>\$2,598,073</u>	<u>\$1,821,748</u>

BROOKLINE COMMUNITY FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2017

*(With Summarized Comparative Information for 2016)*

*(Continued)*

NOTE 7      *(Continued)*

\* As Donor-Advised Funds held by the Foundation include requests by the donor to support certain areas of need, Management considers these funds to be temporarily restricted.

Net assets released from temporary donor restrictions by incurring expenses which satisfied the restricted purposes, by the passage of time or by the occurrence of events specified by the donors were as follows for the years presented:

<u>Nature of Restriction</u>	<u>2017</u>	<u>2016</u>
Donor-Advised Funds	\$ 50,000	\$ 92,482
Donor-Designated Funds - Non-Endowed	21,750	1,937
Field of Interest Funds - Non-Endowed	110,500	123,875
Fiscally Sponsored Projects	17,091	17,666
Brookline Safety Net	140,000	160,482
BCF Rapid Response	1,500	273
Scholarships - Non-Endowed	17,000	12,493
Time Restricted - Multi-Year Pledges	300,976	255,394
Endowment Appropriations	16,731	16,357
Other Pass-Through Funds	<u>35,312</u>	<u>5,137</u>
Total	<u>\$710,860</u>	<u>\$686,096</u>

**Permanently Restricted:**

Permanently restricted net assets consisted of the following funds as of December 31, 2017 and 2016:

<u>Name of Fund</u>	<u>2017</u>	<u>2016</u>
Hattie L. Carr Fund	\$ 75,704	\$ 75,704
Environmental Stewardship Fund*	201,772	201,151
BCF Scholarship Fund for Brookline High School	599,062	486,779
Brookline Tuberculosis and Health Society Fund*	575,485	-
Thomas P. Hennessey Scholarship Fund	83,708	83,108
Sarah E. Lawrence Fund*	177,422	177,422
Mason Family Fund*	156,304	156,304
Hoppin Family Fund	<u>52,773</u>	<u>52,673</u>
Total Endowment Funds	1,922,230	1,233,141
Beneficial Interest in Perpetual Trust	<u>119,648</u>	<u>112,000</u>
Total Permanently Restricted Funds	<u>\$2,041,878</u>	<u>\$1,345,141</u>

\*Endowed Field of Interest Funds

BROOKLINE COMMUNITY FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2017

*(With Summarized Comparative Information for 2016)*

*(Continued)*

NOTE 8      ENDOWMENT NET ASSETS

The following schedule summarizes the change in endowment net assets for the years ended December 31, 2017 and 2016:

	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total Endowment Net Assets</u>
Endowment Net Assets, December 31, 2015	\$101,574	\$ 943,732	\$1,045,306
Contributions	-	289,409	289,409
Investment Return	116,599	-	116,599
Appropriated for Expenditures	<u>(16,357)</u>	<u>-</u>	<u>(16,357)</u>
Endowment Net Assets, December 31, 2016	201,816	1,233,141	1,434,957
Contributions	-	689,089	689,089
Investment Return	210,558	-	210,558
Appropriated for Expenditures	<u>(16,731)</u>	<u>-</u>	<u>(16,731)</u>
Endowment Net Assets, December 31, 2017	<u>\$395,643</u>	<u>\$1,922,230</u>	<u>\$2,317,873</u>

NOTE 9      FUND RAISING ACTIVITIES

The Foundation sponsors an annual golf tournament to generate contributions on behalf of the Brookline Youth Fund. The results of this fund raising event for the years ended December 31, 2017 and 2016 is summarized below:

	<u>2017</u>	<u>2016</u>
Gross Proceeds	\$98,816	\$112,220
Less: Direct Costs	<u>(43,358)</u>	<u>(46,158)</u>
Net Event Revenues	<u>\$55,458</u>	<u>\$ 66,062</u>

NOTE 10      DONATED GOODS AND SERVICES

The Foundation reported the following donated goods and services in the accompanying financial statements for the years ended December 31, 2017 and 2016:

<u>Type of Service</u>	<u>2017</u>	<u>2016</u>
Legal Services*	\$ -	\$13,563
Consulting Services	-	4,000
Software	-	6,469
Food for Events	<u>1,683</u>	<u>1,300</u>
Total	<u>\$1,683</u>	<u>\$25,332</u>

\* Legal services were generously provided by the law offices of Ropes & Gray, LLP and Posternack, Blankenstein and Lund, LLP.

BROOKLINE COMMUNITY FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2017

*(With Summarized Comparative Information for 2016)*

*(Continued)*

NOTE 11    PENSION PLAN

The Foundation maintains a defined contribution plan for all eligible employees. The plan is qualified under Internal Revenue Code Section 403(b) and the Employee Retirement Income Security Act. Contributions by the Foundation to the plan are based on a discretionary percentage of employee compensation. Employer contributions amounted to \$12,752 and \$8,344 for the years ended December 31, 2017 and 2016 and are included in *Employee Benefits* in the accompanying Statement of Functional Expenses.

NOTE 12    CONCENTRATIONS

**Cash and Investments:**

The Foundation is subject to concentrations in credit risk relating primarily to cash and investments. For the years presented, a significant amount of the Foundation's cash deposits are held in one financial institution. Cash deposits are insured by the Federal Deposit Insurance Corporation under the applicable limits. At times, the Foundation's cash balances may exceed these limits; however, Management considers credit risk on cash balances to be low. Additionally, the Foundation's investment portfolio is professionally managed by Mason Investment Advisory Services, Inc. and is custodied with a single financial institution. The Foundation invests in professionally managed money market, mutual funds and exchange-traded 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 Investment Committee of the Board of Trustees three times per year and the Investment Committee reports to the Board of Trustees on a regular basis.

**Revenue:**

For the year ended December 31, 2017, contributions from one donor accounted for 20% of total support and revenue. The contribution was a one-time gift to establish the Brookline Tuberculosis and Health Society Fund. There were no such concentrations for the year ended December 31, 2016.

**Pledges Receivable:**

As of December 31, 2017 and 2016, three and two pledges accounted for 70% and 38% of total *Pledges Receivable*, respectively.

NOTE 13    COMMITMENTS AND CONTINGENCIES

During the year ended December 31, 2016, the Organization entered into a 15-year Power Purchase Agreement with a Massachusetts limited liability company (the "Seller"). Under this agreement, the Foundation will purchase 100% of the solar power of the system from the Seller during the term of the agreement at a scheduled unit rate per kilowatt hour, which increases each year on the anniversary date. The Foundation will incur no expenses related to the initial cost of the system unless the Foundation prematurely terminates the agreement. In the event of a termination, the Foundation would pay a percent of the total system cost of \$40,824 on a sliding scale over the 15-year period. Future obligations under the agreement cannot be reasonably estimated as it will vary based on the volume of electricity that is generated.

BROOKLINE COMMUNITY FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2017

*(With Summarized Comparative Information for 2016)*

*(Continued)*

NOTE 14   SUBSEQUENT EVENTS

Management is required to consider events subsequent to the financial statement date for potential adjustment to or disclosure in the financial statements. Therefore, Management has evaluated subsequent events through April 25, 2018, the date which the financial statements were available for issue, and noted no events which met the recognition criteria.