

BROOKLINE COMMUNITY FOUNDATION, INC.

FINANCIAL STATEMENTS

with

INDEPENDENT AUDITORS' REPORT

YEAR ENDED DECEMBER 31, 2018

(With Summarized Comparative Information for 2017)

Smith  Sullivan
& Brown PC
CERTIFIED PUBLIC ACCOUNTANTS

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BROOKLINE COMMUNITY FOUNDATION, INC.

REPORT ON FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2018

(With Summarized Comparative Information for 2017)



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, 2018
(With Summarized Comparative Information for 2017)

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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, 2018, 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, 2018 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 2017 financial statements, and our audit report dated April 25, 2018, 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, 2017, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Smith, Sullivan & Brown, PC

Westborough, Massachusetts
April 24, 2019

BROOKLINE COMMUNITY FOUNDATION, INC.

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

ASSETS

	<u>2018</u>	<u>2017</u>
<u>CURRENT ASSETS:</u>		
Cash	\$ 407,540	\$ 566,735
Accounts Receivable	-	6,683
Pledges Receivable	197,309	302,425
Prepaid Expenses	19,337	8,951
Total Current Assets	<u>624,186</u>	<u>884,794</u>
<u>PROPERTY AND EQUIPMENT:</u>		
Net of Accumulated Depreciation	<u>235,686</u>	<u>229,906</u>
<u>NON-CURRENT ASSETS:</u>		
Long-Term Investments	3,730,351	5,007,892
Endowment Investments	2,383,433	1,742,451
Beneficial Interest in Perpetual Trust	105,399	119,648
Pledges Receivable, Net of Discount	116,979	228,736
Total Non-Current Assets	<u>6,336,162</u>	<u>7,098,727</u>
<u>TOTAL ASSETS</u>	<u>\$ 7,196,034</u>	<u>\$ 8,213,427</u>

LIABILITIES AND NET ASSETS

<u>CURRENT LIABILITIES:</u>		
Accounts Payable	\$ 6,661	\$ 12,878
Accrued Payroll and Related Costs	7,902	13,166
Grants Payable	51,000	237,000
Deferred Rental Revenue	4,041	136
Total Current Liabilities	<u>69,604</u>	<u>263,180</u>
<u>TOTAL LIABILITIES</u>	<u>69,604</u>	<u>263,180</u>
<u>NET ASSETS:</u>		
Net Assets Without Donor Restrictions	2,958,786	3,310,296
Nets Assets With Donor Restrictions	4,167,644	4,639,951
Total Net Assets	<u>7,126,430</u>	<u>7,950,247</u>
<u>TOTAL LIABILITIES AND NET ASSETS</u>	<u>\$ 7,196,034</u>	<u>\$ 8,213,427</u>

BROOKLINE COMMUNITY FOUNDATION, INC.

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2018

(With Summarized Comparative Totals for 2017)

	<u>WITHOUT</u> <u>DONOR</u> <u>RESTRICTIONS</u>	<u>WITH</u> <u>DONOR</u> <u>RESTRICTIONS</u>	<u>TOTAL ACTIVITIES</u>	
			<u>2018</u>	<u>2017</u>
<u>SUPPORT, REVENUES AND RECLASSIFICATIONS:</u>				
<i>Gifts, Grants and Contributions:</i>				
Grants and Contributions	\$ 288,803	\$ 892,984	\$ 1,181,787	\$ 1,836,516
Special Fund Raising Events	-	113,661	113,661	98,816
Less: Cost of Direct Benefits to Donors	-	(38,422)	(38,422)	(43,358)
Donated Goods and Services	5,125	-	5,125	1,683
<i>Other Revenues:</i>				
Investment Return	(222,429)	(363,077)	(585,506)	837,605
Change in Value of Beneficial Interest in Perpetual Trust	-	(14,249)	(14,249)	7,648
Rental Income	70,732	-	70,732	71,917
Other Miscellaneous Revenue	-	-	-	125
<i>Reclassification of Net Assets:</i>				
Satisfaction of Donor Restrictions	<u>1,063,204</u>	<u>(1,063,204)</u>	<u>-</u>	<u>-</u>
<u>TOTAL SUPPORT, REVENUES AND RECLASSIFICATIONS</u>	<u>1,205,435</u>	<u>(472,307)</u>	<u>733,128</u>	<u>2,810,952</u>
<u>EXPENSES:</u>				
Program Services	1,218,384	-	1,218,384	1,026,973
Administrative	92,868	-	92,868	73,858
Fund Raising	<u>245,693</u>	<u>-</u>	<u>245,693</u>	<u>203,129</u>
<u>TOTAL EXPENSES</u>	<u>1,556,945</u>	<u>-</u>	<u>1,556,945</u>	<u>1,303,960</u>
<u>CHANGE IN NET ASSETS</u>	<u>(351,510)</u>	<u>(472,307)</u>	<u>(823,817)</u>	<u>1,506,992</u>
<u>NET ASSETS - BEGINNING OF YEAR</u>	<u>3,310,296</u>	<u>4,639,951</u>	<u>7,950,247</u>	<u>6,443,255</u>
<u>NET ASSETS - END OF YEAR</u>	<u>\$ 2,958,786</u>	<u>\$ 4,167,644</u>	<u>\$ 7,126,430</u>	<u>\$ 7,950,247</u>

BROOKLINE COMMUNITY FOUNDATION, INC.

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

(With Summarized Comparative Totals for 2017)

	<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>2018</u>	<u>2017</u>
Grants:									
BCF Fund for Brookline	\$ 89,440	\$ -	\$ -	\$ -	\$ 89,440	\$ -	\$ -	\$ 89,440	\$ 148,724
Scholarships	24,500	-	-	-	24,500	-	-	24,500	20,900
Field of Interest	213,250	-	-	-	213,250	-	-	213,250	120,507
Designated	99,312	-	-	-	99,312	-	-	99,312	21,750
Safety Net	140,000	-	-	-	140,000	-	-	140,000	140,000
Rapid Response	-	-	-	-	-	-	-	-	1,500
Brookline Youth	83,000	-	-	-	83,000	-	-	83,000	50,000
Rental Subsidies	11,100	-	-	-	11,100	-	-	11,100	11,100
Pass-Through and Designated	5,628	-	-	-	5,628	-	-	5,628	2,007
Total Grants	666,230	-	-	-	666,230	-	-	666,230	516,488
Salaries and Wages	121,859	97,376	34,908	69,203	323,346	41,819	135,679	500,844	432,088
Payroll Taxes	9,601	7,801	2,824	5,846	26,072	3,402	10,222	39,696	35,116
Employee Benefits	15,642	13,306	6,047	11,249	46,244	7,003	27,480	80,727	48,973
Consultants and Professional Fees	7,189	5,433	2,305	35,764	50,691	25,553	31,123	107,367	63,063
Donated Goods and Services	-	-	4,275	850	5,125	-	-	5,125	1,683
Expenses for Fiscally Sponsored Projects	15,341	-	-	-	15,341	-	38,422	53,763	62,439
Maintenance and Repairs	835	1,116	16,495	1,051	19,497	2,734	864	23,095	48,100
Utilities	272	456	5,039	515	6,282	599	259	7,140	6,202
Staff Development	1,075	647	1,358	338	3,418	747	709	4,874	5,526
Insurance	331	286	3,461	150	4,228	2,667	284	7,179	6,517
Printing and Postage	17	17	17	3	54	82	23,503	23,639	46,539
Office Supplies and Expense	6,661	7,947	3,051	5,632	23,291	4,815	6,958	35,064	20,772
Telephone, Internet and Equipment Rental	316	394	5,122	387	6,219	444	304	6,967	6,711
Depreciation Expense	1,863	1,373	13,301	1,126	17,663	587	1,670	19,920	24,216
Dues, Bank Fees and Miscellaneous	495	1,115	291	217	2,118	2,059	3,919	8,096	16,438
Meetings, Conferences and Events	642	1,594	159	170	2,565	357	2,719	5,641	6,447
Total Functional Expenses	848,369	138,861	98,653	132,501	1,218,384	92,868	284,115	1,595,367	1,347,318
Cost of Direct Benefits to Donors	-	-	-	-	-	-	(38,422)	(38,422)	(43,358)
Total Expenses Per Statement of Activities	\$ 848,369	\$ 138,861	\$ 98,653	\$ 132,501	\$ 1,218,384	\$ 92,868	\$ 245,693	\$ 1,556,945	\$ 1,303,960

BROOKLINE COMMUNITY FOUNDATION, INC.

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

	<u>2018</u>	<u>2017</u>
<u>CASH FLOWS FROM OPERATING ACTIVITIES:</u>		
Change in Net Assets	\$ (823,817)	\$ 1,506,992
<i>Adjustments to Reconcile the Above to Net Cash Provided (Used) by Operating Activities:</i>		
Contributions Restricted for Long-Term Purposes	(99,000)	(113,604)
Donated Stock	(33,947)	(656,638)
Investment Return	585,506	(837,605)
Depreciation Expense	19,920	24,217
<i>(Increase) Decrease in Current Assets:</i>		
Accounts Receivable	6,683	(767)
Pledges Receivable	105,116	25,901
Prepaid Expenses	(10,386)	(2,463)
<i>Increase (Decrease) in Current Liabilities:</i>		
Accounts Payable	(6,217)	1,328
Accrued Payroll and Related Costs	(5,264)	1,741
Grants Payable	(186,000)	163,950
Deferred Rental Revenue	3,905	(4,150)
<i>(Increase) Decrease in Non-Current Assets:</i>		
Beneficial Interest in Perpetual Trust	14,249	(7,648)
Pledges Receivable, Net of Discount	111,757	(39,004)
Net Adjustment	<u>506,322</u>	<u>(1,444,742)</u>
<u>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</u>	<u>(317,495)</u>	<u>62,250</u>
<u>CASH FLOWS FROM INVESTING ACTIVITIES:</u>		
Equipment Purchases	(25,700)	(10,200)
Purchase of Investments	(125,000)	-
Proceeds from Sales of Investments	210,000	200,563
Net Cash Flows from Investing Activities	<u>59,300</u>	<u>190,363</u>
<u>CASH FLOWS FROM FINANCING ACTIVITIES:</u>		
Contributions Restricted for Long-Term Purposes	99,000	113,604
Cash Flows from Financing Activities	<u>99,000</u>	<u>113,604</u>
<u>NET INCREASE (DECREASE) IN CASH BALANCES</u>	<u>(159,195)</u>	<u>366,217</u>
<u>CASH BALANCES - BEGINNING OF YEAR</u>	<u>566,735</u>	<u>200,518</u>
<u>CASH BALANCES - END OF YEAR</u>	<u>\$ 407,540</u>	<u>\$ 566,735</u>

BROOKLINE COMMUNITY FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2018

(With Summarized Comparative Information for 2017)

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. The Foundation is primarily funded through gifts, grants and contributions from the general public.

NOTE 2 PROGRAM SERVICES

Since 1999, the Brookline Community Foundation has given more than \$6.35 million to more than 125 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 - 2018 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.

As of 2019, the board began a new strategic planning process to be implemented in 2020.

BROOKLINE COMMUNITY FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2018

(With Summarized Comparative Information for 2017)

(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, 2018

(With Summarized Comparative Information for 2017)

(Continued)

NOTE 3 *(Continued)*

Level 3 - Pricing inputs are unobservable for the instrument and include situations where there is little, if any, market activity for the instrument. 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 and its beneficial interest in a perpetual trust. There have been no changes to this valuation methodology.

Financial Statement Presentation:

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

Net Assets Without Donor Restrictions - consists of assets, public support and other revenues which are available and used for operations and programs. Net assets without donor restriction represents the portion of net assets of the Foundation that is not restricted by donor-imposed stipulations. Contributions are considered available for unrestricted use unless specifically restricted by the donor. Net assets without donor restrictions of the Foundation include funds totaling \$206,563 and \$226,285, as of December 31, 2018 and 2017, respectively, which represent resources designated by the Board of Trustees as a grant-making reserve. Additionally, the Board has established an operating reserve totaling \$65,000 and \$71,183 as of December 31, 2018 and 2017, respectively, which is included in net assets without donor restrictions.

Net Assets With Donor Restrictions - includes funds with donor-imposed restrictions which permit the donee organization to expend the assets as specified and is satisfied either by the passage of time or by actions of the Foundation. Resources of this nature originate from gifts, grants, bequests, and may include investment income earned on restricted funds. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

The financial statements include certain 2017 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, 2017 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, 2017, from which the summarized information was derived.

BROOKLINE COMMUNITY FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2018

(With Summarized Comparative Information for 2017)

(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 net assets without donor restrictions. 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, fiscal sponsorship funds and funds endowed by donors as net assets with donor restrictions.

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 areas 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 with donor restrictions. 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 net assets without donor restrictions.

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*[™], as BCF retains ultimate variance power over these contributions, amounts received on behalf of the sponsoree are treated as contributions with donor restrictions 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, 2018

(With Summarized Comparative Information for 2017)

(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, 2018 and 2017, 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*TM, investments are reported at their fair value, including unrealized gains and losses. The Foundation reports the change in the cumulative unrealized gains and losses in the investment portfolio in the Statement of Activities. 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. The earnings and appreciation on the funds are either available for general giving or restricted for specific purposes by the endowment agreement. As required by *FASB Accounting Standards Codification*TM, 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, 2018

(With Summarized Comparative Information for 2017)

(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 with donor restrictions 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. As required by the *FASB Accounting Standards Codification*[™], deficiencies of this nature are reported in net assets with donor restrictions. As of December 31, 2018, three endowment funds fell below the level of their original corpus. The total required corpus of these three funds was \$792,475. The balance at year end was \$686,757 leaving a deficiency of \$105,718. There was no such deficiency as of December 31, 2017.

The Foundation's endowment funds consists of both funds with donor restrictions and a scholarship fund that is internally endowed by the Board. The Foundation also holds "spending-policy" funds which are treated similar to endowment funds; however, these funds are not reported as endowment funds in these financial statements. The Foundation has adopted investment and spending policies for endowment assets, and funds functioning as endowment, that attempt to provide a predictable stream of funding for programs supported by this funding, while seeking to maintain the purchasing power of the fund 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. For a majority of funds held during the years presented, the spending rate on the endowment funds and funds held under "spending policy agreements" is 4.75% of the average market value of the fund's trailing twelve calendar quarters.

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 investments 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, 2018

(With Summarized Comparative Information for 2017)

(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*TM. 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 net assets with donor restriction. 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, 2018 and 2017, the Foundation did not have any funds of this nature.

Contributions, Gifts and Grants:

As required by the *FASB Accounting Standards Codification*TM, 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 at the time of receipt.

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 net assets with donor restrictions depending on the nature of the restriction until the restriction expires, at which time these amounts are reclassified to net assets without donor restrictions.

Fiscal Sponsorship of Fund Raising Event:

During 2018 and 2017, 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, 2018

(With Summarized Comparative Information for 2017)

(Continued)

NOTE 3 *(Continued)*

Donated Goods and Services:

As required by the *FASB Accounting Standards Codification*TM, 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 based upon space and time usage. For the years presented, the following expenses are based on employee time and effort: *Salaries and Wages, Payroll Taxes and Employee Benefits, Utilities, Maintenance and Repairs, Depreciation Expense* and all other building related expenses are allocated based on square footage. 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, 2018

(With Summarized Comparative Information for 2017)

(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, 2018 and 2017, 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 year ended December 31, 2017 was \$438, and is included in *Expenses for Fiscally Sponsored Projects* in the Statement of Functional Expenses.

Reclassifications:

Certain amounts in the prior year summarized comparative information have been reclassified to conform to the 2018 presentation in relation to the adoption of ASU 2016-14 and to conform to the current year presentation. Reclassifications made to the prior year summarized information have no impact on total net assets or changes in net assets.

Recent Accounting Guidance:

Recently Implemented Standards

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

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

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

BROOKLINE COMMUNITY FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2018

(With Summarized Comparative Information for 2017)

(Continued)

NOTE 3 *(Continued)*

Recently Issued Standards

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

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

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

NOTE 4 PLEDGES RECEIVABLE

As of December 31, 2018, 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>
2020	\$ 55,600
2021	35,400
2022	15,300
2023	15,200
2024	<u>100</u>
Total Pledges	121,600
Less: Discount	<u>(4,621)</u>
Net Fair Value	<u>\$116,979</u>

BROOKLINE COMMUNITY FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2018

(With Summarized Comparative Information for 2017)

(Continued)

NOTE 5 PROPERTY AND EQUIPMENT

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

<u>Asset Category</u>	<u>Est. Life</u>	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>Net Book Value</u>	
				<u>2018</u>	<u>2017</u>
Land	-	\$ 3,500	\$ -	\$ 3,500	\$ 3,500
Building and Improvements	33	371,631	160,140	211,491	198,910
Computer Technology/Equipment	3	60,105	49,862	10,243	15,091
Furniture and Fixtures	3 - 10	<u>25,290</u>	<u>14,838</u>	<u>10,452</u>	<u>12,405</u>
Total		<u>\$460,526</u>	<u>\$224,840</u>	<u>\$235,686</u>	<u>\$229,906</u>

NOTE 6 INVESTMENTS

As of December 31, 2018 and 2017, investment costs and unrealized gains and losses consisted of the following components *(See Note 12)*:

<u>Investment Type</u>	<u>December 31, 2018</u>			
	<u>Cost</u>	<u>Unrealized Gains</u>	<u>Unrealized Losses</u>	<u>Fair Value (Level 1)</u>
Money Market Funds	\$ 65,800	\$ -	\$ -	\$ 65,800
Mutual Funds:				
U.S. Bond Funds	850,565	-	(32,269)	818,296
International Bond Funds	374,016	-	(15,726)	358,290
U.S. Equity Funds	3,860,119	162,767	-	4,022,886
International Equity Funds/ETFs	<u>985,447</u>	<u>-</u>	<u>(136,935)</u>	<u>848,512</u>
Total	<u>\$6,135,947</u>	<u>\$162,767</u>	<u>\$(184,930)</u>	<u>\$6,113,784</u>
<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>

BROOKLINE COMMUNITY FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2018

(With Summarized Comparative Information for 2017)

(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 fund 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>2018</u>	<u>2017</u>
Long-Term Investments	\$3,730,351	\$5,007,892
Endowment Investments	<u>2,383,433</u>	<u>1,742,451</u>
Total Investments	<u>\$6,113,784</u>	<u>\$6,750,343</u>
<u>Components of Investment Return</u>	<u>2018</u>	<u>2017</u>
Interest and Dividends	\$264,523	\$230,536
Investment Fees	(33,318)	(28,566)
Net Realized/Unrealized Gain on Investments	<u>(816,711)</u>	<u>635,635</u>
Net Investment Return	<u>\$(585,506)</u>	<u>\$837,605</u>

BROOKLINE COMMUNITY FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2018

(With Summarized Comparative Information for 2017)

(Continued)

NOTE 7 NET ASSETS WITH DONOR RESTRICTIONS

Net Assets with Donor Restrictions:

Net assets with donor restrictions consisted of the following as of December 31, 2018 and 2017:

<u>Nature of Restriction</u>	<u>2018</u>	<u>2017</u>
Subject to Expenditure for Specified Purposes:		
Donor-Advised Funds**	\$ 990,275	\$1,153,212
Donor-Advised Funds - Non-Endowed	37,452	60,342
Field of Interest Funds - Non-Endowed	452,265	385,333
Fiscally Sponsored Projects	19,902	25,423
Brookline Safety Net Fund – Non-Endowed	192,761	234,184
Scholarship Fund - Non-Endowed	93,848	108,290
BCF Rapid Response	<u>5,005</u>	<u>5,568</u>
Total Funds Subject to Expenditure for Specified Purposes	<u>1,791,508</u>	<u>1,972,352</u>
Subject to the Passage of Time:		
Multi-Year Pledges	<u>47,304</u>	<u>230,078</u>
Subject to the Foundation’s Spending Policy and Appropriation:		
Accumulated Gains on Endowment Funds	236,060	395,643
Underwater Endowments	<u>(105,718)</u>	<u>-</u>
	<u>130,342</u>	<u>395,643</u>
Donor Endowed Funds Restricted in Perpetuity:		
Hattie L. Carr Fund	75,704	75,704
Environmental Stewardship Fund*	206,607	201,772
BCF Scholarship Fund for Brookline High School***	757,075	599,062
Brookline Tuberculosis and Health Society Fund*	583,398	575,485
Thomas P. Hennessey Scholarship Fund	83,808	83,708
Sarah E. Lawrence Fund*	177,422	177,422
Mason Family Fund*	156,304	156,304
Hoppin Family Fund	<u>52,773</u>	<u>52,773</u>
Total Endowment Funds Restricted in Perpetuity	<u>2,093,091</u>	<u>1,922,230</u>
Subject to Restriction in Perpetuity:		
Beneficial Interest in Perpetual Trust	<u>105,399</u>	<u>119,648</u>
Total Net Assets with Donor Restrictions	<u>\$4,167,644</u>	<u>\$4,639,951</u>

* Endowed Field of Interest Fund

** 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 net assets with donor restrictions.

*** The Scholarship Fund is donor restricted for purpose and internally endowed by the Board.

BROOKLINE COMMUNITY FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2018

(With Summarized Comparative Information for 2017)

(Continued)

NOTE 7 *(Continued)*

Net assets released from 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>2018</u>	<u>2017</u>
Donor-Advised Funds**	\$ 100,644	\$ 67,053
Donor-Designated Funds - Non-Endowed	101,253	22,556
Field of Interest Funds - Non-Endowed	196,391	114,216
Fiscally Sponsored Projects	18,245	19,358
Brookline Safety Net Fund	141,806	140,476
BCF Rapid Response	250	1,751
Scholarship Fund - Non-Endowed	15,326	17,348
Multi-Year Pledges	385,283	300,976
Endowment Appropriations	<u>104,006</u>	<u>27,126</u>
Total	<u>\$1,063,204</u>	<u>\$710,860</u>

** 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 net assets with donor restrictions.

NOTE 8 ENDOWMENT NET ASSETS

The following schedule summarizes the change in endowment net assets for the years ended December 31, 2018 and 2017:

	<u>With Donor Restrictions</u>		<u>Total</u>
	<u>Original Gift</u>	<u>Net</u>	<u>Endowment</u>
	<u>Amount</u>	<u>Appreciation</u>	<u>Net Assets</u>
Endowment Net Assets,			
December 31, 2016	\$1,233,141	\$ 201,816	\$1,434,957
Contributions	689,089	-	689,089
Investment Return	-	210,558	210,558
Appropriated for Expenditures	<u>-</u>	<u>(16,731)</u>	<u>(16,731)</u>
Endowment Net Assets,			
December 31, 2017	1,922,230	395,643	2,317,873
Contributions	330,861	-	330,861
Investment Return	-	(205,656)	(205,656)
Appropriated for Expenditures	<u>-</u>	<u>(59,645)</u>	<u>(59,645)</u>
Endowment Net Assets,			
December 31, 2018	<u>\$2,253,091</u>	<u>\$ 130,342</u>	<u>\$2,383,433</u>

BROOKLINE COMMUNITY FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2018

(With Summarized Comparative Information for 2017)

(Continued)

NOTE 9 FUND RAISING ACTIVITIES

The Foundation fiscally 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, 2018 and 2017 is summarized below:

	<u>2018</u>	<u>2017</u>
Gross Proceeds	\$113,661	\$98,816
Less: Direct Costs	<u>(38,422)</u>	<u>(43,358)</u>
Net Event Revenues	<u>\$ 75,239</u>	<u>\$55,458</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, 2018 and 2017:

<u>Description</u>	<u>2018</u>	<u>2017</u>
Consulting Services	\$ 4,275	\$ -
Food for Events	<u>850</u>	<u>1,683</u>
Total	<u>\$ 5,125</u>	<u>\$1,683</u>

NOTE 11 EMPLOYEE BENEFIT 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 \$13,079 and \$12,752 for the years ended December 31, 2018 and 2017 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 ("FDIC") under the applicable limits. At times, the Foundation's cash balances may exceed these limits; however, the funds are deposited in a member bank of the Massachusetts Depositors Insurance Fund which insures deposits above the FDIC amount; therefore, 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.

BROOKLINE COMMUNITY FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2018

(With Summarized Comparative Information for 2017)

(Continued)

NOTE 12 *(Continued)*

Revenue:

For the year ended December 31, 2018, contributions from one donor accounted for 16% of total grants and contributions. The contribution is part of a conditional multi-year pledge *(See Note 14)*.

For the year ended December 31, 2017, contributions from one donor accounted for 31% of total grants and contributions. The contribution was a one-time gift to establish the Brookline Tuberculosis and Health Society Fund.

Pledges Receivable:

As of December 31, 2018 and 2017, three pledges accounted for 66% and 72% 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.

NOTE 14 CONDITIONAL GRANTS AND CONTRIBUTIONS

During 2018, a donor made a multi-year pledge through 2020 to make donations conditional on the donor's gross business revenue. The Foundation will receive a maximum of \$325,000 in 2019 and \$350,000 in 2020. Such amounts shall be reduced if the donor's gross business revenue does not meet specified targets. For the year ended December 31, 2018, the Foundation received \$300,000 under this agreement.

NOTE 15 LIQUIDITY AND AVAILABILITY

Brookline Community Foundation's financial assets available for use by the Foundation within one year are as follows:

Liquid assets at year end (December 31, 2018):	
Cash Without Donor Restrictions	\$ 407,340
Board Designated Operating and Grant Reserve	271,563
Investments Without Donor Restrictions	<u>1,600,278</u>
Total	<u>\$ 2,279,181</u>

BROOKLINE COMMUNITY FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2018

(With Summarized Comparative Information for 2017)

(Continued)

NOTE 15 *(Continued)*

The Foundation's cash flow has seasonal variations during the year attributable to contributions received in late spring and fiscal year-end. To manage liquidity, the Foundation reviews its cash position on a daily basis to ensure that adequate funds are on hand to meet expenses. In addition, the investment portfolio is comprised of securities and mutual funds with daily redemption terms under normal market conditions. As of December 31, 2018, approximately \$6M was available for immediate redemption if needed.

In addition to these funds available for general expenditures, The Foundation's Board of Trustees approved charging an administrative fee of 1.5% to all funds based generally on the funds' quarterly or year-end balance which is a generally accepted practice of community foundations for the administrative, granting and investment support of holding such funds.

In addition, an estimated amount of \$309,000 based on the current board-approved spending policy of 4.75% will be available for granting during 2019 at the board's discretion.

NOTE 16 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 24, 2019, the date which the financial statements were available for issue, and noted no events which met the recognition criteria.