

BROOKLINE COMMUNITY FOUNDATION, INC.

FINANCIAL STATEMENTS

with

INDEPENDENT AUDITORS' REPORT

FOR THE EIGHTEEN MONTH PERIOD ENDED JUNE 30, 2021

Smith  Sullivan
& Brown PC
CERTIFIED PUBLIC ACCOUNTANTS

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BROOKLINE COMMUNITY FOUNDATION, INC.
REPORT ON FINANCIAL STATEMENTS
FOR THE EIGHTEEN MONTH PERIOD ENDED JUNE 30, 2021



Mission Statement

*The Brookline Community Foundation creates opportunity
and promotes equity through the transformative
power of giving.*

BROOKLINE COMMUNITY FOUNDATION, INC.
REPORT ON FINANCIAL STATEMENTS
FOR THE EIGHTEEN MONTH PERIOD ENDED JUNE 30, 2021

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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 June 30, 2021, and the related statements of activities, functional expenses and cash flows for the eighteen month period 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 June 30, 2021 and the changes in its net assets and its cash flows for the eighteen month period then ended in conformity with accounting principles generally accepted in the United States of America.

To the Board of Trustees
Brookline Community Foundation, Inc.

Emphasis of Matter

On December 11, 2019, the Board of Trustees voted to change the year end of the Foundation. Therefore, these financial statements reflect the activities of Brookline Community Foundation, Inc. for the eighteen-month period from January 1, 2020 through June 30, 2021.

Smith, Sullivan & Brown, PC

Westborough, Massachusetts
October 27, 2021

BROOKLINE COMMUNITY FOUNDATION, INC.

STATEMENT OF FINANCIAL POSITION AS OF JUNE 30, 2021

ASSETS

CURRENT ASSETS:

Cash	\$ 1,148,377
Pledges Receivable	86,530
Prepaid Expenses	11,180
Total Current Assets	<u>1,246,087</u>

PROPERTY AND EQUIPMENT:

Net of Accumulated Depreciation	<u>222,389</u>
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NON-CURRENT ASSETS:

Long-Term Investments	5,387,715
Endowment Investments	3,857,394
Beneficial Interest in Perpetual Trust	128,836
Pledges Receivable, Net of Discount	113,410
Total Non-Current Assets	<u>9,487,355</u>

<u>TOTAL ASSETS</u>	<u>\$ 10,955,831</u>
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LIABILITIES AND NET ASSETS

CURRENT LIABILITIES:

Accounts Payable	\$ 10,674
Accrued Payroll and Related Costs	4,661
Deferred Revenue	25,420
Total Current Liabilities	<u>40,755</u>

<u>TOTAL LIABILITIES</u>	<u>40,755</u>
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NET ASSETS:

Net Assets Without Donor Restrictions:	
Undesignated	3,878,852
Board Designated	536,593
Total Net Assets Without Donor Restrictions	<u>4,415,445</u>
Net Assets With Donor Restrictions	6,499,631
Total Net Assets	<u>10,915,076</u>

<u>TOTAL LIABILITIES AND NET ASSETS</u>	<u>\$ 10,955,831</u>
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BROOKLINE COMMUNITY FOUNDATION, INC.

STATEMENT OF ACTIVITIES
FOR THE EIGHTEEN MONTH PERIOD ENDED JUNE 30, 2021

	<u>WITHOUT</u> <u>DONOR</u> <u>RESTRICTIONS</u>	<u>WITH</u> <u>DONOR</u> <u>RESTRICTIONS</u>	<u>TOTAL</u> <u>ACTIVITIES</u>
<u>SUPPORT, REVENUES AND RECLASSIFICATIONS:</u>			
<i>Gifts, Grants and Contributions:</i>			
Grants and Contributions	\$ 1,341,267	\$ 1,766,846	\$ 3,108,113
Paycheck Protection Program Grant	-	82,435	82,435
Special Fund Raising Events	-	116,580	116,580
Less: Cost of Direct Benefits to Donors	-	(24,453)	(24,453)
Donated Goods and Services	3,900	-	3,900
<i>Other Revenues:</i>			
Investment Return	765,091	1,066,258	1,831,349
Change in Value of Beneficial Interest in Perpetual Trust	-	12,409	12,409
Rental Income	79,824	-	79,824
<i>Reclassification of Net Assets:</i>			
Satisfaction of Donor Restrictions	<u>1,599,345</u>	<u>(1,599,345)</u>	<u>-</u>
<u>TOTAL SUPPORT, REVENUES AND RECLASSIFICATIONS</u>	<u>3,789,427</u>	<u>1,420,730</u>	<u>5,210,157</u>
<u>EXPENSES:</u>			
Program Services	2,173,840	-	2,173,840
Administrative	97,428	-	97,428
Fund Raising	<u>357,394</u>	<u>-</u>	<u>357,394</u>
<u>TOTAL EXPENSES</u>	<u>2,628,662</u>	<u>-</u>	<u>2,628,662</u>
<u>CHANGE IN NET ASSETS</u>	<u>1,160,765</u>	<u>1,420,730</u>	<u>2,581,495</u>
<u>NET ASSETS - BEGINNING OF PERIOD</u>	<u>3,254,680</u>	<u>5,078,901</u>	<u>8,333,581</u>
<u>NET ASSETS - END OF PERIOD</u>	<u>\$ 4,415,445</u>	<u>\$ 6,499,631</u>	<u>\$10,915,076</u>

BROOKLINE COMMUNITY FOUNDATION, INC.

STATEMENT OF FUNCTIONAL EXPENSES
FOR THE EIGHTEEN MONTH PERIOD ENDED JUNE 30, 2021

	<u>PROGRAMS</u> <u>AND GRANTS</u>	<u>COMMUNITY</u> <u>LEADERSHIP</u>	<u>BUILDING</u> <u>SERVICES</u>	<u>FUND</u> <u>SERVICES</u>	<u>TOTAL</u> <u>PROGRAM</u> <u>SERVICES</u>	<u>ADMINI-</u> <u>STRATIVE</u>	<u>FUND</u> <u>RAISING</u>	<u>DIRECT</u> <u>EVENT</u> <u>COSTS</u>	<u>TOTAL</u> <u>FUNCTIONAL</u> <u>EXPENSES</u>
Grants:									
BCF Fund for Brookline	\$ 52,465	\$ -	\$ -	\$ -	\$ 52,465	\$ -	\$ -	\$ -	\$ 52,465
Scholarships	111,500	-	-	-	111,500	-	-	-	111,500
Field of Interest	298,500	-	-	-	298,500	-	-	-	298,500
Designated	1,500	-	-	-	1,500	-	-	-	1,500
Safety Net	550,000	-	-	-	550,000	-	-	-	550,000
Brookline Youth	151,000	-	-	-	151,000	-	-	-	151,000
Unrestricted	5,000	-	-	-	5,000	-	-	-	5,000
Donor Advised	<u>212,632</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>212,632</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>212,632</u>
Total Grants	1,382,597	-	-	-	1,382,597	-	-	-	1,382,597
Salaries and Wages	222,343	151,109	57,470	111,656	542,578	36,267	192,551	-	771,396
Payroll Taxes	20,629	14,965	5,750	10,167	51,511	3,715	15,691	-	70,917
Employee Benefits	20,765	11,171	6,204	7,562	45,702	4,669	42,913	-	93,284
Consultants and Professional Fees	9,100	4,940	8,809	2,891	25,740	42,629	18,730	-	87,099
Donated Goods and Services	-	-	-	-	-	-	3,900	-	3,900
Expenses for Fiscally Sponsored Projects	1,900	-	-	-	1,900	-	-	24,453	26,353
Maintenance and Repairs	2,447	1,223	23,550	1,223	28,443	306	1,835	-	30,584
Utilities	658	329	6,333	329	7,649	82	494	-	8,225
Staff Development	1,351	741	392	610	3,094	261	1,002	-	4,357
Insurance	1,192	654	7,474	538	9,858	231	884	-	10,973
Printing and Postage	-	-	-	-	-	-	50,536	-	50,536
Office Supplies and Expense	14,171	7,771	4,114	6,400	32,456	2,743	10,513	-	45,712
Telephone, Internet and Equipment Rental	2,552	1,378	4,921	1,174	10,025	463	1,896	-	12,384
Depreciation Expense	2,659	1,458	22,507	1,201	27,825	515	1,974	-	30,314
Dues, Bank Fees and Miscellaneous	1,949	1,068	566	879	4,462	2,330	14,475	-	21,267
Meetings, Conferences and Events	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,217</u>	<u>-</u>	<u>-</u>	<u>3,217</u>
Total Functional Expenses	<u>1,684,313</u>	<u>196,807</u>	<u>148,090</u>	<u>144,630</u>	<u>2,173,840</u>	<u>97,428</u>	<u>357,394</u>	<u>24,453</u>	<u>2,653,115</u>
Cost of Direct Benefits to Donors	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(24,453)</u>	<u>(24,453)</u>
Total Expenses Per Statement of Activities	<u>\$ 1,684,313</u>	<u>\$ 196,807</u>	<u>\$ 148,090</u>	<u>\$ 144,630</u>	<u>\$ 2,173,840</u>	<u>\$ 97,428</u>	<u>\$ 357,394</u>	<u>\$ -</u>	<u>\$ 2,628,662</u>

BROOKLINE COMMUNITY FOUNDATION, INC.

STATEMENT OF CASH FLOWS
FOR THE EIGHTEEN MONTH PERIOD ENDED JUNE 30, 2021

CASH FLOWS FROM OPERATING ACTIVITIES:

Change in Net Assets	<u>\$ 2,581,495</u>
<i>Adjustments to Reconcile the Above to Net Cash Provided (Used) by Operating Activities:</i>	
Contributions Restricted for Long-Term Purposes	(189,839)
Donated Stock and Cash Held in Investments	(167,344)
Investment Return	(1,831,349)
Depreciation Expense	30,314
<i>(Increase) Decrease in Current Assets:</i>	
Pledges Receivable	47,439
Prepaid Expenses	(1,809)
<i>Increase (Decrease) in Current Liabilities:</i>	
Accounts Payable	1,519
Accrued Payroll and Related Costs	(12,536)
Grants Payable	(188,750)
Deferred Revenue	21,647
<i>(Increase) Decrease in Non-Current Assets:</i>	
Beneficial Interest in Perpetual Trust	(12,409)
Pledges Receivable, Net of Discount	<u>69,081</u>
Net Adjustment	<u>(2,234,036)</u>

NET CASH PROVIDED BY OPERATING ACTIVITIES **347,459**

CASH FLOWS FROM FINANCING ACTIVITIES:

Contributions Restricted for Long-Term Purposes	<u>189,839</u>
Cash Flows from Financing Activities	<u>189,839</u>

NET INCREASE IN CASH BALANCES **537,298**

CASH BALANCES - BEGINNING OF PERIOD **611,079**

CASH BALANCES - END OF PERIOD **\$ 1,148,377**

BROOKLINE COMMUNITY FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2021

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 create opportunity and promote equity through the transformative power of giving. The Foundation is primarily funded through gifts, grants and contributions from the general public.

Reporting Period:

On December 11, 2019, the Board of Trustees voted to change the fiscal year end of the Foundation to June 30. These financial statements reflect the activities of the Foundation for the eighteen-month period ended June 30, 2021, which is greater than a one-year operating cycle.

NOTE 2 PROGRAM SERVICES

Since 1999, the Brookline Community Foundation has built on its history as a grassroots charitable organization to become a trusted, collaborative community foundation. Today, BCF strengthens the Brookline community through strategic grantmaking and capacity building, research and convenings and innovative philanthropic partnerships.

BCF's strategic plan for 2021 – 2025 continues to focus on the future of Brookline with a vision of a better Brookline for all. Our mission to create opportunity and promote equity through the transformative power of giving will be advanced through the following four key strategic levers:

- Surfacing barriers to opportunity and equity in Brookline
- Engaging community members in collaborative solution building
- Inspiring transformative giving that supports a thriving Brookline
- Advancing opportunity for those most impacted by inequity

BROOKLINE COMMUNITY FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2021

(Continued)

NOTE 2 *(Continued)*

BCF's programmatic activity includes four key initiatives:

1. BCF Community Grants - Our core grantmaking programs that fund Brookline's nonprofits, community groups and efforts that aim to eliminate barriers to opportunity and equity and expand access for vulnerable populations. Through this initiative, BCF awards grants in various programs including the Fall Grant Program, Safety Net Fund Grant Program, Brookline For All Grant Program, Youth Fund Grant Program and the newly established Racial Equity Grant Program.
2. The Brookline Collaborative - A capacity-building program that builds a collaborative community of practitioners with a shared purpose of elevating Brookline's nonprofits and community groups' ability to learn, grow and deliver on their mission. This initiative includes workshops and in-kind supports on fundraising, financial management, communications, leadership development and more.
3. Understanding Brookline - A research initiative that publishes a dynamic community database providing insights into the trends shaping Brookline across dimensions, like health, education, housing, economy. The data and analysis can be leveraged to drive collaborative planning, priority-setting and action for BCF and others in Brookline.
4. The Brookline Forum - A convening to facilitate collaboration, break down silos and foster engagement through public programming for the entire community and closed-door programming for nonprofit and community-based practitioners to elevate models for collaboration and spark community-driven.

In addition to the programmatic initiatives, BCF also offers Philanthropic Services for the donor community in Brookline, 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.

All of the programmatic initiatives and philanthropic services drive towards BCF's strategic objectives.

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 period 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.

BROOKLINE COMMUNITY FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2021

(Continued)

NOTE 3 *(Continued)*

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.

- 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. In addition, net assets within this classification include funds which represent resources designated by the Board of Trustees for specific purposes. See Note 7 for a summary of board designated net assets.

BROOKLINE COMMUNITY FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2021

(Continued)

NOTE 3 *(Continued)*

Net Assets With Donor Restrictions - includes funds with donor-imposed restrictions which permit the donee organization to expend the assets as specified and is satisfied either by the passage of time or by actions of the Foundation. Resources of this nature originate from gifts, grants, bequests, and may include investment income earned on restricted funds. 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.

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 period 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 eighteen-month period 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 period 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 period presented, BCF held both endowed and non-endowed scholarship funds.

Fiscal Sponsorship - During the eighteen-month period presented, BCF acted as a fiscal sponsor for one local group (the "sponsee"). In accordance with the *FASB Accounting Standards Codification*TM, as BCF retains ultimate variance power over these contributions, amounts received on behalf of the sponsee 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

JUNE 30, 2021

(Continued)

NOTE 3 *(Continued)*

Receivables:

Pledges Receivable represents multi-year promises to give. Receivables are reported at their net realizable value and 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 eighteen month period ended June 30, 2021, there were no losses on uncollectible receivables.

Property and Equipment:

Property, equipment, furnishing and improvement purchases in excess of \$5,000 are capitalized at cost, if purchased, or if donated, at fair value on the date of receipt. Expenditures for maintenance repairs and renewals are charged to expense as incurred, whereas, major betterments are capitalized as additions to property and equipment. Depreciation of property and equipment is computed using the straight-line method, and is charged 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. 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

JUNE 30, 2021

(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 June 30, 2021, one endowment fund fell below the level of their original corpus. The total required corpus of the fund was \$778,115. The balance at June 30, 2021 was \$457,786 leaving a deficiency of \$320,329. In 2015, the Board of Trustees voted for this fund to have a payout rate beyond the Foundation's payout rate which they deemed to be prudent in accordance with UPMIFA.

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 eighteen-month period 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

JUNE 30, 2021

(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 June 30, 2021, 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.

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

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

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

Fiscal Sponsorship of Fund Raising Event:

During FY 2021, the Foundation fiscally sponsored a fund raising event on behalf of one of its donor-advised funds.

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.

BROOKLINE COMMUNITY FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2021

(Continued)

NOTE 3 *(Continued)*

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. External and direct internal investment expenses are netted against the investment return.

Rental Income:

During the eighteen-month period 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.

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 eighteen-month period 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, indirect costs of fund raising events and other similar projects related to the procurement of donated funds.

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.

BROOKLINE COMMUNITY FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2021

(Continued)

NOTE 4 PLEDGES RECEIVABLE

As of June 30, 2021, non-current pledges receivable, discounted to fair value at 2%, were due for collection as follows:

<u>Year to be Paid</u>	<u>Balance Due</u>
FY 2023	\$ 39,500
FY 2024	20,000
FY 2025	10,000
Thereafter	<u>45,000</u>
Total Pledges	114,500
Less: Discount	<u>(1,090)</u>
Net Fair Value	<u>\$113,410</u>

NOTE 5 PROPERTY AND EQUIPMENT

The following is a summary of the Foundation's property and equipment as of June 30, 2021:

<u>Asset Category</u>	<u>Est. Life</u>	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>Net Book Value</u>
Land		\$ 3,500	\$ -	\$ 3,500
Building and Improvements	33	408,298	196,103	212,195
Computer Technology/Equipment	3	26,600	25,475	1,125
Furniture and Fixtures	3 - 10	<u>22,785</u>	<u>17,216</u>	<u>5,569</u>
Total		<u>\$461,183</u>	<u>\$238,794</u>	<u>\$222,389</u>

NOTE 6 INVESTMENTS

As of June 30, 2021, investment costs and unrealized gains and losses consisted of the following components (See Note 12):

<u>Investment Type</u>	<u>Cost</u>	<u>Unrealized Gains</u>	<u>Unrealized Losses</u>	<u>Fair Value (Level 1)</u>
Money Market Funds	\$ 17,126	\$ -	\$ -	\$ 17,126
Exchange Traded Funds:				
U.S. Exchange Traded Funds	711,752	264,974	-	976,726
International Exchange Traded Funds	204,911	46,332	-	251,243
Mutual Funds:				
U.S. Bond Funds	1,059,239	27,850	(1,110)	1,085,979
International Bond Funds	400,246	7,162	-	407,408
U.S. Equity Funds	2,720,389	1,893,038	-	4,613,427
International Equity Funds	<u>1,507,347</u>	<u>389,284</u>	<u>(3,431)</u>	<u>1,893,200</u>
Total	<u>\$6,621,010</u>	<u>\$2,628,640</u>	<u>\$(4,541)</u>	<u>\$9,245,109</u>

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

BROOKLINE COMMUNITY FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2021

(Continued)

NOTE 6 *(Continued)*

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 per 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 fiscal 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 period ending June 30, 2021 presented:

<u>Investment Classification</u>	<u>Amount</u>
Long-Term Investments	\$5,387,715
Endowment Investments	<u>3,857,394</u>
Total Investments	<u>\$9,245,109</u>
<u>Components of Investment Return</u>	<u>Amount</u>
Interest and Dividends	\$ 266,744
Investment Fees	(54,247)
Net Realized/Unrealized Gain on Investments	<u>1,618,852</u>
Net Investment Return	<u>\$1,831,349</u>

NOTE 7 NET ASSETS

Board Designated:

Net assets without donor restrictions include the following designations by the Board of Trustees as of June 30, 2021:

<u>Nature of Restriction</u>	<u>Amount</u>
Grant-Making Reserve	\$294,411
Operating Reserve	184,757
Brookline Safety Net	<u>57,425</u>
Total Board Designated Net Assets	<u>\$536,593</u>

The balance of board designated net assets is held in investments as of June 30, 2021.

BROOKLINE COMMUNITY FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2021

(Continued)

NOTE 7 (Continued)

Net Assets with Donor Restrictions:

Net assets with donor restrictions consisted of the following as of June 30, 2021:

<u>Nature of Restriction</u>	<u>Amount</u>
Subject to Expenditure for Specified Purposes:	
Donor-Advised Funds**	\$1,396,164
Donor-Advised Funds - Non-Endowed	50,229
Field of Interest Funds - Non-Endowed	356,933
Fiscally Sponsored Projects	16,754
Brookline Safety Net Fund – Non-Endowed	557,121
Scholarship Fund - Non-Endowed	149,312
BCF Rapid Response	<u>10,783</u>
Total Funds Subject to Expenditure for Specified Purposes	<u>2,537,296</u>
Subject to the Passage of Time:	
Multi-Year Pledges	<u>33,530</u>
Subject to the Foundation’s Spending Policy and Appropriation:	
Accumulated Gains on Endowment Funds	800,563
Underwater Endowments	<u>(320,329)</u>
	<u>480,234</u>
Donor Endowed Funds Restricted in Perpetuity:	
Hattie L. Carr Fund	75,704
Environmental Stewardship Fund*	206,607
BCF Scholarship Fund for Brookline High School***	1,097,874
Brookline Tuberculosis and Health Society Fund*	583,444
BCF Opportunity & Equity Fund	52,065
Hodgman Pike Scholarship Fund	52,500
Thomas P. Hennessey Scholarship Fund	86,927
Sarah E. Lawrence Fund*	177,422
Mason Family Fund*	156,304
Hoppin Family Fund	52,773
NETA Fund	<u>778,115</u>
Total Endowment Funds Restricted in Perpetuity	<u>3,319,735</u>
Subject to Restriction in Perpetuity:	
Beneficial Interest in Perpetual Trust	<u>128,836</u>
 Total Net Assets with Donor Restrictions	 <u>\$6,499,631</u>

BROOKLINE COMMUNITY FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2021

(Continued)

NOTE 7 (Continued)

* 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.

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 eighteen-month period presented:

<u>Nature of Restriction</u>	<u>Amount</u>
Donor-Advised Funds**	\$ 394,326
Donor-Advised Funds - Non-Endowed	2,513
Field of Interest Funds - Non-Endowed	258,233
Fiscally Sponsored Projects	2,286
Brookline Safety Net Fund - Non-Endowed	568,492
Scholarship Fund - Non-Endowed	39,232
BCF Rapid Response	333
Multi-Year Pledges	57,116
Endowment Appropriations	194,379
Paycheck Protection Program	<u>82,435</u>
Total	<u>\$1,599,345</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 period ended June 30, 2021:

	<u>With Donor Restrictions</u>			<u>Total</u> <u>Endowment</u> <u>Net Assets</u>
	<u>Without Donor</u> <u>Restrictions</u>	<u>Original Gift</u> <u>Amount</u>	<u>Net</u> <u>Appreciation</u>	
Endowment Net Assets, December 31, 2019	\$57,425	\$3,129,896	\$ 47,752	\$3,235,073
Contributions	-	189,839	-	189,839
Investment Return	-	-	644,286	644,286
Appropriated for Expenditures	-	-	<u>(211,804)</u>	<u>(211,804)</u>
Endowment Net Assets, June 30, 2021	<u>\$57,425</u>	<u>\$3,319,735</u>	<u>\$ 480,234</u>	<u>\$3,857,394</u>

BROOKLINE COMMUNITY FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2021

(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 period ended June 30, 2021 is summarized below:

	<u>Amount</u>
Gross Proceeds	\$116,580
Less: Direct Costs	<u>(24,453)</u>
Net Event Revenues	<u>\$ 92,127</u>

NOTE 10 DONATED GOODS AND SERVICES

For the period ended June 30, 2021, the Foundation reported \$3,900 in donated photography services which are included in *Donated Goods and Services* in the accompanying statements.

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 \$21,406 for the period ended June 30, 2021 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 period 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") up to \$250,000 per institution. Funds held at this financial institution in excess of federally insured limits are \$849,549 as of June 30, 2021. 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, a subcommittee of the Finance Committee, three times per year and the Finance Committee reports to the Board of Trustees on a regular basis.

BROOKLINE COMMUNITY FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2021

(Continued)

NOTE 12 *(Continued)*

Revenue:

For the period ended June 30, 2021, contributions from two donors accounted for 37% of total grants and contributions.

Pledges Receivable:

As of June 30, 2021, two pledges accounted for 43% of total *Pledges Receivable*.

NOTE 13 COMMITMENTS AND CONTINGENCIES

Power Purchase Agreement:

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.

Impact of COVID-19:

In early 2020, an outbreak of a novel strain of coronavirus (COVID-19) emerged globally. As a result, events have occurred including mandates from federal, state and local authorities leading to an overall decline in economic activity which could result in a loss of grants, contributions, revenue and other material adverse effects to the Foundations’ financial position, change in net assets and cash flows. The Foundation is not able to estimate the length of severity of this outbreak and the related financial impact. Management plans to adjust its operations accordingly and will continue to assess and monitor the situation as it evolves.

Paycheck Protection Program:

Brookline Community Foundation, Inc. received a loan in the amount of \$82,435 from Brookline Bank through the Paycheck Protection Program established by the U.S. CARES Act (the “PPP Loan”) on April 11, 2020. The Foundation elected to use a 24-week covered period which expired on October 15, 2020. On February 9, 2021, the Small Business Administration (SBA) approved forgiveness in the amount of \$82,435. As of June 30, 2021, The Foundation has incurred \$82,435 in qualifying costs and received full forgiveness of the loan. Therefore, The Foundation will recognize \$82,435 as grant income for the 18-month period ended June 30, 2021.

BROOKLINE COMMUNITY FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2021

(Continued)

NOTE 14 LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

The following table reflects the Foundation's financial assets as of June 30, 2021, reduced by amounts not available for general expenditure within one year. Financial assets are considered unavailable when illiquid or not convertible to cash within one year or because the governing board has set aside the funds for a specific contingency reserve or a long-term investments.

	<u>Amount</u>
Financial Assets:	
Cash	\$ 1,148,377
Pledges Receivable	199,940
Investments	<u>9,373,945</u>
Total Financial Assets as of June 30, 2021	10,722,262
Less Amounts Not Available to be Used Within One Year:	
Board Designated Grant-Making and Operating Reserves	(479,168)
Long-Term Pledges	(113,410)
Endowment Investments	(3,857,394)
Beneficial Interest in a Perpetual Trust	<u>(128,836)</u>
Financial Assets Available to Meet	
General Expenditures Within One Year	<u>\$ 6,143,454</u>

The Foundation's cash flow has seasonal variations during the year attributable to contributions received in late spring and calendar 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. In June 2021, there was a \$763,700 cash donation from a Trust that significantly increased the cash balance at period end.

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

Based on the current board approved budget, approximately \$1,000,000 will be available for granting during FY 2022 at the board's discretion.

NOTE 15 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 October 27, 2021, the date which the financial statements were available for issue, and noted the following event which met the recognition criteria:

Contributions:

Subsequent to year end, the Foundation received a donation of \$300,000 from the Town of Brookline to support the Racial Equity Fund.