

COMMUNITY FOUNDATION FOR NANTUCKET, INC.

FINANCIAL STATEMENTS

For the Years Ended December 31, 2011 and 2010

COMMUNITY FOUNDATION FOR NANTUCKET, INC.

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Burke & Lamb, P.C.

Certified Public Accountants

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Community Foundation for Nantucket, Inc.
Nantucket, Massachusetts

We have audited the accompanying statement of financial position of Community Foundation for Nantucket, Inc. (a Massachusetts corporation, not-for-profit organization) as of December 31, 2011, and the related statements of activities and changes in net assets and cash flows for the year then ended. These financial statements are the responsibility of the Organization's management. 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 includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Community Foundation for Nantucket, Inc. as of December 31, 2011, 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.

The 2010 financial statements were reviewed by us, and our report thereon, dated May 6, 2011, stated we were not aware of any material modifications that should be made to those statements for them to be in conformity with accounting principles generally accepted in the United States of America. However, a review is substantially less in scope than an audit and does not provide a basis for the expression of an opinion on the financial statements as a whole.

Burke & Lamb, P.C.

Burke & Lamb, P.C.
Certified Public Accountants
New Bedford, Massachusetts
April 27, 2012

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COMMUNITY FOUNDATION FOR NANTUCKET, INC.

STATEMENT OF FINANCIAL POSITION

December 31, 2011 (Audited) and 2010 (Unaudited)

ASSETS

	<u>2011</u> <u>(Audited)</u>	<u>2010</u> <u>(Unaudited)</u>
Cash and cash equivalents	\$698,134	\$197,845
Investments	501,469	382,477
Contributions receivable	79,550	82,500
Prepaid expenses	2,051	2,018
Total current assets	<u>1,281,204</u>	<u>664,840</u>
Contributions receivable, long term	<u>16,765</u>	<u>85,250</u>
Total Assets	<u><u>\$1,297,969</u></u>	<u><u>\$750,090</u></u>

LIABILITIES AND NET ASSETS

Accounts payable	<u>\$2,147</u>	<u>\$3,683</u>
Total current liabilities	<u>2,147</u>	<u>3,683</u>
Net assets		
Unrestricted		
Designated donor advised funds	290,418	307,894
Other	<u>1,005,404</u>	<u>438,513</u>
Total unrestricted net assets	<u>1,295,822</u>	<u>746,407</u>
Total Liabilities and Net Assets	<u><u>\$1,297,969</u></u>	<u><u>\$750,090</u></u>

The accompanying notes are an integral part of these financial statements.

COMMUNITY FOUNDATION FOR NANTUCKET, INC.

STATEMENT OF ACTIVITIES

For the Years Ended December 31, 2011 (Audited) and 2010 (Unaudited)

	2011 <u>(Audited)</u>	2010 <u>(Unaudited)</u>
Unrestricted Revenues & Gain:		
Contributions	\$853,806	\$451,595
Dividends and interest	13,943	7,866
Realized/Unrealized gain (loss) on investments	(9,594)	24,058
Administrative fee income	9,848	5,186
Other income	34	2,376
Total unrestricted revenues and gains	<u>868,037</u>	<u>491,081</u>
Expenses:		
Program services:		
Grants and distributions	144,686	89,884
Other program expenses	96,929	73,625
Total program services	<u>241,615</u>	<u>163,509</u>
Supporting services:		
General and administrative	44,305	57,148
Development and fundraising	32,702	46,075
Total supporting services	<u>77,007</u>	<u>103,223</u>
Total expenses	<u>318,622</u>	<u>266,732</u>
Change in unrestricted net assets	549,415	224,349
Net assets, beginning of year	<u>746,407</u>	<u>522,058</u>
Net assets, end of year	<u>\$1,295,822</u>	<u>\$746,407</u>

The accompanying notes are an integral part of these financial statements.

COMMUNITY FOUNDATION FOR NANTUCKET, INC.

STATEMENT OF CASH FLOWS

For the Years Ended December 31, 2011 (Audited) and 2010 (Unaudited)

	2011 <u>(Audited)</u>	2010 <u>(Unaudited)</u>
Cash flows from operating activities:		
Change in unrestricted net assets	\$549,415	\$224,349
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Realized/Unrealized (gain) loss on investments	9,594	(24,058)
Changes in assets and liabilities:		
Contributions receivable	71,435	49,318
Prepaid expenses	(33)	(20)
Accounts payable	(1,536)	(1,234)
Net cash provided by operating activities	<u>628,875</u>	<u>248,355</u>
Cash flows from investing activities:		
Purchase of investments	(464,409)	(444,753)
Proceeds from sale of investments	335,823	251,543
Net cash used in investing activities	<u>(128,586)</u>	<u>(193,210)</u>
Net increase in cash and cash equivalents	500,289	55,145
Cash and cash equivalents, beginning of year	<u>197,845</u>	<u>142,700</u>
Cash and cash equivalents, end of year	<u>\$698,134</u>	<u>\$197,845</u>

The accompanying notes are an integral part of these financial statements.

COMMUNITY FOUNDATION FOR NANTUCKET, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2011 and 2010

NOTE A – NATURE OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES:

Nature of Organization:

The Community Foundation for Nantucket, Inc. (the Foundation) is a not-for-profit corporation established under the laws of the Commonwealth of Massachusetts. The Foundation is a community foundation established for the receipt and distribution of charitable funds primarily for the Nantucket, MA community.

Basis of Accounting:

The financial statements of the Foundation have been prepared utilizing the accrual basis of accounting.

Basis of Presentation:

Financial statement presentation follows the recommendations of the FASB ASC 958 formerly SFAS No. 117, Financial Statements for Not-for-Profit Organizations. Under FASB ASC 958, the Foundation is required to report information regarding its financial position and activities according to three classes of net assets; unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. Accounting standards provide that if the governing body of an organization has the ability to remove a donor restriction, the contributions should be classified as unrestricted net assets. Accordingly, the financial statements classify all net assets as unrestricted.

Use of Estimates:

The preparation of financial statements in accordance with generally accepted accounting principles requires management to make estimates and assumptions that affect reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements. Estimates also affect the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash Equivalents:

For purposes of the statement of cash flows, the Foundation considers all highly liquid investments purchased with a maturity of three months or less to be cash equivalents.

COMMUNITY FOUNDATION FOR NANTUCKET, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2011 and 2010

NOTE A - NATURE OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

Investments:

Investments in marketable securities with readily determinable fair values are valued at their fair values in the statement of financial position. Unrealized gains and losses are included in the change in net assets.

Income Tax Status:

The Foundation is qualified under Section 501(c)(3) of the Internal Revenue Code as a tax-exempt organization. Consequently, no provision for income taxes is reflected in these financial statements.

Management has evaluated significant tax positions against the criteria established by professional standards and believes there are no such tax positions requiring accounting recognition in the financial statements. Management does not believe its evaluation of tax positions will significantly change within twelve months of December 31, 2011. Any changes in tax positions will be recorded when the ultimate outcome becomes known. The Foundation's income tax returns are subject to examination by taxing authorities generally for the years ended December 31, 2010, 2009 and 2008.

Advertising:

The Foundation expenses advertising costs as incurred. Advertising costs were \$15,679 and \$40,098 for the years ended December 31, 2011 and 2010, respectively.

Promises to Give:

Unconditional promises to give that are expected to be collected within one year are recorded at their net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of estimated future cash flows. The discounts on those amounts are computed using a risk-free interest rate applicable to the year in which the promise is received. Amortization of the discount is included in contribution revenue. Conditional promises to give are not included as support until such time as the conditions are substantially met.

COMMUNITY FOUNDATION FOR NANTUCKET, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2011 and 2010

NOTE B – INVESTMENTS:

The Foundation reports its investment in marketable securities at fair value in accordance with FASB ASC 820-10 (formerly SFAS No. 157), Fair Value Measurements.

Cost and market values are as follows:

	December 31, 2011		December 31, 2010	
	Cost	Fair Value	Cost	Fair Value
Mutual funds	\$495,518	\$501,469	\$354,836	\$382,477
	\$495,518	\$501,469	\$354,836	\$382,477

This statement requires fair value measurements be classified and disclosed in one of the following categories:

Level 1: Financial instruments with unadjusted, quoted prices listed on active market exchanges.

Level 2: Financial instruments lacking unadjusted, quoted prices from active market exchanges, including over-the-counter traded financial instruments. The prices for the financial instruments are determined using prices for recently traded financial instruments with similar underlying terms as well as directly or indirectly observable inputs, such as interest rates and yield curves that are observable at commonly quoted intervals.

Level 3: Financial instruments that are not actively traded on a market exchange. This category includes situations where there is little, if any, market activity for the financial instrument. The prices are determined using significant observable inputs or valuation techniques.

COMMUNITY FOUNDATION FOR NANTUCKET, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2011 and 2010

NOTE B – INVESTMENTS (CONTINUED):

Table Disclosing the Fair Values of Foundation Assets by Category

Asset Category	Fair Value Measurements at December 31, 2011			
	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Equity securities:				
Greater Horizons-Equity Pool	\$232,532	\$0	\$232,532	\$0
Fixed income securities:				
Greater Horizons-Fixed Income Pool	264,656	0	264,656	0
Hybrid Securities:				
Greater Horizons-Alternative Inv. Pool	4,281	0	4,281	
	<u>\$501,469</u>	<u>\$0</u>	<u>\$501,469</u>	<u>\$0</u>

Table Disclosing the Fair Values of Foundation Assets by Category

Asset Category	Fair Value Measurements at December 31, 2010			
	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Equity securities:				
Greater Horizons-Equity Pool	\$182,839	\$0	\$182,839	\$0
Fixed income securities:				
Greater Horizons-Fixed Income Pool	196,729	0	196,729	0
Hybrid Securities:				
Greater Horizons-Alternative Inv. Pool	2,909	0	2,909	
	<u>\$382,477</u>	<u>\$0</u>	<u>\$382,477</u>	<u>\$0</u>

The Level 2 assets held in investment pools were valued using the market approach and were determined using the quoted market prices of similar assets.

The Foundation paid management and custody fees directly to the investment managers of \$1,688 and \$958 for the years ended December 31, 2011 and 2010, respectively.

COMMUNITY FOUNDATION FOR NANTUCKET, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2011 and 2010

NOTE C – CONCENTRATION OF CREDIT RISK:

The Foundation maintains their cash accounts and certificate of deposit at a local bank. At times throughout the year the amount or deposit may exceed federally insured limits. The Foundation has not experienced any losses in such accounts.

NOTE D – GRANTS APPROVED/PAID:

	2011		Unpaid
	Approved	Paid	Balance @ 12/31/2011
Arts and Humanities	\$8,225	\$8,225	\$0
Social Services	78,224	78,224	0
Philanthropy and Community	29,000	29,000	0
Conservation and Preservation	12,025	12,025	0
Education	14,912	14,912	0
Recreation	2,300	2,300	0
	<u>\$144,686</u>	<u>\$144,686</u>	<u>\$0</u>

	2010		Unpaid
	Approved	Paid	Balance @ 12/31/2010
Arts and Humanities	\$2,815	\$2,815	\$0
Social Services	38,917	38,917	0
Philanthropy and Community	28,950	28,950	0
Conservation and Preservation	5,460	5,460	0
Education	8,427	8,427	0
Recreation	5,315	5,315	0
	<u>\$89,884</u>	<u>\$89,884</u>	<u>\$0</u>

NOTE E – PROMISES TO GIVE:

Included in "Contributions Receivable" are the following unconditional promises to give:

	2011	2010
Contributions pledged	\$97,300	\$173,300
Unamortized discount	(985)	(5,550)
	<u>\$96,315</u>	<u>\$167,750</u>
Amounts due in:		
Less than one year	\$79,550	\$82,500
One to five years	16,765	85,250
	<u>\$96,315</u>	<u>\$167,750</u>

COMMUNITY FOUNDATION FOR NANTUCKET, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2011 and 2010

NOTE E – PROMISE TO GIVE (CONTINUED):

The interest rate used for calculating the discount was 0.83% and 2.02%, as of December 31, 2011 and 2010, respectively.

Management believes the contributions pledged will be collected in full and therefore, there is no allowance for uncollectible pledges.

NOTE F – MAJOR DONORS:

Contributions from one donor comprised 57% of contribution revenue in 2011 and contributions from four donors comprised 55% of contributions revenue in 2010. At December 31, 2011 three donors represented 62% of gross contributions receivable and three donors represented 69% of gross contributions receivable at December 31, 2010.

NOTE G – LEASE:

The Foundation leased its office space on a month to month basis at \$291 per month through February 2010, beginning in March 2010 the rent was \$800 per month on new office space. Rent expense for 2011 and 2010 was \$9,600 and \$9,782, respectively.

In January 2012, the Foundation entered into a month-to-month rental agreement for their new office space. The Foundation will pay monthly rent payments of \$400.

NOTE H – IN KIND CONTRIBUTIONS:

The Foundation does not record any support, revenue or expense from services contributed by non-professional volunteers. If any support, revenue or expenses were recorded it would be determined based on the difference between any amount paid to an individual and the comparable compensation that would be paid to an individual if they were to occupy these paid positions.

The Foundation received the following in kind contributions during 2011 and 2010 which have been included in income in the financial statements.

	2011	2010
Rent	\$4,400	\$4,800
Accounting services	700	800
Supplies	0	127
Website Domain	0	100
	<u>\$5,100</u>	<u>\$5,827</u>

COMMUNITY FOUNDATION FOR NANTUCKET, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2011 and 2010

NOTE I – MANAGEMENT CONSULTING AGREEMENT:

The Foundation is under a contractual agreement with Greater Horizons for management consulting services provided to the Foundation. The agreement, dated December 29, 2008, commenced on January 1, 2009 and continued through December 31, 2009. The fee for such services was \$30,000, plus an administrative fee equal to 0.15% of the fair value of assets transferred by the foundation to Greater Horizons. The agreement was extended through 2010 at an annual fee of \$20,000.

A new agreement was entered into for 2011, with an annual fee of \$20,000, to be paid in four equal quarterly installments, plus an administrative fee paid monthly at a rate equal to 0.15% per year of the fair value of assets transferred by the Foundation to Greater Horizons. The 2011 agreement includes a one year extension given mutual agreement. Either party may terminate the agreement, with or without cause, upon 60 day advance written notice to the other party.

Greater Horizons is administered by the Greater Kansas City Community Foundation and is a 501(c)(3) organization. The Foundation has chosen to allocate certain investments using Greater Horizon's investment pools.

NOTE J – SUBSEQUENT EVENTS:

Management has evaluated subsequent events through April 27, 2012, the date which the financial statements were available to be issued. No such events requiring disclosure subsequent to year end were noted as of April 27, 2012.