

COMMUNITY FOUNDATION FOR NANTUCKET, INC.

FINANCIAL STATEMENTS

For the Years Ended December 31, 2013 and 2012

COMMUNITY FOUNDATION FOR NANTUCKET, INC.

TABLE OF CONTENTS

Independent Auditors' Report	3
Financial Statements	
Statement of Financial Position	5
Statement of Activities	6
Statement of Cash Flows	7
Notes to Financial Statements	8

Burke & Lamb, P.C.

Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of Community Foundation for Nantucket, Inc. (a nonprofit organization) which comprise the statement of financial position as of December 31, 2013 and 2012, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Community Foundation for Nantucket, Inc., Inc. as of December 31, 2013 and 2012 and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Burke & Lamb, P.C.

Burke & Lamb, P.C.

Certified Public Accountants

New Bedford, Massachusetts

May 9, 2014

COMMUNITY FOUNDATION FOR NANTUCKET, INC.

STATEMENT OF FINANCIAL POSITION

December 31, 2013 and 2012

ASSETS

	<u>2013</u>	<u>2012</u>
Cash and cash equivalents	\$781,699	\$527,400
Investments	1,840,496	1,359,489
Contributions receivable	79,675	23,500
Prepaid expenses	1,803	1,850
Total current assets	<u>2,703,673</u>	<u>1,912,239</u>
Fixed assets	3,421	-
Less: accumulated depreciation	(950)	-
	<u>2,471</u>	<u>-</u>
Contributions receivable, long term	<u>144,087</u>	<u>4,891</u>
Total Assets	<u>\$2,850,231</u>	<u>\$1,917,130</u>

LIABILITIES AND NET ASSETS

Accounts payable	\$12,887	\$852
Grants payable	10,515	-
Other liabilities	11,020	-
Agency transactions payable	172,201	-
Total current liabilities	<u>206,623</u>	<u>852</u>
Net assets		
Unrestricted		
Designated donor advised funds	557,503	338,004
Other	2,086,105	1,578,274
Total unrestricted net assets	<u>2,643,608</u>	<u>1,916,278</u>
Total Liabilities and Net Assets	<u>\$2,850,231</u>	<u>\$1,917,130</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, 2013 and 2012

	2013	2012
Unrestricted Revenues & Gain:		
Contributions	\$1,497,894	\$1,100,271
Dividends and interest	32,060	31,714
Realized/Unrealized gain on investments	170,461	56,913
Administrative fee income	25,088	19,518
Other income	63,014	16,209
Total unrestricted revenues and gains	1,788,517	1,224,625
Expenses:		
Program services:		
Grants and distributions	456,177	179,334
Other program expenses	486,669	330,205
Total program services	942,846	509,539
Supporting services:		
General and administrative	75,957	58,983
Development and fundraising	42,384	35,647
Total supporting services	118,341	94,630
Total expenses	1,061,187	604,169
Change in unrestricted net assets	727,330	620,456
Net assets, beginning of year	1,916,278	1,295,822
Net assets, end of year	\$2,643,608	\$1,916,278

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, 2013 and 2012

	<u>2013</u>	<u>2012</u>
Cash flows from operating activities:		
Change in unrestricted net assets	\$727,330	\$620,456
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Items not requiring (providing) cash:		
Depreciation	950	-
Realized/unrealized gain on investments	(170,461)	(56,913)
Changes in assets and liabilities:		
Contributions receivable	(195,371)	67,924
Prepaid expenses	47	201
Accounts payable	12,035	(1,295)
Grants payable	10,515	-
Other liabilities	11,020	-
Agency transactions payable	172,201	-
Net cash provided by operating activities	<u>568,266</u>	<u>630,373</u>
Cash flows from investing activities:		
Purchase of investments	(2,314,802)	(946,655)
Proceeds from sale of investments	2,004,256	145,548
Purchase of equipment	(3,421)	-
Net cash used in investing activities	<u>(313,967)</u>	<u>(801,107)</u>
Net increase (decrease) in cash and cash equivalents	254,299	(170,734)
Cash and cash equivalents, beginning of year	<u>527,400</u>	<u>698,134</u>
Cash and cash equivalents, end of year	<u>\$781,699</u>	<u>\$527,400</u>

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

COMMUNITY FOUNDATION FOR NANTUCKET, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2013 and 2012

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, 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, 2013 and 2012

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 a not-for-profit public charity, exempt from federal income taxes in accordance with Section 501 (c)(3) of the Internal Revenue Code. Management believes that the Foundation operates in a manner consistent with their tax exempt status at both the state and federal level. The Foundation currently has no tax examinations in progress.

The Foundation is required to file IRS Form 990 - *Return of Organization Exempt From Income Tax* reporting various information that the IRS uses to monitor the activities of tax-exempt entities. These tax returns are subject to review by the taxing authorities generally for three years after they are filed.

Advertising:

The Foundation expenses advertising costs as incurred. Advertising costs were \$16,324 and \$15,419 for the years ended December 31, 2013 and 2012, 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, 2013 and 2012

Functional Expenses:

The costs of administering and providing the programs and other activities are allocated on a basis which reflects the level of effort expended on the supported services.

Property and equipment:

The Foundation records property and equipment at cost and capitalizes assets whose cost is \$1,000 or more, using the straight-line method of depreciation/amortization, based upon the estimated useful lives of the class of depreciable assets as follows:

Computer Equipment and Software 3 years

Depreciation expense was \$950 for the year ended December 31, 2013.

Agency transactions:

ASC No. 958, *Not-for-Profit Entities*, establishes standards for transactions in which a community foundation accepts a contribution from a not-for-profit organization and agrees to transfer those assets, the return on investment of those assets or both back to the not-for-profit organization. ASC No. 958 specifically requires that, if a not-for-profit organization establishes a Fund at a community foundation with its own assets and specifies itself as a beneficiary of that Fund, that community foundation must account for the transfer of such assets as a liability rather than as a contribution. The Foundation refers to such Funds as agency transactions, the liability of which is shown on the statements of financial position as agency transactions payable. Agency activities are not reflected on the statement of activities and changes in net assets.

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, 2013		December 31, 2012	
	Cost	Fair Value	Cost	Fair Value
Mutual funds	\$1,941,900	\$1,840,496	\$1,336,680	\$1,359,489
	<u>\$1,941,900</u>	<u>\$1,840,496</u>	<u>\$1,336,680</u>	<u>\$1,359,489</u>

COMMUNITY FOUNDATION FOR NANTUCKET, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2013 and 2012

NOTE B – INVESTMENTS (CONTINUED):

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.

Table Disclosing the Fair Values of Foundation Assets by Category

Asset Category	Total	Fair Value Measurements at December 31, 2013		
		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	\$953,388	\$ -	\$953,388	\$ -
Fixed income securities:				
Greater Horizons-Fixed Income Pool	875,312	-	875,312	-
Hybrid Securities:				
Greater Horizons-Alternative Inv. Pool	11,796	-	11,796	-
	<u>\$1,840,496</u>	<u>\$ -</u>	<u>\$1,840,496</u>	<u>\$ -</u>

COMMUNITY FOUNDATION FOR NANTUCKET, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2013 and 2012

NOTE B – INVESTMENTS (CONTINUED):

Table Disclosing the Fair Values of Foundation Assets by Category

Asset Category	Fair Value Measurements at December 31, 2012			
	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	\$653,554	\$ -	\$653,554	\$ -
Fixed income securities:				
Greater Horizons-Fixed Income Pool	699,187	-	699,187	-
Hybrid Securities:				
Greater Horizons-Alternative Inv. Pool	6,748	-	6,748	-
	<u>\$1,359,489</u>	<u>\$ -</u>	<u>\$1,359,489</u>	<u>\$ -</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 \$4,057 and \$2,831 for the years ended December 31, 2013 and 2012, respectively.

NOTE C – CONCENTRATION OF CREDIT RISK:

The Foundation maintains their cash accounts at two local banks. At times throughout the year the amount or deposit may exceed federally insured limits. The Foundation has not experienced any losses in such accounts. The deposits over \$250,000 at one of the banks are also insured by Depositors Insurance Fund available to Massachusetts chartered savings banks.

COMMUNITY FOUNDATION FOR NANTUCKET, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2013 and 2012

NOTE D – GRANTS PAYABLE:

Grants payable to other organizations, due within one year, were \$10,515 and \$0 at December 31, 2013 and 2012, respectively.

NOTE E – PROMISES TO GIVE:

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

	2013	2012
Contributions pledged	\$231,400	\$28,600
Unamortized discount	(7,638)	(209)
	<u>\$223,762</u>	<u>\$28,391</u>
Amounts due in:		
Less than one year	\$79,675	\$23,500
One to five years	151,725	5,100
	<u>\$231,400</u>	<u>\$28,600</u>

The interest rate used for calculating the discount was the five year U.S. Daily Treasury Yield Curve 5 Year Rate, which was 1.75% and 0.72%, as of December 31, 2013 and 2012, respectively.

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

NOTE F – AGENCY TRANSACTIONS:

As discussed in Note A, an agency transaction is the transfer of assets from a not-for-profit organization to establish a Fund at the Foundation whereby the not-for-profit organization specifies itself as the beneficiary of that Fund. The transfers to the Fund, related investment income (losses), fees earned, and distributions back to the not-for-profit organization are recorded as an increase or decrease to the corresponding assets and liabilities and are not included in the net assets of the Foundation.

COMMUNITY FOUNDATION FOR NANTUCKET, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2013 and 2012

NOTE F – AGENCY TRANSACTIONS (CONTINUED):

Agency transactions during the year ended December 31, 2013 were as follows:

	<u>2013</u>
Agency transaction payable, beginning of year	\$ -
Amounts received on behalf of others	166,335
Earnings allocated to agency accounts	6,438
Investment management fees	(42)
Management fees earned by the Foundation	<u>(530)</u>
Agency transactions payable, end of year	<u><u>\$172,201</u></u>

NOTE G – MAJOR DONORS:

Contributions from one donor comprised 36% of contribution revenue in 2012. No single donor comprised more than 10% of contribution revenue for 2013.

At December 31, 2013 one donor represented 10% of gross contributions receivable and one donor represented 57% of gross contributions receivable at December 31, 2012.

NOTE H – LEASE:

Beginning in January 2012, the Foundation entered into a month-to-month rental agreement for their office space at \$400 per month. Rent expense for 2013 and 2012 was \$4,800 and \$5,550, respectively.

NOTE I – 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.

COMMUNITY FOUNDATION FOR NANTUCKET, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2013 and 2012

NOTE I – IN KIND CONTRIBUTIONS (CONTINUED):

The Foundation received the following in kind contributions during 2013 and 2012 which have been included in income in the financial statements.

	<u>2013</u>	<u>2012</u>
Rent	\$ -	\$4,800
Project expenditures	1,000	-
Accounting services	800	800
	<u>\$1,800</u>	<u>\$5,600</u>

NOTE J – MANAGEMENT CONSULTING AGREEMENT:

The Foundation is under a contractual agreement with Greater Horizons for management consulting services provided to the Foundation.

An agreement was entered into beginning January 1, 2012, with an annual fee of \$20,000, to be paid monthly 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 agreement is through December 31, 2013 with a one year option that the parties may mutually agree upon. Either party may terminate the agreement, with or without cause, upon 60 day advance written notice to the other party.

Fees paid to Greater Horizons for the years ended December 31, 2013 and December 31, 2012 were as follows:

	<u>2013</u>	<u>2012</u>
Consulting contract fees	\$20,000	\$20,000
Investment management fees	4,057	2,831
Giving card fees	4,167	-
Donor control set-up	2,000	-
	<u>\$30,224</u>	<u>\$22,831</u>

A new agreement was entered into beginning January 1, 2014 and will continue until terminated, with the same terms above. The parties will discuss the terms annually.

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

COMMUNITY FOUNDATION FOR NANTUCKET, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2013 and 2012

NOTE K – SUBSEQUENT EVENTS:

Management has evaluated subsequent events through May 9, 2014, the date which the financial statements were available to be issued. No such events requiring disclosure subsequent to year end were noted as of May 9, 2014.