

**COMMUNITY FOUNDATION FOR NANTUCKET, INC.**

**FINANCIAL STATEMENTS**

**For the Years Ended December 31, 2012 and 2011**

**COMMUNITY FOUNDATION FOR NANTUCKET, INC.**

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## 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, 2012 and 2011, 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, 2012 and 2011 and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Burke & Lamb, P.C.  
Certified Public Accountants  
New Bedford, Massachusetts  
April 26, 2013

COMMUNITY FOUNDATION FOR NANTUCKET, INC.

STATEMENT OF FINANCIAL POSITION

December 31, 2012 and 2011

**ASSETS**

	<u>2012</u>	<u>2011</u>
Cash and cash equivalents	\$527,400	\$698,134
Investments	1,359,489	501,469
Contributions receivable	23,500	79,550
Prepaid expenses	1,850	2,051
Total current assets	<u>1,912,239</u>	<u>1,281,204</u>
Contributions receivable, long term	<u>4,891</u>	<u>16,765</u>
Total Assets	<u><u>\$1,917,130</u></u>	<u><u>\$1,297,969</u></u>

**LIABILITIES AND NET ASSETS**

Accounts payable	<u>\$852</u>	<u>\$2,147</u>
Total current liabilities	<u>852</u>	<u>2,147</u>
Net assets		
Unrestricted		
Designated donor advised funds	338,004	290,418
Other	1,578,274	1,005,404
Total unrestricted net assets	<u>1,916,278</u>	<u>1,295,822</u>
Total Liabilities and Net Assets	<u><u>\$1,917,130</u></u>	<u><u>\$1,297,969</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, 2012 and 2011

	<u>2012</u>	<u>2011</u>
Unrestricted Revenues & Gain:		
Contributions	\$1,100,271	\$853,806
Dividends and interest	31,714	13,943
Realized/Unrealized gain (loss) on investments	56,913	(9,594)
Administrative fee income	19,518	9,848
Other income	16,209	34
Total unrestricted revenues and gains	<u>1,224,625</u>	<u>868,037</u>
Expenses:		
Program services:		
Grants and distributions	179,334	144,686
Other program expenses	330,205	96,929
Total program services	<u>509,539</u>	<u>241,615</u>
Supporting services:		
General and administrative	58,983	44,305
Development and fundraising	35,647	32,702
Total supporting services	<u>94,630</u>	<u>77,007</u>
Total expenses	<u>604,169</u>	<u>318,622</u>
Change in unrestricted net assets	620,456	549,415
Net assets, beginning of year	<u>1,295,822</u>	<u>746,407</u>
Net assets, end of year	<u>\$1,916,278</u>	<u>\$1,295,822</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, 2012 and 2011**

	<u>2012</u>	<u>2011</u>
Cash flows from operating activities:		
Change in unrestricted net assets	\$620,456	\$549,415
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Realized/Unrealized (gain) loss on investments	(56,913)	9,594
Changes in assets and liabilities:		
Contributions receivable	67,924	71,435
Prepaid expenses	201	(33)
Accounts payable	(1,295)	(1,536)
Net cash provided by operating activities	<u>630,373</u>	<u>628,875</u>
Cash flows from investing activities:		
Purchase of investments	(946,655)	(464,409)
Proceeds from sale of investments	<u>145,548</u>	<u>335,823</u>
Net cash used in investing activities	<u>(801,107)</u>	<u>(128,586)</u>
Net increase (decrease) in cash and cash equivalents	(170,734)	500,289
Cash and cash equivalents, beginning of year	<u>698,134</u>	<u>197,845</u>
Cash and cash equivalents, end of year	<u>\$527,400</u>	<u>\$698,134</u>

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

# COMMUNITY FOUNDATION FOR NANTUCKET, INC.

## NOTES TO FINANCIAL STATEMENTS

December 31, 2012 and 2011

### 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, 2012 and 2011**

**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 \$15,419 and \$15,679 for the years ended December 31, 2012 and 2011, 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, 2012 and 2011

### 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.

### **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, 2012		December 31, 2011	
	Cost	Fair Value	Cost	Fair Value
Mutual funds	\$1,336,680	\$1,359,489	\$495,518	\$501,469
	<u>\$1,336,680</u>	<u>\$1,359,489</u>	<u>\$495,518</u>	<u>\$501,469</u>

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, 2012 and 2011**

**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>

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	\$ -	\$232,532	\$ -
Fixed income securities:				
Greater Horizons-Fixed Income Pool	264,656	-	264,656	-
Hybrid Securities:				
Greater Horizons-Alternative Inv. Pool	4,281	-	4,281	-
	<u>\$501,469</u>	<u>\$ -</u>	<u>\$501,469</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 \$2,831 and \$1,688 for the years ended December 31, 2012 and 2011, respectively.

**COMMUNITY FOUNDATION FOR NANTUCKET, INC.**

**NOTES TO FINANCIAL STATEMENTS**

**December 31, 2012 and 2011**

**NOTE C – CONCENTRATION OF CREDIT RISK:**

The Foundation maintains their cash accounts and certificate of deposit 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.

**NOTE D – GRANTS APPROVED/PAID:**

	2012		Unpaid
	Approved	Paid	Balance @ 12/31/2012
Arts and Humanities	\$23,040	\$23,040	\$ -
Social Services	74,645	74,645	-
Philanthropy and Community	31,225	31,225	-
Conservation and Preservation	1,825	1,825	-
Education	40,049	40,049	-
Recreation	8,550	8,550	-
	<u>\$179,334</u>	<u>\$179,334</u>	<u>\$ -</u>

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

**NOTE E – PROMISES TO GIVE:**

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

	2012	2011
Contributions pledged	\$28,600	\$97,300
Unamortized discount	(209)	(985)
	<u>\$28,391</u>	<u>\$96,315</u>
Amounts due in:		
Less than one year	\$23,500	\$79,550
One to five years	4,891	16,765
	<u>\$28,391</u>	<u>\$96,315</u>

**COMMUNITY FOUNDATION FOR NANTUCKET, INC.**

**NOTES TO FINANCIAL STATEMENTS**

**December 31, 2012 and 2011**

**NOTE E – PROMISE TO GIVE (CONTINUED):**

The interest rate used for calculating the discount was the five year U.S. Treasury bond daily bond rate, which was 0.72% and 0.83%, as of December 31, 2012 and 2011, 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 36% of contribution revenue in 2012 and contributions from one donor comprised 57% of contributions revenue in 2011. At December 31, 2012 one donor represented 19% of gross contributions receivable and three donors represented 62% of gross contributions receivable at December 31, 2011.

**NOTE G – LEASE:**

The Foundation leased its office space on a month to month basis at \$800 per month through January 2012. Beginning in January 2012, the Foundation entered into a month-to-month rental agreement for their new office space at \$400 per month. Rent expense for 2012 and 2011 was \$5,550 and \$9,600 respectively.

**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 2012 and 2011 which have been included in income in the financial statements.

	<u>2012</u>	<u>2011</u>
Rent	\$4,800	\$4,400
Accounting services	800	700
	<u>\$5,600</u>	<u>\$5,100</u>

**COMMUNITY FOUNDATION FOR NANTUCKET, INC.**

**NOTES TO FINANCIAL STATEMENTS**

**December 31, 2012 and 2011**

**NOTE I – MANAGEMENT CONSULTING AGREEMENT:**

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

A new 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.

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 26, 2013, 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 26, 2013.