

**COMMUNITY FOUNDATION FOR NANTUCKET, INC.**

**FINANCIAL STATEMENTS**

*with*

**INDEPENDENT AUDITORS' REPORT**

**YEAR ENDED DECEMBER 31, 2014**

Smith  Sullivan  
& Brown PC  
CERTIFIED PUBLIC ACCOUNTANTS

80 Flanders Road, Suite 200  Westborough, Massachusetts 01581  
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**COMMUNITY FOUNDATION FOR NANTUCKET, INC.**

**REPORT ON FINANCIAL STATEMENTS**

**YEAR ENDED DECEMBER 31, 2014**

**Mission Statement**

*To connect people who care with causes that matter by providing simple, powerful and creative ways to give back to the community to help ensure Nantucket's vitality now and forever.*

**Our Vision**

*Our vision is to be a driving force in sustaining and improving the overall health and spirit of our community. By connecting donors with the community – and the community with our donors – we will build a collaboration that benefits both.*

COMMUNITY FOUNDATION FOR NANTUCKET, INC.

REPORT ON FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2014

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**INDEPENDENT AUDITORS' REPORT**

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

We have audited the accompanying financial statements of Community Foundation for Nantucket, Inc. (a Massachusetts nonprofit organization), which comprise the statement of financial position as of December 31, 2014, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

**Management's Responsibility for the Financial Statements**

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

**Auditors' Responsibility**

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

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

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

**Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Community Foundation for Nantucket, Inc. as of December 31, 2014 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.

To the Board of Trustees  
Community Foundation for Nantucket, Inc.  
Page Two

**Emphasis of a Matter**

As discussed in Note 12 to the financial statements, the Foundation has restated its opening net assets to properly report the future amounts due on multi-year contributions as temporarily restricted net assets as of January 1, 2014.

*Smith, Sullivan & Brown, PC*

Westborough, Massachusetts  
May 15, 2015

COMMUNITY FOUNDATION FOR NANTUCKET, INC.

STATEMENT OF FINANCIAL POSITION AS OF DECEMBER 31, 2014

**ASSETS**

**CURRENT ASSETS:**

Cash and Cash Equivalents	\$ 1,119,542
Contributions Receivable	125,565
Prepaid Expenses	1,847
Total Current Assets	<u>1,246,954</u>

**PROPERTY AND EQUIPMENT:**

Net of Accumulated Depreciation	<u>1,330</u>
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**NON-CURRENT ASSETS:**

Long-Term Investments	1,838,167
Endowment Investments	247,422
Contributions Receivable, Net of Discount	227,907
Total Non-Current Assets	<u>2,313,496</u>

**TOTAL ASSETS**

**\$ 3,561,780**

**LIABILITIES AND NET ASSETS**

**CURRENT LIABILITIES:**

Accounts Payable	\$ 23,017
Grants Payable	11,820
Other Liabilities	5,225
Agency Funds Held For Others	180,649
Total Current Liabilities	<u>220,711</u>

**TOTAL LIABILITIES**

220,711

**NET ASSETS:**

Unrestricted Net Assets:	
Donor-Advised Funds	719,053
Designated Funds	89,352
Special Project Funds	181,984
Partner Funds	961,424
Scholarship Funds	491,418
Nantucket Fund	69,720
Endowment Funds	247,422
Operating Funds	227,224
Total Unrestricted Net Assets	<u>2,987,597</u>
Temporarily Restricted Net Assets	353,472
Total Net Assets	<u>3,341,069</u>

**TOTAL LIABILITIES AND NET ASSETS**

**\$ 3,561,780**

COMMUNITY FOUNDATION FOR NANTUCKET, INC.

STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2014

<u>SUPPORT, REVENUES AND RECLASSIFICATIONS:</u>	<u>UNRESTRICTED</u>	<u>TEMPORARILY RESTRICTED</u>	<u>TOTAL ACTIVITIES</u>
<i>Gifts, Grants and Contributions:</i>			
Grants and Contributions	\$ 2,216,326	\$ 215,760	\$ 2,432,086
<i>Other Revenues:</i>			
Investment Return	110,105	-	110,105
Other Revenue Received on Behalf of Funds	164,631	-	164,631
<i>Reclassification of Net Assets:</i>			
Satisfaction of Donor Restrictions	<u>86,050</u>	<u>(86,050)</u>	<u>-</u>
 <b><u>TOTAL SUPPORT, REVENUES AND RECLASSIFICATIONS</u></b>	 <b><u>2,577,112</u></b>	 <b><u>129,710</u></b>	 <b><u>2,706,822</u></b>
 <b><u>FUNCTIONAL EXPENSES:</u></b>			
Program Services	1,893,162	-	1,893,162
Administrative	86,716	-	86,716
Fund Raising	<u>29,483</u>	<u>-</u>	<u>29,483</u>
 <b><u>TOTAL FUNCTIONAL EXPENSES</u></b>	 <b><u>2,009,361</u></b>	 <b><u>-</u></b>	 <b><u>2,009,361</u></b>
 <b><u>TOTAL CHANGE IN NET ASSETS</u></b>	 <b><u>567,751</u></b>	 <b><u>129,710</u></b>	 <b><u>697,461</u></b>
 <b><u>NET ASSETS - BEGINNING OF YEAR, AS RESTATED</u></b> <i>(Note 12)</i>	 <b><u>2,419,846</u></b>	 <b><u>223,762</u></b>	 <b><u>2,643,608</u></b>
 <b><u>NET ASSETS - END OF YEAR</u></b>	 <b><u>\$ 2,987,597</u></b>	 <b><u>\$ 353,472</u></b>	 <b><u>\$ 3,341,069</u></b>

COMMUNITY FOUNDATION FOR NANTUCKET, INC.

STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED DECEMBER 31, 2014

	<u>PROGRAM</u> <u>EXPENSES</u>	<u>ADMINI-</u> <u>STRATIVE</u>	<u>FUND</u> <u>RAISING</u>	<u>TOTAL</u> <u>FUNCTIONAL</u> <u>EXPENSES</u>
Grants:				
Donor-Advised Funds	\$ 158,282	\$ -	\$ -	\$ 158,282
Designated Funds	16,000	-	-	16,000
Special Project Funds	39,415	-	-	39,415
Partner Funds	152,508	-	-	152,508
Scholarship Funds	42,042	-	-	42,042
Endowment Funds	7,686	-	-	7,686
Nantucket Fund	116,885	-	-	116,885
Less: Interfund Grants	<u>(112,713)</u>	<u>-</u>	<u>-</u>	<u>(112,713)</u>
Total Grants	<u>420,105</u>	<u>-</u>	<u>-</u>	<u>420,105</u>
Program Expenses on Behalf of Funds (Note 8)	1,358,823	-	-	1,358,823
Salaries and Wages	78,372	13,062	13,062	104,496
Payroll Taxes	5,477	913	913	7,303
Employee Benefits	7,227	903	903	9,033
Consultants and Professional Fees	-	13,755	-	13,755
Contracted Fiscal Administration Fees	-	32,576	-	32,576
Rent and Utilities	4,377	730	730	5,837
Insurance	-	2,686	-	2,686
Marketing and Advertising	11,303	-	11,303	22,606
Office Supplies and Expense	-	7,076	-	7,076
Website	7,478	935	935	9,348
Depreciation Expense	-	1,141	-	1,141
Dues and Subscriptions	-	1,223	-	1,223
Meetings and Conferences	-	1,637	1,637	3,274
Bank Fees and Miscellaneous	<u>-</u>	<u>10,079</u>	<u>-</u>	<u>10,079</u>
<b>Total Functional Expenses</b>	<b><u>\$ 1,893,162</u></b>	<b><u>\$ 86,716</u></b>	<b><u>\$ 29,483</u></b>	<b><u>\$ 2,009,361</u></b>



COMMUNITY FOUNDATION FOR NANTUCKET, INC.

STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED DECEMBER 31, 2014

**CASH FLOWS FROM OPERATING ACTIVITIES:**

Change in Net Assets	<u>\$ 697,461</u>
<i>Adjustments to Reconcile the Above to Net Cash Provided by Operating Activities:</i>	
Net Realized/Unrealized Gain on Investments	(74,193)
Depreciation Expense	1,141
<i>(Increase) Decrease in Current Assets:</i>	
Contributions Receivable	(45,890)
Prepaid Expenses	(44)
<i>Increase (Decrease) in Current Liabilities:</i>	
Accounts Payable	10,130
Grants Payable	1,305
Other Liabilities	(5,795)
Agency Funds Held for Others	8,448
<i>(Increase) Decrease in Non-Current Assets:</i>	
Contributions Receivable, Net of Discount	(83,820)
Net Adjustment	<u>(188,718)</u>
<b><u>NET CASH PROVIDED BY OPERATING ACTIVITIES</u></b>	<b><u>508,743</u></b>

**CASH FLOWS FROM INVESTING ACTIVITIES:**

Proceeds from Sale of Investments	388,820
Purchase of Investments	<u>(559,720)</u>
Net Cash Flows from Investing Activities	<u>(170,900)</u>

**NET INCREASE IN CASH AND CASH EQUIVALENTS**

**337,843**

**CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR**

**781,699**

**CASH AND CASH EQUIVALENTS - END OF YEAR**

**\$ 1,119,542**

COMMUNITY FOUNDATION FOR NANTUCKET, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2014

NOTE 1     ORGANIZATION

Community Foundation for Nantucket, Inc. (“CFN” 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 Community Foundation for Nantucket 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.

NOTE 2     NATURE OF FUNDS

The Community Foundation for Nantucket is primarily funded through contributions and pledges from the general public. Contributions are made into various types of funds. The Foundation held and made grants from the following types of funds for the year:

**Donor-Advised Funds:**

The Foundation offers several types of funds that enable donors to identify funding opportunities aligned with their values and charitable interests. Donor-Advised Funds allow donors to recommend grant recipients, subject to the Foundation’s diligence and approval. Collectively, these funds granted \$158,282 for charitable purposes during 2014 including grants to other funds at the Foundation.

**Nantucket Fund:**

Through the Nantucket Fund™, donors can contribute funds to address community needs. This fund primarily serves as a permanent charitable resource for Nantucket. It grows through community support and provides much-needed funding for local programs and services. It allows the Foundation to act strategically to improve the community by addressing the most urgent needs. The Nantucket Fund™ granted \$116,885 to charitable organizations on Nantucket during 2014.

**Field of Interest Funds:**

Overall, Field of Interest Funds enable donors to support a broad charitable purpose or a category of interest (e.g., mental health, animal welfare, arts, education, human services) and/or target populations (e.g., youth, immigrants, senior citizens). Field of Interest funds fall into three sub-categories:

General Field of Interest Funds: Like the Nantucket Fund, provides funding for local programs and services, but only makes grants to charitable organizations aligned with the purpose or category of interest fund. CFN had no General Field of Interest Funds in 2014.

Foundation Partners: When the Trustees believe there is a long term need to maintain a fund with a specific purpose or category of interest and there is a group in the local community that will maintain a leadership role, they will designate the fund a “Foundation Partner” fund. Examples include the Behavioral Health Task Force Fund. Foundation Partner Funds distributed \$152,508 to their respective projects.

COMMUNITY FOUNDATION FOR NANTUCKET, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2014

*(Continued)*

NOTE 2      *(Continued)*

Project Funds: Additionally, certain special project funds are categorized as Field of Interest Funds. Although the primary purpose of the Foundation is to build endowment funds to secure the future of charitable giving on Nantucket, the Trustees are aware that there is sometimes a short-term need for funding to carry out a project (e.g., a bike path, landscape beautification) that will be a long-term benefit to Nantucket. In other cases, a worthy organization is in the process of filing for charitable status and needs to receive donations and process costs associated with their program while their 501(c)(3) is pending. In such cases, the Foundation has the ability to establish a special project Field of Interest Fund as a service to the community. This type of Field of Interest Fund leaves the sponsoring group free to concentrate on fundraising and completing the project and the Foundation handles the administration. Together, the special project Field of Interest Funds distributed \$1,195,158 to their respective projects through grants awarded and project expenses. Examples of special project Field of Interest Funds include the Nantucket Book Festival, the Nantucket Music Festival and White Heron Theatre. The expenses associated with these projects and programs are not a part of the operating expense of the Foundation, but the expenses are paid from the funds received that were specifically donated to the special project Field of Interest Fund.

**Scholarship Funds:**

The Foundation administers 12 scholarship programs, all of which are designated for residents of Nantucket. During 2014, the amounts awarded from scholarship funds totaled \$42,042 including \$32,000 to 15 Nantucket Students and \$10,042 to support a program at the school.

**Designated Funds:**

The Foundation administers Designated Funds that benefit a specific charitable organization(s). Designated Funds distributed \$16,000 to their respective areas of focus. Designated Funds can only make grants to designated nonprofits.

**Board-Designated Endowment Funds:**

The Foundation's Endowment Funds have been established to support the operations budget of the Foundation. As previously discussed, the Board of Trustees has made a commitment to build an endowment to secure the Foundation's future. For the year presented, the Board appropriated \$7,686 from its Endowment Funds for current operations consistent with its endowment spending policy.

**Operating Funds:**

The Foundation operates with a full-time Executive Director and part-time staff. Additional services related to investment management, accounting and administration are provided under an agreement with Greater Horizons, a subsidiary of the Greater Kansas City Community Foundation. Funds for administration and the Foundation's community leadership activities are sourced from administrative fees, contributions to the Foundation's Operating Fund and contributions from the Foundation's Endowment Funds (in accordance with its annual spending policy).

COMMUNITY FOUNDATION FOR NANTUCKET, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2014

*(Continued)*

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.

**Basis of Accounting:**

The Foundation's policy is to maintain its books and prepare its financial statements on the accrual basis of accounting in accordance with generally accepted accounting principles. Consequently, revenues and gains are recognized when earned, and expenses and losses are recognized when a liability has been incurred.

**Fair Value of Financial Instruments:**

The Foundation reports required types of financial instruments in accordance with fair value accounting standards. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. These standards require an entity to maximize the use of observable inputs (such as quote prices in active markets) and minimize the use of unobservable inputs (such as appraisals or other valuation techniques) to determine fair value. Fair value measurement standards also require the Foundation to classify these financial instruments into a three-level hierarchy, based on the priority of inputs to the valuation technique or in accordance with net asset value practical expedient rules, which allow for either Level 2 or Level 3 reporting, depending on lock-up and notice periods associated with the underlying funds.

Instruments measured and reported at fair value are classified and disclosed in one of the following categories:

- 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.

COMMUNITY FOUNDATION FOR NANTUCKET, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2014

*(Continued)*

NOTE 3      *(Continued)*

In some instances, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such instances, an instrument's level within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement.

The primary use of fair value measures in the Foundation's financial statements are the recurring measurement of the Foundation's investments. There have been no changes to this valuation methodology.

**Financial Statement Presentation:**

As required by the *FASB Accounting Standards Codification*<sup>TM</sup>, the Foundation reports 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. These classifications are related to the existence or absence of donor-imposed restrictions as follows:

*Unrestricted Net Assets* - consists of assets, public support and program revenues which are available and used for operations, grant-giving and program expenses on behalf of non-agency funds. Unrestricted net assets represents the portion of net assets of the Foundation that is neither permanently restricted nor temporarily restricted by donor-imposed stipulations. Contributions are considered available for unrestricted use unless specifically restricted by the donor. Generally accepted accounting principles 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 unrestricted net assets. The Foundation's governing documents and fund agreements give the Foundation's Board of Trustees variance power to modify donor instructions that are incapable of fulfillment or inconsistent with the charitable needs of the community. As a result of this variance power, most contributions are classified as unrestricted net assets for financial statement purposes. In addition, unrestricted net assets of the Foundation include funds designated as an endowment by the Board of Trustees.

*Temporarily Restricted Net Assets* - 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 investment income earned on restricted funds. The Foundation's temporarily restricted net assets are comprised of amounts due under multi-year pledge commitments. These assets are classified as temporarily restricted due to time restrictions, as the assets will not become available for the Foundation's use until the time a stated event occurs. Once the event occurs (the time which the pledge becomes due), these assets are subject to the same variance power as those aforementioned and are reclassified to unrestricted net assets.

*Permanently Restricted Net Assets* - includes resources which have a permanent donor-imposed restriction which stipulates that the assets are to be maintained permanently, but permits the Foundation to expend part or all of the income derived from the donated assets. For the year presented, the Foundation did not have any assets of this nature.

COMMUNITY FOUNDATION FOR NANTUCKET, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2014

*(Continued)*

NOTE 3     *(Continued)*

**Endowment Funds** - As required by the FASB Accounting Standards Codification™, the Foundation follows the guidance on the net asset classification of donor-restricted endowment funds for nonprofits that are subject to an enacted version of the Uniform Prudent Management of Institutional Funds Act ("UPMIFA"). The Commonwealth of Massachusetts UPMIFA establishes law for the management of investment of donor-restricted endowment funds. For the year presented, the Foundation did not hold any donor-restricted Endowment Funds; however, the Foundation has designated by action of the Board of Trustees certain funds to function as Endowment Funds. The primary long-term objective of the Endowment Investment portfolio is to seek competitive market returns so as to preserve and grow the capital of funds, provide cash flows to fund distributions and to preserve the purchasing power of the funds to meet charitable needs of the Foundation now and those in the future. The current spending policy from the Endowment Fund(s) to the Foundation is to annually appropriate 4% of the average trailing 36 months' market value of the fund(s) to support current operations of the Foundation during the month of December each year.

**Cash and 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.

**Contributions Receivable:**

*Contributions Receivable* represents multi-year promises to give. Receivables are classified as current if they are scheduled for payment within one year, and non-current when the expected payment date exceeds one year. Management periodically reviews specific promises to give and agreements to determine if any balances are uncollectible. Management believes that all receivables are collectible; therefore, no allowance for doubtful amounts has been established. If balances due are determined to be uncollectible in subsequent periods, they will be charged to activities at that time. For the year ended December 31, 2014, there were no losses on uncollectible receivables.

**Property and Equipment:**

Property, equipment, furnishing and improvement purchases in excess of \$1,000 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 against income over the estimated useful lives of the assets as expressed in terms of years. As of December 31, 2014, property and equipment consists of computer equipment and software with an original book value of \$3,421 and accumulated depreciation of \$2,091 (depreciated over a three-year estimated useful life).

COMMUNITY FOUNDATION FOR NANTUCKET, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2014

*(Continued)*

NOTE 3      *(Continued)*

**Long-Term and Endowment Investments:**

The Foundation maintains its investments in pooled investment portfolios with Greater Horizons, a subsidiary of the Greater Kansas City Community Foundation. Amounts held in these pooled funds are valued at net asset value which approximates fair value. Investment earnings, unrealized and realized gains/losses and investment expenses are allocated monthly on a pro rata basis representative of the Foundation's percentage of ownership in each pooled fund, as adjusted for additions to or deductions from the account. As the intent is to hold these funds for long-term purposes, the Foundation reports its investments in the pooled funds as non-current.

**Agency Funds Held for Others ("Organizational Funds"):**

As required under 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. Contributions to agency funds and income, expenses, realized and unrealized gains/losses on those funds are not included in the Statement of Activities. Organizational Funds are held on behalf of Nantucket nonprofit organizations in order to allow them to access the Foundation's pooled investment services.

**Contributions, Gifts and Grants:**

As required by the *FASB Accounting Standards Codification*<sup>TM</sup>, contributions are required to be recorded as receivables and revenues and the Foundation is required to distinguish between contributions received for each net asset category in accordance with donor-imposed restrictions. Contributions may include gifts of cash, bequests, stocks or promises to give.

Contributions, including unconditional promises to give, are recognized as revenues in the period received. Conditional promises to give are not recognized until they become unconditional, that is, at the time when the conditions on which they depend are substantially met. Contributions of assets other than cash are reported at their estimated fair value.

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. The Foundation updates its discount rate to the year-end Treasury Yield annually. Support that is restricted by the donor is reported as an increase in temporarily or permanently restricted net assets depending on the nature of the restriction until the restriction expires, at which time temporarily restricted net assets are reclassified to unrestricted net assets. Based on the variance power held by the Foundation, for the year presented, all contributions, gifts and grants are considered unconditional with the exception of the inherent time restriction on multi-year pledges.

COMMUNITY FOUNDATION FOR NANTUCKET, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2014

*(Continued)*

NOTE 3      *(Continued)*

**Donated Goods and Services:**

As required by the *FASB Accounting Standards Codification*<sup>TM</sup>, the Community Foundation of Nantucket, 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. For the year presented, there were no donated goods or services that met the recognition criteria.

**Grants Expense and Grants Payable:**

The Foundation recognizes grants expense at the time the Board of Trustees approves awards and all significant conditions are met. As of December 31, 2014, all amounts included in *Grants Payable* are expected to be paid in 2015.

**Functional Expenses:**

Community Foundation for Nantucket, 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 by various statistical bases used in conjunction with the Foundation's cost allocation plan. Supporting services are those related to operating and managing CFN and its programs on a day-to-day basis.

Supporting services have been sub-classified as follows:

*Administrative* - includes all activities related to Community Foundation for Nantucket, 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 and other similar projects related to the procurement of donated funds.

**Tax Position:**

The Foundation currently evaluates all tax positions, and makes a determination regarding the likelihood of those positions being upheld under review. The primary tax positions made by the Foundation are the existence of Unrelated Business Income Tax and the Foundation's status as a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code. For the year presented, the Foundation has not recognized any tax benefits or loss contingencies for uncertain tax positions based on this evaluation. All tax periods prior to 2011 are no longer subject to examination by tax authorities.



COMMUNITY FOUNDATION FOR NANTUCKET, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2014

(Continued)

NOTE 4      CONTRIBUTIONS RECEIVABLE

As of December 31, 2014, *Contributions Receivable*, discounted to present value at an effective interest rate of 1.65%, were due for collections as follows:

	<u>Amount</u>
Receivables Due in Less than One Year	\$125,565
Receivables Due in One to Five Years	<u>240,635</u>
Total Contributions Receivable	366,200
Less: Discount to Net Present Value	<u>(12,728)</u>
Net Contributions Receivable	<u>\$353,472</u>

NOTE 5      INVESTMENTS

As of December 31, 2014, investment costs and unrealized gains and losses for the Foundation's pooled investment funds held at Greater Horizons were as follows:

<u>Fund Type</u>	<u>Cost</u>	<u>Unrealized Gains</u>	<u>Fair Value (Level 2)</u>
GH – Equity Pool	\$1,043,623	\$63,710	\$1,107,333
GH – Short-Term Fixed Income Pool	578,759	1,862	580,621
GH – Intermediate Fixed Income Pool	376,125	8,450	384,575
GH – Alternative Investment Pool	<u>8,510</u>	<u>4,550</u>	<u>13,060</u>
Total	<u>\$2,007,017</u>	<u>\$78,572</u>	<u>\$2,085,589</u>

The value of the Foundation's investment in the pooled fund is determined using net asset value ("NAV") as a "practical expedient". The practical expedient allows net asset value per share to represent fair value for financial reporting purposes when the criteria for using this method are met. Assets valued with the NAV practical expedient are Level 2 or 3 depending on the organization's ability to redeem the investment at or close to the measurement date. The Foundation has the ability to redeem the pooled investments at any time and has therefore categorized these investments as Level 2 investments in the fair value hierarchy. Investment activity through December 31, 2014 is included in all investment balances.

<u>Components of Investment Return</u>	<u>Amount</u>
Interest and Dividends	\$ 40,598
Investment Fees	(4,686)
Net Realized/Unrealized Gain on Investments	<u>74,193</u>
Net Investment Return	<u>\$110,105</u>

COMMUNITY FOUNDATION FOR NANTUCKET, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2014

(Continued)

NOTE 6    AGENCY FUNDS HELD FOR OTHERS (“ORGANIZATIONAL FUNDS”)

Organizational transactions during the year ended December 31, 2014 were as follows:

	<u>Amount</u>
Organizational Funds Held for Others, January 1	\$172,201
Amounts Received on Behalf of Others	425
Earnings Allocated to Agency Accounts	10,280
CFN Management Fee	(1,910)
Investment Management Fees	<u>(347)</u>
Organizational Funds Held for Others, December 31	<u>\$180,649</u>

NOTE 7    NET ASSETS

Activities by fund for the year ended December 31, 2014 are as follows:

<u>Nature of Restriction</u>	<u>January 1</u>	<u>Inflows*</u>	<u>Outflows*</u>	<u>December 31, 2014</u>	
				<u>Unrestricted</u>	<u>Temporarily Restricted</u>
Donor-Advised Funds	\$ 557,503	\$ 334,371	\$ (172,821)	\$ 719,053	\$ -
Designated Funds	95,645	11,792	(18,085)	89,352	-
Special Project Funds	112,279	1,264,863	(1,195,158)	181,984	-
Partner Funds	806,942	522,878	(368,396)	961,424	-
Scholarship Funds	470,941	73,273	(52,796)	491,418	-
Nantucket Fund	6,439	318,097	(124,080)	69,720	130,736
Endowment Funds	239,424	23,289	(15,291)	247,422	-
Operating Funds	<u>354,435</u>	<u>319,177</u>	<u>(223,652)</u>	<u>227,224</u>	<u>222,736</u>
Total	2,643,608	2,867,740	(2,170,279)	2,987,597	353,472
Less: Interfund Transactions	<u>-</u>	<u>(160,918)</u>	<u>160,918</u>	<u>-</u>	<u>-</u>
Total	<u>\$2,643,608</u>	<u>\$2,706,822</u>	<u>\$(2,009,361)</u>	<u>\$2,987,597</u>	<u>\$353,472</u>

\*Inflows include contributions, investment returns and other revenue received on behalf of the funds.  
Outflows include grants awarded, program expenditures on behalf of funds and administrative fees.

COMMUNITY FOUNDATION FOR NANTUCKET, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2014

*(Continued)*

NOTE 7      *(Continued)*

**Endowment Funds:**

The following schedule summarizes the change in the Board-Designated Endowment Funds, which are reported as unrestricted net assets, for the year ended December 31, 2014:

	<u>Amount</u>
Endowment Net Assets, January 1	\$239,424
Contributions	7,450
Investment Return, Net	15,349
Administration Fee	(3,705)
Other Adjustments	(3,410)
Appropriation for Expenditures	<u>(7,686)</u>
Endowment Net Assets, December 31	<u>\$247,422</u>

NOTE 8      PROGRAM EXPENSES ON BEHALF OF FUNDS

Under certain fund agreements, the Foundation will act as a sponsor for events and pay expenses directly on behalf of the fund. For the year presented, program expenses were paid on behalf of the following funds:

	<u>Amount</u>
Community Festivals and Events	\$1,068,245
Community Programs/General Philanthropy	<u>290,578</u>
Total Program Expenses on Behalf of Others	<u>\$1,358,823</u>

NOTE 9      MANAGEMENT CONSULTING AGREEMENT

The Foundation is a party to a contractual agreement with Greater Horizons to provide various management services. The agreement is reviewed annually on or before January 1. If necessary, any mutually agreed upon changes to services and fees will result in an amendment to the contract at that time. Either party may terminate this agreement, with or without cause, upon 60 days advance written notice to the other party. Fees paid to Greater Horizons for these services are reported as *Contracted Fiscal Administration Fees* in the accompanying Statement of Functional Expenses.

NOTE 10      LEASE AGREEMENT

The Foundation is a party to a lease agreement for a cottage located in Nantucket. The lease term is October 1, 2014 through June 1, 2015 and includes a monthly rent payment of \$500; therefore, the future minimum obligation under this lease is \$2,500 due in 2015.

COMMUNITY FOUNDATION FOR NANTUCKET, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2014

*(Continued)*

NOTE 11    CONCENTRATIONS

**Investments:**

The Foundation's investments in the Greater Horizon Investment Pools are held in professionally managed money market, equity and fixed-income mutual funds and alternative investment 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 Board of Trustees on a periodic basis.

**Revenue and Program Expenses on Behalf of Funds:**

For the year ended December 31, 2014, grants and contributions received on behalf of one Field of Interest Project Fund accounted for 36% of total support and revenue. Additionally, expenses paid on behalf of this fund accounted for approximately 49% of total expenses for the year.

NOTE 12    RESTATEMENT OF OPENING NET ASSETS

Management has restated its opening net assets to properly report the balance due on multi-year commitments as temporarily restricted net assets as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total Net Assets</u>
Net Assets as of January 1, 2014	\$2,643,608	\$ -	\$2,643,608
Restatement of Time-Restricted Net Assets	<u>(223,762)</u>	<u>223,762</u>	<u>-</u>
*Net Assets as of January 1, 2014 (as Restated)	<u>\$2,419,846</u>	<u>\$223,762</u>	<u>\$2,643,608</u>

\*The restatement of opening net assets has no effect on total net assets as of January 1, 2014.

NOTE 13    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 May 15, 2015, the date which the financial statements were available for issue, and noted no events which met the recognition criteria.