

**Foundation for MetroWest, Inc.**

Financial Statements  
&  
Independent Auditor's Report

December 31, 2018 and 2017



**Foundation for MetroWest, Inc.**  
**Financial Statements**  
**December 31, 2018 and 2017**

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## **Independent Auditor's Report**

To the Board of Trustees of  
Foundation for MetroWest, Inc.

We have audited the accompanying financial statements of Foundation for MetroWest, Inc. (a nonprofit Foundation), which comprise the statements of financial position as of December 31, 2018 and 2017, and the related statements of activities, functional expenses 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 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.

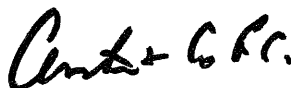
### **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Foundation for MetroWest, Inc. as of December 31, 2018 and 2017, and the changes in its net assets and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

### **Emphasis of Matter**

#### **Change in Accounting Principle**

As discussed in Notes 2 to the financial statements, during the year ended December 31, 2018, the Foundation adopted Accounting Standards Update 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. As a result, the standard was retroactively applied to the financial statements for the fiscal year ending December 31, 2017. Our opinion is not modified with respect to that matter.



Anstiss & Co., P.C.  
Lowell, MA  
April 10, 2019



**Foundation for MetroWest, Inc.**  
**Statements of Financial Position**  
**December 31, 2018 and 2017**

	2018	2017
Current Assets		
Cash and cash equivalents	\$ 1,082,667	\$ 1,384,627
Operating investments	4,745,471	4,547,660
Unconditional promises to give, net	312,486	552,007
Prepaid expenses and other current assets	13,804	9,378
Total current assets	<u>6,154,428</u>	<u>6,493,672</u>
Long-term assets		
Property and equipment - net	10,182	7,241
Operating lease asset	191,173	242,081
Endowment promises to give	2,299,629	2,355,020
Endowment investments	14,044,430	13,891,057
Total long-term assets	<u>16,545,414</u>	<u>16,495,399</u>
Total assets	<u>\$ 22,699,842</u>	<u>\$ 22,989,071</u>
Current liabilities		
Accounts payable and accrued expenses	\$ 26,257	\$ 10,680
Grants payable	20,000	-
Total current liabilities	<u>46,257</u>	<u>10,680</u>
Long-term liabilities		
Operating lease liability	191,173	242,081
Agency endowment funds	686,142	712,506
Long-term liabilities	<u>877,315</u>	<u>954,587</u>
Total liabilities	<u>923,572</u>	<u>965,267</u>
Net assets		
Without donor restrictions		
Undesignated	4,479,849	5,204,208
Designated for operating reserves	850,000	-
Designated for endowment	10,851,945	10,313,984
Total net assets without donor restrictions	<u>16,181,794</u>	<u>15,518,192</u>
With donor restrictions		
Perpetual in nature	1,626,635	1,626,635
Purpose restrictions	1,330,648	2,066,645
Time restrictions	2,637,193	2,812,332
Total net assets with donor restrictions	<u>5,594,476</u>	<u>6,505,612</u>
Total net assets	<u>21,776,270</u>	<u>22,023,804</u>
Total liabilities and net assets	<u>\$ 22,699,842</u>	<u>\$ 22,989,071</u>

See the accompanying notes to these financial statements.



**Foundation for MetroWest, Inc.**  
**Statements of Activities**  
**For the Years Ended December 31, 2018 and 2017**

	Without Donor Restrictions	With Donor Restrictions	Total 2018	Without Donor Restrictions	With Donor Restrictions	Total 2017
<b>SUPPORT AND REVENUE</b>						
Contributions, grants and gifts	\$ 2,492,485	\$ 834,429	\$ 3,326,914	\$ 2,678,908	\$ 1,772,229	\$ 4,451,137
Investment return	(948,751)	(258,704)	(1,207,455)	1,724,732	574,790	2,299,522
Program fees	(12,155)	-	(12,155)	6,913	-	6,913
Special events	503,580	-	503,580	430,358	-	430,358
Net assets released from restriction	1,486,861	(1,486,861)	-	1,472,003	(1,472,003)	-
<b>TOTAL SUPPORT AND REVENUE</b>	<b>3,522,020</b>	<b>(911,136)</b>	<b>2,610,884</b>	<b>6,312,914</b>	<b>875,016</b>	<b>7,187,930</b>
<b>EXPENSES</b>						
Grantmaking and other program expenses	1,880,063	-	1,880,063	1,704,885	-	1,704,885
Management and general	420,392	-	420,392	348,550	-	348,550
Fundraising and development	557,963	-	557,963	671,016	-	671,016
<b>Total Expenses</b>	<b>2,858,418</b>	<b>-</b>	<b>2,858,418</b>	<b>2,724,451</b>	<b>-</b>	<b>2,724,451</b>
<b>CHANGE IN NET ASSETS</b>	<b>663,602</b>	<b>(911,136)</b>	<b>(247,534)</b>	<b>3,588,463</b>	<b>875,016</b>	<b>4,463,479</b>
<b>NET ASSETS AT BEGINNING OF YEAR</b>	<b>15,518,192</b>	<b>6,505,612</b>	<b>22,023,804</b>	<b>11,929,729</b>	<b>5,630,596</b>	<b>17,560,325</b>
<b>NET ASSETS AT END OF YEAR</b>	<b>\$ 16,181,794</b>	<b>\$ 5,594,476</b>	<b>\$ 21,776,270</b>	<b>\$ 15,518,192</b>	<b>\$ 6,505,612</b>	<b>\$ 22,023,804</b>

See the accompanying notes to these financial statements.



**Foundation for MetroWest, Inc.**  
**Statements of Functional Expenses**  
**For the Years Ended December 31, 2018 and 2017**

	Program	General & Administrative	Fundraising	Total for 2018
Grants	\$ 1,363,521	\$ -	\$ -	\$ 1,363,521
Program support	84,037	-	-	84,037
Salaries and related	399,918	296,324	299,246	995,488
Consulting services	-	-	47,605	47,605
Professional fees	-	35,955	-	35,955
Occupancy	24,192	17,760	18,048	60,000
Repairs and maintenance	-	4,589	-	4,589
Office supplies and expenses	8,395	21,953	6,263	36,611
Cost of direct benefits to donors	-	-	19,437	19,437
Fundraising and development expenses	-	-	149,239	149,239
Depreciation	-	4,059	-	4,059
Information technology	-	39,752	18,125	57,877
Total expenses	<u>\$ 1,880,063</u>	<u>\$ 420,392</u>	<u>\$ 557,963</u>	<u>\$ 2,858,418</u>

	Program	General & Administrative	Fundraising	Total for 2017
Grants	\$ 1,237,696	\$ -	\$ -	\$ 1,237,696
Program support	32,351	-	-	32,351
Salaries and related	400,334	218,036	296,449	914,819
Consulting services	-	-	83,063	83,063
Professional fees	-	37,913	-	37,913
Occupancy	24,551	13,106	18,018	55,675
Repairs and maintenance	-	4,275	-	4,275
Office supplies and expenses	9,953	35,734	7,304	52,991
Cost of direct benefits to donors	-	-	35,430	35,430
Fundraising and development expenses	-	-	218,864	218,864
Depreciation	-	2,837	-	2,837
Information technology	-	36,649	11,888	48,537
Total expenses	<u>\$ 1,704,885</u>	<u>\$ 348,550</u>	<u>\$ 671,016</u>	<u>\$ 2,724,451</u>



**Foundation for MetroWest, Inc.**  
**Statements of Cash Flows**  
**For the Years Ended December 31, 2018 and 2017**

	<u>2018</u>	<u>2017</u>
Cash flows from operating activities		
Change in net assets	\$ (247,534)	\$ 4,463,479
Adjustments to reconcile changes in net assets to net cash provided by operating activities		
Depreciation	4,059	2,837
Amortization of discount on promises to give	(93,810)	79,549
Realized and unrealized loss (gain) on operating investments	1,869,621	(773,490)
Loss on uncollectable promises to give	-	8,000
Contributions restricted to endowment	(2,088,744)	(1,978,534)
Change in agency endowment liability	(83,967)	77,414
Endowment net investment return	(279,084)	(1,223,454)
Changes in assets and liabilities		
Increase in unconditional promises to give	388,722	(707,677)
(Increase) decrease in prepaid expenses and other current assets	(4,426)	(557)
(Increase) decrease in accounts payable and accrued expenses	15,577	10,680
Decrease in grants payable	20,000	(33,500)
Net cash provided by operating activities	<u>(499,586)</u>	<u>(75,253)</u>
Cash flows from investing activities		
Purchase of equipment	(7,000)	-
Purchase of operating investments	(8,490,333)	(6,057,321)
Proceeds from the sale of operating investments	6,422,901	5,434,543
(Additions to) withdrawals from agency endowment funds	57,603	73,589
(Additions to) withdrawals from endowment	125,711	(1,518,929)
Net cash used by investing activities	<u>(1,891,118)</u>	<u>(2,068,118)</u>
Cash flows from financing activities		
Collections of contributions restricted to endowment	2,088,744	1,978,534
Net cash used by financing activities	<u>2,088,744</u>	<u>1,978,534</u>
Net increase (decrease) in cash and cash equivalents	(301,960)	(164,837)
Cash and cash equivalents at beginning of year	1,384,627	1,549,464
Cash and cash equivalents at end of year	<u>\$ 1,082,667</u>	<u>\$ 1,384,627</u>
Supplemental cash flow information		
Donated goods and investments	<u>\$ 376,722</u>	<u>\$ 511,694</u>

Pursuant to the adoption of ASU 2016-02 "Leases," during 2017, the Foundation recorded a non-cash asset in the amount of \$270,795 representing the net present value of future required payments on an operating lease to occupy office space (Notes 2 and 12). In addition, a corresponding non-cash operating lease liability was recorded in the amount of \$270,795. During 2018, the assets and liabilities under leases were adjusted by \$50,908 to reflect the net present value of the remaining lease payments of \$191,173 as of December 31, 2018.



**Foundation for MetroWest, Inc.**  
**Financial Statements**  
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**NOTE 1 –THE ORGANIZATION**

Foundation for MetroWest, Inc. (the “Foundation”) is a not-for-profit corporation established in March 1995. The Foundation was established to strengthen the sense of community through a comprehensive grant making program, help donors maximize the impact of their local giving, increase the level and spirit of philanthropy in the region by building a permanent endowment and, where appropriate, address community issues and opportunities on a regional basis to enhance the quality of life for respective citizens.

The Foundation accomplishes its goals by offering capacity-building programs, strategic education services, and community forums on philanthropy that help people understand the needs of the region and how best to address them. The Foundation also offers services to financial advisors – working with them as they advise clients on philanthropic planning and investments. The following is a general description of the Foundation’s major programs:

Donor Services

The Foundation manages philanthropic initiatives for donors and nonprofits while reducing administrative challenges and providing greater tax advantages. The Foundation’s expertise is valuable not only for those who know where they want to give, but also for the many residents who want to give back to their communities but may not have the time or inclination to identify pressing local needs that address personal giving goals.

Grant-making

The Foundation awards grants and scholarships annually throughout MetroWest. The Foundation’s initiatives address community-specific issues as well as challenges affecting the region as a whole. Together, with donors and nonprofits, the Foundation manages philanthropic initiatives that, in part, serve to:

- Support water quality and land-protection activities that conserve and restock the region’s forests, waters and land through funds for organizations such as the Organization for the Assabet River.
- Support the region’s newest residents by working with organizations such as Framingham Adult ESL Plus.
- Provide safe and supportive housing through initiatives such as WATCH.
- Offer students better education and promote public service through scholarship funds.
- Strengthen cultural and arts programs through funds for organizations such as The Framingham History Center, Discovery Museums, and The Center for the Arts in Natick.



**Foundation for MetroWest, Inc.**  
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**NOTE 1 –THE ORGANIZATION (continued)**

Youth in Philanthropy

The nation is preparing for a massive transfer of wealth. This will create opportunities and challenges for raising socially-responsible youths. To address this, the Foundation for MetroWest is taking a lead in educating today's youth about the critical importance of philanthropy through its Youth in Philanthropy initiative, which enables educators and families to engage young people in the collaborative decision-making essential to effective philanthropy.

The Foundation's service area includes the Massachusetts cities and towns of Acton, Ashland, Boxboro, Carlisle, Concord, Dedham, Dover, Framingham, Harvard, Holliston, Hopkinton, Hudson, Lexington, Lincoln, Marlborough, Maynard, Medfield, Medway, Milford, Millis, Natick, Needham, Sherborn, Southborough, Stow, Sudbury, Walpole, Waltham, Wayland, Wellesley, Westborough, Westwood and Weston.

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

***Basis of Presentation***

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (GAAP). The Foundation reports information regarding its financial position and activities in two classes of net assets based on the existence or absence of donor-imposed restrictions as follows:

Net Assets Without Donor Restrictions

Net assets that are not subject to donor-imposed stipulations are classified as without donor restrictions.

Net Assets With Donor Restrictions

Net assets subject to donor imposed stipulations that may or will be met, either by actions of the Foundation and/or the passage of time are classified as net assets with donor restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

Also included in this category, are net assets subject to donor restrictions to be maintained in perpetuity as permanent assets of the Foundation. Generally, all income and unrealized and realized net gains on investments related to these net assets can be made available for operations as the Foundation appropriates its annual spending based on the use of a spending policy or in accordance with donor restrictions.



**Foundation for MetroWest, Inc.**  
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**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

***Cash and Cash Equivalents***

Cash equivalents include cash, time deposits, certificates of deposit, and other highly liquid financial instruments with original maturities of three months or less, which are neither held nor restricted by donors for long-term purposes. Cash, time deposits, certificates of deposit, and other highly liquid financial instruments restricted to endowments that are perpetual in nature or other long-term purposes are excluded from this definition.

***Fair Value Measurements***

GAAP defines fair value measurements applied to reported balances that are required or permitted to be measured at fair value on a recurring basis under an existing accounting pronouncement. Under GAAP, fair value is a market-based measurement, not an entity-specific measurement. Therefore, a fair value measurement should be determined based on the assumptions that market participants would use in pricing the asset or liability and establishes a fair value hierarchy consisting of three levels of inputs that may be used to measure fair value as follows:

Level 1 – Inputs that utilize quoted prices (unadjusted) in active markets for identical assets or liabilities that the Foundation has the ability to access.

Level 2 – Inputs that include quoted prices for similar assets and liabilities in active markets and inputs that are observable for the assets or liabilities, either directly or indirectly, for substantially the full term of the financial instrument. Fair values for these instruments are estimated using pricing models, quoted prices of securities with similar characteristics, or discounted cash flows.

Level 3 – Inputs that are unobservable inputs for the asset or liability, which are typically based on an entity's own assumptions, as there is little, if any, related market activity.

In instances where the determination of the fair value measurement is based on inputs from different levels of the fair value hierarchy, the level in the fair value hierarchy within which the entire fair value measurement falls is based on the lowest level input that is significant to the fair value measurement in its entirety.

ASC 825-10, "*Financial Instruments*," permits an entity to measure many financial instruments and certain other assets and liabilities at fair value on an instrument-by-instrument basis. Foundation for MetroWest, Inc. has not adopted any of the additional fair value options allowed in the standard. The carrying amounts for cash and cash equivalents, unconditional promises to give, prepaid expenses and other assets, accounts payable and accrued expenses, and grants payable approximate fair value due to their short-term nature.



**Foundation for MetroWest, Inc.**  
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**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

***Investments***

The Foundation's Investment Committee is responsible for adoption and implementation of prudent investment policies, engagement of investment managers, and oversight and coordination of investment performance of third-party fiduciaries. Payout policies and guidelines on funds administered by the Foundation are determined by the Investment Committee and approved by the Board of Trustees. The Foundation invests its assets in a manner that will achieve a total rate of return sufficient to replace the assets spent for grants and expenses and recoup any value lost due to inflation. To minimize risk, the Foundation diversifies its investments among various financial instruments and asset categories and uses multiple investment strategies.

Investments in equity securities with readily determinable fair values and all investments in debt securities are measured at fair value in the balance sheet. Fair value is based on market value in the case of marketable securities. The market value of publicly traded securities is based upon quoted prices from principal exchanges on which the securities are traded. Investment income or loss (including realized and unrealized gains and losses on investments, interest and dividends) is included in the current year change in net assets. Realized and unrealized investment gains and losses are determined by comparison of the difference between market values and cost basis. Dividend and interest income is recognized when earned.

Alternative investments include non-marketable securities such as private equity, hedge funds, and real estate investment trusts, which are valued using current estimates of fair value obtained from investment managers or general partners in the absence of readily determinable public market values. Because of the inherent uncertainty in valuing alternative investments, the estimate of the investment manager or general partner may differ from the values that would have been used had a ready market existed, and the differences could be significant. The agreements underlying participation in non-marketable investment funds may limit the Foundation's ability to liquidate its interest in such investments for a period of time.

As of December 31, 2018 and 2017, the Foundation had no alternative investments and does not foresee owning any, although allowed under their investment policy. Should the Foundation anticipate receiving or purchasing alternative investments, the investment committee will endeavor to develop and implement policies surrounding their valuation.



**Foundation for MetroWest, Inc.**  
**Financial Statements**  
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**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

***Promises to Give***

Contributions are recognized when the donor makes a promise (pledge) to give to the Foundation that is, in substance, unconditional. Promises to give due next year are recorded at their net realizable value. Promises to give due in subsequent years are reported at the present value of their net realizable value, using a risk-adjusted interest rate of 3-5% applicable to the years in which the promises are to be received. In subsequent years, amortization of the discount rate is included in contribution revenue in the statements of activities. The allowance for uncollectable promises to give is based on historical experience, an assessment of economic conditions, and a review of subsequent collections. Promises to give are written off when deemed uncollectable.

***Property and Equipment***

Additions of property and equipment exceeding \$1,000 are stated at cost if purchased or constructed, or at fair market value at the date of the gift if donated. Major additions and betterments are charged to property and equipment, while maintenance and repairs that do not improve or extend the lives of the respective assets are expensed in the year incurred. Depreciation is computed using the straight-line method over the estimated useful lives of the assets as follows:

	<u>Years</u>
Improvements	10
Furniture and fixtures	7
Office equipment	5
Software	3

The Foundation reviews long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of long-lived assets is measured by comparison to the future undiscounted net cash flows expected to be generated by the assets. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the estimated fair value of the assets. Assets to be disposed of are reportable at the lower of the carrying amount or fair value, less costs to sell.

***Leases***

In February 2016, the FASB issued ASU 2016-02, “*Leases*,” which requires lessees to recognize leases on the statement of financial position and disclose key information about leasing arrangements. The new standard establishes a right-of-use model (ROU) that requires a lessee to recognize a ROU asset and lease liability on the statement of financial position for all leases. The Foundation has exercised the option under ASU 2016-2, to adopt a policy of expensing payments on operating leases with lease terms of twelve months or less. Under



**Foundation for MetroWest, Inc.**  
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**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

***Leases (continued)***

this standard, leases will be classified as either finance or operating, with classification affecting the recognition of expenses in the statement of activities.

The Foundation early adopted this standard for the fiscal year ending December 31, 2017, as the Foundation entered into a new operating lease for office space during that year. Consequently, upon adoption, the Foundation recorded liabilities under operating leases of \$270,795 based on the present value of the remaining minimum rental payments. A corresponding asset under operating leases was recorded in the amount of \$270,795. For the year ended December 31, 2018, the operating lease asset and operating lease liability were adjusted to reflect the net present value of the remaining lease payments of \$191,173 as of December 31, 2018.

***Revenue Recognition***

Program fees, which consist of net Foundation administrative fees and fees for workshops, are recognized when evidence of an arrangement exists, delivery of services has occurred, the fee is fixed or determinable, and collectability is probable. Program service fees billed or collected in advance are recorded as deferred revenue until the services are performed. As of December 31, 2018 and 2017, there were no unrecognized program fees or outstanding obligations under contracts with customers.

Contributions are recognized when cash, securities or other assets, an unconditional promise to give, or notification of a beneficial interest is received. Gifts of assets other than cash are recorded at their estimated fair value on the date of the gift. Pledges receivable are stated at the estimated net present value, net of an allowance of uncollectable amounts. Conditional promises to give are not recognized until the conditions on which they depend have been substantially met.

***In-Kind Contributions***

Donated goods, services, fixed asset, and securities are recorded as contributions at their estimated fair value at the date of donation. Such donations are reported as increases in net assets without donor restrictions unless the donor has restricted the donated asset to a specific purpose. Asset donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire fixed assets are reported as restricted contributions. The Foundation reports expiration of donor restrictions when the donated or acquired assets are placed in service. There were \$376,722 and \$511,694 in donated securities during the years ended December 31, 2018 and 2017, respectively.



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**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

***In-Kind Contributions (Continued)***

A substantial number of volunteers have donated significant amounts of their time in various organizational and fundraising activities; however, the financial statements do not reflect the value of these contributed services because they do not meet recognition criteria prescribed by generally accepted accounting principles. Contributed professional services are recorded at the respective fair values of the services received.

***Functional Allocation of Expenses***

The Foundation's program service is to help donors maximize the impact of their local giving through a comprehensive grant making program that increases the level and spirit of philanthropy by building a permanent endowment to address community issues. The cost of providing the Foundation's various programs and supporting services has been summarized on a functional basis in the statements of functional expenses. The statement of functional expenses is required to present the natural classification detail of expenses by function allocated on a reasonable basis that is consistently applied. Expenses that can be identified with a specific program and support services are allocated directly. Based on management's estimates, certain costs have been allocated among major classes of program services and supporting activities. Salaries and wages, fringe benefits, and payroll taxes are allocated based on estimates of time and effort. Other expenses that are not directly allocable but are common to several functions are allocated based on personnel allocations. Unallocable costs are charged to management and general or fundraising as appropriate.

***Concentrations of Credit Risk***

The Foundation places its cash and cash equivalents with high quality financial institutions. Such deposits are covered by Federal Deposit Insurance Corporation (FDIC) insurance and by state level insurance for balances in excess of FDIC limits. Investments are primarily managed by one institution. Management routinely assesses the financial strength of these institutions in order to minimize risk.

Investments are exposed to various risks such as market and credit risks. Due to the level of risk associated with investments and the level of uncertainty related to changes in the value of such investments, it is at least reasonably possible that changes in values in the near term could materially affect investment balances and the amounts reported in the financial statements.



**Foundation for MetroWest, Inc.**  
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**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

***Use of Estimates***

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount 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.

***Income Taxes and Uncertain Tax Positions***

The Foundation, incorporated under Chapter 180 of the Massachusetts General Laws as a tax-exempt entity, has been granted tax-exempt status under Internal Revenue Code (IRC) Section 501(c)(3) and is classified as other than a private foundation as defined by section 509(a) of the IRC. Therefore, it is generally exempt from federal and state income taxes. Accordingly, no provision for income taxes has been provided for in the accompanying financial statements.

The Foundation is required by ASC 740-10, “*Accounting for Uncertainty in Income Taxes*,” to evaluate and disclose tax positions that could have an effect on the Foundation's financial statements. The Foundation reports its activities to the Internal Revenue Service and to the Commonwealth of Massachusetts on an annual basis. These informational returns are generally subject to audit and review by the governmental agencies for a period of three years after filing. Substantially all of the Foundation's income, expenditures and activities relate to its exempt purpose. Therefore, management has determined that the Foundation is not subject to unrelated business income taxes and will continue to qualify as a tax exempt not-for-profit entity.

***Adoption of Recent Accounting Pronouncements***

During 2018, the Foundation adopted ASU 2016-14, *Not-for-Profit Entities (Topic 958): “Presentation of Financial Statements for Not-for-Profit Entities.”* This guidance is intended to improve the net asset classification requirements and the information presented in the financial statements and notes about a not-for-profit entity's liquidity, financial performance, and cash flows. The main provisions of this guidance include: presentation of two classes of net assets versus the previously required three; recognition of capital gifts as net assets without donor restrictions when the associated long-lived asset is placed in service; and recognition of underwater endowment funds as a reduction in net assets with donor restrictions. The guidance also enhances disclosures for board designated amounts, composition of net assets without donor restrictions, liquidity, and expenses by both their natural and functional classification. As a result of the adoption of this standard, during 2018, certain amounts from the prior year financial statements were reclassified to conform to current year presentation.



**Foundation for MetroWest, Inc.**  
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**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

***Adoption of Recent Accounting Pronouncements (continued)***

A recap of the net asset reclassification driven by the adoption of ASU 2016-14 as of December 31, 2017 is as follows:

Net Asset Classifications	ASU 2016-14 Classifications		
	Without donor restrictions	With donor restrictions	Total net assets
As previously presented			
Unrestricted	\$15,518,192	\$ -	\$15,518,192
Temporarily restricted	-	4,878,977	4,878,977
Permanently restricted	-	1,626,635	1,626,635
Total net assets as reclassified	<u>\$15,518,192</u>	<u>\$ 6,505,612</u>	<u>\$22,023,804</u>

***Accounting Updates***

In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2014-09, “*Revenue from Contracts with Customers*,” amending Financial Accounting Standards Board Accounting Standards Codification (ASC) topic 606. This ASU affects any entity that enters into contracts with customers to transfer goods or services and is intended to enhance the comparability of revenue recognition practices across entities. The new standard requires entities to recognize revenue when the entity has satisfied its performance obligations under contracts with customers in the amount the entity expects to be entitled to in exchange for the goods or services provided. For non-profit organizations with no public debt, this ASU takes effect for annual periods beginning after December 15, 2018. Early adoption is permitted.

In June 2018, the FASB issued ASU 2018-08, “Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made,” amending ASC 958-605. The new ASU clarifies the difference between an exchange transaction and a contribution and further defines when a contribution is considered conditional or unconditional. This will allow non-profit entities to identify when and how revenue should be recognized. For non-profit organization without public debt, this ASU is effective for financial statements issued for annual periods beginning after December 15, 2018.

The Foundation is currently evaluating the effect that these accounting pronouncements will have on the financial statements. There were no other accounting standards recently issued that had or are expected to have a material impact on the Foundation’s financial statements and associated disclosures.



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**NOTE 3 – LIQUIDITY AND AVAILABILITY**

Financial assets available within one year for general expenditure such as operating expenses and distributions in accordance with the Foundation’s spending policy were as follows for the years ending December 31:

	2018	2017
Cash and cash equivalents	\$ 519,826	\$ 1,242,216
Operating investments	1,350,706	184,589
Unconditional promises to give	500	-
Endowment spending policy appropriations	633,055	575,816
Total financial assets available	<u>\$ 2,504,087</u>	<u>\$ 2,002,621</u>

To manage liquidity, the Foundation has designated the larger of \$850,000 or six months of operating expenses to be held in liquid short-term bond funds as operating reserves. These reserves are not accessible to management for operations without Board approval. In periods when there is excess cash on hand not required for current obligations, the surplus will be added to investments held for operating reserves to either replenish amounts expended or increase available resources. In addition, the Foundation holds a number of funds designated as operating endowment funds. These funds are held in investment accounts with asset allocations consistent with the investment policy and include accumulated returns on these investments. The annual distributions from the operating endowments are set at 4% of the average value of the funds as calculated on 20 trailing quarters. The annual distributions may be used for current operations. Although the Board currently has no intention of doing so, these designated funds can be made available for general expenditure with Board approval. The Foundation also maintains a line of credit to cover shortfalls in revenue. The line of credit is accessible to management to meet current cash flow needs with approval from the Board.

**NOTE 4 - UNCONDITIONAL PROMISES TO GIVE**

Unconditional promises to give consisted of the following as of December 31:

	2018	2017
Due within one year	\$ 1,694,943	\$ 1,355,983
Due in two to five years	1,006,250	1,733,932
Gross pledges	2,701,193	3,089,915
Unamortized discounts	89,078	182,888
Pledges receivable - net	<u>\$ 2,612,115</u>	<u>\$ 2,907,027</u>

At December 31, 2018, 74% of unconditional promises to give was due from four contributors. At December 31, 2017, 61% was due from three contributors.



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**NOTE 5 – INVESTMENTS AND FAIR VALUE OF FINANCIAL INSTRUMENTS**

The Foundation uses fair value measurements to record fair value adjustments to certain assets and liabilities and to determine fair value disclosures (see Note 2). The following tables present the Foundation's fair value hierarchy for those assets and liabilities measured at fair value on a recurring basis as of December 31, 2018 and 2017:

	2018			
		Quoted prices in active markets for identical assets	Significant other observable inputs	Significant unobservable inputs
	Total	Level 1	Level 2	Level 3
Cash equivalents	\$ 1,211,873	\$ 1,211,873	\$ -	\$ -
Equity securities				
Services	7,639	7,639	-	-
Consumer goods	50,211	50,211	-	-
Financial	22,584	22,584	-	-
Healthcare	33,712	33,712	-	-
Industrial goods	44,671	44,671	-	-
Basic materials	11,801	11,801	-	-
Technology	74,432	74,432	-	-
Energy	2,856	2,856	-	-
Real estate	23,201	23,201	-	-
Utilities	11,765	11,765	-	-
Equity funds				
Large blend	3,313,055	3,313,055	-	-
Mid cap blend	606,359	606,359	-	-
Emerging market	1,009,370	1,009,370	-	-
International	3,822,295	3,822,295	-	-
Fixed income funds				
Corporate	976,125	976,125	-	-
Short-term	1,360,016	1,360,016	-	-
Intermediate	1,847,708	1,847,708	-	-
Government agencies	2,346,865	2,346,865	-	-
Exchange traded funds				
Commodities based	741,889	741,889	-	-
Real estate	1,271,474	1,271,474	-	-
Total	\$ 18,789,901	\$ 18,789,901	\$ -	\$ -



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**NOTE 5 – INVESTMENTS AND FAIR VALUE OF FINANCIAL INSTRUMENTS (cont.)**

		2017 Quoted prices in active markets for identical assets Level 1	Significant other observable inputs Level 2	Significant unobservable inputs Level 3
	Total			
Cash equivalents	\$ 1,499,595	\$ 1,499,595	\$ -	\$ -
Equity securities				
Services	60,769	60,769	-	-
Consumer goods	58,415	58,415	-	-
Financial	75,444	75,444	-	-
Healthcare	35,922	35,922	-	-
Industrial goods	118,231	118,231	-	-
Basic materials	51,033	51,033	-	-
Technology	77,126	77,126	-	-
Equity funds				
Large blend	246,100	246,100	-	-
International	6,700,443	6,700,443	-	-
Fixed income funds				
High yield	562,157	562,157	-	-
Mid cap blend	609,705	609,705	-	-
Large blend	3,757,393	3,757,393	-	-
Corporate	576,591	576,591	-	-
Intermediate	1,861,781	1,861,781	-	-
Inflation protected	86,067	86,067	-	-
Exchange traded funds				
Commodities based	785,495	785,495	-	-
International real estate	1,276,450	1,276,450	-	-
Total	<u>\$18,438,717</u>	<u>\$18,438,717</u>	<u>\$ -</u>	<u>\$ -</u>

Investments in exchange traded funds (ETFs) are reported at fair market value (FMV) as quoted in active markets as of December 31, 2018 and 2017. The FMV of these ETFs is expected to approximate net asset value (NAV), but may differ significantly. Sale of these ETFs would be at the FMV quoted in active markets as of the date of sale. There are no unfunded commitments, redemption or other selling restrictions associated with these investments.



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**NOTE 6 – INVESTMENT RETURN**

Investment return consisted of the following for the years ended December 31st:

	<u>2018</u>	<u>2017</u>
Interest and dividends	\$ 444,709	\$ 376,015
Realized gain (loss)	420,486	247,046
Unrealized gain (loss)	(2,011,023)	1,749,898
Investment custodial fees	(61,627)	(73,437)
	<u>\$ (1,207,455)</u>	<u>\$ 2,299,522</u>

Investment return is shown net of investment management and custody fees paid directly to the investment managers in the amount of \$61,627 and \$73,437 for the years ended December 31, 2018 and 2017, respectively. There were additional investment fees that were not paid directly to the managers but rather are netted from the return on certain investments.

**NOTE 7 – PROPERTY AND EQUIPMENT**

Property and Equipment is composed of the following as of December 31:

	<u>2018</u>	<u>2017</u>
Office equipment	\$ 75,879	\$ 68,879
Furniture and fixtures	14,234	14,234
Website and software	27,364	27,364
Total property and equipment	117,477	110,477
Less accumulated depreciation	107,295	103,236
Property and equipment - net	<u>\$ 10,182</u>	<u>\$ 7,241</u>

Depreciation expense was \$4,059 and \$2,837 for years ending December 31, 2018 and 2017, respectively.

**NOTE 8 – AGENCY ENDOWMENT FUNDS**

Agency endowment arises when a transfer is received from a not-for-profit organization that specifies itself as the beneficiary. ASC 958-605, “*Revenue Recognition*,” requires that such transfers received by a community foundation be accounted for as a liability, as the transaction is deemed to be reciprocal. Agency endowments held by the Foundation as of December 31, 2018 and 2017 were \$686,142 and \$712,506, respectively.



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**NOTE 9 - NET ASSETS**

Net assets consisted of the following at June 30, 2019 and 2018, respectively:

	2019			2018		
	Without donor restrictions	With donor restrictions	Total	Without donor restrictions	With donor restrictions	Total
Operating funds	\$ 526,672	\$ -	\$ 526,672	\$ 1,219,719	\$ -	\$ 1,219,719
Designated operating reserve	850,000	-	850,000	-	-	-
Non-endowed funds subject to variance power	3,942,995	(210,124)	3,732,871	3,977,248	21,512	3,998,760
Invested in fixed assets	10,182	-	10,182	7,241	-	7,241
Pledges receivable	-	2,612,115	2,612,115	-	2,907,027	2,907,027
Endowment funds	10,851,945	3,192,485	14,044,430	10,313,984	3,577,073	13,891,057
Total net assets	<u>\$ 16,181,794</u>	<u>\$ 5,594,476</u>	<u>\$ 21,776,270</u>	<u>\$ 15,518,192</u>	<u>\$ 6,505,612</u>	<u>\$ 22,023,804</u>

The endowment component of net assets without donor restrictions is comprised of amounts designated by the Board to function as endowment and other donor created endowments that are subject to both the Foundation's variance power and spending policy.

As of December 31, 2018 and 2017, net assets with donor restrictions included \$1,626,635 consisting of 10 individual endowment funds which must be held by the Foundation in perpetuity. Earnings on perpetual endowment funds with purpose restrictions consist of funds restricted for a variety of uses within and outside the Foundation's service area which meet the charitable needs of the community.

In addition, there were net assets with donor restrictions consisting of temporarily restricted contributions and earnings on perpetual endowment funds subject to time restrictions under the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as adopted by the Commonwealth of Massachusetts as follows:

	2018	2017
Cumulative earnings on perpetual endowment funds		
Without purpose restrictions	\$ 25,214	\$ 57,728
With purpose restrictions	114,151	303,930
Subtotal	<u>139,365</u>	<u>361,658</u>
Other funds temporarily restricted for purpose	1,216,361	1,762,715
Other funds temporarily restricted for time	2,612,115	2,754,604
Total	<u>\$ 3,967,841</u>	<u>\$ 4,878,977</u>



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**NOTE 9 - NET ASSETS (continued)**

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose or by occurrence of the passage of time or other events specified by the donors as follows for the years ended December 31, 2018 and 2017:

	2019	2018
Net assets used for their intended purpose	\$ 722,018	\$ 729,755
Expiration of time restrictions	764,843	742,248
Total net assets released from restrictions	<u>\$1,486,861</u>	<u>\$1,472,003</u>

**NOTE 10 – ENDOWMENT FUNDS**

The Foundation consists of approximately 206 individual funds established for a variety of purposes, 57 of which make up the Foundation's endowment. Its endowment contains both donor created funds and funds established by the Board of Trustees to function as endowments.

Under the UPMIFA, the Board of Trustees has discretion to determine appropriate expenditure of donor-restricted endowment funds in accordance with specific guidelines about what constitutes prudent spending. UPMIFA permits the Foundation to appropriate for expenditure or accumulate so much of an endowment fund as the Foundation determines to be prudent for the uses, benefits, purposes, and duration for which the endowment is established. Although UPMIFA offers short-term spending flexibility, the explicit consideration of the preservation of the funds suggests that a donor-restricted endowment fund is perpetual in nature. Although the Foundation is permitted to continue a prudent payout even if the market value of the fund is below historic principal value, there is an expectation that over time, the perpetually restricted amount will remain intact.

The Foundation Board's interpretation of UPMIFA as requiring the preservation of the fair value of the original gift as of the gift date has resulted in the classification of net assets with donor restrictions that are perpetual in nature as (a) the original value of gifts donated to the perpetual endowment, (b) the original value of the subsequent gifts donated to the perpetual endowment, and (c) accumulations to the perpetual endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in with the perpetual endowment is classified with other net assets with donor restrictions until those amounts are appropriated for expenditure by the Foundation in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:



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**NOTE 10 – ENDOWMENT FUNDS (continued)**

- (1) General economic conditions
- (2) The possible effect of inflation and deflation
- (3) The expected tax consequences, if any, of investment decisions
- (4) The role that each investment or course of action plays within the overall investment portfolio of the fund
- (5) The expected total return from income and appreciation of investments
- (6) Other resources of the organization
- (7) The needs of the Foundation and the fund to make distributions and to preserve capital
- (8) An asset's special relationship or special value, if any, to the charitable purposes of the Foundation
- (9) The duration and preservation of the fund
- (10) The investment policy of the Foundation

At times, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires the Foundation to retain as a fund of perpetual duration. These deficiencies can result from unfavorable market fluctuations that occur in newer endowment funds, shortly after the investment of new permanently restricted contributions, or when there was continued appropriation for certain programs that were deemed prudent by the Board of Trustees. As of December 31, 2018, the fair value of underwater endowments was \$945,409, whereas the original endowment gifts were \$1,019,034. In accordance with GAAP, the resulting deficiencies of \$73,625 are reported in net assets with donor restrictions as of December 31, 2018. There were no such deficiencies as of December 31, 2017.

The Foundation has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the Foundation must hold in perpetuity for a donor-specified period(s) as well as board-designated funds. Under this policy, as approved by the Board of Trustees, the endowment assets are invested in a manner that is intended to produce results that exceed the price and yield results of the Consumer Price Index while assuming a moderate level of investment risk. The Foundation expects its endowment funds, over time, to provide an average rate of return of approximately 5% as measured over a three to five-year period. Actual returns in any given year may vary from this amount.

To satisfy its long-term rate-of-return objectives, the Foundation relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Foundation targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.



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**NOTE 10 – ENDOWMENT FUNDS (continued)**

The Foundation has a spending policy of annually appropriating for distribution 4% of its endowment fund's average fair value net of investment management fees. In establishing this policy, the Foundation considered the long-term expected return on its endowment. Accordingly, over the long-term, the Foundation expects the current spending policy to allow its endowments to grow. This is consistent with the Foundation's objective to maintain the purchasing power of the endowment assets held in perpetuity or for a specified term as well as to provide additional real growth through new gifts and investment return.

The Articles of Organization of the Foundation include a variance power provision which gives the Board of Trustees the power to modify any restriction or condition placed on gifts, if in its sole judgment, the Board determines that the restriction becomes, in effect, incapable of fulfillment or is inconsistent with the charitable needs of the community.

Net asset composition by endowment fund type as of December 31, 2018 and 2017 was:

	2018		
	Without donor restrictions	With donor restrictions	Total
Donor created endowments	\$ 10,851,945	\$ 3,192,485	\$14,044,430
Board created endowments	-	-	-
Total	\$ 10,851,945	\$ 3,192,485	\$14,044,430

	2017		
	Without donor restrictions	With donor restrictions	Total
Donor created endowments	\$ 10,313,984	\$ 3,577,073	\$13,891,057
Board created endowments	-	-	-
Total	\$ 10,313,984	\$ 3,577,073	\$13,891,057



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**NOTE 10 – ENDOWMENT FUNDS (continued)**

Changes in endowment net assets for the year ended December 31, 2018 were as follows:

	Without donor restrictions	With donor restrictions	Total
Endowment net assets, beginning of year	\$ 10,313,984	\$ 3,577,073	\$13,891,057
Investment return:			
Investment income	(811,016)	(54,782)	(865,798)
Appreciation/depreciation	177,626	(189,979)	(12,353)
Total investment return	<u>(633,390)</u>	<u>(244,761)</u>	<u>(878,151)</u>
Contributions	2,083,744	5,000	2,088,744
Appropriation of assets for expenditure	(772,566)	(144,827)	(917,393)
Other changes	<u>(139,827)</u>	<u>-</u>	<u>(139,827)</u>
Endowment net assets, end of year	<u>\$ 10,851,945</u>	<u>\$ 3,192,485</u>	<u>\$14,044,430</u>

Changes in endowment net assets for the year ended December 31, 2017 were as follows:

	Without donor restrictions	With donor restrictions	Total
Endowment net assets, beginning of year	\$ 7,892,821	\$ 3,255,853	\$11,148,674
Investment return:			
Investment income	271,772	137,803	409,575
Appreciation/depreciation	817,389	406,065	1,223,454
Total investment return	<u>1,089,161</u>	<u>543,868</u>	<u>1,633,029</u>
Contributions	1,973,301	5,233	1,978,534
Appropriation of assets for expenditure	(440,353)	(57,956)	(498,309)
Other changes	<u>(200,946)</u>	<u>(169,925)</u>	<u>(370,871)</u>
Endowment net assets, end of year	<u>\$ 10,313,984</u>	<u>\$ 3,577,073</u>	<u>\$13,891,057</u>



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**NOTE 11 – EMPLOYEE BENEFIT PLANS**

The Foundation sponsored a tax deferred annuity plan for all its eligible employees under Internal Revenue Code Section 403(b). The plan is funded through employee contributions. The Foundation also maintains a defined contribution retirement plan available to all eligible employees. Contributions to the plan are based on years of service and a percentage of employees' gross wages from 1% to 4%, through April 15, 2017. As of April 15, 2017, the Foundation terminated the 403(b) Plan and entered into a 401(k) Plan and the contribution rate was changed to 3% for all eligible employees. Pension expense for years ending December 31, 2018 and 2017 was \$17,004 and \$15,259, respectively.

The Foundation maintains a premium pretax salary reduction plan available to all employees. The plan is intended to qualify as a cafeteria plan under Section 125 of the Internal Revenue Code and the benefits provided under the plan are excluded from Federal income tax. The Foundation is not required to make any contributions to the plan. The benefit offered IS health insurance.

**NOTE 12 – LEASES**

The Foundation renewed its operating lease to occupy office space in South Natick, MA, commencing on June 1, 2017. This lease is for a five-year term expiring May 31, 2022 and requires monthly rental payments of \$5,000. Rent expense for years ending December 31, 2018 and 2017 was \$60,000 and \$55,675, respectively. Future minimum lease payments for years ending December 31st are:

2019	\$60,000
2020	\$60,000
2021	\$60,000
2022	\$25,000

In accordance with FASB ASC 842, "Leases," the Foundation recorded a lease liability under this operating lease in the amount of \$191,173 and \$242,081 as of December 31, 2018 and 2017, respectively, based on the present value of the remaining lease payments for the lease term at the Foundation's incremental borrowing rate of 4.25%. A corresponding lease asset was also recorded in the amount of \$191,173 and \$242,081 as of December 31, 2018 and 2017, respectively, based on the present value of the remaining lease payments.

**NOTE 13 – LINE OF CREDIT**

The Foundation maintains a \$100,000 revolving line of credit at Middlesex Savings Bank. The current interest rate is 4.25%. The note is collateralized by substantially all of the Foundation's assets and is due upon demand with no set maturity date. There were no amounts outstanding as of December 31, 2018 and 2017.



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**NOTE 14 – RELATED PARTIES**

One of the Foundation's Board members is an officer of a bank in which the Foundation holds its deposits and maintains a line of credit (Note 13).

**NOTE 15 – SUBSEQUENT EVENTS**

ASC 855-10, "*Subsequent Events*," defines further disclosure requirements for events that occur after the statement of financial position date, but before financial statements are issued. In accordance with ASC 855-10, management has evaluated events subsequent to December 31, 2018 through April 10, 2019, which is the date this report was available to be issued. There were no material events noted during this period that would impact the results reflected in this report.