

Foundation for MetroWest, Inc.

Financial Statements
&
Independent Auditor's Report

December 31, 2019 and 2018

Foundation for MetroWest, Inc.
Financial Statements
December 31, 2019 and 2018

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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, 2019 and 2018, 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, 2019 and 2018, 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 (ASU) 2014-09, "*Revenue from Contracts with Customers*," and ASU 2018-08, "*Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*." As a result, the standards were retroactively applied to the financial statements for the fiscal year ending December 31, 2018. Our opinion is not modified with respect to that matter.

Anstiss & Co., P.C.

Anstiss & Co., P.C.
Lowell, MA
April 6, 2020

Foundation for MetroWest, Inc.
Statements of Financial Position
December 31, 2019 and 2018

	2019	2018
Current Assets		
Cash and cash equivalents	\$ 1,046,710	\$ 1,082,667
Operating investments	5,433,496	4,745,471
Unconditional promises to give, net	527,720	312,486
Prepaid expenses and other current assets	11,724	13,804
Total current assets	<u>7,019,650</u>	<u>6,154,428</u>
Long-term assets		
Property and equipment - net	17,352	10,182
Operating lease asset	138,058	191,173
Endowment promises to give	1,733,952	2,299,629
Endowment investments	17,228,010	14,044,430
Total long-term assets	<u>19,117,372</u>	<u>16,545,414</u>
Total assets	<u>\$ 26,137,022</u>	<u>\$ 22,699,842</u>
Current liabilities		
Accounts payable and accrued expenses	\$ 6,859	\$ 26,257
Grants payable	20,300	20,000
Loan Payable	8,966	-
Total current liabilities	<u>36,125</u>	<u>46,257</u>
Long-term liabilities		
Operating lease liability	138,058	191,173
Agency endowment funds	858,517	686,142
Long-term liabilities	<u>996,575</u>	<u>877,315</u>
Total liabilities	<u>1,032,700</u>	<u>923,572</u>
Net assets		
Without donor restrictions		
Undesignated	5,143,282	4,479,849
Designated for operating reserves	850,000	850,000
Designated for endowment	13,590,450	10,851,945
Total net assets without donor restrictions	<u>19,583,732</u>	<u>16,181,794</u>
With donor restrictions		
Perpetual in nature	1,626,635	1,626,635
Purpose restrictions	1,621,493	1,330,648
Time restrictions	2,272,462	2,637,193
Total net assets with donor restrictions	<u>5,520,590</u>	<u>5,594,476</u>
Total net assets	<u>25,104,322</u>	<u>21,776,270</u>
Total liabilities and net assets	<u>\$ 26,137,022</u>	<u>\$ 22,699,842</u>

See the accompanying notes to these financial statements.

Foundation for MetroWest, Inc.
Statements of Activities
For the Years Ended December 31, 2019 and 2018

	Without Donor Restrictions	With Donor Restrictions	Total 2019	Without Donor Restrictions	With Donor Restrictions	Total 2018
SUPPORT AND REVENUE						
Contributions, grants and gifts	\$ 1,633,349	\$ 758,333	\$ 2,391,682	\$ 2,492,485	\$ 834,429	\$ 3,326,914
Investment return	2,782,451	674,523	3,456,974	(948,751)	(258,704)	(1,207,455)
Program fees	8,210	-	8,210	(12,155)	-	(12,155)
Special events	547,862	-	547,862	503,580	-	503,580
Net assets released from restriction	1,506,742	(1,506,742)	-	1,486,861	(1,486,861)	-
TOTAL SUPPORT AND REVENUE	6,478,614	(73,886)	6,404,728	3,522,020	(911,136)	2,610,884
EXPENSES						
Grantmaking and other program expenses	1,973,520	-	1,973,520	1,880,063	-	1,880,063
Management and general	531,658	-	531,658	420,392	-	420,392
Fundraising and development	571,498	-	571,498	557,963	-	557,963
Total Expenses	3,076,676	-	3,076,676	2,858,418	-	2,858,418
CHANGE IN NET ASSETS	3,401,938	(73,886)	3,328,052	663,602	(911,136)	(247,534)
NET ASSETS AT BEGINNING OF YEAR	16,181,794	5,594,476	21,776,270	15,518,192	6,505,612	22,023,804
NET ASSETS AT END OF YEAR	\$ 19,583,732	\$ 5,520,590	\$ 25,104,322	\$ 16,181,794	\$ 5,594,476	\$ 21,776,270

See the accompanying notes to these financial statements.

Foundation for MetroWest, Inc.
Statements of Functional Expenses
For the Years Ended December 31, 2019 and 2018

	Program	General & Administrative	Fundraising	Total for 2019
Grants	\$ 1,482,528	\$ -	\$ -	\$ 1,482,528
Program support	73,058	-	-	73,058
Salaries and related	389,100	384,164	314,694	1,087,958
Consulting services	-	-	78,650	78,650
Professional fees	-	38,230	-	38,230
Occupancy	21,400	21,283	17,317	60,000
Repairs and maintenance	-	4,268	-	4,268
Office supplies and expenses	7,434	26,092	6,015	39,541
Cost of direct benefits to donors	-	-	18,241	18,241
Fundraising and development expenses	-	-	117,311	117,311
Depreciation	-	6,744	-	6,744
Information technology	-	50,877	19,270	70,147
Total expenses	\$ 1,973,520	\$ 531,658	\$ 571,498	\$ 3,076,676

	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	\$ 1,880,063	\$ 420,392	\$ 557,963	\$ 2,858,418

See the accompanying notes to these financial statements.

Foundation for MetroWest, Inc.
Statements of Cash Flows
For the Years Ended December 31, 2019 and 2018

	2019	2018
Cash flows from operating activities		
Change in net assets	\$ 3,328,052	\$ (247,534)
Adjustments to reconcile changes in net assets to net cash provided by operating activities		
Depreciation	6,744	4,059
Amortization of discount on promises to give	(8,068)	(93,810)
Realized and unrealized (gain) loss on operating investments	(839,534)	1,869,621
Discount on note payable	(10,560)	-
Amortization of discount on note payable	2,934	-
Contributions restricted to endowment	(1,343,223)	(2,088,744)
Change in agency endowment liability	118,864	(83,967)
Endowment investment return - net	(2,172,945)	(279,084)
Changes in assets and liabilities		
Decrease in unconditional promises to give	358,375	388,722
Decrease in accounts receivable	136	-
Decrease (increase) in prepaid expenses and other current assets	2,080	(4,426)
(Decrease) increase in accounts payable and accrued expenses	(19,398)	15,577
Increase in grants payable	300	20,000
Net cash provided by operating activities	<u>(576,243)</u>	<u>(499,586)</u>
Cash flows from investing activities		
Purchase of equipment	(13,914)	(7,000)
Purchase of operating investments	(6,899,466)	(8,490,333)
Proceeds from the sale of operating investments	7,050,975	6,422,901
(Additions to) disbursements from agency endowment funds	53,511	57,603
(Additions to) disbursements from endowment	<u>(1,010,635)</u>	<u>125,711</u>
Net cash used by investing activities	<u>(819,529)</u>	<u>(1,891,118)</u>
Cash flows from financing activities		
Proceeds from note payable	22,974	-
Payments on note payable	(6,382)	-
Collections of contributions restricted to endowment	<u>1,343,223</u>	<u>2,088,744</u>
Net cash provided by financing activities	<u>1,359,815</u>	<u>2,088,744</u>
Net change in cash and cash equivalents	<u>(35,957)</u>	<u>(301,960)</u>
Cash and cash equivalents at beginning of year	<u>1,082,667</u>	<u>1,384,627</u>
Cash and cash equivalents at end of year	<u>\$ 1,046,710</u>	<u>\$ 1,082,667</u>
Supplemental cash flow information		
Interest paid	<u>\$ 2,933</u>	<u>\$ -</u>
Taxes paid	<u>\$ 580</u>	<u>\$ -</u>
Donated goods and investments	<u>\$ 350,169</u>	<u>\$ 376,722</u>

Pursuant to the adoption of ASU 2016-02 "Leases," the Foundation recorded liabilities under operating leases of \$138,058 and \$191,173 based on the present value of the remaining minimum rental payments at the Foundation's incremental borrowing rate of 4.25% for the years ending December 31, 2019 and 2018, respectively. A corresponding asset under operating leases was recorded in the amount of \$138,058 and \$191,173 for the years ending December 31, 2019 and 2018, respectively.

See the accompanying notes to these financial statements.

Foundation for MetroWest, Inc.
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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.

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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. From time to time, the Board may vote to set aside a certain dollar amount or percentage of net assets without donor restrictions for use at a specific time or for a specific purpose, as it sees fit. These Board designated net assets may become undesignated with the passage of time or when used for their intended purpose. In addition, the Board may undesignate these net assets at its discretion if the originally intended time period or purpose is deemed no longer relevant or applicable to the needs of the Foundation.

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.

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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.

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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, 2019 and 2018, 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.

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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

ASU 2016-02, "Leases," requires lessees to recognize leases on the statement of financial position and disclose key information about leasing arrangements. The 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 this standard, leases will be classified as either finance or operating, with classification affecting the recognition of expenses in the statement of activities.

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

Leases (continued)

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. In accordance with this standard, the Foundation recorded liabilities under operating leases of \$138,058 and \$191,173 based on the present value of the remaining minimum rental payments at the Foundation's incremental borrowing rate of 4.25% for the years ending December 31, 2019 and 2018, respectively. A corresponding asset under operating leases was recorded in the amount of \$138,058 and \$191,173 for the years ending December 31, 2019 and 2018, respectively.

Revenue Recognition

Ticket sales for workshops are recognized at the time of admission. The Foundation records special events revenue equal to the fair value of direct benefits to donors, and contribution income for the excess received when the event takes place. Amounts billed or collected in advance are recorded as deferred revenue until the workshops or events are held. As of December 31, 2019 and 2018, there was no deferred revenue.

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.

The Foundation has adopted 2014-09, "Revenue from Contracts with Customers (Topic 606)" as amended and ASU 2018-08, "Clarifying the Scope and the Accounting Guidance for Contributions Received and contributions Made (Topic 605)" as management believes these standards improve the usefulness and understandability of the Foundation's financial reporting. Analysis of various provisions of these standards resulted in no significant changes in the way the Foundation recognizes revenue, and therefore, no changes to the previously issued audited financial statements were required on a retrospective basis as a result of the adoption of the standards. The presentation and disclosures of revenue have been enhanced in accordance with the standards.

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. Assets 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 \$350,169 and \$376,722 in donated securities during the years ended December 31, 2019 and 2018, 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 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.

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.

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

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. Management believes it is no longer subject to review by taxing authorities for periods prior to 2017. 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.

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 31st:

	2019	2018
Cash and cash equivalents	\$ 82,277	\$ 519,826
Operating investments	5,491,843	1,350,706
Unconditional promises to give	239,236	500
Spending policy appropriations	676,228	633,055
Total financial assets available	<u>\$ 6,489,584</u>	<u>\$ 2,504,087</u>

Foundation for MetroWest, Inc.
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NOTE 3 – LIQUIDITY AND AVAILABILITY (continued)

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:

	2019	2018
Due within one year	\$ 1,591,726	\$ 1,694,943
Due in two to five years	750,956	1,006,250
Gross pledges	2,342,684	2,701,193
Unamortized discounts	81,010	89,078
Pledges receivable - net	<u>\$ 2,261,672</u>	<u>\$ 2,612,115</u>

At December 31, 2019, 80% of unconditional promises to give was due from five contributors.
At December 31, 2018, 74% was due from four 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, 2019 and 2018:

	2019			
		Quoted prices in active markets for identical assets	Significant other observable inputs	Significant unobservable inputs
	Total	Level 1	Level 2	Level 3
Cash equivalents	\$ 524,658	\$ 524,658	\$ -	\$ -
Equity securities				
Services	22,348	22,348	-	-
Consumer goods	68,719	68,719	-	-
Financial	64,727	64,727	-	-
Healthcare	73,658	73,658	-	-
Industrial goods	121,110	121,110	-	-
Basic materials	20,836	20,836	-	-
Technology	85,177	85,177	-	-
Energy	14,370	14,370	-	-
Real estate	41,542	41,542	-	-
Utilities	20,177	20,177	-	-
Equity funds				
Large blend	6,056,866	6,056,866	-	-
Mid cap blend	1,149,472	1,149,472	-	-
Emerging market	1,042,759	1,042,759	-	-
International	4,398,534	4,398,534	-	-
Fixed income funds				
High Yield	841,613	841,613	-	-
Corporate	839,095	839,095	-	-
Inflation protected	209,421	209,421	-	-
Short-term	1,394,313	1,394,313	-	-
Intermediate	3,976,462	3,976,462	-	-
Global Real Estate	1,695,649	1,695,649	-	-
Government agencies	-	-	-	-
Exchange traded funds				
Commodities based	-	-	-	-
Real estate	-	-	-	-
Total	\$ 22,661,506	\$ 22,661,506	\$ -	\$ -

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

	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	\$ -	\$ -

Investments in exchange traded funds (ETFs) are reported at fair market value (FMV) as quoted in active markets as of December 31, 2019 and 2018. 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>2019</u>	<u>2018</u>
Interest and dividends	\$528,819	\$ 444,709
Realized gain (loss)	176,966	420,486
Unrealized gain (loss)	2,835,513	(2,011,023)
Investment custodial fees	(84,324)	(61,627)
	<u>\$ 3,456,974</u>	<u>\$ (1,207,455)</u>

Investment return is shown net of investment management and custody fees paid directly to the investment managers in the amount of \$84,324 and \$61,627 for the years ended December 31, 2019 and 2018, 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>2019</u>	<u>2018</u>
Office equipment	\$ 89,793	\$ 75,879
Furniture and fixtures	14,234	14,234
Website and software	27,364	27,364
Total property and equipment	131,391	117,477
Less accumulated depreciation	114,039	107,295
Property and equipment - net	<u>\$ 17,352</u>	<u>\$ 10,182</u>

Depreciation expense was \$6,744 and \$4,059 for years ending December 31, 2019 and 2018, 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, 2019 and 2018 were \$858,517 and \$686,142, respectively.

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NOTE 9 - NET ASSETS

Net assets consisted of the following at December 31, 2019 and 2018, respectively:

	2019			2018		
	Without donor restrictions	With donor restrictions	Total	Without donor restrictions	With donor restrictions	Total
Operating funds	\$ 581,036	\$ -	\$ 581,036	\$ 526,672	\$ -	\$ 526,672
Designated operating reserve	850,000	-	850,000	850,000	-	850,000
Non-endowed funds subject to variance power	4,544,714	(414,222)	4,130,492	3,942,995	(210,124)	3,732,871
Invested in fixed assets	17,532	-	17,532	10,182	-	10,182
Pledges receivable	-	2,261,672	2,261,672	-	2,612,115	2,612,115
Endowment funds	13,590,450	3,673,140	17,228,010	10,851,945	3,192,485	14,044,430
Total net assets	<u>\$ 19,583,732</u>	<u>\$ 5,520,590</u>	<u>\$ 25,104,322</u>	<u>\$ 16,181,794</u>	<u>\$ 5,594,476</u>	<u>\$ 21,776,270</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, 2019 and 2018, 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:

	2019	2018
Cumulative earnings on perpetual endowment funds		
Without purpose restrictions	\$ 61,707	\$ 25,214
With purpose restrictions	330,243	114,151
Subtotal	<u>391,950</u>	<u>139,365</u>
Other funds temporarily restricted for purpose	1,291,250	1,216,361
Other funds temporarily restricted for time	2,210,755	2,612,115
Total	<u>\$ 3,893,955</u>	<u>\$ 3,967,841</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, 2019 and 2018:

	2019	2018
Net assets used for their intended purpose	\$ 657,48	\$ 722,01
	1	8
Expiration of time restrictions	849,260	764,843
Total net assets released from restrictions	\$1,506,74	\$1,486,86
	2	1

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, 2019, There were no such deficiencies.

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, 2019 and 2018 was:

2019			
	Without donor restrictions	With donor restrictions	Total
Donor created endowments	\$ 13,554,870	\$ 3,673,140	\$17,228,010
Board created endowments	-	-	-
Total	\$ 13,554,870	\$ 3,673,140	\$17,228,010

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

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NOTE 10 – ENDOWMENT FUNDS (continued)

Changes in endowment net assets for the year ended December 31, 2019 were as follows:

	Without donor restrictions	With donor restrictions	Total
Endowment net assets, beginning of year	\$ 10,851,945	\$ 3,192,485	\$14,044,430
Investment return:			
Investment income	319,505	106,962	426,467
Appreciation/depreciation	1,513,012	530,620	2,043,632
Total investment return	<u>1,832,517</u>	<u>637,582</u>	<u>2,470,099</u>
Contributions	1,337,223	6,000	1,343,223
Appropriation of assets for expenditure	(466,682)	(162,927)	(629,609)
Other changes	<u>(133)</u>	<u>-</u>	<u>(133)</u>
Endowment net assets, end of year	<u>\$ 13,554,870</u>	<u>\$ 3,673,140</u>	<u>\$17,228,010</u>

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>

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).

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NOTE 11 – EMPLOYEE BENEFIT PLANS

The Foundation sponsors a 401(k) Plan with an employer contribution rate of 3% for all eligible employees. Pension expense for years ending December 31, 2019 and 2018 was \$23,644 and \$17,004, 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 occupies office space in South Natick, MA under a five-year operating lease expiring May 31, 2022. The lease requires monthly rental payments of \$5,000. Rent expense for years ending December 31, 2019 and 2018 was \$60,000. Future minimum lease payments for years ending December 31st are:

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

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, 2019 and 2018.

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, 2019 through April 6, 2020, which is the date this report was available to be issued.

In December 2019, an outbreak of a novel strain of Coronavirus (COVID-19) originated in Wuhan, China and has since spread to other countries, including the U.S. On March 11, 2020, the World Health Organization characterized COVID-19 as a pandemic. In addition, multiple jurisdictions in the U.S. have declared a state of emergency. It is anticipated that the impacts from this pandemic will continue for some time. There has been no immediate impact to the Foundation's operations. Further potential impacts may include disruptions or restrictions on our employees' ability to work, our donors' ability to contribute, or our ability to fundraise. Changes to the operating environment may increase operating costs. The future effects of these issues are unknown. There were no other material events noted during this period that would impact the results reflected in this report.

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NOTE 15 – SUBSEQUENT EVENTS (continued)

Since December 31, 2019, major U.S. and foreign stock indices have continued to experience significant volatility and declines due to the COVID-19 pandemic. Management is monitoring investment market conditions and the impact such declines are having on the Foundation's investment portfolio. There is significant uncertainty regarding the impact that the current volatility will have on the future value of the foundation's investment portfolio.