

**Williamstown Theatre
Foundation, Inc.**

Financial Statements

December 31, 2019 and 2018

Williamstown Theatre Foundation, Inc.
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Independent Auditors' Report

To the Board of Trustees of
Williamstown Theatre Foundation, Inc.

We have audited the accompanying financial statements of Williamstown Theatre Foundation, Inc. (a non-profit organization), which comprise the statement of financial position as of December 31, 2019, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the 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 Williamstown Theatre Foundation, Inc. as of December 31, 2019, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter: Change in Accounting Principle

As discussed in Note 2 to the financial statements, in 2019, the Organization adopted the provisions of Accounting Standards Update (ASU) No. 2018-08, *Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made (Topic 958): Not-for-Profit Entities*. Our opinion is not modified with respect to this matter.

Report on Summarized Comparative Information

We have previously audited the Organization's 2018 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated October 23, 2019. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2018, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Smith, Watson & Company, LLP

Smith, Watson & Company, LLP
North Adams, Massachusetts
December 10, 2020

Williamstown Theatre Foundation, Inc.
 Statements of Financial Position
 December 31, 2019 and 2018

	<u>2019</u>	<u>2018</u>
Assets		
Current Assets:		
Cash and equivalents	\$ 683,258	\$ 733,205
Restricted cash - SSDC Bond	4,767	4,767
Current unconditional promises to give, net of allowance for uncollectible pledges of \$80,000	27,619	27,619
Miscellaneous receivables	25,557	17,823
Prepaid expenses	<u>55,642</u>	<u>39,085</u>
Total Current Assets	796,843	822,499
Unconditional promises to give, net of current amounts	321,533	321,533
Property and equipment, net	672,697	642,006
Long-term investments, at market value	<u>5,141,046</u>	<u>4,155,706</u>
Total Assets	<u>\$ 6,932,119</u>	<u>\$ 5,941,744</u>
Liabilities and Net Assets		
Current Liabilities:		
Accounts payable and accrued expenses	\$ 323,587	\$ 448,758
Deferred revenue	<u>266,390</u>	<u>-</u>
Total Current Liabilities	589,977	448,758
Total Liabilities	<u>589,977</u>	<u>448,758</u>
Net Assets		
Without donor restrictions	1,883,542	1,139,840
With donor restrictions	<u>4,458,600</u>	<u>4,353,146</u>
Total Net Assets	<u>6,342,142</u>	<u>5,492,986</u>
Total Liabilities and Net Assets	<u>\$ 6,932,119</u>	<u>\$ 5,941,744</u>

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

Williamstown Theatre Foundation, Inc.
Statement of Activities
For the Year Ended December 31, 2019 with Summarized
Financial Information for the Year Ended December 31, 2018

	Without Donor Restrictions	With Donor Restrictions	Total 2019	Summarized Information 2018
Public Support				
Government grants	\$ 51,400	\$ -	\$ 51,400	\$ 43,000
Contributions	1,766,231	106,975	1,873,206	2,045,668
In-kind donations	51,085	-	51,085	38,913
Benefits (net of expenses of \$199,457 and \$158,668 respectively)	<u>492,269</u>	<u>-</u>	<u>492,269</u>	<u>358,195</u>
Total Public Support	<u>2,360,985</u>	<u>106,975</u>	<u>2,467,960</u>	<u>2,485,776</u>
Revenues				
Ticket sales	2,177,739	-	2,177,739	2,067,496
Outside productions	40,000	-	40,000	634,144
Ticket sales service charges	80,448	-	80,448	76,951
Anniversary book sales	250	-	250	30
Program advertising	61,350	-	61,350	54,800
Royalties	8,864	-	8,864	5,663
Concessions	7,436	-	7,436	15,848
Apprentice fees and tuition	104,550	-	104,550	104,900
Room, board, housing, and rent	352,988	-	352,988	373,082
Investment income	285,537	427,268	712,805	(317,600)
Merchandise sales	21,156	-	21,156	21,108
Miscellaneous	1,219	-	1,219	2,215
Net assets released from restriction by donors	218,466	(218,466)	-	-
Transfer of earnings to net assets without donor restrictions	<u>210,323</u>	<u>(210,323)</u>	<u>-</u>	<u>-</u>
Total Revenues	<u>3,570,326</u>	<u>(1,521)</u>	<u>3,568,805</u>	<u>3,038,637</u>
Total Public Support & Revenue	<u>5,931,311</u>	<u>105,454</u>	<u>6,036,765</u>	<u>5,524,413</u>
Functional Expenses				
Program service	4,128,186	-	4,128,186	4,475,343
Management and general	819,882	-	819,882	746,612
Fundraising	<u>239,541</u>	<u>-</u>	<u>239,541</u>	<u>226,977</u>
Total Functional Expenses	<u>5,187,609</u>	<u>-</u>	<u>5,187,609</u>	<u>5,448,932</u>
Change in Net Assets From Operating Activities	<u>743,702</u>	<u>105,454</u>	<u>849,156</u>	<u>75,481</u>
Non-Operating Activities				
Loss on sale of assets	<u>-</u>	<u>-</u>	<u>-</u>	<u>(3,331)</u>
Total Non-Operating Activities	<u>-</u>	<u>-</u>	<u>-</u>	<u>(3,331)</u>
Increase in net assets	<u>743,702</u>	<u>105,454</u>	<u>849,156</u>	<u>72,150</u>
Net Assets Beginning of Year	<u>1,139,840</u>	<u>4,353,146</u>	<u>5,492,986</u>	<u>5,420,836</u>
Net Assets End of Year	<u>\$ 1,883,542</u>	<u>\$ 4,458,600</u>	<u>\$ 6,342,142</u>	<u>\$ 5,492,986</u>

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

Williamstown Theatre Foundation, Inc.
Statement of Functional Expenses
For the Year Ended December 31, 2019 with Summarized
Financial Information for the Year Ended December 31, 2018

	<u>Program Service</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total 2019</u>	<u>Summarized Information 2018</u>
Compensation and fees	\$ 1,584,387	\$ 406,802	\$ 149,874	\$ 2,141,063	\$ 2,154,881
Payroll taxes	132,172	33,936	12,503	178,611	177,464
Employee benefits	158,469	40,688	14,990	214,147	231,048
Production costs	1,047,407	-	-	1,047,407	1,251,204
Scripts and royalties	103,274	-	-	103,274	123,417
Advertising and promotion	123,538	-	-	123,538	116,724
Program printing	53,164	-	-	53,164	63,126
Scholarships and fellowships	50,357	-	-	50,357	15,100
Fundraising and development	-	-	62,174	62,174	47,540
Postage and duplication	9,852	-	-	9,852	8,913
Office supplies and expenses	-	32,179	-	32,179	29,032
Telephone	-	11,254	-	11,254	10,565
Insurance	102,960	-	-	102,960	90,909
Box office and ticket sale expense	90,376	-	-	90,376	85,238
Concession and taxes	1,021	-	-	1,021	3,372
Auditions and personnel search	14,621	-	-	14,621	20,070
Memberships and miscellaneous	16,911	-	-	16,911	16,898
Facilities, board and food	534,576	-	-	534,576	691,573
Occupancy	-	178,531	-	178,531	116,688
Transportation and hauling	86,810	-	-	86,810	80,496
Audit and accounting	-	78,151	-	78,151	58,027
Legal expense	-	25,631	-	25,631	37,340
Total Expenses					
Before Depreciation	4,109,895	807,172	239,541	5,156,608	5,429,625
Depreciation and amortization	<u>18,291</u>	<u>12,710</u>	<u>-</u>	<u>31,001</u>	<u>19,307</u>
Total Functional Expenses	<u>\$ 4,128,186</u>	<u>\$ 819,882</u>	<u>\$ 239,541</u>	<u>\$ 5,187,609</u>	<u>\$ 5,448,932</u>

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

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

	<u>2019</u>	<u>2018</u>
Cash Flows From Operating Activities		
Change in net assets	\$ 849,156	\$ 72,150
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	31,001	19,307
Unrealized (gain) loss on investments	(424,688)	553,966
Realized gain on investments	(205,197)	(133,829)
Donated securities	-	25,135
(Increase) decrease in operating assets:		
Miscellaneous receivables	(7,734)	(4,693)
Prepays and other assets	(16,557)	9,413
Increase (decrease) in operating liabilities		
Accounts payable and other	(125,171)	(802)
Deferred revenue	266,390	-
Net cash provided by operating activities	<u>367,200</u>	<u>540,647</u>
Cash Flows From Investing Activities		
Proceeds from sale of securities	4,976,675	2,528,345
Purchases of securities	(5,234,724)	(2,077,540)
Reinvested interest and dividends	(97,406)	(115,399)
Purchase of property, plant, & equipment	(61,692)	(554,056)
Loss on disposal of assets	-	3,331
Net cash used for investing activities	<u>(417,147)</u>	<u>(215,319)</u>
Net increase (decrease) in cash and equivalents	(49,947)	325,328
Cash and equivalents at beginning of year	<u>733,205</u>	<u>407,877</u>
Cash and equivalents at end of year	<u>\$ 683,258</u>	<u>\$ 733,205</u>

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

1. Organization and Operations

The Williamstown Theatre Foundation, Inc., a Massachusetts Corporation, is a publicly supported non-profit organization exempt from income taxes under section 501(a) of the Internal Revenue Code Section 501(c)(3). The Corporation, also known as the Williamstown Theatre Festival, was formed to promote, teach and develop artistic abilities and other skills in the field of theatrical performances.

2. Summary of Significant Accounting Policies

Method of Accounting

The financial statements of the Foundation have been prepared utilizing the accrual basis of accounting in accordance with generally accepted accounting principles (GAAP). The Foundation reports information regarding its financial position and activities according to the following net asset classifications:

- Net assets without donor restrictions – Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Foundation. These assets may be used at the discretion of the Foundation’s management and the board of directors.
- Net assets with donor restrictions – Net assets subject to the stipulations imposed by donors, and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Foundation or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

Donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statements of activities. If a restriction is fulfilled in the same year in which the contribution is received, the Foundation reports the support within net assets without donor restrictions.

Financial Accounting Standards Board Codification

During 2019 the Foundation adopted FASB issued ASU No. 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*, to clarify and improve the scope and the accounting guidance for contributions received and contributions made. The amendments in this ASU should assist entities in (1) evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) within the scope of ASC Topic 958, *Not for Profit Entities*, or as exchange (reciprocal) transactions subject to other guidance and (2) determining whether a contribution is conditional. Management has determined that this ASU did not significantly impact the Foundation’s financial statements.

Cash and Equivalents

For the Statement of Cash Flows, cash and equivalents consist of demand checking accounts and highly liquid investments with maturities of three months or less. All highly liquid short-term investments are excluded from cash and equivalents if they are purchased with contributions restricted by the donor to long-term investments.

Unconditional Promises to Give and Allowance for Uncollectible Pledges

Unconditional promises to give are recorded when the pledge is made and considered to be available for unrestricted use unless specifically restricted by the donor. The balance in the allowance for uncollectible pledges was \$80,000 at December 31, 2019 and 2018.

Marketable Securities and Investments

Investments are presented in the financial statements at fair market value in accordance with FASB ASC 958-320.

Property and Equipment

Property and Equipment are carried at cost or fair market value in the case of a gift. Depreciation is provided on the straight-line method based on the following useful lives:

	Years
Buildings	40
Improvements	10 - 15
Furniture, Fixtures and Equipment	5 - 7
Vehicles	5
Computer Software	3

Repair and maintenance costs are expensed as incurred.

Advertising and Promotion Costs

The Foundation recognizes advertising costs as incurred. Advertising and promotion expense for the years ended December 31, 2019 and 2018 was \$123,538 and \$116,724, respectively.

Revenue Recognition

Ticket Sales and Other Program Service Income

The Foundation derives the majority of its revenue from ticket sales and other income associated with operating a theatre, such as concessions. The revenue associated with these programs are reported based upon the date of the performance.

Contributions and Grants

The Organization also derives revenue from contributions and grants (recognized as contributions under Topic 958). Contributions and grants are recognized when the donor makes a promise to give to the Foundation that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in net assets with donor restrictions depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Income Taxes

The Foundation is qualified under Internal Revenue Code 501(c)(3) as a tax-exempt organization. While the organization is generally exempt from income taxes, it is subject to tax on unrelated trade or business income.

The Foundation has adopted FASB ASC section 740-10-25. Section 740-10-25 addresses the determination of whether tax benefits claimed or expected to be claimed on a tax return should be recorded in the financial statements. Under Section 740-10-25, the Foundation may recognize the tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by the taxing authorities, based on the technical merits of the position.

The tax benefits recognized in the financial statements from such a position should be measured based on the largest benefit that has a greater than fifty percent (50%) likelihood of being realized upon ultimate settlement. Section 740-10-25 also provides guidance on de-recognition, classification, interest and penalties on income taxes, accounting in interim periods and requires increased disclosures.

As a result of the implementation, the Foundation is required to disclose that the tax returns for the years ended December 31, 2019, 2018 and 2017 remain open to examination by the Internal Revenue Service (“IRS”). The Foundation had no material adjustments to its liabilities for unrecognized income tax benefits according to the provisions of Section 740-10-25.

Reclassification

Certain accounts in the prior year financial statements have been reclassified for comparative purposes to conform to the presentation in the current year financial statements.

Functional Allocation of Expenses

The costs of providing program and support activities have been summarized on a functional basis in the Statement of Functional Expenses. Accordingly, certain costs have been allocated, based upon management’s estimates, among the programs and supporting activities benefited.

Recently Issued Accounting Standards Not Yet Adopted

In May 2014, the Financial Accounting Standards Board (FASB) issued guidance (Accounting Standards Codification [ASC] 606, Revenue from Contracts with Customers) which provides a five-step analysis of contracts to determine when and how revenue is recognized and replaces most existing revenue recognition guidance in U.S. generally accepted accounting principles. The core principle of the new guidance is that an entity should recognize revenue to reflect the transfer of goods and services to customers in an amount equal to the consideration the entity receives or expects to receive. In 2015 and 2016, the FASB issued several updates to this revenue standard. The adoption of this standard and its related amendments is effective for years beginning January 1, 2020.

On February 25, 2016 the FASB issued ASU No. 2016-02 *Leases* (Topic 842). This new standard amends a number of aspects of lease accounting , including requiring operating leases with a term greater than one year to be recorded on the statement of financial position as a right-of-use asset and corresponding lease liability, to be measured at the present value of the lease payments. This ASU is effective for years beginning January 1, 2021.

Summarized Prior Year Information

The financial statements include summarized comparative information for the prior year, which is not presented by net asset class and does not include sufficient detail to conform with generally accepted accounting principles. This information should be read in conjunction with the Foundation’s financial statements for the year ended December 31, 2018, from which the comparative information was extracted.

3. Unconditional Promises to Give

Unconditional promises to give consisted of the following:

	December 31:	
	2019 With Donor Restrictions	2018 With Donor Restrictions
Receivable in less than one year	\$ 50,000	\$ 50,000
Receivable in one to five years	250,000	250,000
Receivable in five or more years	275,000	275,000
Less: Allowance for doubtful pledges	(80,000)	(80,000)
Less: Discounts to net present value	<u>(145,848)</u>	<u>(145,848)</u>
Present value of unconditional Promises to give	349,152	349,152
Current unconditional promises to give	<u>(27,619)</u>	<u>(27,619)</u>
Unconditional promises to give, Net of current portion	<u>\$ 321,533</u>	<u>\$ 321,533</u>

The pledge receivable at December 31, 2019 and 2018 is comprised of one pledge. The pledge was discounted to net present value for reporting purposes, utilizing a discount rate of 5.00%.

4. Investments

The Organization has adopted the provisions of FASB ASC 820-10, which provides a framework for measuring fair value under Generally Accepted Accounting Principles (“GAAP”). It defines fair value as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. It requires that valuation techniques maximize the use of observable inputs and minimize the use of unobservable inputs. It also establishes a fair value hierarchy, which prioritizes the valuation inputs into three broad levels, which are as follows:

- Level 1 – Quoted prices in active markets for identical assets or liabilities;
- Level 2 – Observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities;
- Level 3 – Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities. These include items where the determination of fair value requires significant management judgment or estimation.

The Organization uses the following valuation techniques in valuing its investments:

- Market approach – Uses prices and other relevant information generated by market transactions involving identical or comparable assets or liabilities. Pricing may be indicated by pricing guides, sales transactions, market trades, or other sources.

Unrealized gains and losses are included in the change in net assets.

(continued)

(Note 4 continued)

Investments are held in an investment pool for true endowments; amounts designated by the Board of Trustees for long-term investment; and for accumulated net appreciation on investments in the pool. Investments are carried at market value. The historical cost and market value of pooled investments at December 31, 2019 and 2018 is as follows:

	2019		2018	
	<u>Cost</u>	<u>Market Value</u>	<u>Cost</u>	<u>Market Value</u>
<u>Level 1 Investments</u>				
Short-term investments	\$ 715,449	\$ 715,449	\$ 60,946	\$ 60,946
Equity securities	2,356,151	2,599,353	2,268,821	2,158,918
Corporate bonds	1,045,407	1,055,125	743,147	694,636
US government securities	<u>725,168</u>	<u>716,946</u>	<u>1,210,602</u>	<u>1,195,187</u>
	4,842,175	5,086,873	4,283,516	4,109,687
<u>Level 3 Investments</u>				
Berkshire Taconic Community Foundation	<u>38,123</u>	<u>54,173</u>	<u>36,128</u>	<u>46,019</u>
Total General Investments	<u>\$ 4,880,298</u>	<u>\$ 5,141,046</u>	<u>\$ 4,319,644</u>	<u>\$ 4,155,706</u>

The following schedule summarizes the investment return and its classification in the statement of activities for the years ended December 31, 2019 and 2018:

	2019	2018
Interest and dividends	\$ 102,006	\$ 115,412
Realized gains	205,197	133,829
Investment fees	<u>(11,808)</u>	<u>(12,875)</u>
Current net earnings and realized gains (losses)	295,395	236,366
Unrealized gains (losses)	<u>417,410</u>	<u>(553,966)</u>
Investment income (loss), net	<u>\$ 712,805</u>	<u>\$ (317,600)</u>

5. Property and Equipment

Property and equipment is summarized as follows:

	2019	2018
Vehicles	\$ 132,082	\$ 132,082
Furniture and equipment	77,550	77,550
Leasehold improvements	177,689	177,689
Buildings	466,937	466,937
Building improvements	61,692	-
Land	75,000	75,000
Computer software	<u>35,000</u>	<u>35,000</u>
Total	1,025,950	964,258
Accumulated depreciation	<u>(353,253)</u>	<u>(322,252)</u>
Net property and equipment	<u>\$ 672,697</u>	<u>\$ 642,006</u>

Depreciation and amortization expense for the years ended December 31, 2019 and 2018 was \$31,001 and \$19,307, respectively.

6. Line of Credit

The Foundation has a \$500,000 line of credit with MountainOne Bank which is payable on demand with a variable rate of interest. The line of credit is unsecured. The balance at December 31, 2019 and 2018 was \$0.

7. Deferred Revenue

Deferred revenue consists of various gifts, contributions and grants received in 2019 earmarked for 2020. Deferred revenue at December 31, 2019 and 2018 is \$266,390 and \$0, respectively.

8. Leases

The Foundation has the following operating leases:

Property lease for office space in Williamstown, Massachusetts. Initial lease term runs through December, 2016 with annual rent increase not to exceed the percentage increase in the Consumer Price Index. Rent at \$704 per month. Renewed through December, 2020.

Property lease for office space in New York, New York. Rent at \$2,280 through April, 2020.

Property lease for scene shop space in North Adams, Massachusetts. Rent at \$5,859 per month through August, 2018, \$6,093 through August, 2019, \$6,337 through August, 2020, \$6,590 through August, 2021.

Residential property lease for property located in Williamstown, Massachusetts. Rent at \$876 per month through August 2019, \$902 through August 2020, renewable every year thereafter. On each occasion of lease renewal, the rent will be adjusted upward by 3% to reflect an average annual increase in the CPI rate.

The future minimum rental payments are as follows:

Year ending December 31,	2020	\$ 105,557
	2021	<u>52,720</u>
Total		<u>\$ 158,277</u>

9. Net Assets Without Donor Restrictions

The Foundation's governing board has designated net assets without donor restrictions for the following purposes at December 31:

	2019	2018
Undesignated net assets	\$ 1,210,845	\$ 497,834
Property and equipment	<u>672,697</u>	<u>642,006</u>
Total	<u>\$ 1,883,542</u>	<u>\$ 1,139,840</u>

10. Net Assets With Donor Restrictions

Net Assets with donor restrictions are available for the following purposes or periods at December 31:

	2019	2018
General endowment	\$ 2,527,598	\$ 2,535,918
Capital expenditures	99,010	208,063
Advancement campaign	221,565	190,262
Scholarships	1,605,555	1,414,031
SSDC	4,767	4,767
Equity bond	<u>105</u>	<u>105</u>
Total	<u>\$ 4,458,600</u>	<u>\$ 4,353,146</u>

11. Net Assets Released from Donor Restrictions

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose or other events specified by donors:

	2019	2018
Capital expenditures	\$ 109,053	\$ 41,937
Various operating activities	51,400	43,000
Scholarships	<u>58,013</u>	<u>56,010</u>
Total	<u>\$ 218,466</u>	<u>\$ 140,947</u>

12. In-Kind Donations

The estimated fair market value of donated goods and services included in the statement of activities is as follows:

	2019	2018
Audit fees	\$ 12,450	\$ 12,345
Advertising	7,500	-
Production costs	-	17,253
Fundraising events	14,245	9,315
Travel/lodging	<u>16,890</u>	<u>-</u>
	<u>\$ 51,085</u>	<u>\$ 38,913</u>

Several volunteers have made significant contributions of their time in furtherance of the Foundation's mission. These services were not reflected in the accompanying financial statements of activities because they do not meet the necessary criteria for recognition under US GAAP.

13. Endowments

As required by generally accepted accounting principles, net assets associated with endowment funds, including funds designated by the Board of Trustees to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

The Foundation's investments consist of donor restricted endowment funds and funds functioning as quasi-endowment funds. Donor restricted endowments consist of gifts received with a donor stipulation that require the funds to be invested in perpetuity. Quasi-endowment funds consist of board designated and donor restricted purpose funds. Board designated funds consist of monies internally generated. Donor restricted purpose funds consists of gifts received with a donor stipulation to be used for a particular purpose, but with no requirement for the funds to be invested in perpetuity and for which a fund was established to function as an endowment.

Professional accounting standards provide guidance on the net asset classification of donor restricted endowment funds for a not-for-profit organization that is subject to an enacted version of the Uniform Prudent Management Institutional Funds Act of 2006 ("UPMIFA") which serves as a model act for states to modernize their laws governing donor restricted endowment funds. This standard also requires additional disclosures about endowments (both donor restricted funds and quasi-endowment funds).

The Foundation has interpreted the Massachusetts Uniform Prudent Management of Institutional Funds Act ("MUPMIFA") as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary.

As a result, the Foundation classifies as net assets without donor restrictions (a) The original value of gifts donated to the permanent endowment, and (b) the original value of subsequent gifts to the endowment. In accordance with MUPMIFA, the Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

1. The duration and preservation of the fund
2. The purposes of the Foundation and the donor-restricted endowment fund
3. General economic conditions
4. The possible effect of inflation and deflation
5. The expected total return from income and the appreciation of investments
6. Other resources
7. The investment policies of the Foundation

From time to time the fair value of assets associated with individual donor restricted endowment funds may fall below the level that the donor or UPMIFA/MUPMIFA requires to be retained for perpetual funds. In accordance with accounting principles generally accepted in the United States of America, the historic gift value of donor restricted endowment funds cannot be reduced for any excess losses. Any excess losses shall reduce net assets without donor restrictions to the extent there is net appreciation on the related funds. At December 31, 2019 and 2018, there were no cumulative losses on the investments of donor restricted endowment funds.

With approval from the Executive Committee, the Foundation may recognize as annual operating revenues a maximum of 5.0 % of the accumulated value of certain endowment funds as reported at the beginning of each fiscal year.

(continued)

(Note 13 continued)

The following schedule reconciles the changes in endowments by net asset class for the years ended December 31, 2019:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Endowment investments - December 31, 2018	\$ 341,438	\$ 3,820,626	\$ 4,162,064
Contributions	4,320	106,825	111,145
Investment return, net	285,537	427,268	712,805
Spending policy distribution	(204,034)	-	(204,034)
Endowment investments - December 31, 2019	<u>\$ 427,261</u>	<u>\$ 4,354,719</u>	<u>\$ 4,781,980</u>

14. Retirement Benefits

Retirement provisions for the Foundation are made on a tax deferred basis pursuant to a salary reduction agreement in accordance with Internal Revenue Code Section 403(b). To participate, the employee must be employed full time and have completed one year of service. The Foundation contributes up to 7% of employees' regular salary and the employees contribute 3%.

The Foundation's contribution to the plan was \$51,329 and \$52,937 for the years ended December 31, 2019 and 2018, respectively.

15. Liquidity

The following reflects the Foundation's financial assets as of the statement of financial position date, reduced by amounts not available or not expected to be used for general use because of contractual, donor-imposed or internal budgetary restrictions within one year of the statement of financial position date. Amounts which are not available or not expected to be used within one year are set aside for long-term investment that could be drawn upon if the governing board approves the action.

	2019	2018
Financial assets at year end:		
Cash and equivalents	\$ 683,258	\$ 733,205
Promises to give	349,152	349,152
Miscellaneous receivables	25,557	17,823
Long-term investments	<u>5,141,046</u>	<u>4,155,706</u>
 Total financial assets	 <u>6,199,013</u>	 <u>5,255,886</u>
 Less donor-restricted amounts not available or expected to be used within one year:		
Net assets with donor restrictions	4,458,600	4,353,146
Less amount appropriated for the following year	<u>(257,052)</u>	<u>(207,785)</u>
Total amounts set aside for long-term investment	4,201,548	4,145,361
 Financial assets available to meet general expenditures over the next twelve months	 <u>\$ 1,997,465</u>	 <u>\$ 1,110,525</u>

Donor-restricted endowment funds, which are required to be maintained in perpetuity, are not available for general expenditure. However, accumulated investment income on donor-restricted endowment funds are available for general expenditure, but is subject to annual budget approval and appropriation. The Foundation's policy as established by the governing board is to draw 5% annually of the general endowment to be used for general expenditures as well as the balance due for certain scholarships awarded. This amount was \$257,052 and \$207,785 at December 31, 2019 and 2018, respectively.

As part of the Foundation's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. Cash in excess of daily requirements are invested in long-term investments and maintained in various funds established by the governing board.

The Foundation also has a committed line of credit in the amount of \$500,000. The line of credit may be drawn upon in the event of financial distress or an immediate liquidity need resulting from events outside the typical cycle of converting financial assets to cash or settling financial liabilities.

Unconditional promises to give of \$349,152 at December 31, 2019 and 2018 consist of one pledge receivable.

16. Concentration of Credit Risk

The Foundation maintains cash balances at several financial institutions located in Massachusetts and New York. Accounts at each institution are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000 and any excess is insured by the Deposit Insurance Fund of Massachusetts (DIFM). At December 31, 2019, the Foundation's cash balances totaled \$697,133, \$388,440 of which was covered by FDIC and the remainder of \$308,693 covered by DIFM.

17. Subsequent Events

On March 11, 2020, the World Health Organization declared the outbreak of a coronavirus (COVID-19) pandemic. As a result, economic uncertainties have arisen which may negatively impact the Foundation. The overall impact of the pandemic on the Foundation is unknown at this time.

Subsequent to year end, the Foundation applied for and was approved a \$192,228 loan under the Paycheck Protection Program created as part of the relief efforts related to COVID-19. The Foundation expects 100% of the loan to be forgiven.

Management has evaluated events and transactions after the balance sheet date through December 10, 2020, the date that the financial statements were available to be issued, and determined that all appropriate subsequent event disclosures, if any, have been made.