

WATERTOWN COMMUNITY FOUNDATION, INC.

FINANCIAL STATEMENTS

with

INDEPENDENT ACCOUNTANTS' REVIEW REPORT

YEAR ENDED DECEMBER 31, 2020

Smith  Sullivan
& Brown PC
CERTIFIED PUBLIC ACCOUNTANTS

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WATERTOWN COMMUNITY FOUNDATION, INC.

REPORT ON FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2020

**WATERTOWN
COMMUNITY
FOUNDATION**



Mission Statement

*The mission of the Watertown Community Foundation is to
build and sustain a vibrant, close-knit community in
Watertown, Massachusetts — now and
for future generations.*

WATERTOWN COMMUNITY FOUNDATION, INC.

REPORT ON FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2020

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INDEPENDENT ACCOUNTANTS' REVIEW REPORT

To the Board of Directors
Watertown Community Foundation, Inc.
Watertown, Massachusetts

We have reviewed the accompanying financial statements of Watertown Community Foundation, Inc. (a nonprofit organization), which comprise the statement of financial position as of December 31, 2020, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements. A review includes primarily applying analytical procedures to management's financial data and making inquiries of management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion.

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.

Accountants' Responsibility

Our responsibility is to conduct the review engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. Those standards require us to perform procedures to obtain limited assurance as a basis for reporting whether we are aware of any material modifications that should be made to the financial statements for them to be in accordance with accounting principles generally accepted in the United States of America. We believe that the results of our procedures provide a reasonable basis for our conclusion.

Accountants' Conclusion

Based on our review, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in accordance with accounting principles generally accepted in the United States of America.

Smith, Sullivan & Brown, PC.

Westborough, Massachusetts
September 30, 2021

WATERTOWN COMMUNITY FOUNDATION, INC.

STATEMENT OF FINANCIAL POSITION AS OF DECEMBER 31, 2020

ASSETS

CURRENT ASSETS:

Cash	\$ 172,701
Pledges Receivable	7,500
Certificates of Deposit	<u>20,946</u>
Total Current Assets	<u>201,147</u>

NON-CURRENT ASSETS:

Pledges Receivable	7,500
Long-Term Investments	<u>2,342,083</u>
Total Non-Current Assets	<u>2,349,583</u>

TOTAL ASSETS

\$ 2,550,730

LIABILITIES AND NET ASSETS

NET ASSETS:

Nets Assets Without Donor Restrictions	\$ 485,683
Nets Assets With Donor Restrictions	<u>2,065,047</u>
Total Net Assets	<u>2,550,730</u>

TOTAL LIABILITIES AND NET ASSETS

\$ 2,550,730

WATERTOWN COMMUNITY FOUNDATION, INC.

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2020

	<u>WITHOUT</u> <u>DONOR</u> <u>RESTRICTIONS</u>	<u>WITH</u> <u>DONOR</u> <u>RESTRICTIONS</u>	<u>TOTAL</u> <u>ACTIVITIES</u>
<u>SUPPORT, REVENUES AND RECLASSIFICATIONS:</u>			
<i>Support and Revenues:</i>			
Grants and Contributions	\$ 110,843	\$ 220,288	\$ 331,131
Special Fund Raising Events	4,750	-	4,750
Less: Cost of Direct Benefits to Donors	(545)	-	(545)
Investment Return	70,870	221,429	292,299
Miscellaneous Income	10,000	-	10,000
<i>Reclassification of Net Assets - Released from Restriction:</i>			
Satisfaction of Donor Restrictions	<u>255,766</u>	<u>(255,766)</u>	<u>-</u>
<u>TOTAL SUPPORT, REVENUES AND RECLASSIFICATIONS</u>	<u>451,684</u>	<u>185,951</u>	<u>637,635</u>
<u>EXPENSES:</u>			
Program Services	253,272	-	253,272
Administrative	38,085	-	38,085
Fund Raising	<u>20,541</u>	<u>-</u>	<u>20,541</u>
<u>TOTAL EXPENSES</u>	<u>311,898</u>	<u>-</u>	<u>311,898</u>
<u>CHANGE IN NET ASSETS</u>	139,786	185,951	325,737
<u>NET ASSETS - BEGINNING OF YEAR</u>	<u>345,897</u>	<u>1,879,096</u>	<u>2,224,993</u>
<u>NET ASSETS - END OF YEAR</u>	<u>\$ 485,683</u>	<u>\$ 2,065,047</u>	<u>\$ 2,550,730</u>

WATERTOWN COMMUNITY FOUNDATION, INC.

STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2020

	<u>PROGRAM</u> <u>SERVICES</u>	<u>ADMINI-</u> <u>STRATIVE</u>	<u>FUND</u> <u>RAISING</u>	<u>DIRECT</u> <u>EVENT</u> <u>COSTS</u>	<u>TOTAL</u> <u>FUNCTIONAL</u> <u>EXPENSES</u>
Grants	\$ 234,899	\$ -	\$ -	\$ -	\$ 234,899
Salaries and Wages	16,671	16,671	16,670	-	50,012
Payroll Taxes and Employee Benefits	1,408	1,408	1,407	-	4,223
Consultants and Professional Fees	-	11,466	-	-	11,466
Office Supplies and Expense	-	4,089	-	-	4,089
Fundraising	-	-	2,464	545	3,009
Telephone, Internet and Equipment Rental	-	2,727	-	-	2,727
Printing and Postage	-	1,362	-	-	1,362
Dues, Bank Fees and Miscellaneous	-	285	-	-	285
Meetings, Conferences and Events	159	-	-	-	159
Travel	135	-	-	-	135
Advertising	-	77	-	-	77
Total Functional Expenses	253,272	38,085	20,541	545	312,443
Cost of Direct Benefits to Donors	-	-	-	(545)	(545)
Total Expenses Per Statement of Activities	\$ 253,272	\$ 38,085	\$ 20,541	\$ -	\$ 311,898

WATERTOWN COMMUNITY FOUNDATION, INC.

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2020

CASH FLOWS FROM OPERATING ACTIVITIES:

Change in Net Assets	<u>\$ 325,737</u>
<i>Adjustments to Reconcile the Above to Net Cash</i>	
<i>Provided by Operating Activities:</i>	
Investment Return	(292,299)
<i>(Increase) Decrease in Current Assets:</i>	
Pledges Receivable	(7,500)
Prepaid Expenses	500
<i>(Increase) Decrease in Non-Current Assets:</i>	
Pledges Receivable	<u>(7,500)</u>
Net Adjustment	<u>(306,799)</u>

NET CASH PROVIDED BY OPERATING ACTIVITIES

18,938

CASH FLOWS FROM INVESTING ACTIVITIES:

Proceeds from Sales of Investments	<u>79,409</u>
Net Cash Flows from Investing Activities	<u>79,409</u>

NET INCREASE IN CASH BALANCES

98,347

CASH BALANCES - BEGINNING OF YEAR

74,354

CASH BALANCES - END OF YEAR

\$ 172,701

WATERTOWN COMMUNITY FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2020

NOTE 1 ORGANIZATION

The Watertown Community Foundation, Inc. (“WCF” or the “Foundation”) is incorporated under the provisions of Massachusetts General Laws Chapter 180 and qualifies as a tax-exempt, not-for-profit corporation under Section 501(c)(3) of the Internal Revenue Code (“IRC”). The Watertown Community Foundation has been classified as an organization which is not a private foundation under IRC Section 509(a); accordingly, contributions made to the Foundation qualify for the maximum charitable deduction for federal income tax purposes.

NOTE 2 PROGRAM SERVICES

The Watertown Community Foundation seeks to promote a strong, close-knit community by fostering connections, respect, and mutual support among Watertown’s diverse residents. It provides philanthropic leadership and expands opportunities for charitable giving and not-for-profit activities that meet local needs, now and for future generations.

Since March 2020, the Watertown Community Foundation (WCF) has confronted COVID-19’s impact, playing a key role in coordinating the community’s response by quickly establishing the Community Resilience Fund (CRF). The fund was initially created by a WCF allocation and contributions made by board members, followed by contributions from the local community and funds continue to come in. Additionally we have received COVID-19 related grants from private foundations and state and federal funds.

The pandemic has fundamentally changed the way we work as a foundation with the community at large. We continue to rapidly deploy essential support to front-line community partners and convene both nonprofit and public entities. It is anticipated that our impact efforts will continue through 2021 and into 2022 with the allocation of additional COVID-19 funding from state and federal grants.

NOTE 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies which affect significant elements of the Foundation’s financial statements are described below to enhance the usefulness of the financial statements to the reader. The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates; however, adherence to generally accepted accounting principles has, in management’s opinion, resulted in reliable and consistent financial reporting by the Foundation for the years presented.

Basis of Accounting:

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

WATERTOWN COMMUNITY FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2020

(Continued)

NOTE 3 *(Continued)*

Fair Value of Financial Instruments:

The Foundation reports its fair value measures using a three-level hierarchy that prioritizes the inputs used to measure fair value. The hierarchy, established by generally accepted accounting principles, requires that entities maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The three levels of inputs used to measure fair value are as follows:

- Level 1 - Quoted prices are available in active markets for identical instruments as of the reporting date. Instruments which are generally included in this category include listed equity and debt securities publicly traded on an exchange.

- Level 2 - Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly. Level 2 inputs include quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets in markets that are not active; observable inputs other than quoted prices for the asset or liability (for example, interest rate and yield curves); and inputs derived principally from, or corroborated by, observable market data by correlation or by other means.

- Level 3 - Pricing inputs are unobservable for the instrument and include situations where there is little, if any, market activity for the instrument. The inputs into the determination of fair value require significant management judgment or estimation.

When available, the Foundation measures fair value using level 1 inputs because they generally provide the most reliable evidence of fair value. The primary use of fair value measures in the Foundation's financial statements are the recurring measurement of the Foundation's investments. There have been no changes to this valuation methodology.

Financial Statement Presentation:

As required by the *FASB Accounting Standards Codification*TM, the Foundation reports information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions. These classifications are related to the existence or absence of donor-imposed restrictions as follows:

Net Assets Without Donor Restrictions - consists of assets, public support and other revenues which are available and used for operations and programs. Net assets without donor restriction represents the portion of net assets of the Foundation that is not restricted by donor-imposed stipulations. Contributions are considered available for unrestricted use unless specifically restricted by the donor. In addition, net assets within this classification may include funds which represent resources designated by the Board of Directors for specific purposes.

WATERTOWN COMMUNITY FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2020

(Continued)

NOTE 3 *(Continued)*

Net Assets With Donor Restrictions - includes funds with donor-imposed restrictions which permit the donee organization to expend the assets as specified and is satisfied either by the passage of time or by actions of the Foundation. Resources of this nature originate from gifts, grants, bequests, and may include investment income earned on restricted funds. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

Endowment Funds:

Some of the Foundation's funds are established as endowment funds with the earnings and appreciation either available for general giving or restricted for specific purposes by the endowment agreement. As required by the Commonwealth of Massachusetts, the Foundation follows the guidance of the Uniform Prudent Management of Institutional Funds Act ("UPMIFA"). UPMIFA establishes law for the management of investment of endowment funds with donor restrictions. The Board of Directors' interpretation of state law is that the Foundation, absent explicit donor stipulations to the contrary, may appropriate as much of the net appreciation as is prudent considering the Foundation's long and short-term needs, present and anticipated financial requirements, expected total return on its investments, price-level trends, and general economic conditions.

In accordance with UPMIFA, the Foundation considers the following factors in making a determination of whether to invest or appropriate endowment funds with donor restrictions:

- The duration and preservation of the fund
- The purposes of the Foundation and the endowment funds with donor restrictions
- General economic conditions
- The possible effect of inflation and deflation
- The expected total return from income and the appreciation of investments
- Other resources of the Foundation
- The investment policies of the Foundation

Income and appreciation earned on endowment investments are classified as net assets with donor restrictions until appropriated for expenditure by the Board of Directors based on the above criteria.

The Foundation's endowment funds consists of funds with donor restrictions. The Foundation has adopted investment and spending policies for endowment assets, and funds functioning as endowment, that attempt to provide a predictable stream of funding for programs supported by its endowment, while seeking to maintain the purchasing power of the endowment assets. Under this policy, as approved by the Board of Directors, the endowment is to maintain its purchasing power by generating a total return, net of fees, that exceeds the spending rate over the long-term. The spending rate on the endowment funds and funds held under "spending policy agreements" is 5% of the market value of the fund.

WATERTOWN COMMUNITY FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2020

(Continued)

NOTE 3 *(Continued)*

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 to achieve its long-term return objectives within prudent constraints.

Certificates of Deposit:

As of December 31, 2020, the Foundation held four certificates of deposit totaling \$20,946. The certificates of deposit have maturity dates of March 2021, April 2021, May 2021, and September 2021 and have interest rates ranging from 0.65% - 0.80%. *Certificates of Deposit* are carried at cost plus accrued interest and are presented as current or non-current in accordance with the underlying intentions.

Receivables:

Pledges Receivable represent multi-year promises to give. Receivables are reported at their net realizable value and classified as current if they are scheduled for payment within one year, and non-current when the expected payment date exceeds one year. As of December 31, 2020, non-current pledges receivable are due in 2022. Management periodically reviews specific promises to give and agreements to determine if any balances are uncollectible. Management believed that all receivables are collectible; therefore, no allowance for doubtful amounts has been established. If balances due are determined to be uncollectible in subsequent periods, an allowance will be established at that time. For the year ended December 31, 2020, there were no losses on uncollectible receivables.

Long-Term Investments:

The Foundation maintains an investment portfolio which includes cash and publicly traded mutual funds and exchange-traded funds. As required by *FASB Accounting Standards Codification*TM, investments are reported at their fair value, including unrealized gains and losses. Cash held in brokerage accounts is reported as cash for purposes of these financial statements. Investments are classified as either short-term or long-term, depending upon the underlying intention.

Contributions, Gifts and Grants:

As required by the *FASB Accounting Standards Codification*TM, contributions are required to be recorded as receivables and revenues and the Foundation is required to distinguish between contributions received for each net asset category in accordance with donor-imposed restrictions.

The Foundation recognizes contributions when cash, securities or other assets; an unconditional promise to give; or a notification of a beneficial interest is received. Contributions of assets other than cash are reported at their estimated fair value. Conditional promises to give - that is, those with a measurable performance or other barrier and right of return - are not recognized until the conditions on which they depend have been met.

Unconditional multi-year commitments are recognized in the year during which the initial commitment was made. Contributions to be received after one year are discounted at an appropriate discount rate commensurate with the risk involved, when such amounts are considered material.

WATERTOWN COMMUNITY FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2020

(Continued)

NOTE 3 *(Continued)*

Support that is restricted by the donor is reported as an increase in net assets with donor restrictions until the restrictions expire, at which time the assets are reclassified to net assets without donor restrictions.

Donated Goods and Services:

As required by the *FASB Accounting Standards Codification*TM, Watertown Community Foundation, Inc. maintains a policy whereby the value of the donated goods and services that create or enhance nonfinancial assets or that require specialized skills, are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation, are recognized as revenue on the Statement of Activities and are reported as expenses on the Statement of Functional Expenses. For the year presented, the Foundation did not receive in-kind donations which met the recognition criteria.

Investment Return:

Interest and dividends on investments are recognized when earned. Realized and unrealized gains and losses are recognized as incurred or based on market value changes during the period. External and direct internal investment expenses are netted against the investment return.

Functional Expenses:

Watertown Community Foundation, Inc. allocates its expenses on a functional basis among its various programs and support services. Expenses that can be identified with a specific program and support service are allocated directly according to their natural expenditure classification. Other expenses that are common to several functions are allocated based upon space and time usage. For the year presented, the following expenses are based on employee time and effort: *Salaries and Wages, Payroll Taxes and Employee Benefits*. Supporting services are those related to operating and managing WCF and its programs on a day-to-day basis.

Supporting services have been sub-classified as follows:

Administrative - includes all activities related to Watertown Community Foundation, Inc.'s internal management and accounting for program services.

Fund Raising - includes all activities related to maintaining contributor information, writing grant proposals, distribution of materials, indirect costs of fund raising events and other similar projects related to the procurement of donated funds.

Grants Expense:

The Foundation recognizes a grant expense at the time the Board of Directors approves the award and all significant conditions are met. Grants are made by the Foundation are generally approved based on community need and an application process. Designated grants are grants made from funds established to support specific organizations.

WATERTOWN COMMUNITY FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2020

(Continued)

NOTE 4 INVESTMENTS

As of December 31, 2020, investment costs and unrealized gains and losses consisted of the following components:

<u>Investment Type</u>	<u>Cost</u>	<u>Unrealized Gains</u>	<u>Unrealized Losses</u>	<u>Fair Value (Level 1)</u>
Vanguard 500 Index Fund	\$ 310,074	\$556,084	\$ -	\$ 866,158
Vanguard Mutual Funds	244,506	6,973	-	251,479
Vanguard ETF Mid Cap	127,423	154,291	-	281,714
Vanguard ETF Small Cap	130,483	148,522	-	279,005
Vanguard ETF Total Bond	179,016	10,749	-	189,765
Vanguard ETF International Stock	184,742	42,796	-	227,538
Vanguard ETF Inter-term Bond Fund	<u>221,019</u>	<u>25,405</u>	<u>-</u>	<u>246,424</u>
Total	<u>\$1,397,263</u>	<u>\$944,820</u>	<u>\$ -</u>	<u>\$2,342,083</u>

The Foundation uses the following ways to determine the fair value of its investments:

Money Market Funds: Determined by the published net asset value (“NAV”) per unit at the end of the last trading day of the fiscal year, which is the basis for transactions at that date.

Mutual Funds: Determined at the published NAV per unit at the end of the last trading day of the fiscal year, which is the basis for the transactions at that date. NAV is based on the value of the underlying assets owned by the fund, minus its liabilities and then divided by the number of shares issued by the fund at year end. NAV is quoted in an active market.

Exchange-Traded Funds (“ETFs”): Determined by the published closing price on the last business day of the fiscal year.

Investment activity for the year ended December 31, 2020 consists of the following:

<u>Components of Investment Return</u>	<u>Amount</u>
Interest and Dividends	\$ 42,757
Investment Fees	(1,020)
Net Realized/Unrealized Gain on Investments	<u>250,562</u>
Net Investment Return	<u>\$292,299</u>

WATERTOWN COMMUNITY FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2020

(Continued)

NOTE 5 NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consisted of the following as of December 31, 2020:

<u>Nature of Restriction</u>	<u>Amount</u>
Subject to the Passage of Time:	
Watertown Arsenal Education Principal Fund Term Endowment	<u>\$1,286,556</u>
Subject to Expenditure for Specified Purposes:	
Watertown Arsenal Education Income Fund	600,288
Watertown Education Fund	92,681
Community Resilience Fund	35,753
Sports and Athletics	30,000
Subject to Time	12,000
Watertown Fund for the Most Vulnerable	5,000
Food for Thought	<u>2,769</u>
Total Funds Subject to Expenditure for Specified Purposes	<u>778,491</u>
Total Net Assets with Donor Restrictions	<u>\$2,065,047</u>

Net assets released from donor restrictions by incurring expenses which satisfied the restricted purposes, by the passage of time or by the occurrence of events specified by the donors were as follows for the year ended December 31, 2020:

<u>Nature of Restriction</u>	<u>Amount</u>
Community Resilience Fund	\$151,535
Educational Grants and Awards	75,000
Health and Healthy Living	17,231
Watertown Fund for the Most Vulnerable	6,000
Time	<u>6,000</u>
Total	<u>\$255,766</u>

The Watertown Education Fund originated with funds received in the merger with the Watertown Education Foundation. The fund is restricted for the teachers and students of the Watertown Public School's educational efforts.

Term Endowment:

The Watertown Arsenal Education Principal Fund (the "Principal Fund") is to be used for educational purposes for residents of the Town of Watertown, as may be determined by the Board of Directors, which may include, but shall not be limited to, the granting of scholarships or other forms of financial assistance for educational purposes to or for the benefit of residents of the Town of Watertown. Under the terms of the gift that established the Fund, the principal of the Fund may not be distributed for a period of 25 years from April 1, 2002. During this period, Fund earnings of up to 5% per annum are to be maintained in the Fund and added to the Fund principal.

The Watertown Arsenal Education Income Fund (the "Income Fund") represents annual fund earnings in excess of 5%, which become available for distribution as determined by the Board of Directors in accordance with the terms of the gift.

WATERTOWN COMMUNITY FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2020

(Continued)

NOTE 5 (Continued)

The following schedule summarizes the change in endowment net assets for the year ended December 31, 2020:

	<u>With Donor Restrictions</u>		
	<u>Principal Fund</u>	<u>Income Fund</u>	<u>Total Endowment Funds</u>
Term Endowment Net Assets, December 31, 2019	\$1,225,291	\$515,479	\$1,740,770
Investment Income	61,265	159,809	221,074
Appropriated for Expenditures	<u>-</u>	<u>(75,000)</u>	<u>(75,000)</u>
Term Endowment Net Assets, December 31, 2020	<u>\$1,286,556</u>	<u>\$600,288</u>	<u>\$1,886,844</u>

NOTE 6 FUND RAISING ACTIVITIES

The Foundation holds special fund raising events on behalf of funds to generate contributions. The results of fund raising events for the year ended December 31, 2020 are summarized below:

	<u>Amount</u>
Gross Proceeds	\$4,750
Less: Direct Costs	<u>(545)</u>
Net Event Revenues	<u>\$4,205</u>

NOTE 7 CONCENTRATIONS

Cash and Investments:

The Foundation is subject to concentrations in credit risk relating primarily to cash and investments. The Foundation maintains bank accounts at five financial institutions. Cash balances are insured by the Federal Deposit Insurance Corporation ("FDIC") up to \$250,000 per institution. As of December 31, 2020, cash balances did not exceed FDIC coverage limits. Additionally, the Foundation's investment portfolio is custodied with two financial institutions. The Foundation invests in professionally managed money market, mutual funds and exchange-traded funds that contain various types of marketable securities. The Foundation's investments are exposed to various risks, such as fluctuations in market value and credit risk. Thus, it is at least reasonably possible that changes in the near term could materially affect investment balances.

Pledges Receivable and Contributions:

For the year ended December 31, 2020, 100% of *Pledges Receivable* were due from one donor.

For the year ended December 31, 2020, 21% of total *Grants and Contributions* was received from one donor.

WATERTOWN COMMUNITY FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2020

(Continued)

NOTE 8 CONDITIONAL COMMITMENTS

In November 2020, the Foundation received a \$200,000 conditional grant award for grantmaking in 2021 from the Commonwealth of Massachusetts under the Community Foundation Grant Program for COVID-19 Relief. Per the terms and conditions of the grant program, the Foundation must disburse the first 50% of the total award within three months of receipt, and the subsequent advances of 40% and 10% of the total award are contingent upon approval of the prior reimbursement invoice and all funds are required to be disbursed by June 30, 2021. As of December 31, 2020, the total aggregate conditional commitment of \$200,000 had not been recognized in the accompanying financial statements, as the first requested payment on the award had not yet been received by the Foundation. In January 2021, the Foundation received the first payment of \$100,000 on the grant award.

NOTE 9 LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

The following table reflects the Foundation's financial assets as of December 31, 2020, reduced by amounts not available for general expenditure within one year. Financial assets are considered unavailable when illiquid or not convertible to cash within one year or because the governing board has set aside the funds for a specific contingency reserve or a long-term investments.

	<u>Amount</u>
Financial Assets:	
Cash	\$ 172,701
Pledges Receivable	15,000
Certificates of Deposit	20,946
Investments	<u>2,342,083</u>
Total Financial Assets as of December 31, 2020	2,550,730
Less Amounts Not Available to be Used Within One Year:	
Cash and Investments Held for Funds	(2,050,097)
Long-Term Pledges	<u>(7,500)</u>
Financial Assets Available to Meet	
General Expenditures Within One Year	<u>\$ 493,133</u>

The Foundation has a goal to maintain financial assets, which consist of cash, money market funds, and short and long-term investments, on hand to meet at least six months of expenses, which are approximately \$40,000. The Foundation has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

For purposes of analyzing resources available to meet general expenditures over a twelve-month period, the Foundation considers all expenditures related to its ongoing activities of grantmaking as well as the conduct of services undertaken to support those activities to be general expenditures.

NOTE 10 SUBSEQUENT EVENTS

Management is required to consider events subsequent to the financial statement date for potential adjustment to or disclosure in the financial statements. Therefore, Management has evaluated subsequent events through September 30, 2021, the date which the financial statements were available for issue, and noted no events which met the recognition criteria.