

**SOUTHCOAST COMMUNITY FOUNDATION, INC.**

**FINANCIAL STATEMENTS**

*with*

**INDEPENDENT AUDITORS' REPORT**

**YEARS ENDED DECEMBER 31, 2021 AND 2020**

Smith  Sullivan  
& Brown PC  
CERTIFIED PUBLIC ACCOUNTANTS

80 Flanders Road, Suite 200  Westborough, Massachusetts 01581  
Tel: 508.871.7178 Fax: 508.871.7179 [www.ssbcpa.com](http://www.ssbcpa.com)

**SOUTHCOAST COMMUNITY FOUNDATION, INC.**

**REPORT ON FINANCIAL STATEMENTS**

**YEARS ENDED DECEMBER 31, 2021 AND 2020**



**Mission Statement**

*To mobilize philanthropy by matching donors and  
resources with community needs for  
the benefit of our region.*

SOUTHCOAST COMMUNITY FOUNDATION, INC.

REPORT ON FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2021 AND 2020

**C O N T E N T S**

	<i>Pages</i>
Independent Auditors' Report.....	1 - 2
Statements of Financial Position as of December 31, 2021 and 2020.....	3
Statement of Activities for the Year Ended December 31, 2021..... <i>(With Summarized Comparative Totals for 2020)</i>	4
Statement of Activities for the Year Ended December 31, 2020.....	5
Statement of Functional Expenses for the Year Ended December 31, 2021..... <i>(With Summarized Comparative Totals for 2020)</i>	6
Statement of Functional Expenses for the Year Ended December 31, 2020.....	7
Statements of Cash Flows for the Years Ended December 31, 2021 and 2020.....	8
Notes to Financial Statements.....	9 - 25

**Smith  Sullivan  
& Brown PC**  
CERTIFIED PUBLIC ACCOUNTANTS

80 Flanders Road, Suite 200  Westborough, Massachusetts 01581  
Tel: 508.871.7178 Fax: 508.871.7179 www.ssbcpa.com

**INDEPENDENT AUDITORS' REPORT**

To the Board of Directors  
SouthCoast Community Foundation, Inc.  
New Bedford, Massachusetts

**Opinion**

We have audited the accompanying financial statements of SouthCoast Community Foundation, Inc. (a Massachusetts nonprofit organization), which comprise the statements of financial position as of December 31, 2021 and 2020, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of SouthCoast Community Foundation, Inc. as of December 31, 2021 and 2020, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

**Basis for Opinion**

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of SouthCoast Community Foundation, Inc. and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

**Responsibilities of Management for the Financial Statements**

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about SouthCoast Community Foundation, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

**Auditors' Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

To the Board of Directors  
SouthCoast Community Foundation, Inc.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Possible Project, Inc.'s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about SouthCoast Community Foundation, Inc.'s ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

*Smith, Sullivan & Brown, PC*

Westborough, Massachusetts  
November 1, 2022

SOUTHCOAST COMMUNITY FOUNDATION, INC.

STATEMENTS OF FINANCIAL POSITION AS OF DECEMBER 31, 2021 AND 2020

	<u>ASSETS</u>	<u>2021</u>	<u>2020</u>
<u>CURRENT ASSETS:</u>			
Cash and Cash Equivalents		\$ 3,176,963	\$ 2,910,424
Pledges Receivable, Current		20,000	40,000
Prepaid Expenses		<u>33,872</u>	<u>31,810</u>
Total Current Assets		<u>3,230,835</u>	<u>2,982,234</u>
<u>PROPERTY AND EQUIPMENT, NET</u>		<u>22,438</u>	<u>27,585</u>
<u>NON-CURRENT ASSETS:</u>			
Investments		44,559,410	39,522,772
Beneficial Interest in Remainder Trust		5,309,082	4,973,004
Intangible Assets, Net		<u>25,904</u>	<u>36,401</u>
Total Non-Current Assets		<u>49,894,396</u>	<u>44,532,177</u>
<u>TOTAL ASSETS</u>		<u>\$ 53,147,669</u>	<u>\$ 47,541,996</u>
<u>LIABILITIES AND NET ASSETS</u>			
<u>CURRENT LIABILITIES:</u>			
Accounts Payable and Accrued Expenses		\$ 21,743	\$ 80,000
Accrued Payroll and Related Costs		8,390	6,128
Agency Funds Held for Others		30,137	30,137
Conditional Grant Advance		-	162,000
Grants Payable, Current		<u>223,327</u>	<u>79,750</u>
Total Current Liabilities		<u>283,597</u>	<u>358,015</u>
<u>NON-CURRENT LIABILITIES:</u>			
Charitable Gift Annuity Payable		-	-
Grants Payable, Non-Current		163,750	92,500
Agency Endowment Funds		<u>1,042,143</u>	<u>942,060</u>
Total Non-Current Liabilities		<u>1,205,893</u>	<u>1,034,560</u>
<u>TOTAL LIABILITIES</u>		<u>1,489,490</u>	<u>1,392,575</u>
<u>NET ASSETS:</u>			
Net Assets Without Donor Restrictions		<u>41,696,530</u>	<u>36,706,835</u>
Net Assets With Donor Restrictions:			
Restricted by Purpose		7,752,838	7,369,006
Restricted in Perpetuity		<u>2,208,811</u>	<u>2,073,580</u>
Total Net Assets With Donor Restrictions		<u>9,961,649</u>	<u>9,442,586</u>
Total Net Assets		<u>51,658,179</u>	<u>46,149,421</u>
<u>TOTAL LIABILITIES AND NET ASSETS</u>		<u>\$ 53,147,669</u>	<u>\$ 47,541,996</u>

SOUTHCOAST COMMUNITY FOUNDATION, INC.

STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2021  
*(With Summarized Comparative Totals for 2020)*

	<u>WITHOUT DONOR</u> <u>RESTRICTIONS</u>	<u>WITH DONOR</u> <u>RESTRICTIONS</u>	<u>TOTAL ACTIVITIES</u>	
			<u>2021</u>	<u>2020</u>
<b><u>SUPPORT, REVENUES AND RECLASSIFICATIONS:</u></b>				
<i>Support and Revenues:</i>				
Grants and Contributions	\$ 9,994,047	\$ 906,921	\$ 10,900,968	\$ 12,455,763
Gross Proceeds from Special Fund Raising Events	215,209	-	215,209	121,607
Less: Cost of Direct Benefits to Donors	(68,409)	-	(68,409)	(9,336)
Investment Return	3,980,830	466,975	4,447,805	3,928,542
Change in Value of Beneficial Interest in Trusts	-	336,078	336,078	148,116
Other Miscellaneous Revenue	3,922	-	3,922	5,154
<i>Reclassifications of Net Assets:</i>				
Satisfaction of Donor Restrictions for Fund Expenses and Grants	1,134,168	(1,134,168)	-	-
Fund Administration Fees	56,743	(56,743)	-	-
<b><u>TOTAL SUPPORT, REVENUES AND RECLASSIFICATIONS</u></b>	<b><u>15,316,510</u></b>	<b><u>519,063</u></b>	<b><u>15,835,573</u></b>	<b><u>16,649,846</u></b>
<b><u>EXPENSES:</u></b>				
Program Services	8,996,821	-	8,996,821	10,241,398
Administrative	859,957	-	859,957	541,583
Fund Raising	470,037	-	470,037	458,863
<b><u>TOTAL EXPENSES</u></b>	<b><u>10,326,815</u></b>	<b><u>-</u></b>	<b><u>10,326,815</u></b>	<b><u>11,241,844</u></b>
<b><u>TOTAL CHANGE IN NET ASSETS</u></b>	<b><u>4,989,695</u></b>	<b><u>519,063</u></b>	<b><u>5,508,758</u></b>	<b><u>5,408,002</u></b>
<b><u>NET ASSETS - BEGINNING OF YEAR</u></b>	<b><u>36,706,835</u></b>	<b><u>9,442,586</u></b>	<b><u>46,149,421</u></b>	<b><u>40,741,419</u></b>
<b><u>NET ASSETS - END OF YEAR</u></b>	<b><u>\$ 41,696,530</u></b>	<b><u>\$ 9,961,649</u></b>	<b><u>\$ 51,658,179</u></b>	<b><u>\$ 46,149,421</u></b>

SOUTHCOAST COMMUNITY FOUNDATION, INC.

STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2020

<u>SUPPORT, REVENUES AND RECLASSIFICATIONS:</u>	<u>WITHOUT DONOR</u> <u>RESTRICTIONS</u>	<u>WITH DONOR</u> <u>RESTRICTIONS</u>	<u>TOTAL</u> <u>ACTIVITIES</u>
<i>Support and Revenues:</i>			
Grants and Contributions	\$ 11,649,013	\$ 806,750	\$ 12,455,763
Gross Proceeds from Special Fund Raising Events	121,607	-	121,607
Less: Cost of Direct Benefits to Donors	(9,336)	-	(9,336)
Investment Return	3,367,354	561,188	3,928,542
Change in Value of Beneficial Interest in Trusts	148,116	-	148,116
Other Miscellaneous Revenue	5,154	-	5,154
<i>Reclassifications of Net Assets:</i>			
Satisfaction of Donor Restrictions for Fund Expenses and Grants	897,335	(897,335)	-
Fund Administration Fees	73,321	(73,321)	-
<b><u>TOTAL SUPPORT, REVENUES AND RECLASSIFICATIONS</u></b>	<b><u>16,252,564</u></b>	<b><u>397,282</u></b>	<b><u>16,649,846</u></b>
<b><u>EXPENSES:</u></b>			
Program Services	10,241,398	-	10,241,398
Administrative	541,583	-	541,583
Fund Raising	458,863	-	458,863
<b><u>TOTAL EXPENSES</u></b>	<b><u>11,241,844</u></b>	<b><u>-</u></b>	<b><u>11,241,844</u></b>
<b><u>TOTAL CHANGE IN NET ASSETS</u></b>	<b><u>5,010,720</u></b>	<b><u>397,282</u></b>	<b><u>5,408,002</u></b>
<b><u>NET ASSETS - BEGINNING OF YEAR</u></b>	<b><u>31,696,115</u></b>	<b><u>9,045,304</u></b>	<b><u>40,741,419</u></b>
<b><u>NET ASSETS - END OF YEAR</u></b>	<b><u>\$ 36,706,835</u></b>	<b><u>\$ 9,442,586</u></b>	<b><u>\$ 46,149,421</u></b>



SOUTHCOAST COMMUNITY FOUNDATION, INC.

STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED DECEMBER 31, 2021  
*(With Summarized Comparative Totals for 2020)*

	<u>PROGRAM</u> <u>SERVICES</u>	<u>ADMINISTRATIVE</u>		<u>FUNDRAISING</u>		<u>TOTAL</u> <u>FUNCTIONAL EXPENSES</u>	
		<u>FUND SERVICES</u>	<u>OPERATIONS</u>	<u>FUND SERVICES</u>	<u>OPERATIONS</u>	<u>2021</u>	<u>2020</u>
Grants	\$ 6,091,771	\$ -	\$ -	\$ -	\$ -	\$ 6,091,771	\$ 8,378,085
Salaries and Wages	462,165	271,862	258,269	176,710	190,303	1,359,309	968,680
Payroll Taxes	38,229	22,487	21,363	14,617	15,741	112,437	82,562
Employee Benefits	31,535	18,550	17,622	12,057	12,985	92,749	96,244
Consultants and Professional Fees	2,016,773	-	109,383	-	-	2,126,156	1,379,478
Expenses for Fiscally Sponsored Projects	100,659	-	-	-	-	100,659	47,947
Occupancy Costs	29,891	17,583	16,704	11,429	12,308	87,915	88,825
Staff Travel and Mileage	738	-	4,378	-	-	5,116	10,632
Insurance	-	-	7,917	-	-	7,917	7,338
Outreach, Marketing and Advertising	32,173	-	5,635	-	-	37,808	20,204
Cost of Direct Benefits to Donors	-	-	-	-	68,409	68,409	9,336
Printing and Postage	3,140	-	4,747	-	-	7,887	6,457
Office Supplies and Expense	114,616	-	16,746	-	-	131,362	41,593
Equipment Rental and Repairs	24,761	14,565	13,837	9,467	10,196	72,826	62,051
Depreciation and Amortization Expense	5,319	3,129	2,972	2,034	2,190	15,644	12,671
Dues and Subscriptions	40,324	-	22,997	-	-	63,321	32,473
Meetings and Conferences	4,727	-	9,211	-	-	13,938	6,604
<b>Total Functional Expenses</b>	<b>8,996,821</b>	<b>348,176</b>	<b>511,781</b>	<b>226,314</b>	<b>312,132</b>	<b>10,395,224</b>	<b>11,251,180</b>
Less: Cost of Direct Benefits to Donors	-	-	-	-	(68,409)	(68,409)	(9,336)
<b>Total Expenses per Statement of Activities</b>	<b><u>\$ 8,996,821</u></b>	<b><u>\$ 348,176</u></b>	<b><u>\$ 511,781</u></b>	<b><u>\$ 226,314</u></b>	<b><u>\$ 243,723</u></b>	<b><u>\$ 10,326,815</u></b>	<b><u>\$ 11,241,844</u></b>
	<b><u>87%</u></b>	<b><u>4%</u></b>	<b><u>5%</u></b>	<b><u>2%</u></b>	<b><u>2%</u></b>	<b><u>100%</u></b>	

SOUTHCOAST COMMUNITY FOUNDATION, INC.

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

	<u>PROGRAM</u> <u>SERVICES</u>	<u>ADMINISTRATIVE</u>		<u>FUNDRAISING</u>		<u>TOTAL</u> <u>FUNCTIONAL</u> <u>EXPENSES</u>
		<u>FUND SERVICES</u>	<u>OPERATIONS</u>	<u>FUND SERVICES</u>	<u>OPERATIONS</u>	
Grants	\$ 8,378,085	\$ -	\$ -	\$ -	\$ -	\$ 8,378,085
Salaries and Wages	329,351	154,989	145,302	154,989	184,049	968,680
Payroll Taxes	28,071	13,210	12,384	13,210	15,687	82,562
Employee Benefits	32,723	15,399	14,437	15,399	18,286	96,244
Consultants and Professional Fees	1,307,973	-	71,505	-	-	1,379,478
Expenses for Fiscally Sponsored Projects	47,947	-	-	-	-	47,947
Occupancy Costs	30,200	14,212	13,324	14,212	16,877	88,825
Staff Travel and Mileage	8,786	-	1,846	-	-	10,632
Insurance	-	-	7,338	-	-	7,338
Outreach, Marketing and Advertising	12,753	-	7,451	-	-	20,204
Cost of Direct Benefits to Donors	-	-	-	-	9,336	9,336
Printing and Postage	3,718	-	2,739	-	-	6,457
Office Supplies and Expense	25,061	-	16,532	-	-	41,593
Equipment Rental and Repairs	21,097	9,928	9,308	9,928	11,790	62,051
Depreciation and Amortization Expense	4,307	2,028	1,900	2,028	2,408	12,671
Dues and Subscriptions	9,199	-	23,274	-	-	32,473
Meetings and Conferences	2,127	-	4,477	-	-	6,604
<b>Total Functional Expenses</b>	<b>10,241,398</b>	<b>209,766</b>	<b>331,817</b>	<b>209,766</b>	<b>258,433</b>	<b>11,251,180</b>
Less: Cost of Direct Benefits to Donors	-	-	-	-	(9,336)	(9,336)
<b>Total Expenses per Statement of Activities</b>	<b><u>\$ 10,241,398</u></b>	<b><u>\$ 209,766</u></b>	<b><u>\$ 331,817</u></b>	<b><u>\$ 209,766</u></b>	<b><u>\$ 249,097</u></b>	<b><u>\$ 11,241,844</u></b>
	<b><u>91%</u></b>	<b><u>2%</u></b>	<b><u>3%</u></b>	<b><u>2%</u></b>	<b><u>2%</u></b>	<b><u>100%</u></b>

SOUTHCOAST COMMUNITY FOUNDATION, INC.  
STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

	<u>2021</u>	<u>2020</u>
<b><u>CASH FLOWS FROM OPERATING ACTIVITIES:</u></b>		
Change in Net Assets	\$ <u>5,508,758</u>	\$ <u>5,408,002</u>
<i>Adjustments to Reconcile the Above to Net Cash Provided by Operating Activities:</i>		
Contributions Restricted for Long-Term Purposes	(135,231)	(55,062)
Investment Return	(4,552,420)	(4,007,722)
Donated Stock	(484,218)	(435,210)
Change in Value of Beneficial Interest in Remainder Trusts	(336,078)	(148,116)
Depreciation and Amortization Expense	15,644	12,671
<i>(Increase) Decrease in Current Assets:</i>		
Pledges Receivable, Current	20,000	(10,000)
Prepaid Expenses	(2,062)	(5,738)
<i>Increase (Decrease) in Current Liabilities:</i>		
Accounts Payable	(58,257)	80,000
Accrued Payroll and Related Costs	2,262	(17,455)
Agency Funds Held for Others	-	(20,113)
Conditional Grant Advance	(162,000)	162,000
Grants Payable, Current	143,577	(24,000)
<i>Increase (Decrease) in Non-Current Liabilities:</i>		
Charitable Gift Annuity Payable	-	(323)
Grants Payable, Non-Current	71,250	(23,750)
Agency Endowment Funds	<u>100,083</u>	<u>61,665</u>
Net Adjustment	<u>(5,377,450)</u>	<u>(4,431,153)</u>
<b><u>NET CASH PROVIDED BY OPERATING ACTIVITIES</u></b>	<b><u>131,308</u></b>	<b><u>976,849</u></b>
<b><u>CASH FLOWS FROM INVESTING ACTIVITIES:</u></b>		
Purchase of Equipment	-	(8,016)
Purchase of Intangible Assets	-	(14,750)
Purchase of Investments	-	(400,000)
Proceeds from Sales of Investments	-	580,000
Net Cash Flows from Investing Activities	<u>-</u>	<u>157,234</u>
<b><u>CASH FLOWS FROM FINANCING ACTIVITIES:</u></b>		
Contributions Restricted for Long-Term Purposes	<u>135,231</u>	<u>55,062</u>
Cash Flows from Financing Activities	<u>135,231</u>	<u>55,062</u>
<b><u>NET INCREASE IN CASH AND CASH EQUIVALENTS</u></b>	<b><u>266,539</u></b>	<b><u>1,189,145</u></b>
<b><u>CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR</u></b>	<b><u>2,910,424</u></b>	<b><u>1,721,279</u></b>
<b><u>CASH AND CASH EQUIVALENTS - END OF YEAR</u></b>	<b><u>\$ 3,176,963</u></b>	<b><u>\$ 2,910,424</u></b>

SOUTHCOAST COMMUNITY FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2021 AND 2020

NOTE 1      ORGANIZATION

The SouthCoast Community Foundation, Inc. (“SCCF” 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 SouthCoast Community Foundation, Inc. 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 SouthCoast Community Foundation, Inc. is primarily funded through contributions and pledges from the general public. Contributions are made to various types of funds.

**Education:**

The Foundation manages 79 educational funds, including 63 scholarship funds, 4 educational funds for individual schools and programs, and 12 other funds that include education as an area of interest. Areas of particular concern for the Foundation are college/career readiness and early childhood education.

**Arts and Culture:**

The Foundation supports a range of initiatives in support of the arts and culture for our region. The Foundation has embarked on a Creative Commonwealth Initiative that, in partnership with other foundations, seeks to elevate the arts and creative expression in New Bedford and Fall River. The Foundation also sponsors AHA (“Art History Architecture”), the acclaimed monthly arts and culture nights in downtown New Bedford.

**Economic Opportunity:**

The Foundation works to remove the obstacles to economic engagement through a variety of means including the Polaroid Fund, providing assistance to recent immigrants and others for whom English is a second language, as well as to develop workforce skills.

Mayflower Wind was awarded a contract to supply Massachusetts with offshore wind energy and includes a significant commitment to local workforce and economic development through their newly created fund with the SouthCoast Community Foundation. Over the next ten years, the Mayflower Fund will receive a total of \$27 million toward inclusive, equitable, and diverse employment, training, and supply chain opportunities related to the offshore wind industry in the Southeastern Massachusetts region.

**Capacity Building:**

The development and strength of the nonprofit sector is central to the Foundation’s mission of improving the quality of life in our region through philanthropy. Throughout its history, the Foundation has provided training and technical assistance to nonprofits as well as individuals and groups seeking to establish such entities.

SOUTHCOAST COMMUNITY FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2021 AND 2020

*(Continued)*

NOTE 2      *(Continued)*

**Advisors for Philanthropy:**

The goal as a Community Foundation is to provide professional advisors and their clients with a range of giving options and professional oversight that will help donors meet their philanthropic and financial goals.

**Grantmaking:**

As part of the Foundation's mission, grants are awarded which have been used to support youth programs, expand economic opportunities, increase educational attainment, promote sustainability, and invest in the arts.

NOTE 3      SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

**Basis of Accounting:**

The financial statements of the Foundation have been prepared on the accrual basis of accounting and accordingly, reflect all significant receivables, payables, and other liabilities.

**Estimates:**

The preparation of financial statements in conformity with generally accepted accounting principles ("GAAP") 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 year presented.

**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.

SOUTHCOAST COMMUNITY FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2021 AND 2020

(Continued)

NOTE 3 (Continued)

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 financial statements are the recurring measurement of the Foundation's investments and its beneficial interest in remainder trusts.

**Financial Statement Presentation:**

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* - Net assets without donor restrictions are resources available to support operations and not subject to donor restrictions. In addition, net assets within this classification include funds which represent resources designated by the Board of Trustees for specific purposes.

*Net Assets With Donor Restrictions* - Net assets subject to donor-imposed restrictions. Some 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 restrictions may be perpetual in nature, where the donor stipulates that the resources be maintained in perpetuity. The Foundation's unspent contributions are reported in net assets with donor contributions if the donor limited their use, as are promised contributions that are not yet due. Contributions of property and equipment, or cash restricted to acquisition of property and equipment, are reported as net assets with donor restrictions if the donor has restricted the use of the property or equipment to a particular program. These restrictions expire when the assets are placed in service.

Accounting principles generally accepted in the United States of America provide that if the governing body of the Foundation has the unilateral power to redirect the use of donor contributions to another beneficiary, such contributions should be classified as net assets without donor restrictions. The Board of Directors of the SouthCoast Community Foundation, Inc. has the ability known as variance power; however, the Board would generally intend to exercise this authority only if the stated purpose of a contribution becomes no longer applicable and incapable of fulfillment. Accordingly, these financial statements report certain funds as net assets with donor restrictions regardless of ultimate variance power.

The SouthCoast Community Foundation, Inc. held the following types of funds for the years presented:

*Donor-Advised and Committee-Advised Funds* - Funds established through a formal agreement with the Foundation and the donor whereby the donor may advise the charity on the treatment of the fund and recommend grants from their accounts. During the years presented, the Foundation managed 60 committee-advised and donor-advised funds.

SOUTHCOAST COMMUNITY FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2021 AND 2020

*(Continued)*

NOTE 3      *(Continued)*

*Donor-Designated Funds - Endowed and Non-Endowed* - Funds established through a formal agreement with the Foundation whereby the donor has specified that the funds should go to a specific organization or group. Some funds were established through a formal endowment agreement with a donor whereby the donor has requested that the original corpus, and any additional contributions to the corpus, be held in perpetuity.

*Field of Interest Funds - Endowed and Non-Endowed* - Funds established through a formal agreement with the Foundation whereby the donor identifies one (or more) areas of community interest. During the years presented, the Foundation had a single field of interest fund; the Distribution Committee of the Foundation selected the most appropriate programs within the field specified by the donor and advised the donor on disbursement of these funds.

*Scholarship Funds* - Scholarship funds are accepted by the Foundation to develop support of, and participation in, the philanthropic interests and activities of the Foundation and the greater Southeastern Massachusetts community. SCCF currently manages 63 scholarship funds. They are a means of encouraging endowment support, stimulating interchange of ideas between donors and the Foundation, promoting educational opportunity and providing funds to extend the charitable programs of the Foundation.

*Fiscal Sponsorship and Fiscal Agency Funds* - During the years presented, the SouthCoast Community Foundation, Inc. acted as a fiscal sponsor for several local groups (the “sponsees”). As SCCF retains ultimate variance power over these contributions, amounts received on behalf of the sponsoree are treated as contributions with donor restrictions to SCCF and expenses paid on behalf of the group are treated as expenses of the Foundation. SCCF also has several fiscal agency funds whereby the Foundation holds and administers funds on behalf of other charitable organizations. In accordance with GAAP, these funds are reported as *Agency Funds Held for Others* in the accompanying Statements of Financial Position.

*Agency Endowed Funds* - A number of Southcoast nonprofit organizations have entrusted the Foundation with management of their endowments and receive regular grant distributions from their fund.

**Endowment Funds:**

Many 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.

SOUTHCOAST COMMUNITY FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2021 AND 2020

*(Continued)*

NOTE 3      *(Continued)*

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

The Foundation reports the original corpus of the initial and subsequent gift amounts donated to the endowment as restricted in perpetuity, a component of net assets with donor restrictions. 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.

From time to time, the fair value of assets associated with individual endowment funds with donor restrictions may fall below the level of the original corpus. Deficiencies of this nature are reported in net assets with donor restrictions. There were no significant deficiencies of this nature as of December 31, 2021 and 2020.

The Foundation's endowment funds consists of both funds with donor restrictions and a Board-Designated endowment fund. The Foundation also holds "spending-policy" funds which are treated similar to endowment funds. 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. For a majority of funds held during the years presented, the spending rate on the endowment funds and funds held under "spending policy agreements" is 4% of the average market value of the fund's trailing twenty-quarters.

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 constraints.

**Cash and Cash Equivalents:**

The Foundation considers short-term, interest bearing highly liquid investments with original maturities of three months or less, as cash equivalents. For purposes of these financial statements, cash held at brokerage firms are reported as investments.



SOUTHCOAST COMMUNITY FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2021 AND 2020

*(Continued)*

NOTE 3      *(Continued)*

**Pledges Receivable:**

*Pledges Receivable* represents unconditional, 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. Management determines the allowance for uncollectible pledges receivable based on historical experience, an assessment of economic conditions, and a review of subsequent collections. Pledges receivable are written off against the allowance when deemed uncollectible. For the years presented, Management considers all pledges receivable to be fully collectible; therefore, these financial statements do not contain a provision for uncollectible amounts.

**Property and Equipment:**

Property, equipment, furnishing and improvement purchases in excess of \$1,000 are capitalized at cost, if purchased, or if donated, at fair value on the date of receipt. Expenditures for maintenance repairs and renewals are charged to expense as incurred, whereas, major betterments are capitalized as additions to property and equipment. Depreciation of property and equipment is computed using the straight-line method, and is charged to activities over the estimated useful lives of the assets as expressed in terms of years.

**Investments:**

The Foundation records investment purchases at cost, or if donated, at fair value on the date of donation. Thereafter, investments are reported at their fair values in the Statements of Financial Position. Investments are classified as either short-term or long-term, depending upon the underlying intentions. Cash and cash equivalents held in investment portfolios are reported as investments for purposes of these financial statements.

**Beneficial Interest in Remainder Trusts:**

For charitable trusts of which the Foundation is not the trustee, contributions are recognized in the year the Foundation becomes aware of the existence of the agreement. The Foundation's *Beneficial Interest in Remainder Trust* is reported at fair value, which is estimated as SCCF's ownership percentage of the underlying trust assets, and is classified within Level 3 of the fair value hierarchy.

The *Change in Value of Beneficial Interest in Remainder Trusts* is reported as a valuation adjustment with an increase or decrease in net assets with donor restrictions. Proceeds received at the ultimate distribution of the remainder trust are offset against the *Beneficial Interest in Remainder Trust*, an asset in the accompanying Statements of Financial Position.

**Intangible Assets:**

The Foundation amortizes intangible assets on a straight-line basis over their estimated useful lives. *Intangible Assets* consists of computer software and website costs with a combined original cost of \$92,060 and are presented net of accumulated amortization of \$66,156 and \$55,659 as of December 31, 2021 and 2020, respectively. The estimated useful life of these assets is three to five years. *Amortization Expense* was \$10,497 and \$7,582 for the years presented. The estimated amortization expense is \$9,997 in 2023, \$6,497 in 2024, \$6,497 in 2025 and \$2,913 in 2026.

SOUTHCOAST COMMUNITY FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2021 AND 2020

(Continued)

NOTE 3 (Continued)

**Agency Funds:**

As required by generally accepted accounting principles, if a nonprofit organization establishes with its own funds, a fund at the Foundation for its own benefit, the transfer of assets to the Foundation is not considered contribution revenue to the Foundation and is accounted for as a liability. Funds of this nature are reported as *Agency Endowment Funds*, a non-current liability in the accompanying Statements of Financial Position. Additionally, the Foundation will periodically hold and administer funds for another public charity. In such arrangements, the donor organization places funds with the Foundation and directs the Foundation to disburse funds from time to time on the organization's behalf. These funds are reported as *Agency Funds Held for Others*, a current liability in the accompanying Statements of Financial Position.

**Charitable Gift Annuity Payable:**

The Foundation is a party to a split-interest agreement that provides an annuity payment to a beneficiary, and upon the beneficiary's death, the remaining principal is transferred to the Foundation. The Foundation records contribution revenue derived from charitable gift annuities based on the fair value of assets associated with the instrument and the present value of the amount expected to be paid to beneficiaries under the arrangement. This requires the use of life-expectancy estimates and discounting cash flows in determining the amount to be recorded.

**Contributions, Gifts and Grants:**

*Gifts, Grants and Contributions* are recognized when cash, securities or other assets; an unconditional promise to give; or a notification of a beneficial interest is received. 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. Contributions of assets other than cash are reported at their estimated fair value.

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.

Donor-restricted contributions 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 and reported in the Statements of Activities as net assets released from restrictions.

In-Kind Contributions include donated professional services, donated equipment, and other in-kind contributions which are recorded at the respective fair values of the goods or services received. The Foundation does not sell donated gifts-in-kind. For the years presented, the Foundation did not receive donated goods or services that met the recognition criteria.

*Fund Raising Event Proceeds* is comprised of an exchange element based upon the direct benefits donors receive and a contribution element for the difference. SCCF recognizes special events revenue equal to the fair value of direct benefits to donors when the special event takes place. The Foundation recognizes the contribution element of special event revenue immediately, unless there is a right of return if the special event does not take place.

SOUTHCOAST COMMUNITY FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2021 AND 2020

*(Continued)*

NOTE 3      *(Continued)*

**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. Both external and direct internal investment expenses are netted against the investment return.

**Functional Expenses:**

SouthCoast Community Foundation, Inc. allocates its expenses on a functional basis among its various programs and support services. Expenses that are common to several functions are allocated based upon space and time usage. For the years presented, the following expenses are allocated based on employee time and effort: *Salaries and Wages, Payroll Taxes, Employee Benefits, Occupancy Costs, Equipment Rental and Repairs and Depreciation and Amortization Expense*. Supporting services are those related to operating and managing SCCF and its programs on a day-to-day basis.

Supporting services have been sub-classified as follows:

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

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

Supporting services have been further sub-classified as pertaining to Fund Services, which reflects fund raising and administrative activities conducted on behalf of other funds and fiscally sponsored projects, while supporting services designated as applicable to operations represents those activities which are specific to SCCF.

**Grants Expense and Grants Payable:**

The Foundation recognizes a grant expense for grants to charities and for scholarships at the time the Board of Directors approves the award and all significant conditions are met. Grants and other distributions on behalf of funds awarded to area nonprofits totaled \$5,598,721 and \$7,980,981 and scholarships awarded to area students amounted to \$493,050 and \$397,104 for the years ended December 31, 2021 and 2020, respectively. The Foundation's scholarship awards will frequently have a condition that the student provide a transcript and/or meet other requirements prior to release of the funds.

Following this policy, as of December 31, 2021, the Foundation had awarded \$654,500 in scholarships that were conditional upon receipt of transcripts and, therefore, have not been recognized in the accompanying financial statements. The scholarship awards will be recognized as expenses when the conditions have been met and the funds are obligated for distribution.

The Foundation has committed to several multi-year grants payable. The liability arising from multi-year commitments which is expected to be paid within one year of the statement of financial position date is classified as current. The remaining future obligation is categorized as non-current.

SOUTHCOAST COMMUNITY FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2021 AND 2020

*(Continued)*

NOTE 3      *(Continued)*

**Advertising:**

SCCF uses print advertising and other media to promote its programs and events. Advertising costs are expensed as incurred.

**Recent Accounting Guidance:**

*Recently Issued Standards*

In February 2016, the FASB issued ASC Update No. 2016-02, (Topic 842) *Leases*. Topic 842 clarifies the definition of a lease and requires lessees to recognize leases on the balance sheet as a lease liability with a corresponding right-of-use asset for leases with a lease term of more than one year. The new standard requires a modified retrospective transition for leases existing at, or entered into after, the beginning of the earliest comparative period presented in the financial statements. The new standard is effective for the fiscal year beginning July 1, 2022, and Management is currently assessing the impact this pronouncement will have on its financial statements.

NOTE 4      PROPERTY AND EQUIPMENT

The following is a summary of the Foundation's property and equipment as of December 31, 2021 and 2020:

<u>Asset Category</u>	<u>Est. Life</u>	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>Net Book Value</u>	
				<u>2021</u>	<u>2020</u>
Leasehold Improvements	15	\$33,632	\$11,769	\$21,863	\$25,226
Office Equipment	15	<u>21,380</u>	<u>20,805</u>	<u>575</u>	<u>2,359</u>
Total		<u>\$55,012</u>	<u>\$32,574</u>	<u>\$22,438</u>	<u>\$27,585</u>

Depreciation expense for the years ended December 31, 2021 and 2020 was \$5,147 and \$5,089, respectively.

SOUTHCOAST COMMUNITY FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2021 AND 2020

(Continued)

NOTE 5 INVESTMENTS AND FAIR VALUE MEASUREMENTS

As of December 31, 2021 and 2020, investment costs and unrealized gains and losses consisted of the following components:

<u>Investment Type</u>	<u>December 31, 2021</u>				
	<u>Cost</u>	<u>Unrealized Gains(Losses)</u>	<u>Fair Value (Level 1)</u>	<u>Fair Value (Level 3)</u>	<u>Total</u>
Cash	\$ 1,829,820	\$ -	\$ -	\$ -	\$ 1,829,820
Mutual Funds:					
Fixed-Income Funds	12,412,484	110,852	12,523,336	-	12,523,336
Equity-Based Funds	19,311,913	8,881,406	28,193,319	-	28,193,319
Equity Securities	822,124	790,761	1,612,885	-	1,612,885
Preferred Stock	215,302	880	216,182	-	216,182
Exchange-Traded REITs	<u>121,259</u>	<u>62,609</u>	<u>183,868</u>	<u>-</u>	<u>183,868</u>
Total	<u>\$34,712,902</u>	<u>\$9,846,508</u>	<u>\$42,729,590</u>	<u>\$ -</u>	<u>\$44,559,410</u>
Beneficial Interest in Remainder Trust	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$5,309,082</u>	<u>\$ 5,309,082</u>
	<u>December 31, 2020</u>				
<u>Investment Type</u>	<u>Cost</u>	<u>Unrealized Gains(Losses)</u>	<u>Fair Value (Level 1)</u>	<u>Fair Value (Level 3)</u>	<u>Total</u>
Cash	\$ 1,023,667	\$ -	\$ -	\$ -	\$ 1,023,667
Mutual Funds:					
Fixed-Income Funds	10,095,865	599,201	10,695,066	-	10,695,066
Equity-Based Funds	19,345,855	6,495,155	25,841,010	-	25,841,010
Equity Securities	680,878	890,305	1,571,183	-	1,571,183
Preferred Stock	195,754	7,175	202,929	-	202,929
Exchange-Traded REITs	<u>157,835</u>	<u>31,082</u>	<u>188,917</u>	<u>-</u>	<u>188,917</u>
Total	<u>\$31,499,854</u>	<u>\$8,022,918</u>	<u>\$38,499,105</u>	<u>\$ -</u>	<u>\$39,522,772</u>
Beneficial Interest in Remainder Trust	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$4,973,004</u>	<u>\$ 4,973,004</u>

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

Mutual Funds, Equity Securities, Preferred Stock and Exchange-Traded Funds: Determined by the published closing price on the last business day of the fiscal year.

Beneficial Interest in Perpetual Trust: Valued at SCCF's proportional interest in the fair value of the underlying trust assets on the last business day of the fiscal year.

SOUTHCOAST COMMUNITY FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2021 AND 2020

(Continued)

NOTE 5 (Continued)

<u>Components of Investment Return</u>	<u>2021</u>	<u>2020</u>
Interest and Dividends	\$ 913,449	\$ 613,907
Operating Interest	4,618	11,110
Investment Fees	(111,947)	(103,573)
Net Realized/Unrealized		
Investments Gains	<u>3,747,308</u>	<u>3,497,362</u>
Total Investment Return	4,553,428	4,018,806
Agency Endowment Fund Allocation	<u>(105,623)</u>	<u>(90,264)</u>
Net Investment Return	<u>\$4,447,805</u>	<u>\$3,928,542</u>

NOTE 6 BENEFICIAL INTEREST IN REMAINDER TRUST

The following schedule summarizes the change in the *Beneficial Interest in Remainder Trust* for the years ended December 31, 2021 and 2020:

	<u>Amount</u>
Balance as of January 1, 2020	\$4,824,888
Change in Value of Beneficial Interest in Trust	<u>148,116</u>
Balance as of December 31, 2020	4,973,004
Change in Value of Beneficial Interest in Trust	<u>336,078</u>
Balance as of December 31, 2021	<u>\$5,309,082</u>

NOTE 7 GRANTS PAYABLE, NON-CURRENT

As of December 31, 2021, the liability for *Grants Payable, Non-Current* scheduled for future payment is as follows:

<u>Payable in Year Ending</u>	<u>Amount</u>
December 31, 2023	\$ 93,750
December 31, 2024	40,000
December 31, 2025	<u>30,000</u>
Total Grants Payable, Non-Current	<u>\$163,750</u>

NOTE 8 CHARITABLE GIFT ANNUITY

The Foundation is the recipient of a charitable gift annuity. Investment earnings on the annuity, which are considered net assets with donor restrictions, are used to meet current or future obligations. As of December 31, 2021 and 2020, the Foundation has accumulated funds of \$2,558 and \$76,664 to meet the minimum future annuity obligation of \$0. The Foundation's obligations under split-interest agreements, such as charitable gift annuities, are non-recurring fair value measurements. These instruments are initially recorded at the present value of future cash flows with a discounted rate adjusted for market conditions to determine fair value. Annuity obligations are valued using other observable outputs that are significant to their fair value, including age, frequency of distributions, life expectancy, and discount rate. In computing the present value of annuity payments, the Foundation will use a discount rate of 2.2% for the term of the annuity.

SOUTHCOAST COMMUNITY FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2021 AND 2020

*(Continued)*

NOTE 9    AGENCY FUNDS

**Agency Funds Held for Others:**

The following schedule summarized the activity within *Agency Funds Held for Others* for the years ended December 31, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
Agency Funds Held for Others, January 1	\$ 30,137	\$ 50,250
Expenditures on Behalf of Others	<u>( - )</u>	<u>(20,113)</u>
Agency Funds Held for Others, December 31	<u>\$ 30,137</u>	<u>\$ 30,137</u>

**Agency Endowment Funds:**

The following schedule summarized in the *Agency Endowment Funds* for the years ended December 31, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
Agency Endowment Funds, January 1	\$ 942,060	\$880,395
Investment Return, Net	106,690	92,645
Additions to Fund	25,000	-
SCCF Fees	(8,197)	(4,949)
Grants and Expenditures	<u>(23,410)</u>	<u>(26,031)</u>
Agency Endowment Funds, December 31	<u>\$1,042,143</u>	<u>\$942,060</u>

SOUTHCOAST COMMUNITY FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2021 AND 2020

(Continued)

NOTE 10 NET ASSETS WITH DONOR RESTRICTIONS

As of December 31, 2021 and 2020, the Foundation's net assets with donor restrictions consisted of the following:

<u>Nature of Restriction</u>	<u>2021</u>	<u>2020</u>
Subject to Expenditure for Specified Purposes:		
Grants and Scholarships	\$ 919,511	\$ 951,747
Technology Infrastructure Improvements	14,923	64,350
Accumulated Gains on Endowment Funds	511,002	395,926
Charity Gift Annuity	<u>2,558</u>	<u>76,664</u>
Total Funds Subject to Expenditure for Specified Purposes	<u>1,447,994</u>	<u>1,488,687</u>
Subject to the Passage of Time:		
Contributions Receivable	<u>20,000</u>	<u>40,000</u>
Beneficial Interest in Remainder Trusts	<u>5,309,082</u>	<u>4,973,004</u>
Subject to the Foundation's Spending Policy and Appropriation:		
Accumulated Gains and Term Endowments	975,762	867,315
Endowment Funds Restricted in Perpetuity	<u>2,208,811</u>	<u>2,073,580</u>
Total Funds Subject to Spending Policy and Appropriation	<u>3,184,573</u>	<u>2,940,895</u>
Total Net Assets with Donor Restrictions	<u>\$9,961,649</u>	<u>\$9,442,586</u>

NOTE 11 ENDOWMENT NET ASSETS

As of December 31, 2021 and 2020, the net asset composition of the endowment is as follows:

<u>Type of Endowment</u>	<u>With Donor Restrictions</u>				
	<u>Without Donor Restrictions</u>	<u>Original Gift Amount</u>	<u>Net Appreciation</u>	<u>Total With Donor Restrictions</u>	<u>Total Endowment 2021</u>
Donor-Restricted	\$ -	\$2,208,811	\$1,486,764	\$3,695,575	\$3,695,575
Board-Designated	<u>531,139</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>531,139</u>
Total	<u>\$531,139</u>	<u>\$2,208,811</u>	<u>\$1,486,764</u>	<u>\$3,695,575</u>	<u>\$4,226,714</u>

  

<u>Type of Endowment</u>	<u>With Donor Restrictions</u>				
	<u>Without Donor Restrictions</u>	<u>Original Gift Amount</u>	<u>Net Appreciation</u>	<u>Total With Donor Restrictions</u>	<u>Total Endowment 2020</u>
Donor-Restricted	\$ -	\$2,073,580	\$1,263,241	\$3,336,821	\$3,336,821
Board-Designated	<u>502,763</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>502,763</u>
Total	<u>\$502,763</u>	<u>\$2,073,580</u>	<u>\$1,263,241</u>	<u>\$3,336,821</u>	<u>\$3,839,584</u>



SOUTHCOAST COMMUNITY FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2021 AND 2020

(Continued)

NOTE 11 (Continued)

The following schedule summarizes the change in endowment net assets for the years ended December 31, 2021 and 2020:

	<u>With Donor Restrictions</u>				
	<u>Without Donor Restrictions</u>	<u>Original Gift Amount</u>	<u>Net Appreciation</u>	<u>Total With Donor Restrictions</u>	<u>Total Endowment</u>
Endowment Net Assets, December 31, 2019	\$488,000	\$2,018,518	\$1,047,426	\$3,065,944	\$3,553,944
Contributions	8,420	55,062	-	55,062	63,482
Investment Income	7,880	-	50,981	50,981	58,861
Investment Appreciation	36,807	-	276,342	276,342	313,149
Appropriated for Expenditures	<u>(38,344)</u>	<u>-</u>	<u>(111,508)</u>	<u>(111,508)</u>	<u>(149,852)</u>
Endowment Net Assets, December 31, 2020	502,763	2,073,580	1,263,241	3,336,821	3,839,584
Contributions	15,600	135,231	-	135,231	150,831
Investment Income	11,739	-	78,092	78,092	89,831
Investment Appreciation	45,643	-	295,674	295,674	341,317
Appropriated for Expenditures	<u>(44,606)</u>	<u>-</u>	<u>(150,243)</u>	<u>(150,243)</u>	<u>(194,849)</u>
Endowment Net Assets, December 31, 2021	<u>\$531,139</u>	<u>\$2,208,811</u>	<u>\$1,486,764</u>	<u>\$3,695,575</u>	<u>\$4,226,714</u>

NOTE 12 OPERATING LEASES

The Foundation entered into a lease agreement in October 2017 for its administrative and program offices under an operating lease agreement for 3,400 square feet of office space in New Bedford, Massachusetts. The lease is for a five-year term ending on September 30, 2022 with a monthly rent expense of \$4,533, or \$54,500 annually for the first year of the lease. The annual base rent will escalate by 3.5% each year of the lease.

Rent expense attributable to this lease agreement was \$66,044 and \$58,785, for the years ended December 31, 2021 and 2020, respectively, and is included in *Occupancy Costs* in the accompanying Statement of Functional Expenses.

Future minimum lease payments for the remainder of the lease term are \$45,236 due in the year ending December 31, 2022.

NOTE 13 EMPLOYEE BENEFIT PLAN

The Foundation maintains a qualified 401(k) retirement plan (the "Plan"). The Plan allows eligible employees of the Foundation to defer a percentage of their earnings from current taxation. Under the Plan, the Foundation makes a matching contribution of up to 4% of gross salary for each eligible employee who contributes to the plan. For the years ended December 31, 2021 and 2020, the employer contributions to the Plan were \$30,128 and \$23,125, respectively, and are included in *Employee Benefits* on the accompanying Statement of Functional Expenses.

SOUTHCOAST COMMUNITY FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2021 AND 2020

*(Continued)*

NOTE 14    CONCENTRATIONS

Financial instruments which potentially subject the Foundation to concentrations of credit and market risk consist principally of the Foundation's cash balances and investment portfolio.

**Cash:**

The Foundation is subject to concentrations in credit risk relating to cash balances. For the years presented, the majority of the Foundation's cash deposits were held in three financial institutions. Cash deposits are insured by the Federal Deposit Insurance Corporation ("FDIC") up to \$250,000 per institution. As of December 31, 2021 and 2020, cash balances in excess of the FDIC limit were \$2,817,440 and \$3,477,584, respectively; however, these banks are members of the Depositors Insurance Fund ("DIF") which insures in full cash balances in excess of FDIC limits. The Foundation has not experienced any losses on uninsured cash balances and Management considers risk on concentration in cash balances to be low.

**Investments:**

The Foundation invests or holds a variety of investment vehicles, including money market funds, mutual funds and preferred stocks and bonds. These investments are exposed to interest rate, market, credit and other risks depending upon the nature of the investment. Accordingly, it is reasonably possible that these factors will result in changes in the value of the Foundation's investments; however, the Foundation's investments do not represent significant concentrations of market risk considering the Foundation's portfolio is widely diversified among issuers. The brokerage services are a member of the Securities Investor Protection Corporation ("SIPC") which protects securities customers of its members up to \$500,000, including \$250,000 for claims of cash.

**Funds:**

For the years ended December 31, 2021 and 2020, one Donor-Advised Fund accounted for 20% and 21%, respectively, of the total net assets of the Foundation.

For the year ended December 31, 2021, the activity in the SouthCoast Emergency Response Fund accounted for 14% of total revenue and 27% of total expenses.

For the year ended December 31, 2020, the activity in the SouthCoast Emergency Response Fund accounted for 36% of total revenue and 49% of total expenses.

NOTE 15    CONDITIONAL GRANT AWARDS AND CONTINGENCIES

**Paycheck Protection Program:**

The Organization received a loan in the amount of \$162,000 from BayCoast Bank through the Paycheck Protection Program established by the U.S. CARES Act (the "PPP Loan") on April 17, 2020. The Organization elected to account for the expected forgivable portion of this loan as a conditional grant commitment; therefore, the loan was reported as *Conditional Grant Advance*, a current liability as of December 31, 2020. The Organization applied for and received full forgiveness of the loan as of October 5, 2021, at which time this conditional grant was recognized as *Grants and Contributions* in the 2021 Statement of Activities.

SOUTHCOAST COMMUNITY FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2021 AND 2020

*(Continued)*

NOTE 15 *(Continued)*

**Commonwealth of Massachusetts:**

In August 2021, the Foundation was awarded a Massachusetts Community Block Grant for \$2,986,186. This grant is conditional upon qualifying expenditures and is expected to be disbursed in 2022 and 2023. As the conditions of funding had not been met as of December 31, 2021, this amount has not been recognized in the accompanying financial statements.

In October 2021, the Foundation received a \$250,000 conditional grant from the Commonwealth of Massachusetts. Per the terms and conditions of the grant program, the Foundation received the first 50% of the award in 2021, however the second 50% is conditional upon providing the cost reimbursement invoices and final progress reports which are due by June 30, 2022. As of December 31, 2021, the conditional commitment of \$125,000 had not been recognized in the accompanying financial statements, as the conditions upon which the funding depends had not been met.

NOTE 16 RELATED PARTY TRANSACTIONS

Three board members serve as officers or directors of various local banking institutions with which the Foundation has depository relationships.

One of the bank officers is also an officer of a subsidiary of that bank to which the Foundation paid \$19,879 and \$16,738 as of December 31, 2021 and 2020, respectively, in investment management fees.

One board member is the Executive Director of NorthStar Learning Center whose organization received grants totaling \$342,350 and \$454,897 as of December 31, 2021 and 2020, respectively.

One board member is the Executive Director of the YWCA of Southeastern Massachusetts which received grants totaling \$99,000 and \$107,470 from the Foundation as of December 31, 2021 and 2020, respectively.

One board member is the Treasurer at the New Bedford Historical Society which received grants totaling \$2,500 and \$16,000 from the Foundation as of December 31, 2021 and 2020, respectively.

One board member is the former Chief Operating Officer of Southcoast Health System which received grants totaling \$725 from the Foundation as of December 31, 2021.

One Director is a trustee for a private foundation from whom the Foundation received \$67,330 as of December 31, 2020 in grant support.

A catering company owned by a trustee was paid \$1,700 as of December 31, 2020 to provide services for a fundraising event for those years.

SOUTHCOAST COMMUNITY FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2021 AND 2020

*(Continued)*

NOTE 17 LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

The following table reflects the Foundation's financial assets as of December 31, 2021 and 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>2021</u>	<u>2020</u>
Financial Assets:		
Cash and Cash Equivalents	\$ 3,176,963	\$ 2,910,424
Pledges Receivable, Current	20,000	40,000
Investments	44,559,410	39,522,772
Beneficial Interest in Remainder Trust	<u>5,309,082</u>	<u>4,973,004</u>
Total Financial Assets as of December 31	53,065,455	47,446,200
Less Amounts Not Available to be Used Within One Year:		
Board-Designated Operating Reserve Fund	(531,139)	(502,763)
Cash and Investments Held for Funds	(46,562,256)	(41,740,004)
Beneficial Interest in Remainder Trust	<u>(5,309,082)</u>	<u>(4,973,004)</u>
Financial Assets Available to Meet General Expenditures Within One Year	<u>\$ 662,978</u>	<u>\$ 230,429</u>

In addition to these funds available for general expenditures, the Foundation charges an administrative fee to all funds based on the funds' average balance for the month of the fee to cover general expenditures. The administrative fee ranges from .75% - 1.5% and are assessed monthly. Estimated administrative fees available for general expenditures during 2022 are \$558,000.

The Foundation manages its cash available for grant purposes by reviewing cash needs on a quarterly basis. Funds are invested in the Foundation's investment pool which holds a diversity mix of marketable, liquid, equity and fixed income funds along with cash instruments. This allocation is designated to achieve the dual objective of growing the corpus of the pool for the future while providing necessary liquidity for grants and operational purposes.

The amount available for granting is determined on an annual basis. This amount is calculated according to the Foundation's spending policy, which is currently 4% of the funds' average quarterly market value over the preceding twenty quarters. To protect the value of an endowment funds and not consume principal, no grant distributions are made that will cause such a fund value to dip below the amounts contributed to the fund.

NOTE 18 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 November 1, 2022, the date which the financial statements were available for issue, and noted no events which met the recognition or disclosure criteria.