

Compiled Financial Statements

Watertown Community
Foundation, Inc.

December 31, 2019

William B. Ford, CPA
P.O. Box 332
Watertown, MA 02471-0332

Watertown Community Foundation, Inc.

Compiled Financial Statements

December 31, 2019

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**William B. Ford, CPA
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Watertown, MA 02471-0332**

Accountant's Compilation Report

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

Management is responsible for the accompanying financial statements of Watertown Community Foundation, Inc. (a nonprofit corporation), which comprise the statements of financial position as of December 31, 2019 and 2018, and the related statements of activities and changes in net assets, expenses by nature and function and cash flows for the years then ended, and the related notes to the financial statements in accordance with accounting principles generally accepted in the United States of America. I have performed a compilation engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. I did not audit or review the financial statements, nor was I required to perform any procedures to verify the accuracy or completeness of the information provided by management. Accordingly, I do not express an opinion, a conclusion, nor provide any form of assurance on those financial statements.

The supplementary information contained in the accompanying schedules of program support, revenue and expenses by fund for the years ended December 31, 2019 and 2018 are presented for purposes of additional analysis and are not a required part of the basic financial statements. The information is the representation of management. The information was subject to my compilation engagement. I have not audited or reviewed the supplementary information, and, accordingly, do not express an opinion, a conclusion, nor provide any form of assurance on such supplementary information.

I am not independent with respect to the Watertown Community Foundation, Inc. as of and for the year ended December 31, 2019, because I serve as the Treasurer of the Foundation.

William B. Ford, CPA

A handwritten signature in cursive script that reads "William B. Ford".

Watertown, Massachusetts
April 2, 2020

Watertown Community Foundation, Inc.

Statements of Financial Position

December 31

(See Accountants' Compilation Report)

2019 2018

Assets

CASH	\$ 71,640	\$ 62,193		
SHORT-TERM INVESTMENTS (Notes 1 & 2)	-	3,358		
BANK CERTIFICATES OF DEPOSIT (Notes 1 & 3)	20,853	20,808		
LONG-TERM INVESTMENTS, at fair value (Notes 1, 4 & 6)			<u>2,132,500</u>	<u>1,785,077</u>
TOTAL ASSETS	<u>\$2,224,993</u>	<u>\$1,871,436</u>		

Net Assets

NET ASSETS (Notes 1 & 6)				
Without donor restrictions	\$ 349,457	\$ 261,338		
With donor restrictions	<u>1,875,536</u>	<u>1,610,098</u>		
TOTAL NET ASSETS	<u>\$2,224,993</u>	<u>\$1,871,436</u>		

Watertown Community Foundation, Inc.

Statements of Activities and Changes in Net Assets

Years Ended December 31

(See Accountants' Compilation Report)

	2019			2018		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT AND REVENUE						
Grants and donations	\$ 61,895	\$ 97,679	\$ 159,574	\$ 64,387	\$ 169,216	\$ 233,603
Fundraising, net	9,977	-	9,977	-	-	-
Interest and dividends	11,930	32,794	44,724	2,956	37,479	40,435
Realized gains on investments (Notes 1 & 4)	101	283	384	5,083	67,537	72,620
Unrealized (loss) gains on investments (Notes 1, 3 & 4)			78,358	257,817	336,175	(13,479)
Other	76	6,000	6,076	5,000	-	5,000
Net assets released from restrictions (Note 5)			129,135	(129,135)	-	163,883
	<u>291,472</u>	<u>265,438</u>	<u>556,910</u>	<u>227,830</u>	<u>(70,618)</u>	<u>157,212</u>
EXPENSES						
Program services	184,174	-	184,174	205,753	-	205,753
General and administrative	19,179	-	19,179	26,153	-	26,153
	<u>203,353</u>	<u>-</u>	<u>203,353</u>	<u>231,906</u>	<u>-</u>	<u>231,906</u>
CHANGE IN NET ASSETS	88,119	265,438	353,557	(4,076)	(70,618)	(74,694)
NET ASSETS AT BEGINNING OF YEAR		<u>266,338</u>	<u>1,610,098</u>	<u>1,871,436</u>	<u>265,414</u>	<u>1,680,716</u>
NET ASSETS AT END OF YEAR	\$ 349,457	\$ 1,875,536	\$ 2,224,933	\$ 261,338	\$ 1,610,098	\$ 1,871,436

Watertown Community Foundation, Inc.

Statements of Expenses by Nature and Function

Years Ended December 31

(See Accountants' Compilation Report)

	2019			2018		
	Program Services	General and Administrative	Total	Program Services	General and Administrative	Total
Neighborhood philanthropic development costs	\$ 957	\$ -	\$ 957	\$ -	\$ 1,197	\$ 1,197
Educational and health grants	119,585	-	119,585	146,099	-	146,099
Other grants and donations	10,712	-	10,712	14,934	-	14,934
Payroll and related costs	48,853	-	48,853	33,598	-	33,598
Consultant and contract services	-	10,353	10,353	-	15,408	15,408
Office supplies and equipment	-	2,973	2,973	-	1,624	1,624
Telephone and communications	-	769	769	-	900	900
Postage and printing	-	1,484	1,484	-	649	649
Dues, memberships and fees	-	265	265	-	205	205
Public relations and community meetings	-	4,067	4,067	9,925	-	9,925
Travel	-	-	59	59	-	59
Promotion and marketing	-	1,674	1,674	-	900	900
Fundraising costs	-	1,661	1,661	-	6,408	6,408
	\$ 184,174	\$ 19,179	\$ 203,353	\$ 205,753	\$ 26,153	\$ 231,906

Watertown Community Foundation, Inc.

Statements of Cash Flows

Years Ended December 31

(See Accountants' Compilation Report)

2019 2018

CASH FLOWS FROM OPERATING ACTIVITIES

Change in net assets	\$ 353,557	\$ (74,694)
Adjustments to reconcile to net cash used in operating activities:		
Donated investments -	(3,905)	
Investments acquired via merger -	(80,454)	
Realized gain on investments	(384) (72,620)	
Unrealized (gain) loss on investments	<u>(336,175)</u>	<u>194,446</u>

NET CASH USED IN OPERATING ACTIVITIES 16,998 (37,227)

CASH FLOWS FROM INVESTING ACTIVITIES

Redemption/purchase of short term investments	3,358	(3)
Purchase of bank certificates of deposit	(45)	(132)
Proceeds from sale of investments	33,744	167,762
Purchase of investments	<u>(44,608)</u>	<u>(142,188)</u>

NET CASH PROVIDED FROM INVESTING ACTIVITIES (7,551) 25,439

NET INCREASE (DECREASE) IN CASH 9,447 (11,788)

CASH AT BEGINNING OF YEAR 62,193 73,981

CASH AT END OF YEAR \$ 71,640 \$ 62,193

Watertown Community Foundation, Inc.

Notes to Financial Statements

December 31, 2019

(See Accountants' Compilation Report)

Note 1 – Nature of Activities and Significant Accounting Policies

Nature of Activities – Founded in 2003, the Watertown Community Foundation (the “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.

On January 30, 2018, the Watertown Education Foundation merged its resources with the Watertown Community Foundation, Inc. The Foundation received approximately \$118,000 from the Education Foundation in the form, of cash, shares in a publicly-traded company, and three mutual funds with a national brokerage firm during 2018.

The funds were received with restrictions to be used for the benefit of the students of the Watertown Public School system.

The merger was a result of a shared mission of providing educational support to the children and citizens of Watertown. Through the merger, the combined foundations seek to further their common mission by achieving economies of scale and other synergies through integration of their respective efforts.

Tax Status – The Foundation is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code.

Contributions and Donations - The Foundation reports contributions of cash or other assets as restricted support, thereby increasing net assets with restrictions, if they are received with donor stipulations that limit, specify or otherwise restrict the use of such contributions. When a donor restriction expires, either by use of the funds for the specified purpose or by the expiration of a time restriction, net assets with restrictions are reclassified to net assets without restrictions and reported in the statement of activities as net assets released from restrictions (see Note 5).

Accounting Estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures.

Statements of Cash Flow – For the purpose of reporting the statement of cash flows, the Foundation’s policy is to include amounts in bank accounts with no restrictions on withdrawals, and deposits with original maturities of three months or less as cash.

Fair Value Measurements – Generally accepted accounting principles defines fair value and it establishes a three-tier fair value hierarchy, which prioritizes the inputs used in measuring fair value. These tiers consist of Level 1, defined as observable inputs such as quoted prices in active markets; Level 2, defined as inputs other than quoted prices in active markets that are either directly or indirectly observable; and Level 3, defined as unobservable inputs in which little or no market data exists, therefore requiring an entity to develop its own assumptions. The application of fair value measurement principles is limited to the Foundation’s investments in a marketable mutual fund which is based on quoted prices in active markets (Level 1) (see Note 4).

Contributed Services – Contributed services are recognized when provided by individuals or organizations whose skills would need to be purchased if not provided by donation. Such skills include professional services. The Foundation had no such services contributed in 2019 or 2018.

Note 1 – Nature of Activities and Significant Accounting Policies (Cont.)

A substantial number of unpaid volunteers and members of the Board of Directors have made significant contributions of their time to develop and maintain the Foundation's programs, including general and administrative support and fundraising and development activities. The value of this contributed time is not reflected in these statements.

Short-Term Investments - The Foundation reported bank money market accounts as short-term investments instead of as cash. The Foundation's bank money market accounts were reported at cost, which approximates fair value (see Note 2).

Bank Certificates of Deposit – The Foundation's bank certificates of deposit represent term deposits with original maturities of more than three months. The certificates of deposit are reported at cost, which approximates fair value (see Note 3).

Long-Term Investments – The Foundation records investment purchases at cost, or if donated, at fair value on the date of donation. Thereafter, investments in marketable equity securities (including mutual funds) and debt securities are reported at fair value, with unrealized gains and losses reflected in the statement of activities (see Note 4).

Support and Revenue – The Foundation receives support from individuals, foundations and business organizations that reside or are stakeholders in the town of Watertown and its community.

Evaluation of Subsequent Events – Management has evaluated subsequent events involving the Foundation for potential recognition or disclosure in the accompanying financial statements. Subsequent events are events or transactions that occurred after December 31, 2019 (the date of the accompanying financial statements) up through April 2, 2020, the date the accompanying financial statements were available to be issued.

Note 2 - Short-Term Investments

Short-term investments consist of the following at December 31:

	<u>2019</u>	<u>2018</u>
120-day bank money market account	\$ _____ -	\$ <u>3,358</u>

The account was closed during 2019.

Note 3 – Bank Certificates of Deposit

The Foundation's bank certificates of deposit consist of the following at December 31:

<u>Maturity</u>	<u>2019</u>	<u>2018</u>
April 8, 2021	\$ 5,129	\$ 5,119
May 22, 2021	5,199	5,199
September 30, 2021	5,232	5,232
March 30, 2020		<u>5,293</u>
	<u>\$ 20,853</u>	<u>\$ 20,808</u>

Note 4 – Long-Term Investments

Long-term investments consist of the following at December 31:

	<u>Cost</u>	<u>Unrealized</u>	<u>Fair</u>
	<u>Basis</u>	<u>Gain (Loss)</u>	<u>Value</u>
2019			
Vanguard 500 Index Fund	\$ 296,942	\$ 434,819	\$ 731,761
Vanguard Short-Term Investments	238,718	218	238,936
Vanguard ETF Mid Cap	123,383	115,126	238,509
Vanguard ETF Small Cap	127,321	106,712	234,033
Vanguard ETF Total Bond	174,559	1,623	176,182
Vanguard ETF International Stock	179,948	25,657	205,605
Vanguard ETF Inter-term Bond Fund	221,020	10,462	231,482
Vanguard Money Market	3,214	-	3,214
American Funds	<u>60,208</u>	<u>12,569</u>	<u>72,777</u>
	<u>\$1,425,313</u>	<u>\$ 707,186</u>	<u>\$2,132,499</u>
2018			
Vanguard 500 Index Fund	\$ 283,413	\$ 273,246	\$ 556,659
Vanguard Short-Term Investments	231,844	(6,092)	225,752
Vanguard ETF Mid Cap	119,875	62,255	182,130
Vanguard ETF Small Cap	124,094	59,732	183,826
Vanguard ETF Total Bond	169,839	(7,956)	161,883
Vanguard ETF International Stock	173,781	(4,895)	168,886
Vanguard ETF Inter-term Bond Fund	221,020	(5,276)	215,744
Vanguard Money Market	11,629	-	11,629
American Funds	60,208	-	60,208
270 Shares Exxon Mobil	<u>20,246</u>	<u>(1,886)</u>	<u>18,360</u>
	<u>\$1,415,949</u>	<u>\$ 369,128</u>	<u>\$1,785,077</u>

The Foundation reported unrealized gains of \$336,175 and unrealized losses of \$194,446 for the years ended December 31, 2019 and 2018, respectively. During 2018, the Foundation reported realized gains of \$72,620 derived from fund sales proceeds of \$167,762. During 2019, the Foundation reported realized gains of \$384 derived from fund sales proceeds of \$33,800.

The Foundation's investments in the Vanguard Funds and American Funds are valued using Level 1 inputs and quoted prices in active markets.

Note 5 – Liquidity

The Foundation has \$349,457 of financial assets available within one year of the balance sheet date to meet cash needs for general operating expenses.

The financial assets of \$349,457 consist of the following at December 31, 2019:

Cash and cash equivalents	\$	92,493
Long-term investments		<u>256,964</u>
Total	\$	<u>349,457</u>

None of the aforementioned assets are subject to donor or other contractual restrictions that make them unavailable for general expenditure within one year of the balance sheet date.

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.

Note 6 – Net Assets with Donor Restrictions

The Foundation's donor-restricted net assets consist of the following at December 31:

	<u>2019</u>	<u>2018</u>
Subject to the passage of time:		
Watertown Arsenal Education Principal Fund	<u>\$1,225,291</u>	<u>\$1,166,944</u>
Subject to expenditure for specified purposes:		
Watertown Arsenal Education Income Fund	\$ 515,479	\$ 346,824
Watertown Education Fund	91,827	91,330
Watertown Fund for the Most Vulnerable	6,000	5,000
Sports and athletics	7,500	-
Food for Thought	15,000	-
Subject to Time	<u>18,000</u>	<u>-</u>
	<u>\$ 653,806</u>	<u>\$ 443,154</u>

The Watertown Arsenal Education 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 Fund's long-term investments in the amount of \$1,185,977 and \$1,166,944 at December 31, 2019 and 2018, respectively, are pooled with the Foundation's investments (see Note 4).

The Watertown Arsenal Education 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.

Fund earnings in excess of 5% approximated \$0 for the year ended December 31, 2019. There were no 359,734 und earnings in excess of 5% for the year ended December 31, 2018.

The Watertown Education Fund originated with funds received in the merger with the Watertown Education Foundation (see Note 1). The fund is restricted for the teachers and students of the Watertown Public School's educational efforts.

The Fund for the Most Vulnerable provides emergency assistance to Watertown residents in distress.

Note 6 – Net Assets with Donor Restrictions (Cont.)

Net assets with donor restrictions were released and used for the following purposes for the years ended December 31:

	<u>2019</u>	<u>2018</u>
Educational grants and awards	\$ 96,135	\$ 136,099
Administrative capacity	15,000	15,000
Fund for the Most Vulnerable	7,500	8,784
Health and healthy living	4,500	-
Other	<u>6,000</u>	<u>4,000</u>
	<u>\$ 129,135</u>	<u>\$ 163,883</u>

Note 7 – Financial Statements and Concentration of Credit Risk

The Foundation's financial instruments that may be subject to concentrations of credit risk consist of cash and investments.

The Foundation maintains its operating cash deposits and bank certificates of deposit with five high-quality financial institutions located in Watertown and Belmont, Massachusetts. To date, the Foundation has not experienced losses in any of these accounts. The Foundation's investment portfolio also maintains cash deposits of approximately \$3,000 at December 31, 2019 in an uninsured money market account with a national brokerage firm. At December 31, 2019, ___% of the Foundation's long-term investments are concentrated in two mutual and five electronically-traded funds with the same national brokerage firm in the amount of \$2,056,508 as disclosed in Note 4. Investments are made to diversified funds whose performance is monitored by management, an independent investment counsel, and the investment committee of the Board of Directors. Although the fair values of investments are subject to fluctuation on a year-to-year basis, management and the investment committee believe that the investment guidelines are prudent for the long-term welfare of the Foundation.

OTHER FINANCIAL INFORMATION

Watertown Community Foundation, Inc.

Schedule of Program Support, Revenue and Expenses by Fund

Year Ended December 31, 2019

(See Accountants' Compilation Report)

	With Donor Restrictions						Without Donor Restrictions	Foundation Total
	Watertown Arsenal Education Principal Fund	Watertown Arsenal Education Income Fund	Watertown Education Fund	All Other	Total			
SUPPORT AND REVENUE								
Grants and donations \$	-	\$ -	\$ 21,929	\$ 75,750	\$ 97,679	\$ 61,895	\$ 159,574	
Other - 6,000 -	-	6,000	76	6,076				
Interest and dividends	2,234	30,560	-	-	32,794	11,930	44,724	
Realized and unrealized on investments, net	16,699	228,448	12,953	-	258,100	78,459	336,559	
Fundraising, net	-	-	-	-	9,977	9,977		
TOTAL SUPPORT	18,933	265,008	34,882	75,750	394,573	162,337	556,910	
EXPENDITURES								
Educational and health grants - Neighborhood philanthropic development program??	60,500	34,385	5,750	100,635	18,950	119,585		
Other grants and donations	-	-	-	-	4,169	4,169		
Payroll and related costs	-	-	15,000	15,000	33,853	48,853		
Program & administrative costs	-	-	-	=-	13,500	13,500	17,246	30,746
TOTAL EXPENDITURES	-	60,500	34,385	34,250	129,135	74,218	203,353	
EXCESS (DEFICIENCY) OF SUPPORT & REVENUES OVER EXPENDITURES								
	18,933	224,508	497	41,500	265,438	88,119	353,557	
NET ASSETS AT BEGINNING OF YEAR								
	1,166,944	346,824	91,330	5,000	1,610,098	261,338	1,871,436	
NET ASSETS AT END OF YEAR								
	\$ 1,185,877	\$ 551,332	\$ 91,827	\$ 46,500	\$ 1,875,536	\$ 349,457	\$ 2,224,993	

Watertown Community Foundation, Inc.

Schedule of Program Support, Revenue and Expenses by Fund

Year Ended December 31, 2018

(See Accountants' Compilation Report)

	With Donor Restrictions						Without Donor Restrictions	Foundation Total
	Watertown Arsenal Education Principal Fund	Watertown Arsenal Education Income Fund	Watertown Education Fund	All Other	Total			
SUPPORT AND REVENUE								
Grants and donations \$	-	\$ 2,000	\$ 143,216	\$ 24,000	\$ 169,216	\$ 64,387	\$ 233,603	
Interest and dividends	27,807	9,672	-	-	37,479	2,956	40,435	
Realized and unrealized on investments, net	(82,758)	(28,786)	(1,886)	-	(113,430)	(8,396)	(121,826)	
Other	-	-	-	5,000	5,000			
TOTAL SUPPORT	(54,951)	(17,114)	141,330	24,000	93,265	63,947	157,212	
EXPENDITURES								
Educational and health grants - Neighborhood philanthropic development program	-	86,099	50,000	-	136,099	10,000	146,099	
Other grants and donations	-	-	-	-	1,197	1,197		
Payroll and related costs	-	-	-	12,784	12,784	2,150	14,934	
Program & administrative costs	-	-	-	15,000	15,000	18,598	33,598	
						36,078	36,078	
TOTAL EXPENDITURES	-	86,099	50,000	27,784	163,883	68,023	231,906	
EXCESS (DEFICIENCY) OF SUPPORT & REVENUES OVER EXPENDITURES	(54,951)	(103,213)	91,330	(3,784)	(70,618)	(4,076)	(74,694)	
NET ASSETS AT BEGINNING OF YEAR	1,221,895	450,037	-	8,784	1,680,716	265,414	1,946,130	
NET ASSETS AT END OF YEAR	\$ 1,166,944	\$ 346,824	\$ 91,330	\$ 5,000	\$ 1,610,098	\$ 261,338	\$ 1,871,436	