



PHILANTHROPY
MASSACHUSETTS

FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018

PHILANTHROPY MASSACHUSETTS, INC.

Contents
December 31, 2019 and 2018

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Independent Auditor's Report

To the Board of Directors of
Philanthropy Massachusetts, Inc.:

Report on the Financial Statements

We have audited the accompanying financial statements of Philanthropy Massachusetts, Inc. (a Massachusetts corporation, not for profit) 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, cash flows and functional expenses for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Philanthropy Massachusetts, Inc. as of December 31, 2019 and 2018, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

AAFCPAs, Inc.

Westborough, Massachusetts
May 20, 2020

PHILANTHROPY MASSACHUSETTS, INC.

Statements of Financial Position
December 31, 2019 and 2018

Assets	2019			2018		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Current Assets:						
Cash	\$ 1,037,992	\$ 774,107	\$ 1,812,099	\$ 756,783	\$ 329,669	\$ 1,086,452
Membership support and pledges receivable	-	420,000	420,000	-	375,250	375,250
Prepaid expenses	9,754	-	9,754	16,394	-	16,394
Total current assets	<u>1,047,746</u>	<u>1,194,107</u>	<u>2,241,853</u>	<u>773,177</u>	<u>704,919</u>	<u>1,478,096</u>
Other Assets:						
Leasehold improvements, equipment and technology, net	13,553	-	13,553	21,685	-	21,685
Cash - fiscal agent	852,676	-	852,676	1,144,002	-	1,144,002
Security deposit	27,833	-	27,833	31,333	-	31,333
Total other assets	<u>894,062</u>	<u>-</u>	<u>894,062</u>	<u>1,197,020</u>	<u>-</u>	<u>1,197,020</u>
Total assets	<u>\$ 1,941,808</u>	<u>\$ 1,194,107</u>	<u>\$ 3,135,915</u>	<u>\$ 1,970,197</u>	<u>\$ 704,919</u>	<u>\$ 2,675,116</u>
Liabilities and Net Assets						
Current Liabilities:						
Accounts payable	\$ 12,690	\$ -	\$ 12,690	\$ 3,125	\$ -	\$ 3,125
Accrued expenses	16,224	-	16,224	13,627	-	13,627
Total current liabilities	<u>28,914</u>	<u>-</u>	<u>28,914</u>	<u>16,752</u>	<u>-</u>	<u>16,752</u>
Fiscal Agent Payable	852,676	-	852,676	1,144,002	-	1,144,002
Deferred Rent Payable	33,409	-	33,409	12,970	-	12,970
Total liabilities	<u>914,999</u>	<u>-</u>	<u>914,999</u>	<u>1,173,724</u>	<u>-</u>	<u>1,173,724</u>
Net Assets:						
Without donor restrictions:						
Operating	1,013,256	-	1,013,256	774,788	-	774,788
Leasehold improvements, equipment and technology	13,553	-	13,553	21,685	-	21,685
With donor restrictions:						
Program activities	-	968,361	968,361	-	550,854	550,854
Time	-	225,746	225,746	-	154,065	154,065
Total net assets	<u>1,026,809</u>	<u>1,194,107</u>	<u>2,220,916</u>	<u>796,473</u>	<u>704,919</u>	<u>1,501,392</u>
Total liabilities and net assets	<u>\$ 1,941,808</u>	<u>\$ 1,194,107</u>	<u>\$ 3,135,915</u>	<u>\$ 1,970,197</u>	<u>\$ 704,919</u>	<u>\$ 2,675,116</u>

The accompanying notes are an integral part of these statements.

PHILANTHROPY MASSACHUSETTS, INC.

Statements of Activities and Changes in Net Assets
For the Years Ended December 31, 2019 and 2018

	2019			2018		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Operating Support and Revenues:						
Designated contributions:						
Summer Fund	\$ 1,130,123	\$ 411,744	\$ 1,541,867	\$ 737,761	\$ -	\$ 737,761
Other	271,984	25,003	296,987	84,621	60,460	145,081
General operations for a future period	-	100,000	100,000	-	100,000	100,000
Membership support and contributions	443,755	75,750	519,505	401,460	54,065	455,525
Program fees and other income	301,392	-	301,392	266,167	-	266,167
Interest and dividends	17,504	-	17,504	7,901	-	7,901
Net assets released from restrictions:						
Satisfaction of time restrictions	104,069	(104,069)	-	128,850	(128,850)	-
Satisfaction of purpose restrictions:						
Summer Fund	-	-	-	374,567	(374,567)	-
Other	19,240	(19,240)	-	21,777	(21,777)	-
Total operating support and revenues	<u>2,288,067</u>	<u>489,188</u>	<u>2,777,255</u>	<u>2,023,104</u>	<u>(310,669)</u>	<u>1,712,435</u>
Operating Expenses:						
Summer Fund	1,130,123	-	1,130,123	1,112,328	-	1,112,328
Member and grantmaker services	670,235	-	670,235	539,131	-	539,131
Nonprofit partner services	257,373	-	257,373	268,016	-	268,016
Total operating expenses	<u>2,057,731</u>	<u>-</u>	<u>2,057,731</u>	<u>1,919,475</u>	<u>-</u>	<u>1,919,475</u>
Changes in net assets	230,336	489,188	719,524	103,629	(310,669)	(207,040)
Net Assets:						
Beginning of year	<u>796,473</u>	<u>704,919</u>	<u>1,501,392</u>	<u>692,844</u>	<u>1,015,588</u>	<u>1,708,432</u>
End of year	<u>\$ 1,026,809</u>	<u>\$ 1,194,107</u>	<u>\$ 2,220,916</u>	<u>\$ 796,473</u>	<u>\$ 704,919</u>	<u>\$ 1,501,392</u>

The accompanying notes are an integral part of these statements.

PHILANTHROPY MASSACHUSETTS, INC.

Statements of Cash Flows

For the Years Ended December 31, 2019 and 2018

	<u>2019</u>	<u>2018</u>
Cash Flows from Operating Activities:		
Changes in net assets	\$ 719,524	\$ (207,040)
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Depreciation	8,132	14,264
Changes in operating assets and liabilities:		
Membership support and pledges receivable	(44,750)	246,750
Prepaid expenses	6,640	(8,241)
Security deposit	3,500	(3,500)
Accounts payable	9,565	(39,636)
Accrued expenses	2,597	(1,085)
Fiscal agent payable	(291,326)	432,977
Deferred rent payable	20,439	12,970
	<u>434,321</u>	<u>447,459</u>
Net cash provided by operating activities	434,321	447,459
Cash and Restricted Cash:		
Beginning of year	<u>2,230,454</u>	<u>1,782,995</u>
End of year	<u>\$ 2,664,775</u>	<u>\$ 2,230,454</u>
Reconciliation of Cash and Restricted Cash Reported Within the Statements of Financial Position:		
Cash	\$ 1,812,099	\$ 1,086,452
Cash - fiscal agent	<u>852,676</u>	<u>1,144,002</u>
Total cash and restricted cash	<u>\$ 2,664,775</u>	<u>\$ 2,230,454</u>

PHILANTHROPY MASSACHUSETTS, INC.

Statement of Functional Expenses

For the Year Ended December 31, 2019

(With Summarized Comparative Totals for the Year Ended December 31, 2018)

	2019								2018	
	Program			Program Support					Total	
	Summer Fund	Member and Grantmaker Services	Nonprofit Partner Services	Total Program	General and Administration	Marketing	Member Development	Total Program Support		
Grants Awarded	\$ 917,972	\$ -	\$ -	\$ 917,972	\$ -	\$ -	\$ -	\$ -	\$ 917,972	\$ 902,014
Payroll and Related:										
Salaries	101,056	189,559	86,625	377,240	62,783	45,288	79,569	187,640	564,880	489,227
Fringe benefits	10,460	18,281	12,258	40,999	6,800	5,894	9,455	22,149	63,148	57,392
Payroll taxes	10,142	18,297	8,837	37,276	7,192	4,630	7,850	19,672	56,948	45,596
Total payroll and related	121,658	226,137	107,720	455,515	76,775	55,812	96,874	229,461	684,976	592,215
Other:										
Rent	24,713	33,583	25,989	84,285	14,238	9,656	14,566	38,460	122,745	128,550
Meetings and conferences	513	52,767	18,600	71,880	121	-	681	802	72,682	54,589
Professional fees	9,949	-	-	9,949	38,672	-	-	38,672	48,621	40,617
Leadership training	38,221	-	-	38,221	-	-	-	-	38,221	40,938
Outside services	-	22,789	-	22,789	5,350	9,912	-	15,262	38,051	48,021
Website and database	-	-	-	-	32,353	-	-	32,353	32,353	24,159
Supplies	2,380	6,248	4,097	12,725	5,950	1,979	545	8,474	21,199	13,237
Telephone	2,902	3,897	3,071	9,870	1,674	1,105	1,626	4,405	14,275	13,979
Food and travel	-	5,234	134	5,368	6,303	1,884	-	8,187	13,555	7,933
Miscellaneous	-	-	2,899	2,899	8,669	-	-	8,669	11,568	7,853
Registration fees, dues and subscriptions	1,130	8,577	400	10,107	-	-	-	-	10,107	10,033
Utilities and insurance	1,864	1,370	1,064	4,298	3,641	393	590	4,624	8,922	8,946
Depreciation	-	3,307	1,505	4,812	1,494	773	1,053	3,320	8,132	14,264
Equipment rental and repair	7,505	-	-	7,505	517	-	-	517	8,022	8,625
Printing and graphics	1,238	-	-	1,238	-	3,571	-	3,571	4,809	1,276
Postage and delivery	78	126	178	382	1,046	5	88	1,139	1,521	2,226
Total other	90,493	137,898	57,937	286,328	120,028	29,278	19,149	168,455	454,783	425,246
Total expenses before allocation of program support	1,130,123	364,035	165,657	1,659,815	196,803	85,090	116,023	397,916	2,057,731	1,919,475
Allocation of Program Support	-	306,200	91,716	397,916	(196,803)	(85,090)	(116,023)	(397,916)	-	-
Total expenses	\$ 1,130,123	\$ 670,235	\$ 257,373	\$ 2,057,731	\$ -	\$ -	\$ -	\$ -	\$ 2,057,731	\$ 1,919,475

PHILANTHROPY MASSACHUSETTS, INC.

Statement of Functional Expenses
For the Year Ended December 31, 2018

	Program				Program Support				Total
	Summer Fund	Member and Grantmaker Services	Nonprofit Partner Services	Total Program	General and Administration	Marketing	Member Development	Total Program Support	
Grants Awarded	\$ 902,014	\$ -	\$ -	\$ 902,014	\$ -	\$ -	\$ -	\$ -	\$ 902,014
Payroll and Related:									
Salaries	104,071	140,561	70,237	314,869	75,873	41,569	56,916	174,358	489,227
Fringe benefits	8,059	14,274	7,854	30,187	18,668	3,097	5,440	27,205	57,392
Payroll taxes	9,653	12,873	6,508	29,034	7,408	3,881	5,273	16,562	45,596
Total payroll and related	121,783	167,708	84,599	374,090	101,949	48,547	67,629	218,125	592,215
Other									
Rent	16,484	18,913	33,429	68,826	27,969	12,831	18,924	59,724	128,550
Meetings and conferences	364	37,082	16,313	53,759	56	-	774	830	54,589
Professional fees	10,046	-	-	10,046	30,571	-	-	30,571	40,617
Leadership training	40,938	-	-	40,938	-	-	-	-	40,938
Outside services	7,277	250	-	7,527	35,296	5,198	-	40,494	48,021
Website and database	-	-	-	-	24,159	-	-	24,159	24,159
Supplies	1,366	3,949	3,747	9,062	3,052	964	159	4,175	13,237
Telephone	3,162	3,689	3,354	10,205	2,006	936	832	3,774	13,979
Food and travel	481	4,417	1,016	5,914	1,532	487	-	2,019	7,933
Miscellaneous	107	-	-	107	7,746	-	-	7,746	7,853
Registration fees, dues and subscriptions	993	-	400	1,393	8,640	-	-	8,640	10,033
Utilities and insurance	1,784	785	1,283	3,852	3,963	439	692	5,094	8,946
Depreciation	-	4,403	2,679	7,082	4,226	1,316	1,640	7,182	14,264
Equipment rental and repair	5,447	-	-	5,447	3,003	175	-	3,178	8,625
Printing and graphics	39	-	-	39	-	1,237	-	1,237	1,276
Postage and delivery	43	327	160	530	1,587	77	32	1,696	2,226
Total other	88,531	73,815	62,381	224,727	153,806	23,660	23,053	200,519	425,246
Total expenses before allocation of program support	1,112,328	241,523	146,980	1,500,831	255,755	72,207	90,682	418,644	1,919,475
Allocation of Program Support	-	297,608	121,036	418,644	(255,755)	(72,207)	(90,682)	(418,644)	-
Total expenses	\$ 1,112,328	\$ 539,131	\$ 268,016	\$ 1,919,475	\$ -	\$ -	\$ -	\$ -	\$ 1,919,475

The accompanying notes are an integral part of these statements.

PHILANTHROPY MASSACHUSETTS, INC.

Notes to Financial Statements
December 31, 2019 and 2018

1. OPERATIONS, NONPROFIT STATUS AND SIGNIFICANT ACCOUNTING POLICIES

OPERATIONS

Philanthropy Massachusetts, Inc. (PMA) is a regional professional association of leading grantmakers and their partners in the nonprofit community, primarily servicing Massachusetts and surrounding areas. PMA was incorporated in Massachusetts in 1969 to support the practice and expansion of philanthropic giving. PMA also acts as fiscal agent for and collaborates with several other organizations and programs (see Note 4).

NONPROFIT STATUS

PMA is exempt from Federal income taxes as an organization (not a private foundation) formed for charitable purposes under Section 501(c)(3) of the Internal Revenue Code (IRC). PMA is also exempt from state income taxes. Donors may deduct contributions made to PMA within the requirements of the IRC and applicable regulations.

SIGNIFICANT ACCOUNTING POLICIES

PMA's financial statements have been prepared in accordance with generally accepted accounting standards and principles established by the Financial Accounting Standards Board (FASB). References to U.S. Generally Accepted Accounting Principles (U.S. GAAP) in these notes are to the FASB Accounting Standards Codification (ASC).

Adoption of New Accounting Standards

In 2019, PMA adopted FASB's Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers*. The standard's core principle is that a company will recognize revenue when it transfers promised goods or services to customers in an amount that reflects the consideration to which the company expects to be entitled in exchange for those goods or services. This standard also includes expanded disclosure requirements that result in an entity providing users of financial statements with comprehensive information about the nature, amount, timing, and uncertainty of revenue and cash flows arising from the entity's contracts with customers. Due to PMA's revenue recognition policies and nature of contractual revenue for services performed, there was not a material impact to revenue recognition as a result of adopting this standard. The adoption of this ASU did not impact PMA's net asset classes, results of operations, or cash flows for the year ended December 31, 2018.

In 2019, PMA adopted ASU 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. This ASU clarifies and improves guidance for contributions received and contributions made and provides guidance to organizations on how to account for certain non-exchange transactions. In addition, it clarifies whether a contribution is conditional. As a result, it enhances comparability of financial information among not-for-profit entities. The adoption of this standard did not result in an adjustment to the presentation of these financial statements. The adoption of this ASU did not impact PMA's net asset classes, results of operations, or cash flows for the year ended December 31, 2018.

In 2019, PMA adopted ASU 2016-18, *Statement of Cash Flows (Topic 230): Restricted Cash*. This ASU amends the presentation of restricted cash within the statement of cash flows. The new guidance requires that restricted cash and cash equivalents be added to cash and cash equivalents for purposes of the statement of cash flows. This ASU has been applied retrospectively to all periods presented.

PHILANTHROPY MASSACHUSETTS, INC.

Notes to Financial Statements
December 31, 2019 and 2018

1. OPERATIONS, NONPROFIT STATUS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

SIGNIFICANT ACCOUNTING POLICIES (Continued)

Adoption of New Accounting Standards (Continued)

The adoption of ASU 2016-18 resulted in the following changes to PMA's cash flow classification for the year ended December 31, 2018:

<u>Statement of Cash Flows</u>	<u>2018 As Previously Reported</u>	<u>Effect of Adoption</u>	<u>2018 As Adjusted</u>
Net cash provided by operating activities	<u>\$ 14,482</u>	<u>\$ 432,977</u>	<u>\$ 447,459</u>

Estimates

The preparation of financial statements in conformity with U.S. 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.

Revenue Recognition

PMA recognizes designated contributions as revenue and net assets with donor restrictions when received or unconditionally committed by the donor. Contributions without donor restrictions are recognized as revenue when received or unconditionally pledged. Net assets released from donor restrictions represent transfers to net assets without donor restrictions as costs are incurred, time restrictions have lapsed, or services are provided satisfying the restricted purposes specified by donors. Donor restricted grants and contributions received and satisfied in the same period are included in net assets without donor restrictions. Membership support is recognized as support and revenue and net assets without donor restrictions during the membership period. Membership support received or committed in advance of the membership period is recognized as revenue and net assets with donor restrictions (see page 10). Program fees, other income and interest and dividends are recognized as earned.

Recognition of Grants Awarded

PMA generally pays grants at the time of the awards. When PMA awards unconditional grants for a multiple-year period or for a future year, the entire obligation is recognized in the year the grants are awarded. There were no such multi-year grants awarded in 2019 or 2018.

Cash - Fiscal Agent and Fiscal Agent Payable

Cash - fiscal agent and fiscal agent payable represent funds held by PMA on behalf of other organizations (see Note 4).

Leasehold Improvements, Equipment and Technology and Depreciation

Purchases of leasehold improvements, equipment and technology in excess of \$2,500 are recorded at cost or fair value at the date of purchase. Renewals and betterments are recorded as additions to the related asset accounts, while repairs and maintenance costs are expensed as incurred. Depreciation is computed using the straight-line method over estimated useful lives of three to five years.

PHILANTHROPY MASSACHUSETTS, INC.

Notes to Financial Statements
December 31, 2019 and 2018

1. OPERATIONS, NONPROFIT STATUS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fair Value Measurements

PMA follows the accounting and disclosure standards pertaining to ASC Topic, *Fair Value Measurements*, for qualifying assets and liabilities. Fair value is defined as the price that PMA would receive upon selling an asset or pay to settle a liability in an orderly transaction between market participants.

PMA uses a framework for measuring fair value that includes a hierarchy that categorizes and prioritizes the sources used to measure and disclose fair value. This hierarchy is broken down into three levels based on inputs that market participants would use in valuing the financial instruments based on market data obtained from sources independent of PMA. Inputs refer broadly to the assumptions that market participants would use in pricing the financial instrument, including assumptions about risk. Inputs may be observable or unobservable. Observable inputs are inputs that reflect the assumptions market participants would use in pricing the financial instrument developed based on market data obtained from sources independent of the reporting entity. Unobservable inputs are inputs that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset developed based on the best information available.

The three-tier hierarchy of inputs is summarized in the three broad levels as follows:

Level 1 - Inputs that reflect unadjusted quoted prices in active markets for identical assets at the measurement date.

Level 2 - Inputs other than quoted prices that are observable for the asset either directly or indirectly, including inputs in markets that are not considered to be active.

Level 3 - Inputs that are unobservable and which require significant judgment or estimation.

An asset or liability's level within the framework is based upon the lowest level of any input that is significant to the fair value measurement. All assets and liabilities are considered Level 1 within the fair value hierarchy.

Subsequent Events

Subsequent events have been evaluated through May 20, 2020, which is the date the financial statements were available to be issued. See Note 10 for an event that has met the criteria for disclosure in the financial statements.

Income Taxes

PMA accounts for uncertainty in income taxes in accordance with ASC Topic, *Income Taxes*. This standard clarifies the accounting for uncertainty in tax positions and prescribes a recognition threshold and measurement attribute for the financial statements regarding a tax position taken or expected to be taken in a tax return. PMA has determined that there are no uncertain tax positions which qualify for either recognition or disclosure in the financial statements at December 31, 2019 and 2018. PMA's information returns are subject to examination by the Federal and state jurisdictions.

PHILANTHROPY MASSACHUSETTS, INC.

Notes to Financial Statements
December 31, 2019 and 2018

1. OPERATIONS, NONPROFIT STATUS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

SIGNIFICANT ACCOUNTING POLICIES (Continued)

Expense Allocation

Expenses related directly to a program are distributed to that program, while other expenses are allocated to programs based upon management's estimate of the percentage attributable to each function.

Certain categories of expenses are attributable to more than one program or supporting function and are allocated on a reasonable basis that is consistently applied. The expenses that are allocated are payroll and related, which are allocated on the basis of estimates of time and effort; occupancy costs and depreciation, which are allocated on a square footage basis; and supplies, website and database, and telephone costs, which are allocated based on usage studies conducted annually.

Net Assets

Without Donor Restrictions

Net assets without donor restrictions are those net resources that bear no external restrictions and are generally available for use by PMA. PMA has grouped its net assets without donor restrictions into the following categories:

- *Operating* - Funds available for PMA's operations.
- *Leasehold improvements, equipment and technology* - Net book value of leasehold improvements, equipment and technology used in carrying out PMA's services.

With Donor Restrictions

Net assets with donor restrictions represent amounts received or committed with donor restrictions which have not yet been expended for their designated purpose (purpose restricted) and amounts for operating use in future periods (time restricted). These funds include amounts PMA holds in connection with program collaborations (see Note 4). Also included is membership support received or committed in advance for the following program year.

Net assets with donor restrictions consist of the following at December 31:

	<u>2019</u>	<u>2018</u>
Subject to expenditure for specified purpose:		
Summer Fund (see Note 4)	\$ 899,572	\$ 487,863
Other programs	<u>68,789</u>	<u>62,991</u>
	<u>968,361</u>	<u>550,854</u>
Subject to the passage of time:		
Other operating support	149,996	100,000
Membership support (see page 8)	<u>75,750</u>	<u>54,065</u>
	<u>225,746</u>	<u>154,065</u>
	<u>\$ 1,194,107</u>	<u>\$ 704,919</u>

PHILANTHROPY MASSACHUSETTS, INC.

Notes to Financial Statements
December 31, 2019 and 2018

1. OPERATIONS, NONPROFIT STATUS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

SIGNIFICANT ACCOUNTING POLICIES (Continued)

Membership Support and Pledges Receivable and Allowance for Doubtful Accounts

Membership support and pledges receivable at December 31, 2019 and 2018, consist of membership support, contributions and other unconditionally pledged support. As of December 31, 2019 and 2018, all amounts were deemed collectible and there was no allowance for doubtful accounts.

2. LEASE AGREEMENTS

PMA leases office space under an agreement that expires in November 2028. Rent was payable in equal monthly installments ranging from approximately \$9,300 to \$9,500 during 2019, and of approximately \$9,300 during 2018. The monthly lease payments increase annually each December, as defined in the lease agreement. PMA must maintain certain insurance coverage and pay for its proportionate share of common area maintenance costs. PMA records rent on a straight-line basis over the term of the lease. The difference between the cash lease payments and the related expense for a given year is recorded as deferred rent. Deferred rent payable was \$33,409 and \$12,970 at December 31, 2019 and 2018, respectively. Total rent expense was \$122,745 and \$128,550 for 2019 and 2018, respectively. PMA has a lease for office equipment with monthly payments of \$245 through August 2023.

Future minimum payments under the agreements are as follows:

	<u>Facility</u>	<u>Equipment</u>
2020	\$ 114,598	\$ 2,940
2021	117,599	2,940
2022	120,611	2,940
2023	123,623	2,205
2024	126,634	-
Thereafter	<u>524,826</u>	<u>-</u>
Total	<u>\$ 1,127,891</u>	<u>\$ 11,025</u>

3. RETIREMENT PLAN

PMA offers an elective deferred retirement plan pursuant to IRC Section 401(k) which covers all eligible employees. Employees may elect to defer their salary within IRC limits. The Board of Directors approved an employer contribution of 6% of eligible employees' salaries. PMA's contributions vest after 90 days of service. PMA contributed \$29,986 and \$21,503 to the plan in 2019 and 2018, respectively, which is included in fringe benefits in the accompanying statements of functional expenses.

4. COLLABORATIVE PROGRAMS AND FISCAL AGENT ACCOUNTS

The Summer Fund (the Fund) is an unincorporated collaborative of private funders in Greater Boston. The Fund generates resources to support and strengthen summer camps serving the low-income neighborhoods of Boston, Cambridge, Chelsea, and Somerville, Massachusetts. The Fund contributes to summer camps that provide youth with opportunities for skill development, personal growth and new experiences. The Fund raises funds from corporations, foundations and individuals to provide operational support to summer camps. The Fund directly raised and granted funds to various summer programs of \$917,972 and \$902,014 in 2019 and 2018, respectively.

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4. COLLABORATIVE PROGRAMS AND FISCAL AGENT ACCOUNTS (Continued)

Activity in the Fund is as follows:

Net Assets, December 31, 2017	\$ 862,430
Contributions	737,761
Expenditures	<u>(1,112,328)</u>
Net Assets, December 31, 2018	487,863
Contributions	1,541,832
Expenditures	<u>(1,130,123)</u>
Net Assets, December 31, 2019	<u>\$ 899,572</u>

PMA has been designated as a fiscal agent for various other collaboratives. The combined balances on hand for these fiscal agent arrangements of \$852,676 and \$1,144,002 are included in cash - fiscal agent and fiscal agent payable in the accompanying statements of financial position at December 31, 2019 and 2018, respectively. PMA has no variance power over the disbursement of these funds, and accordingly, the revenues and expenses for these collaboratives are not reflected in the accompanying financial statements.

5. LEASEHOLD IMPROVEMENTS, EQUIPMENT AND TECHNOLOGY

Leasehold improvements, equipment and technology consist of the following as of December 31:

	<u>2019</u>	<u>2018</u>
Technology	\$ 40,660	\$ 40,660
Leasehold improvements	39,785	39,785
Equipment	<u>1,089</u>	<u>1,089</u>
	81,534	81,534
Less - accumulated depreciation	<u>67,981</u>	<u>59,849</u>
	<u>\$ 13,553</u>	<u>\$ 21,685</u>

6. CONCENTRATIONS

PMA maintains its cash balances in one bank in Massachusetts. Cash balances maintained in the bank are insured within the limits of the Federal Deposit Insurance Corporation (FDIC). At certain times during the year, cash balances exceeded the insured amounts. Cash balances maintained in the brokerage firm are not insured. PMA has not experienced any losses in these accounts. PMA believes it is not exposed to any significant credit risk on cash.

At December 31, 2019, 93% of the outstanding pledges receivable were from three donors. At December 31, 2018, 99% of the outstanding pledges receivable were from two donors.

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7. LINE OF CREDIT

PMA has a \$100,000 working capital line of credit agreement with a bank. Borrowings are due on demand and interest is payable monthly at the bank's index rate of 4.75% and 5.5% at December 31, 2019 and 2018, respectively, plus 1%; subject to a minimum interest rate of 4.5%. All borrowings are secured by PMA's business property. The agreement expires in June 2020. There are no amounts outstanding as of December 31, 2019 and 2018.

8. PLEDGES RECEIVABLE

PMA receives pledges from various donors. As of December 31, 2019 and 2018, all pledges are due in less than one year.

9. LIQUIDITY

The financial assets available for use by PMA within one year from the statement of financial position date are as follows as of December 31:

	<u>2019</u>	<u>2018</u>
Cash	\$ 1,812,099	\$ 1,086,452
Membership support and pledges receivable	<u>420,000</u>	<u>375,250</u>
	2,232,099	1,461,702
Less - financial assets with purpose restrictions	<u>968,361</u>	<u>550,854</u>
Total financial assets available for use	<u>\$ 1,263,738</u>	<u>\$ 910,848</u>

PMA's financial assets are available for use to cover its obligations as they become due. Should the need arise, PMA also has a \$100,000 line of credit available for short-term liquidity needs (see Note 7). PMA has financial assets equal to approximately seven and six months of operating expenses at December 31, 2019 and 2018, respectively.

10. SUBSEQUENT EVENT

In recent days, the COVID-19 outbreak in the United States has resulted in the closures of many businesses and a marked reduction in economic activity. While this disruption is currently expected to be temporary, there is considerable uncertainty around the duration. While PMA expects this matter to negatively impact its operating results, the related financial impact and duration cannot be reasonably estimated at this time.

11. RECLASSIFICATIONS

Certain amounts in the 2018 financial statements have been reclassified to conform to the 2019 presentation.