



PHILANTHROPY
MASSACHUSETTS

FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

PHILANTHROPY MASSACHUSETTS, INC.

Contents
December 31, 2022 and 2021

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Independent Auditor's Report

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

Opinion

We have audited the financial statements of Philanthropy Massachusetts, Inc. (a Massachusetts corporation, not for profit) (PMA) which comprise the statements of financial position as of December 31, 2022 and 2021, 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.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of Philanthropy Massachusetts, Inc. as of December 31, 2022 and 2021, 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 (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of PMA 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.

Emphasis of Matter

As discussed in Note 2 to the financial statements, effective January 1, 2022, PMA changed its method of accounting for leases due to the adoption of Financial Accounting Standards Board's (FASB) Accounting Standards Update (ASU) 2016-02, *Leases (Topic 842)*, using the alternative transition method. Our opinion is not modified with respect to this matter.

Responsibility 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 and implementation 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 PMA's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's 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 auditor's 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 GAAS 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 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.

Auditor's Responsibilities for the Audit of the Financial Statements (Continued)

In performing an audit in accordance with GAAS, 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 PMA'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 PMA'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.

AAFCPA, Inc.

Westborough, Massachusetts
May 18, 2023

PHILANTHROPY MASSACHUSETTS, INC.

Statements of Financial Position
December 31, 2022 and 2021

	2022			2021		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Assets						
Current Assets:						
Cash	\$ 1,399,316	\$ 2,617,846	\$ 4,017,162	\$ 1,433,532	\$ 2,300,838	\$ 3,734,370
Membership support and pledges receivable	2,445	4,897	7,342	-	78,889	78,889
Prepaid expenses	6,911	-	6,911	5,915	-	5,915
Total current assets	<u>1,408,672</u>	<u>2,622,743</u>	<u>4,031,415</u>	<u>1,439,447</u>	<u>2,379,727</u>	<u>3,819,174</u>
Leasehold Improvements, Equipment and Technology, net	90,344	-	90,344	14,406	-	14,406
Security Deposit	27,833	-	27,833	27,833	-	27,833
Right-of-Use Asset - Operating	<u>691,504</u>	<u>-</u>	<u>691,504</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total assets	<u>\$ 2,218,353</u>	<u>\$ 2,622,743</u>	<u>\$ 4,841,096</u>	<u>\$ 1,481,686</u>	<u>\$ 2,379,727</u>	<u>\$ 3,861,413</u>
Liabilities and Net Assets						
Current Liabilities:						
Accounts payable	\$ 106,581	\$ -	\$ 106,581	\$ 68,651	\$ -	\$ 68,651
Current portion of operating lease liability	113,104	-	113,104	-	-	-
Accrued expenses	49,472	-	49,472	42,394	-	42,394
Deferred revenue	14,110	-	14,110	42,230	-	42,230
Total current liabilities	<u>283,267</u>	<u>-</u>	<u>283,267</u>	<u>153,275</u>	<u>-</u>	<u>153,275</u>
Deferred Rent Payable	-	-	-	46,708	-	46,708
Operating Lease Liability - net of current portion	<u>627,234</u>	<u>-</u>	<u>627,234</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total liabilities	<u>910,501</u>	<u>-</u>	<u>910,501</u>	<u>199,983</u>	<u>-</u>	<u>199,983</u>
Net Assets:						
Without donor restrictions:						
Operating	1,266,342	-	1,266,342	1,267,297	-	1,267,297
Property and equipment	41,510	-	41,510	14,406	-	14,406
With donor restrictions:						
Program activities	-	2,393,743	2,393,743	-	2,171,552	2,171,552
Time	-	229,000	229,000	-	208,175	208,175
Total net assets	<u>1,307,852</u>	<u>2,622,743</u>	<u>3,930,595</u>	<u>1,281,703</u>	<u>2,379,727</u>	<u>3,661,430</u>
Total liabilities and net assets	<u>\$ 2,218,353</u>	<u>\$ 2,622,743</u>	<u>\$ 4,841,096</u>	<u>\$ 1,481,686</u>	<u>\$ 2,379,727</u>	<u>\$ 3,861,413</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, 2022 and 2021

	2022			2021		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Operating Support and Revenues:						
Designated contributions:						
Fiscal sponsorships	\$ 2,029,702	\$ 417,703	\$ 2,447,405	\$ 1,775,255	\$ 269,394	\$ 2,044,649
Summer Fund	833,709	331,000	1,164,709	788,242	483,599	1,271,841
Other	195,809	153,379	349,188	96,225	37,000	133,225
General operations for a future period	-	35,625	35,625	-	55,625	55,625
Membership support and contributions	533,593	177,750	711,343	480,620	152,550	633,170
Program fees	384,576	-	384,576	388,979	-	388,979
Interest and dividends	27,348	-	27,348	3,744	-	3,744
Net assets released from restrictions:						
Satisfaction of time restrictions	192,550	(192,550)	-	148,450	(148,450)	-
Satisfaction of purpose restrictions:						
Summer Fund	496,964	(496,964)	-	414,253	(414,253)	-
Fiscal sponsorships	134,831	(134,831)	-	307,025	(307,025)	-
Other	48,096	(48,096)	-	48,872	(48,872)	-
Total operating support and revenues	<u>4,877,178</u>	<u>243,016</u>	<u>5,120,194</u>	<u>4,451,665</u>	<u>79,568</u>	<u>4,531,233</u>
Operating Expenses:						
Summer Fund	1,330,673	-	1,330,673	1,202,497	-	1,202,497
Fiscal sponsorships	2,255,464	-	2,255,464	2,173,209	-	2,173,209
Member and grantmaker services	864,204	-	864,204	700,150	-	700,150
Nonprofit partner services	400,688	-	400,688	303,241	-	303,241
Total operating expenses	<u>4,851,029</u>	<u>-</u>	<u>4,851,029</u>	<u>4,379,097</u>	<u>-</u>	<u>4,379,097</u>
Changes in net assets	26,149	243,016	269,165	72,568	79,568	152,136
Net Assets:						
Beginning of year	<u>1,281,703</u>	<u>2,379,727</u>	<u>3,661,430</u>	<u>1,209,135</u>	<u>2,300,159</u>	<u>3,509,294</u>
End of year	<u>\$ 1,307,852</u>	<u>\$ 2,622,743</u>	<u>\$ 3,930,595</u>	<u>\$ 1,281,703</u>	<u>\$ 2,379,727</u>	<u>\$ 3,661,430</u>

The accompanying notes are an integral part of these statements.

PHILANTHROPY MASSACHUSETTS, INC.

Statements of Cash Flows

For the Years Ended December 31, 2022 and 2021

	<u>2022</u>	<u>2021</u>
Cash Flows from Operating Activities:		
Changes in net assets	\$ 269,165	\$ 152,136
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Depreciation	-	5,421
Non-cash lease expense	2,126	-
Changes in operating assets and liabilities:		
Membership support and pledges receivable	71,547	62,311
Prepaid expenses	(996)	5,138
Accounts payable	37,930	65,428
Accrued expenses	7,078	4,164
Deferred revenue	(28,120)	42,230
Deferred rent payable	-	5,149
	<u>358,730</u>	<u>341,977</u>
Net cash provided by operating activities	358,730	341,977
Cash Flows from Investing Activities:		
Acquisition of leasehold improvements, equipment and technology	<u>(75,938)</u>	<u>(14,406)</u>
Net Change in Cash	282,792	327,571
Cash:		
Beginning of year	<u>3,734,370</u>	<u>3,406,799</u>
End of year	<u>\$ 4,017,162</u>	<u>\$ 3,734,370</u>
Supplemental Disclosure of Non-Cash Transaction:		
Non-cash operating lease asset in exchange for lease liability obtained	<u>\$ 802,015</u>	<u>\$ -</u>

PHILANTHROPY MASSACHUSETTS, INC.

Statement of Functional Expenses

For the Year Ended December 31, 2022

(With Summarized Comparative Totals for the Year Ended December 31, 2021)

	2022								2021		
	Program				Program Support				Total	Total	
	Summer Fund	Fiscal Sponsorships	Member and Grantmaker Services	Nonprofit Partner Services	Total Program	General and Administration	Marketing	Member Development			Total Program Support
Grants Awarded	\$ 1,108,641	\$ 858,016	\$ -	\$ -	\$ 1,966,657	\$ -	\$ -	\$ -	\$ -	\$ 1,966,657	\$ 2,254,842
Payroll and Related:											
Salaries	142,001	-	287,531	152,465	581,997	117,318	57,219	91,490	266,027	848,024	758,576
Fringe benefits	24,048	-	33,751	17,860	75,659	12,548	10,586	11,757	34,891	110,550	96,290
Payroll taxes	11,055	-	23,496	11,987	46,538	9,206	4,709	7,839	21,754	68,292	68,642
Total payroll and related	177,104	-	344,778	182,312	704,194	139,072	72,514	111,086	322,672	1,026,866	923,508
Other:											
Meetings, conferences and events	1,591	809,629	111,756	54,646	977,622	163	-	844	1,007	978,629	445,073
Outside services	861	496,890	-	-	497,751	114,741	-	-	114,741	612,492	483,001
Rent	24,877	-	33,996	29,135	88,008	21,090	7,832	10,608	39,530	127,538	125,447
Professional fees	5,772	-	-	-	5,772	25,537	-	-	25,537	31,309	29,090
Supplies and subscriptions	1,443	-	6,955	2,804	11,202	12,661	2,245	67	14,973	26,175	15,815
Website and database	-	-	-	130	130	22,294	-	-	22,294	22,424	40,399
Telephone	1,304	-	4,211	3,364	8,879	2,349	2,407	1,272	6,028	14,907	19,957
Utilities and insurance	2,551	-	1,218	1,044	4,813	7,687	280	380	8,347	13,160	9,288
Registration fees and dues	230	-	865	-	1,095	11,017	-	-	11,017	12,112	10,697
Miscellaneous	110	-	-	-	110	6,709	-	-	6,709	6,819	8,646
Equipment rental and repair	6,189	-	-	-	6,189	-	-	-	-	6,189	7,188
Food and travel	-	-	4,719	249	4,968	734	50	-	784	5,752	725
Depreciation	-	-	-	-	-	-	-	-	-	-	5,421
Total other	44,928	1,306,519	163,720	91,372	1,606,539	224,982	12,814	13,171	250,967	1,857,506	1,200,747
Total expenses before allocation of program support	1,330,673	2,164,535	508,498	273,684	4,277,390	364,054	85,328	124,257	573,639	4,851,029	4,379,097
Allocation of Program Support	-	90,929	355,706	127,004	573,639	(364,054)	(85,328)	(124,257)	(573,639)	-	-
Total expenses	\$ 1,330,673	\$ 2,255,464	\$ 864,204	\$ 400,688	\$ 4,851,029	\$ -	\$ -	\$ -	\$ -	\$ 4,851,029	\$ 4,379,097

The accompanying notes are an integral part of these statements.

PHILANTHROPY MASSACHUSETTS, INC.

Statement of Functional Expenses
For the Year Ended December 31, 2021

	Program				Program Support					Total
	Summer Fund	Fiscal Sponsorships	Member and Grantmaker Services	Nonprofit Partner Services	Total Program	General and Administration	Marketing	Member Development	Total Program Support	
Grants Awarded	\$ 1,022,611	\$ 1,232,231	\$ -	\$ -	\$ 2,254,842	\$ -	\$ -	\$ -	\$ -	\$ 2,254,842
Payroll and Related:										
Salaries	109,187	-	277,478	120,833	507,498	107,655	57,395	86,028	251,078	758,576
Fringe benefits	16,817	-	34,048	15,079	65,944	9,654	9,739	10,953	30,346	96,290
Payroll taxes	10,312	-	25,146	11,774	47,232	7,893	5,378	8,139	21,410	68,642
Total payroll and related	136,316	-	336,672	147,686	620,674	125,202	72,512	105,120	302,834	923,508
Other										
Meetings, conferences and events	6,600	381,198	20,852	35,885	444,535	538	-	-	538	445,073
Outside services	420	468,851	-	-	469,271	13,730	-	-	13,730	483,001
Rent	19,363	-	40,797	27,380	87,540	17,317	9,136	11,454	37,907	125,447
Professional fees	4,160	-	-	-	4,160	24,930	-	-	24,930	29,090
Supplies and subscriptions	547	-	6,058	2,723	9,328	4,147	2,303	37	6,487	15,815
Website and database	-	-	-	-	-	40,399	-	-	40,399	40,399
Telephone	3,080	-	6,490	4,357	13,927	2,755	1,453	1,822	6,030	19,957
Utilities and insurance	1,380	-	1,487	998	3,865	4,672	333	418	5,423	9,288
Registration fees and dues	748	-	9,949	-	10,697	-	-	-	-	10,697
Miscellaneous	84	-	-	-	84	8,562	-	-	8,562	8,646
Equipment rental and repair	7,188	-	-	-	7,188	-	-	-	-	7,188
Food and travel	-	-	-	-	-	450	275	-	725	725
Depreciation	-	-	2,183	1,132	3,315	1,046	445	615	2,106	5,421
Total other	43,570	850,049	87,816	72,475	1,053,910	118,546	13,945	14,346	146,837	1,200,747
Total expenses before allocation of program support	1,202,497	2,082,280	424,488	220,161	3,929,426	243,748	86,457	119,466	449,671	4,379,097
Allocation of Program Support	-	90,929	275,662	83,080	449,671	(243,748)	(86,457)	(119,466)	(449,671)	-
Total expenses	\$ 1,202,497	\$ 2,173,209	\$ 700,150	\$ 303,241	\$ 4,379,097	\$ -	\$ -	\$ -	\$ -	\$ 4,379,097

PHILANTHROPY MASSACHUSETTS, INC.

Notes to Financial Statements
December 31, 2022 and 2021

1. OPERATIONS AND NONPROFIT STATUS

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 sponsor for and collaborates with several other organizations and programs (see Note 6).

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.

2. SIGNIFICANT ACCOUNTING POLICIES

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

Recently Adopted Accounting Pronouncement

ASU 2016-02, Leases (Topic 842)

In February 2016, FASB issued Accounting Standards Update (ASU) 2016-02, *Leases (Topic 842)*. The most significant change in the new lease guidance is the requirement to recognize right-of-use (ROU) assets and lease liabilities for operating leases on the statement of financial position. PMA elected to adopt *Topic 842* on January 1, 2022, using the alternative transition method provided in ASU 2018-11. Under this transition method, financial information related to years prior to adoption is reported under *ASC Topic 840*.

PMA elected the package of practical expedients permitted under the transition guidance within the new standard, which among other things, allowed PMA to carry forward the historical lease classification as operating or capital leases. PMA also elected to combine lease and non-lease components and to exclude short-term leases from the statement of financial position. PMA did not elect the hindsight practical expedient in determining the lease term for existing leases as of January 1, 2022.

The most significant impact of adoption was the recognition of operating ROU assets and lease liabilities of \$802,007 and \$848,715, respectively. PMA expects the impact of adoption to be immaterial to the accompanying statements of activities and changes in net assets, functional expenses and cash flows on an ongoing basis. As part of the adoption, PMA also modified its control procedures and processes, none of which materially affected internal control over financial reporting.

PHILANTHROPY MASSACHUSETTS, INC.

Notes to Financial Statements
December 31, 2022 and 2021

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Recently Adopted Accounting Pronouncement (Continued)

ASU 2016-02, Leases (Topic 842) (Continued)

The cumulative effect of the changes made to the statement of financial position for the adoption of the new lease standard as of January 1, 2022, was as follows:

<u>Statement of Financial Position</u>	<u>As Previously Reported</u>	<u>Effect of Adoption</u>	<u>As Adjusted</u>
Right-of-use asset - operating	\$ -	\$ 802,007	\$ 802,007
Operating lease liability	\$ -	\$ 848,715	\$ 848,715
Deferred rent payable	\$ 46,708	\$ 46,708	\$ -

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

In accordance with Topic 958, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*, 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 pages 10 and 11).

Program fees consist of registration fees for workshops and networking events, and are recognized at a point in time upon completion of the workshop or event in accordance with Topic 606, *Revenue from Contracts with Customers*. Each contract with participants contains a single performance obligation to conduct the workshop or event. The timing of revenue and cost recognition, billings and cash collections can result in advances. PMA records deferred revenue when the terms of contracts result in billings in excess of revenue earned. As of December 31, 2022 and 2021, PMA has deferred contract revenue of \$14,110 and \$42,230, respectively. There was no deferred revenue at December 31, 2020.

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 2022 or 2021.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Leasehold Improvements, Equipment and Technology and Depreciation

Purchases of leasehold improvements, equipment and technology in excess of \$5,000 are recorded at cost or fair value at the date of purchase or donation. 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.

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 18, 2023, which is the date the financial statements were available to be issued. See Note 8 for an event that met the criteria for disclosure in the financial statements. There were no other events that met the criteria for recognition or disclosure in the financial statements.

PHILANTHROPY MASSACHUSETTS, INC.

Notes to Financial Statements
December 31, 2022 and 2021

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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, 2022 and 2021. PMA's information returns are subject to examination by the Federal and state jurisdictions.

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.
- *Property and equipment*- Net book value of leasehold improvements, equipment and technology used in carrying out PMA's services and ROU asset - operating and related operating lease liability.

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 6). Also included is membership support received or committed in advance for the following program year.

PHILANTHROPY MASSACHUSETTS, INC.

Notes to Financial Statements
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2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Net Assets (Continued)

With Donor Restrictions (Continued)

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

	<u>2022</u>	<u>2021</u>
Subject to expenditure for specified purpose:		
Fiscal sponsorship programs (see Note 6)	\$ 1,526,672	\$ 1,243,800
Summer Fund (see Note 6)	712,637	878,601
Other programs	<u>170,059</u>	<u>49,151</u>
	<u>2,409,368</u>	<u>2,171,552</u>
Subject to the passage of time:		
Membership support	177,750	152,550
Other operating support	<u>35,625</u>	<u>55,625</u>
	<u>213,375</u>	<u>208,175</u>
	<u>\$ 2,622,743</u>	<u>\$ 2,379,727</u>

Membership Support and Pledges Receivable and Allowance for Doubtful Accounts

Membership support and pledges receivable at December 31, 2022 and 2021, consist of membership support, contributions and other unconditionally pledged support. As of December 31, 2022 and 2021, all amounts were deemed collectible and there was no allowance for doubtful accounts.

3. PLEDGES RECEIVABLE

PMA receives pledges from various donors. As of December 31, 2022 and 2021, all pledges are due in less than one year.

4. LEASE AGREEMENTS

PMA determines if an arrangement is a lease or contains a lease at inception of a contract. A contract is determined to be a lease or contain a lease if the contract conveys the right to control the use of identified property, plant, or equipment (an identified asset) in exchange for consideration. PMA determines such assets are leased because PMA has the right to obtain substantially all of the economic benefits from and the right to direct the use of the identified asset. Assets in which the supplier or lessor has the practical ability and right to substitute alternative assets for the identified asset and would benefit economically from the exercise of its right to substitute the asset are not considered to be or contain a lease because PMA determines it does not have the right to control and direct the use of the identified asset. PMA's lease agreements do not contain any material residual value guarantees or material restrictive covenants.

In evaluating its contracts, PMA separately identifies lease and non-lease components, such as common area and other maintenance costs, in calculating the ROU assets and lease liabilities for its office buildings and equipment. PMA has elected the practical expedient to not separate lease and non-lease components and classifies the contract as a lease if consideration in the contract allocated to the lease component is greater than the consideration allocated to the non-lease component.

PHILANTHROPY MASSACHUSETTS, INC.

Notes to Financial Statements
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4. LEASE AGREEMENTS (Continued)

Leases result in the recognition of ROU assets and lease liabilities on the statement of financial position. ROU assets represent the right to use an underlying asset for the lease term, and lease liabilities represent the obligation to make lease payments arising from the lease, measured on a discounted basis. PMA determines lease classification as operating or finance at the lease commencement date.

At lease inception, the lease liability is measured at the present value of the lease payments over the lease term. The ROU asset equals the lease liability adjusted for any initial direct costs, prepaid or deferred rent, and lease incentives. PMA uses the implicit rate when readily determinable. As most of the leases do not provide an implicit rate, PMA uses a risk-free rate based on the information available at the later of January 1, 2022, or commencement date to determine the present value of lease payments.

The lease term may include options to extend or to terminate the lease that PMA is reasonably certain to exercise. Lease expense is generally recognized on a straight-line basis over the lease term.

PMA has elected not to record leases with an initial term of twelve months or less on the statement of financial position. Lease expense on such leases is recognized on a straight-line basis over the lease term.

PMA has entered into the following lease arrangements:

Operating Lease

PMA leases office space in Boston under an agreement that expires in November 2028. Rent was payable in equal monthly installments of approximately \$10,000 during 2022 and 2021. 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 had no variable lease costs for the year ended December 31, 2022.

Operating lease costs were \$122,744 and short-term lease costs were \$4,794 for the year ended December 31, 2022.

PMA recorded rent on a straight-line basis over the terms of the leases in accordance with ASU Topic 840, *Leases*, through 2021. Any difference between cash payments in the lease agreements and the related expense for a given year was recorded as deferred rent.

The following is a schedule of future minimum lease payments in accordance with the lease agreements as of December 31, 2021:

2022	\$ 123,551
2023	125,828
2024	126,634
2025	129,635
2026	132,647
Thereafter	<u>262,544</u>
Total	<u>\$ 900,839</u>

PHILANTHROPY MASSACHUSETTS, INC.

Notes to Financial Statements
December 31, 2022 and 2021

4. LEASE AGREEMENTS (Continued)

Operating Lease (Continued)

The following is a schedule of future minimum lease liabilities under the operating lease for PMA, in accordance with the operating lease agreements as of December 31, 2022:

2023	\$ 123,620
2024	126,629
2025	129,638
2026	132,647
2027	135,656
Thereafter	<u>126,878</u>
Total future undiscounted lease payments	775,068
Less - present value discount/interest	<u>34,730</u>
	<u>\$ 740,338</u>

Other Information

Cash paid for amounts included in the measurement of operating lease liabilities are \$120,610 during 2022.

The following summarizes the weighted-average remaining lease terms and discount rate as of December 31, 2022:

Weighted-average remaining lease term	5.84 years
Weighted-average discount rate	1.55%

5. RETIREMENT PLAN

PMA offers an elective deferred retirement plan (the 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 after 90 days of service and those contributions vest immediately. PMA contributed \$52,011 and \$44,527 to the Plan in 2022 and 2021, respectively, which are included in fringe benefits in the accompanying statements of functional expenses.

6. COLLABORATIVE PROGRAM AND FISCAL SPONSORSHIPS

Collaborative Program

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 \$1,108,641 and \$1,022,611 in 2022 and 2021, respectively.

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Notes to Financial Statements
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6. COLLABORATIVE PROGRAM AND FISCAL SPONSORSHIPS (Continued)

Collaborative Program (Continued)

Activity in the Fund is as follows:

	<u>2022</u>	<u>2021</u>
Net Assets , beginning of year	\$ 878,601	\$ 809,257
Contributions	1,164,709	1,271,841
Expenditures	<u>(1,330,673)</u>	<u>(1,202,497)</u>
Net Assets , end of year	<u>\$ 712,637</u>	<u>\$ 878,601</u>

Fiscal Sponsorships

PMA has been designated as a fiscal sponsor for various other programs, and has variance power over the funds.

Activity of the fiscal sponsorships are as follows:

	<u>2022</u>	<u>2021</u>
Net Assets , beginning of year	\$ 1,243,800	\$ 1,281,431
Contributions	2,447,407	2,044,649
Expenditures	<u>(2,164,535)</u>	<u>(2,082,280)</u>
Net Assets , end of year	<u>\$ 1,526,672</u>	<u>\$ 1,243,800</u>

7. LEASEHOLD IMPROVEMENTS, EQUIPMENT AND TECHNOLOGY

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

	<u>2022</u>	<u>2021</u>
Technology	\$ 131,004	\$ 55,066
Leasehold improvements	29,385	29,385
Equipment	<u>-</u>	<u>1,089</u>
	160,389	85,540
Less - accumulated depreciation	<u>70,045</u>	<u>71,134</u>
	<u>\$ 90,344</u>	<u>\$ 14,406</u>

At December 31, 2022, PMA incurred approximately \$90,000 of costs related to the redesign and build out of PMA's website. At December 31, 2022, this project was not complete, and therefore, no depreciation has been recorded. The project is expected to be completed in 2023.

8. CONCENTRATIONS

As of December 31, 2022 and 2021, PMA maintained its cash balances in one bank in Massachusetts which was 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. Subsequent to year-end, PMA established a new banking relationship as well as a second brokerage account to diversify funds.

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Notes to Financial Statements
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8. CONCENTRATIONS (Continued)

Approximately \$6,000 and \$57,000 of the outstanding membership support and pledges receivable at December 31, 2022 and 2021, were from four and three donors, respectively.

9. LINE OF CREDIT

PMA had a \$100,000 working capital line of credit agreement with a bank, which was increased to \$200,000 effective July 1, 2021. Borrowings were due on demand and interest was payable monthly at the bank's index rate of 3.25% at December 31, 2021, plus 1%; subject to a minimum interest rate of 4.5%. All borrowings were secured by PMA's business property. The agreement expired in June 2022 and was not renewed.

10. LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

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

	<u>2022</u>	<u>2021</u>
Cash	\$ 4,017,162	\$ 3,734,370
Membership support and pledges receivable	<u>7,342</u>	<u>78,889</u>
	4,024,504	3,813,259
Less - financial assets with purpose restrictions	<u>2,393,743</u>	<u>2,171,552</u>
Total financial assets available for use	<u>\$ 1,630,761</u>	<u>\$ 1,641,707</u>

PMA's financial assets are available for use to cover its obligations as they become due. PMA has a cash management and investment policy it uses to guide reinvestment, including in strategic initiatives.

11. CONDITIONAL GRANTS

At December 31, 2022 and 2021, PMA had the following conditional grants:

	<u>Designation</u>	<u>Award</u>	<u>Conditions Met 2021</u>	<u>Balance at December 31, 2021</u>	<u>Conditions Met 2022</u>	<u>Balance at December 31, 2022</u>
Donor A	Fiscal Sponsor	\$ 75,000	\$ 50,000	\$ 25,000	\$ 25,000	\$ -
Donor B	Summer Fund	600,000	300,000	300,000	300,000	-
Donor C	Summer Fund	75,000	-	-	25,000	50,000
Donor D	Other	250,000	-	-	125,000	125,000
Donor E	Fiscal Sponsor	100,000	-	-	25,000	75,000
Donor F	Summer Fund	360,000	-	-	120,000	240,000
Donor G	Summer Fund	600,000	-	-	200,000	400,000
Donor H	Summer Fund	<u>325,000</u>	<u>150,000</u>	<u>175,000</u>	<u>100,000</u>	<u>75,000</u>
		<u>\$ 2,385,000</u>	<u>\$ 500,000</u>	<u>\$ 500,000</u>	<u>\$ 920,000</u>	<u>\$ 965,000</u>