

AUDITED FINANCIAL STATEMENTS

ROSENBERG FUND FOR CHILDREN, INC.

Easthampton, Massachusetts

DECEMBER 31, 2017

Boisselle, Morton & Wolkowicz, LLP
Certified Public Accountants



Independent Auditors' Report

To the Board of Directors
Rosenberg Fund for Children, Inc.
Easthampton, Massachusetts

Report on the Financial Statements

We have audited the accompanying financial statements of Rosenberg Fund for Children, Inc. (a nonprofit organization), which comprise the statement of financial position as of December 31, 2017, and the related statements of activities, functional expenses, and cash flows for the year 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 the accounting principles generally accepted in the United States of America. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to error or fraud.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit 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 Rosenberg Fund for Children, Inc. as of December 31, 2017, and the results of its operations and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited Rosenberg Fund for Children, Inc.'s financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated April 27, 2017. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2016, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Boisselle, Morton & Wolkowicz, LLP

Hadley, Massachusetts
May 31, 2018

ROSENBERG FUND FOR CHILDREN, INC.

Statement of Financial Position

December 31, 2017 (with comparative totals for December 31, 2016)

	2017			2016
	Unrestricted	Temporarily Restricted	Total	Total
	<u>Assets</u>			
Cash and cash equivalents	\$ 434,141		\$ 434,141	\$ 357,655
Contributions receivable	11,882	\$ 67,519	79,401	122,583
Prepaid expenses	7,142		7,142	6,560
Investments	1,963,282	2,906,766	4,870,048	4,347,028
Deposits	<u>1,800</u>		<u>1,800</u>	<u>1,800</u>
Total assets	<u>\$ 2,418,247</u>	<u>\$ 2,974,285</u>	<u>\$ 5,392,532</u>	<u>\$ 4,835,626</u>
	<u>Liabilities and Net Assets</u>			
<u>Liabilities</u>				
Annuities payable	\$ 2,138		\$ 2,138	\$ 3,951
Accrued expenses	4,256		4,256	10,137
Accrued payroll and benefits	14,670		14,670	16,831
Grants payable	<u>116,489</u>		<u>116,489</u>	<u>128,778</u>
Total liabilities	137,553		137,553	159,697
Net assets	<u>2,280,694</u>	<u>\$ 2,974,285</u>	<u>5,254,979</u>	<u>4,675,929</u>
Total liabilities and net assets	<u>\$ 2,418,247</u>	<u>\$ 2,974,285</u>	<u>\$ 5,392,532</u>	<u>\$ 4,835,626</u>

The accompanying notes are an integral part of these financial statements.

ROSENBERG FUND FOR CHILDREN, INC.

Statement of Activities

Year Ended December 31, 2017

(with comparative totals for the year ended December 31, 2016)

	2017			2016 <u>Total</u>
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>	
Revenues, gains and other support				
Contributions	\$ 160,758	\$ 518,555	\$ 679,313	\$ 595,240
Planned giving	79,338		79,338	125,130
Unrealized gains on investments, net	156,134	189,155	345,289	123,599
Interest and dividends	31,586	45,133	76,719	72,207
Speaker fees and other income	2,282		2,282	1,678
Realized gains on investments, net	26,030	71,772	97,802	
Amounts released from restriction:				
Granting activity	360,291	(360,291)		
Total revenues, gains and other support	816,419	464,324	1,280,743	917,854
Expenses and losses				
Expenses				
Program	563,695		563,695	582,628
Management and general	76,366		76,366	73,527
Fundraising	61,632		61,632	58,774
Total expenses	701,693		701,693	714,929
Losses				
Realized losses on sales of investments, net				34,928
Total expenses and losses	701,693		701,693	749,857
Change in net assets	114,726	464,324	579,050	167,997
Net assets - beginning of year	2,165,968	2,509,961	4,675,929	4,507,932
Net assets - end of year	\$ 2,280,694	\$ 2,974,285	\$ 5,254,979	\$ 4,675,929

The accompanying notes are an integral part of these financial statements.

ROSENBERG FUND FOR CHILDREN, INC.

Statement of Functional Expenses

Year Ended December 31, 2017

(with comparative totals for the year ended December 31, 2016)

	2017				2016
	Program	Management and General	Fundraising	Total	Total
Salaries and related expenses					
Salaries	\$ 125,514	\$ 22,112	\$ 22,333	\$ 169,959	\$ 184,425
Payroll taxes	10,425	1,836	1,855	14,116	14,958
Benefits	17,012	2,997	3,027	23,036	19,903
Total salaries and related expenses	152,951	26,945	27,215	207,111	219,286
Advertising	1,993		372	2,365	2,380
Bank and investment fees	20,383	14,752		35,135	33,256
Board expenses	168	167		335	302
Consultants	14,825	4,653	13,473	32,951	32,354
Equipment rental and maintenance					135
Fees	974	1,969	948	3,891	3,687
Grants	329,513			329,513	328,709
Graphic arts	330		330	660	795
Insurance	484	1,027		1,511	2,143
Interest	527			527	1,007
Mail processing	4,615		4,615	9,230	8,062
Payroll service		1,766		1,766	1,716
Postage	5,304	5,457	1,057	11,818	11,686
Printing	2,833	2,204	2,881	7,918	8,618
Professional fees		7,498		7,498	7,418
Publications	57	107	105	269	436
Rent	11,320	3,085	3,115	17,520	17,639
Supplies	5,873	6,242	2,012	14,127	4,387
Special events and programming	7,174		4,844	12,018	17,974
Telephone and internet	2,806	494	499	3,799	9,227
Travel	1,565		166	1,731	3,712
Total expenses	\$ 563,695	\$ 76,366	\$ 61,632	\$ 701,693	\$ 714,929

The accompanying notes are an integral part of these financial statements.

ROSENBERG FUND FOR CHILDREN, INC.

Statement of Cash Flows

Year Ended December 31, 2017

(with comparative totals for the year ended December 31, 2016)

	<u>2017</u>	<u>2016</u>
Cash flows from operating activities		
Change in net assets	\$ 579,050	\$ 167,997
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Unrealized gains on investments, net	(345,289)	(123,599)
Realized (gains) losses on investments, net	(97,802)	34,928
Annuity gift conversion		(3,848)
(Increase) decrease in:		
Contributions receivable	43,182	(61,313)
Prepaid expenses	(582)	769
Increase (decrease) in:		
Accrued expenses	(5,881)	4,476
Accrued payroll and benefits	(2,161)	(226)
Grants payable	(12,289)	1,874
Net cash provided by operating activities	<u>158,228</u>	<u>21,058</u>
Cash flows from investing activities		
Purchase of investments	(1,035,620)	(1,241,281)
Proceeds from sale of investments	955,691	1,278,225
Net cash (used) provided by investing activities	<u>(79,929)</u>	<u>36,944</u>
Cash flows from financing activities		
Annuity payments	(1,813)	(3,045)
Net cash used by financing activities	<u>(1,813)</u>	<u>(3,045)</u>
Net increase in cash and cash equivalents	76,486	54,957
Cash and cash equivalents - beginning of year	<u>357,655</u>	<u>302,698</u>
Cash and cash equivalents - end of year	<u>\$ 434,141</u>	<u>\$ 357,655</u>
Supplemental Information:		
Interest paid	<u>\$ 527</u>	<u>\$ 1,007</u>

The accompanying notes are an integral part of these financial statements.

ROSENBERG FUND FOR CHILDREN, INC.

Notes to Financial Statements

December 31, 2017

1. Summary of Significant Accounting Policies

- a. *Nature of Business:* Rosenberg Fund for Children, Inc. was organized in the Commonwealth of Massachusetts as a not-for-profit corporation on September 4, 1990. The Organization works to provide for the educational and emotional needs of targeted activist youth and children in the United States whose parents have suffered because of their progressive beliefs and are, therefore, unable to adequately care for their children.
- b. *Tax status:* Rosenberg Fund for Children, Inc. is exempt from federal and state income tax under Section 501(c)(3) of the Internal Revenue Code and, accordingly, no provision for income taxes is included in the financial statements. In addition, the Organization qualifies for the charitable contribution deduction under Section 170(b)(1)(a) and has been classified as an organization that is not a private foundation under Section 509(a)(1).
- c. *Basis of Presentation:* The Organization presents its financial statements according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. Net assets of the two restricted classes are created only by donor-imposed restrictions on their use. All other net assets are legally unrestricted and are reported as part of the unrestricted class. The Organization had only unrestricted and temporarily restricted net assets at December 31, 2017 and 2016.
- d. *Allocation of Expenses:* Expenses are allocated among program and supporting services directly or on the basis of time records and utilization estimates made by the Organization's management. Management and general expenses include those expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of the Organization.
- e. *Cash and Cash Equivalents:* For the purposes of the statement of cash flows, the Organization considers all highly-liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.
- f. *Promises to Give:* Unconditional promises to give are recognized as revenues or gains in the period received and as assets, decreases of liabilities or expenses, depending on the form of the benefits received. Conditional promises to give are recognized when the conditions on which they depend are substantially met.
- g. *Property and Equipment:* Property and equipment are recorded at cost, if purchased, or at their estimated fair market value at date of donation, if donated. Property and equipment consists primarily of leasehold improvements, furniture and equipment.
- h. *Depreciation:* Provisions for depreciation are made in the accounts using the straight-line method. Property and equipment are being depreciated over three to five years.
- i. *Investments:* The Organization carries investments in marketable securities with readily determinable fair values and all investments in debt securities at their fair value on the statement of financial position.

ROSENBERG FUND FOR CHILDREN, INC.

Notes to Financial Statements (Continued)

December 31, 2017

1. Summary of Significant Accounting Policies (Continued)

- j. Use of 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 the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and revenues and expenses during the reporting period. Actual results could differ from those estimates.
- k. Fair Value Measurements:* Accounting standards have established a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). Inputs to the valuation methodology for the three levels of the fair value hierarchy are described below:

Level 1	Unadjusted quoted prices for identical assets or liabilities in active markets that the Corporation has the ability to access.
Level 2	Quoted prices for similar assets or liabilities in active markets; Quoted prices for identical or similar assets or liabilities in inactive markets; Inputs other than quoted prices that are observable for the asset or liability; Inputs that are derived principally from or corroborated by observable market data by correlation or other means.
Level 3	Unobservable and significant to the fair value measurement.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

- l. Comparative Information:* The financial statements include certain prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Organization's audited financial statements for the year ended December 31, 2016, from which the summarized information was derived.

2. Contributions Receivable

In 2017, the Organization had \$79,401 in receivables, consisting of contributions and planned giving that were not collected until 2018.

In 2016, the Organization had \$122,583 in receivables, consisting of contributions and planned giving that were not collected until 2017.

ROSENBERG FUND FOR CHILDREN, INC.

Notes to Financial Statements (Continued)

December 31, 2017

3. Investments

The Organization maintains its investment accounts at brokerages. The investments are allocated among various cash, equity and debt instruments. Investments were carried at quoted market values, as summarized below, as of December 31, 2017:

	<u>Interest Rate</u>	<u>Due</u>	<u>Original Cost</u>	<u>Market Value</u>
Money funds			\$1,138,197	\$1,138,197
Mutual funds			90,394	92,330
Equity stocks			2,167,939	2,767,537
Corporate bonds	3.25-9.75%	Various	<u>882,301</u>	<u>871,984</u>
			<u>\$4,278,831</u>	<u>\$4,870,048</u>

Investments were carried at quoted market values, as summarized below, as of December 31, 2016:

	<u>Interest Rate</u>	<u>Due</u>	<u>Original Cost</u>	<u>Market Value</u>
Money funds			\$1,372,482	\$1,372,482
Mutual funds			250,406	253,553
Equity stocks			1,876,041	2,130,710
Corporate bonds	3.25-9.75%	Various	558,825	551,779
International bonds	Zero coupon	Various	<u>42,798</u>	<u>38,504</u>
			<u>\$4,100,552</u>	<u>\$4,347,028</u>

Fair values for investments were determined by reference to quoted market prices and other relevant information generated by market transactions.

Investment income was the following for the years ended December 31:

	<u>2017</u>	<u>2016</u>
Interest and dividends	\$ 76,643	\$ 72,096
Net realized gains (losses) on investments	97,802	(34,928)
Net unrealized gains on investments	<u>345,289</u>	<u>123,599</u>
	<u>\$ 519,734</u>	<u>\$ 160,767</u>

ROSENBERG FUND FOR CHILDREN, INC.

Notes to Financial Statements (Continued)

December 31, 2017

4. Property and Equipment

The Organization has \$22,206 of leasehold improvements, furniture and equipment that were fully depreciated prior to 2016.

5. Charitable Gift Annuities

The Organization administers various gift annuities. A gift annuity provides for regular annuity payments to the grantor for a specific period of years. The portion of the annuity attributable to the present value of the future benefits to be received by the grantor is recorded as a liability by the Organization. The amount of this liability was \$2,138 and \$3,951 as of December 31, 2017 and 2016, respectively. Future payments are estimated at \$2,340, with the principal amortization estimated at \$1,092 for 2018.

6. Temporarily Restricted Contributions and Net Assets

Temporarily restricted contributions and net assets consisted of funds restricted for the distribution of grants. The temporarily restricted column on the statement of activities reflects the Organization's activity related to the distribution of grants. The Organization made grants of \$360,291 during 2017 (\$365,370 during 2016) that is shown as "amounts released from restriction" on the statement of activities. The balance in temporarily restricted net assets was \$2,974,285 and \$2,509,961 at December 31, 2017 and 2016, respectively.

7. Retirement Plan

The Organization maintains a 403(b) retirement plan that covers all eligible employees. The plan allows eligible employees to defer a portion of their compensation. Such deferrals accumulate on a tax-deferred basis until the employee withdraws the funds. There were no employer contributions to this plan.

8. Operating Lease

The Organization had a 3-year leasing agreement for office space that expired July 31, 2017. The lease required monthly rent payments of \$1,460, adjusted annually by the CPI index and includes fees for heat, electricity, and trash, which are all included in rent expense. Rent expense was \$17,520 and \$17,639 for 2017 and 2016, respectively. The Organization has been paying \$1,460 on a month-to-month basis since August 2017.

9. Related Parties

The Treasurer of the Board, who is the father of the Executive Director of the Organization, was compensated \$4,308 and \$8,000 in 2017 and 2016, respectively, as an employee. The mother of the Executive Director was compensated \$600 for two workshops that she led in 2017. Two Board members were also compensated \$300 each for workshops that they led in 2017.

The President of the Board was also paid \$64,391 and \$63,879 in 2017 and 2016, respectively, as the Executive Director of the Organization.

ROSENBERG FUND FOR CHILDREN, INC.

Notes to Financial Statements (Continued)

December 31, 2017

10. Concentrations of Credit Risk

The Organization has significant investments in stocks, bonds and mutual funds held by two investment management firms who were engaged by the Organization. Those investments are uninsured and, therefore, subject to concentrations of credit risk. Investments are made by the investment manager and the investments are monitored by the Board of Directors. Though the market value of investments is subject to fluctuations on a year-to-year basis, management believes the investment policy is prudent for the long-term welfare of the Organization.

11. Subsequent Events

The Organization evaluated subsequent events after the statement of financial position date of December 31, 2017, through May 31, 2018, the date on which the financial statements were available to be issued, and concluded that no additional disclosures were required.