

AUDITED FINANCIAL STATEMENTS

ROSENBERG FUND FOR CHILDREN, INC.

Easthampton, Massachusetts

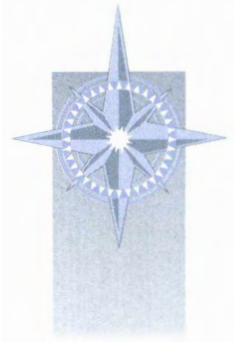
DECEMBER 31, 2018

Boisselle, Morton & Wolkowicz, LLP
Certified Public Accountants

ROSENBERG FUND FOR CHILDREN, INC.

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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, 2018, 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, 2018, 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 May 31, 2018. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2017, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Boisselle, Morton & Wolkowicz, LLP

Hadley, Massachusetts
March 22, 2019

ROSENBERG FUND FOR CHILDREN, INC.

Statement of Financial Position

December 31, 2018 (with comparative totals for December 31, 2017)

	2018			
	Without Donor Restrictions	With Donor Restrictions	Total	2017 Total
	<u>Assets</u>			
Cash and cash equivalents	\$ 323,688		\$ 323,688	\$ 434,141
Contributions receivable	67,481	\$	67,481	79,401
Prepaid expenses	10,955		10,955	7,142
Investments	1,917,414	3,037,135	4,954,549	4,870,048
Deposits	<u>1,800</u>		<u>1,800</u>	<u>1,800</u>
Total assets	<u>\$ 2,321,338</u>	<u>\$ 3,037,135</u>	<u>\$ 5,358,473</u>	<u>\$ 5,392,532</u>
	<u>Liabilities and Net Assets</u>			
<u>Liabilities</u>				
Annuities payable	\$ 206		\$ 206	\$ 2,138
Accrued expenses	8,349		8,349	4,256
Accrued payroll and benefits	13,705		13,705	14,670
Grants payable	<u>107,151</u>		<u>107,151</u>	<u>116,489</u>
Total liabilities	129,411		129,411	137,553
Net assets	<u>2,191,927</u>	<u>\$ 3,037,135</u>	<u>5,229,062</u>	<u>5,254,979</u>
Total liabilities and net assets	<u>\$ 2,321,338</u>	<u>\$ 3,037,135</u>	<u>\$ 5,358,473</u>	<u>\$ 5,392,532</u>

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

ROSENBERG FUND FOR CHILDREN, INC.

Statement of Activities

Year Ended December 31, 2018

(with comparative totals for the year ended December 31, 2017)

	2018			2017 <u>Total</u>
	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>	
Revenues, gains and other support				
Contributions	\$ 147,183	\$ 478,894	\$ 626,077	\$ 679,313
Planned giving	77,981		77,981	79,338
Unrealized gains on investments, net				345,289
Interest and dividends	36,978	57,252	94,230	76,719
Speaker fees and other income	6,508		6,508	2,282
Realized gains on investments, net	46,694	32,694	79,388	97,802
Amounts released from restriction:				
Granting activity	<u>361,263</u>	<u>(361,263)</u>		
Total revenues, gains and other support	<u>676,607</u>	<u>207,577</u>	<u>884,184</u>	<u>1,280,743</u>
Expenses and losses				
Expenses				
Program	566,922		566,922	563,695
Management and general	67,229		67,229	76,366
Fundraising	<u>48,663</u>		<u>48,663</u>	<u>61,632</u>
Total expenses	682,814		682,814	701,693
Losses				
Unrealized losses on sales of investments, net	<u>82,560</u>	<u>144,727</u>	<u>227,287</u>	
Total expenses and losses	<u>765,374</u>	<u>144,727</u>	<u>910,101</u>	<u>701,693</u>
Change in net assets	(88,767)	62,850	(25,917)	579,050
Net assets - beginning of year	<u>2,280,694</u>	<u>2,974,285</u>	<u>5,254,979</u>	<u>4,675,929</u>
Net assets - end of year	<u>\$ 2,191,927</u>	<u>\$ 3,037,135</u>	<u>\$ 5,229,062</u>	<u>\$ 5,254,979</u>

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

ROSENBERG FUND FOR CHILDREN, INC.
Statement of Functional Expenses
Year Ended December 31, 2018
(with comparative totals for the year ended December 31, 2017)

	2018				2017 Total
	Program	Management and General	Fundraising	Total	
Salaries and related expenses					
Salaries	\$ 134,400	\$ 20,474	\$ 16,537	\$ 171,411	\$ 169,959
Payroll taxes	10,946	1,667	1,347	13,960	14,116
Benefits	20,837	2,329	2,329	25,495	23,036
Total salaries and related expenses	<u>166,183</u>	<u>24,470</u>	<u>20,213</u>	<u>210,866</u>	<u>207,111</u>
Advertising	1,652	50	518	2,220	2,365
Bank and investment fees	20,960	14,538		35,498	35,135
Board expenses	106	235		341	335
Consultants	13,623	3,995	12,394	30,012	32,951
Fees	510	2,657	526	3,693	3,891
Grants	331,936			331,936	329,513
Graphic arts	375		375	750	660
Insurance	431	861		1,292	1,511
Interest	408			408	527
Mail processing	4,490		4,490	8,980	9,230
Payroll service		1,863		1,863	1,766
Postage	3,954	3,943	770	8,667	11,818
Printing	3,523	2,739	3,522	9,784	7,918
Professional fees		7,197		7,197	7,498
Publications	82	94	127	303	269
Rent	11,388	2,978	3,154	17,520	17,520
Supplies	2,742	1,093	282	4,117	14,127
Special events and programming	1,281		1,531	2,812	12,018
Telephone and internet	2,507	447	459	3,413	3,799
Travel	771	69	302	1,142	1,731
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total expenses	<u>\$ 566,922</u>	<u>\$ 67,229</u>	<u>\$ 48,663</u>	<u>\$ 682,814</u>	<u>\$ 701,693</u>

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

ROSENBERG FUND FOR CHILDREN, INC.

Statement of Cash Flows

Year Ended December 31, 2018

(with comparative totals for the year ended December 31, 2017)

	<u>2018</u>	<u>2017</u>
Cash flows from operating activities		
Change in net assets	\$ (25,917)	\$ 579,050
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Unrealized losses (gains) on investments, net	227,287	(345,289)
Realized gains on investments, net	(79,388)	(97,802)
(Increase) decrease in:		
Contributions receivable	11,920	43,182
Prepaid expenses	(3,813)	(582)
Increase (decrease) in:		
Accrued expenses	4,093	(5,881)
Accrued payroll and benefits	(965)	(2,161)
Grants payable	(9,338)	(12,289)
Net cash provided by operating activities	<u>123,879</u>	<u>158,228</u>
Cash flows from investing activities		
Purchase of investments	(2,480,627)	(1,035,620)
Proceeds from sale of investments	<u>2,248,227</u>	<u>955,691</u>
Net cash used by investing activities	<u>(232,400)</u>	<u>(79,929)</u>
Cash flows from financing activities		
Annuity payments	<u>(1,932)</u>	<u>(1,813)</u>
Net cash used by financing activities	<u>(1,932)</u>	<u>(1,813)</u>
Net (decrease) increase in cash and cash equivalents	(110,453)	76,486
Cash and cash equivalents - beginning of year	<u>434,141</u>	<u>357,655</u>
Cash and cash equivalents - end of year	\$ <u><u>323,688</u></u>	\$ <u><u>434,141</u></u>
Supplemental Information:		
Interest paid	\$ <u><u>408</u></u>	\$ <u><u>527</u></u>

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

ROSENBERG FUND FOR CHILDREN, INC.

Notes to Financial Statements

December 31, 2018

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 two classes of net assets: those with donor restrictions and those without donor restrictions. Net assets with donor restrictions are subject to stipulations imposed by donors and grantors. The restrictions are temporary in nature and will be met by actions of the Organization. All other net assets are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Organization.
- 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, 2018

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, 2017, from which the summarized information was derived.
- m. Accounting Pronouncement Adopted:* On August 18, 2016, FASB issued Accounting Standards Update (ASU) 2016-14, Not-for-Profit Entities (Topic 958) – *Presentation of Financial Statements of Not-for-Profit Entities*. The update addresses the complexity and understandability of net asset classification and deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. The Organization has adjusted the presentation in these financial statements accordingly. The ASU has been applied retrospectively to all periods presented.

ROSENBERG FUND FOR CHILDREN, INC.

Notes to Financial Statements (Continued)

December 31, 2018

2. Contributions Receivable

In 2018, the Organization had \$67,481 in receivables, consisting of contributions and planned giving that were not collected until 2019.

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

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, 2018:

	<u>Interest Rate</u>	<u>Due</u>	<u>Original Cost</u>	<u>Market Value</u>
Money funds			\$2,068,744	\$2,094,937
Mutual funds			103,068	92,938
Equity stocks			1,843,028	2,218,650
Corporate bonds	3.25-9.75%	Various	<u>556,571</u>	<u>548,024</u>
			<u>\$4,571,411</u>	<u>\$4,954,549</u>

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>

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

Investment (loss) income was the following for the years ended December 31:

	<u>2018</u>	<u>2017</u>
Interest and dividends	\$ 94,114	\$ 76,643
Net realized gains on investments	79,388	97,802
Net unrealized (losses) gains on investments	<u>(227,287)</u>	<u>345,289</u>
	<u>\$ (53,785)</u>	<u>\$ 519,734</u>

ROSENBERG FUND FOR CHILDREN, INC.

Notes to Financial Statements (Continued)

December 31, 2018

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 \$206 and \$2,138 as of December 31, 2018 and 2017, respectively. Future payments are estimated at \$2,340, with the principal amortization estimated at \$206 for 2019.

6. Restricted Contributions and Net Assets

Contributions and net assets with donor restrictions consisted of funds restricted for the distribution of grants. The column labeled "with donor restrictions" on the statement of activities reflects the Organization's activity related to the distribution of grants. The Organization made grants of \$361,263 during 2018 (\$360,291 during 2017) that is shown as "amounts released from restriction" on the statement of activities. The balance in net assets with donor restrictions was \$3,037,135 and \$2,974,285 at December 31, 2018 and 2017, 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 has been paying \$1,460 on a month-to-month basis since August 2017. The Organization had a 3-year leasing agreement for office space that expired July 31, 2017. Rent expense was \$17,520 and \$17,520 for 2018 and 2017, respectively. The Organization entered into a 6-year leasing agreement for their office space beginning January 1, 2019 through December 31, 2024. The lease requires monthly rent payments of \$1,510, adjusted annually by the CPI index and includes fees for heat, electricity, and trash, which are all included in rent expense.

Estimated future rental commitment is the following:

2019	\$ 18,120
2020	18,754
2021	19,411
2022	20,090
2023	20,793
2024	<u>21,521</u>
	<u>\$118,689</u>

ROSENBERG FUND FOR CHILDREN, INC.

Notes to Financial Statements (Continued)

December 31, 2018

9. Available Resources and Liquidity

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date, comprise the following at December 31:

	<u>2018</u>	<u>2017</u>
Cash and cash equivalents	\$ 323,688	\$ 434,141
Contributions receivable	67,481	79,401
Investments	<u>1,917,414</u>	<u>1,963,282</u>
Total financials assets available for general expenditures within one year	<u>\$2,308,583</u>	<u>\$2,476,824</u>

10. Related Parties

The Treasurer of the Board, who is the father of the Executive Director of the Organization, was compensated \$4,308 in 2017, 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.

Another member of the Board was also paid \$65,462 and \$64,391 in 2018 and 2017, respectively, as the Executive Director of the Organization.

11. 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.

12. Subsequent Events

The Organization evaluated subsequent events after the statement of financial position date of December 31, 2018, through March 22, 2019, the date on which the financial statements were available to be issued, and concluded that no additional disclosures were required.