

**MASSACHUSETTS SOLDIERS
LEGACY FUND**

Financial Statements

Years Ended December 31, 2017 and 2016

(With Independent Accountants' Review Report Thereon)

MASSACHUSETTS SOLDIERS LEGACY FUND

FINANCIAL STATEMENTS

Years Ended December 31, 2017 and 2016

	<u>Page</u>
INDEPENDENT ACCOUNTANTS' REVIEW REPORT	1
FINANCIAL STATEMENTS:	
Statements of Financial Position	3
Statements of Activities	4
Statements of Functional Expenses	5
Statements of Cash Flows	6
Notes to the Financial Statements	7

INDEPENDENT ACCOUNTANTS' REVIEW REPORT

To the Board of Trustees of
Massachusetts Soldiers Legacy Fund:

We have reviewed the accompanying financial statements of Massachusetts Soldiers Legacy Fund, Inc. (MSLF), which comprise the statements of financial position as of December 31, 2017 and 2016, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements. A review includes primarily applying analytical procedures to management's financial data and making inquiries of MSLF management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion.

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.

Accountants' Responsibility

Our responsibility is to conduct the review engagements in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. Those standards require us to perform procedures to obtain limited assurance as a basis for reporting whether we are aware of any material modifications that should be made to the financial statements for them to be in accordance with accounting principles generally accepted in the United States of America. We believe that the results of our procedures provide a reasonable basis for our conclusion.

Accountants' Conclusion

Based on our reviews, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in accordance with accounting principles generally accepted in the United States of America.

Kahn, Litwin, Renya & Co., Ltd.

May 11, 2018

MASSACHUSETTS SOLDIERS LEGACY FUND
STATEMENTS OF FINANCIAL POSITION
December 31, 2017 and 2016



	2017	2016
Assets		
Cash	\$ 81,759	\$ 44,272
Pledges and other receivables	4,837	200,250
Prepaid expenses and other assets	1,281	1,281
Investments	4,427,384	4,003,838
Total Assets	\$ 4,515,261	\$ 4,249,641
Liabilities and Net Assets		
Accounts payable	\$ 340	\$ -
Net Assets:		
Unrestricted:		
Undesignated	2,859,821	2,223,201
Board designated for education assistance grants	1,655,100	2,026,440
Total net assets	4,514,921	4,249,641
Total Liabilities and Net Assets	\$ 4,515,261	\$ 4,249,641

MASSACHUSETTS SOLDIERS LEGACY FUND
STATEMENTS OF ACTIVITIES
Years Ended December 31, 2017 and 2016



	2017	2016
<u>Unrestricted Net Assets</u>		
Support and Revenue:		
Contributions	\$ 210,188	\$ 164,967
Investment return	573,646	265,934
Total support and revenue	783,834	430,901
Expenses:		
Program	468,738	344,939
General and administrative	39,188	37,112
Fundraising	10,628	16,924
Total expenses	518,554	398,975
Change in Net Assets	265,280	31,926
Net Assets, beginning of year	4,249,641	4,217,715
Net Assets, end of year	\$ 4,514,921	\$ 4,249,641

MASSACHUSETTS SOLDIERS LEGACY FUND
STATEMENTS OF FUNCTIONAL EXPENSES
Years Ended December 31, 2017 and 2016



	2017				2016			
	Program Services	General and Administrative	Fundraising	Total	Program Services	General and Administrative	Fundraising	Total
Salaries	\$ 64,260	\$ 7,560	\$ 3,780	\$ 75,600	\$ 71,655	\$ 8,430	\$ 4,215	\$ 84,300
Payroll taxes and benefits	5,946	700	350	6,996	6,681	786	393	7,860
Education assistance grants	371,340	-	-	371,340	253,852	-	-	253,852
Professional fees	-	23,741	-	23,741	-	12,725	-	12,725
Marketing and advertising	12,796	-	5,250	18,046	1,878	10,178	917	12,973
Occupancy	9,714	1,143	571	11,428	9,295	1,093	547	10,935
Educational forums	3,050	-	-	3,050	-	-	-	-
Office expenses	-	2,646	-	2,646	-	1,628	-	1,628
Insurance	-	2,501	-	2,501	-	1,075	-	1,075
Payroll processing fees	1,632	190	85	1,907	1,578	186	93	1,857
Travel expenses	-	707	-	707	-	1,011	-	1,011
Event consultants	-	-	592	592	-	-	7,824	7,824
Fundraising fees	-	-	-	-	-	-	2,935	2,935
Total expenses	\$ 468,738	\$ 39,188	\$ 10,628	\$ 518,554	\$ 344,939	\$ 37,112	\$ 16,924	\$ 398,975

MASSACHUSETTS SOLDIERS LEGACY FUND
STATEMENTS OF CASH FLOWS
Years Ended December 31, 2017 and 2016



	<u>2017</u>	<u>2016</u>
Cash Flows from Operating Activities:		
Change in net assets	\$ 265,280	\$ 31,926
Adjustments to reconcile change in net assets to net cash used by operating activities:		
Net realized and unrealized gain from investments	(484,308)	(172,659)
Dividend income, reinvested	(89,338)	(93,275)
Changes in operating assets and liabilities:		
Pledges and other receivables	195,413	4,200
Prepaid expenses and other assets	-	5,390
Accounts payable	340	(3,674)
Net cash used by operating activities	<u>(112,613)</u>	<u>(228,092)</u>
Cash Flows from Investing Activities:		
Proceeds from sale of investments	150,100	180,080
Net cash provided by investing activities	<u>150,100</u>	<u>180,080</u>
Net Increase (Decrease) in Cash	37,487	(48,012)
Cash, beginning of year	<u>44,272</u>	<u>92,284</u>
Cash, end of year	<u><u>\$ 81,759</u></u>	<u><u>\$ 44,272</u></u>

MASSACHUSETTS SOLDIERS LEGACY FUND
NOTES TO THE FINANCIAL STATEMENTS
Years Ended December 31, 2017 and 2016

1. Nature of Operations

Massachusetts Soldiers Legacy Fund (MSLF) was founded in 2004 to provide educational assistance grants to the children of Massachusetts Service members who died in the War Against Terrorism in Afghanistan or Iraq, or in such foreign conflict as the Trustees may determine. There is no selection process. If the child is a son or daughter of a Serviceman or Woman whose service is credited to Massachusetts and gave his/her life in Operation Enduring Freedom, that child qualifies for funds.

2. Summary of Significant Accounting Policies

This summary of significant accounting policies of MSLF is presented to assist the reader in understanding MSLF's financial statements. The financial statements and notes are representations of MSLF's management, who is responsible for their integrity and objectivity. These accounting policies conform to accounting principles generally accepted in the United States of America and have been consistently applied in the preparation of the financial statements.

Financial Statement Presentation

MSLF prepares its financial statements on the accrual basis of accounting and, in accordance with authoritative guidance, reports information regarding its financial position and activities according to the three classes of net assets: unrestricted net assets, temporarily restricted net assets and permanently restricted net assets. However, it is the policy of MSLF to show temporarily restricted net assets that are both received and expended in the current year directly in unrestricted net assets. Unrestricted net assets include funds which represent unrestricted resources designated by the Board of Trustees for specific purposes.

MSLF had no temporary or permanently restricted net assets as of and for the years ended December 31, 2017 and 2016.

Pledges and Other Receivables

MSLF carries its pledges and other receivables at net realizable value. On a periodic basis, MSLF evaluates its receivables and establishes an allowance for doubtful accounts based on a history of past bad debt expense and collections and current credit conditions.

MSLF does not accrue interest on its receivables. A receivable is considered past due if payment has not been received within stated terms. MSLF will then exhaust all methods in-house to collect the receivable. Once all practical resources to collect the receivable have been utilized without success, the receivable is deemed uncollectable and charged against the allowance for doubtful accounts. At December 31, 2017 and 2016, management has determined that no allowance for doubtful accounts was deemed necessary.

MASSACHUSETTS SOLDIERS LEGACY FUND
NOTES TO THE FINANCIAL STATEMENTS
Year Ended December 31, 2017

Investments and Fair Value Measurements

Investments with readily determinable fair values are reported at fair value in the statements of financial position. Unrealized and realized gains and losses, interest and dividends and investment expenses, if any, are included as part of investment return in the change in unrestricted net assets, unless earnings on investments are temporarily or permanently restricted by a donor's explicit stipulation or by a law that extends a donor's restriction.

Authoritative guidance defines fair value, establishes a framework for measuring fair value, and establishes a fair value hierarchy which prioritizes the inputs to valuation techniques. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. A fair value measurement assumes that the transaction to sell the asset or transfer the liability occurs in the principal market for the asset or liability or, in the absence of a principal market, the most advantageous market. Valuation techniques that are consistent with the market, income or cost approach are used to measure fair value.

The fair value hierarchy prioritizes the inputs to valuation techniques used to measure fair value into three broad levels:

Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities MSLF has the ability to access.

Level 2 inputs (other than quoted prices included within level 1) are observable for the asset or liability, either directly or indirectly.

Level 3 inputs are unobservable for the asset or liability and rely on management's own assumptions about the assumptions that market participants would use in pricing the asset or liability. (The unobservable inputs are developed based on the best information available in the circumstances and may include MSLF's own data.)

MSLF reports investments at fair value on a recurring basis. These investments are classified as level 1 in the fair value hierarchy.

Level 1 investments owned by MSLF and listed on a National Securities Exchange are valued at the last recorded sales price as of the financial statement reporting date, or, in the absence of recorded sales, at the last quoted bid price reported as of the financial statement reporting date.

Support and Revenue

MSLF recognizes contributions in the fiscal year in which the contribution is made. Contributions are recorded as unrestricted, temporarily restricted or permanently restricted, depending on the existence and/or nature of any donor imposed restrictions.

MASSACHUSETTS SOLDIERS LEGACY FUND
NOTES TO THE FINANCIAL STATEMENTS
Year Ended December 31, 2017

Functional Allocation of Expenses

Certain costs of MSLF benefit more than one program and/or support service. Accordingly, these costs have been allocated in a systematic and rational manner among the programs and supporting services benefited.

Marketing and Advertising

Marketing and advertising costs are expensed as incurred.

Income Taxes

MSLF is exempt from income tax as a public charity under Section 501(c)(3) of the Internal Revenue Code. Management believes that MSLF operates in a manner consistent with its tax-exempt status at both the state and federal level.

MSLF annually files IRS Form 990 - *Return of Organization Exempt from Income Tax*, reporting various information that the IRS uses to monitor the activities of tax-exempt entities. These tax returns are subject to review by the taxing authorities, generally for a period of three years after they were filed. MSLF currently has no examinations in progress.

Estimates and Assumptions

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 the 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. Accordingly, actual results could differ from those estimates.

Reclassifications

Certain amounts in the 2016 financial statements have been reclassified to conform to the 2017 financial statement presentation.

Recent Accounting Pronouncements

The following is a summary of recent authoritative pronouncements that could impact the accounting, reporting, and/or disclosure of financial information by MSLF.

In February 2016, the FASB issued ASU 2016-02, *Leases*, which is effective for annual periods beginning after December 15, 2019. The standard requires all leases with lease terms over 12 months to be capitalized as a right-of-use asset and lease liability on the statement of financial position at the date of lease commencement. Leases will be classified as either financing or operating. This distinction will be relevant for the pattern of expense recognition in the statement of activities. This standard will be effective for MSLF's year ending December 31, 2020. MSLF is currently in the process of evaluating the impact of adoption on the financial statements.

MASSACHUSETTS SOLDIERS LEGACY FUND
NOTES TO THE FINANCIAL STATEMENTS
Year Ended December 31, 2017

In August 2016, the FASB issued ASU 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*. The standard is intended to simplify and improve how a not-for-profit organization classifies its net assets, as well as the information it presents in financial statements and notes about its liquidity, financial performance, and cash flows. Upon adoption, net assets will be reduced to two classes (with and without donor restriction). The standard is effective for annual periods beginning after December 15, 2017, with early adoption permitted, and will be applied retrospectively to all periods presented upon adoption. This standard will be effective for the MSLF's year ending December 31, 2018. The MSLF is currently in the process of evaluating the impact of adoption on the financial statements.

Subsequent Events

Management of MSLF has evaluated subsequent events through May 11, 2018, which is the date these financial statements were available to be issued.

3. Investments

Level 1 investments are presented in the financial statements at their aggregate fair value and consist of the following:

	<u>2017</u>	<u>2016</u>
Money market	\$ 139	\$ 9,568
Fixed income	733,100	848,794
Domestic equity securities	1,813,139	1,415,508
International equity securities	277,750	230,833
Mutual funds:		
Balanced funds	727,392	645,502
Alternative investment funds	<u>875,864</u>	<u>853,633</u>
Total investments	<u>\$ 4,427,384</u>	<u>\$ 4,003,838</u>

Investment return is as follows:

Dividend income	\$ 89,338	\$ 93,275
Gain on investments:		
Net realized gains	136,219	72,162
Net unrealized gains	<u>348,089</u>	<u>100,497</u>
Total gain on investments	<u>484,308</u>	<u>172,659</u>
Total investment return	<u>\$ 573,646</u>	<u>\$ 265,934</u>

MASSACHUSETTS SOLDIERS LEGACY FUND
NOTES TO THE FINANCIAL STATEMENTS
Year Ended December 31, 2017

4. Operating Leases

MSLF leases an office facility located in Marlborough, Massachusetts under an operating lease that was extended through February 28, 2019. The lease includes provisions for annual renewals, as defined. Rent expense, including MSLF's share of operating costs, was \$11,428 and \$10,935 for the years ended December 31, 2017 and 2016, respectively. Approximate future minimum lease payments under the lease are as follows:

<u>Year</u>	<u>Amount</u>
December 31, 2018	\$ 7,920
December 31, 2019	1,320
Total	<u>\$ 9,240</u>

5. Retirement Plan

MSLF participates in a Simple IRA retirement plan. Employees may elect to make contributions pursuant to an elective deferral agreement. MSLF's total matching contribution, calculated at 1% of employee compensation, was \$756 and \$843 for the years ended December 31, 2017 and 2016, respectively.

6. Concentrations

The financial instruments that potentially subject MSLF to concentrations of credit and business risk consist principally of pledges and other receivables, investments and donations.

There were no concentrations of pledges and other receivables as of December 31, 2017. One donor represented 100% of total pledges and other receivables as of December 31, 2016. One donor accounted for approximately 10% and 12% of MSLF's total support and revenue for the years ended December 31, 2017 and 2016, respectively.

Investments are exposed to various risks, such as interest rate, market and credit risks. Due to the level of risk associated with certain investment securities, it is possible that changes in values of investment securities could occur in the near term and that such change could materially affect investment balances and activity included in the financial statements. At year end, management does not believe that significant concentrations of market risk exist inasmuch as MSLF's investment portfolios are diversified among issuers.