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**MASSACHUSETTS SOLDIERS  
LEGACY FUND**

**Financial Statements**

**Year Ended December 31, 2016**

**(With Independent Accountants' Review Report Thereon)**

**MASSACHUSETTS SOLDIERS LEGACY FUND**

**FINANCIAL STATEMENTS**

**Year Ended December 31, 2016**

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## INDEPENDENT ACCOUNTANTS' REVIEW REPORT

To the Board of Directors of  
Massachusetts Soldiers Legacy Fund:

We have reviewed the accompanying financial statements of Massachusetts Soldiers Legacy Fund, Inc. (MSLF), which comprise the statement of financial position as of December 31, 2016, and the related statements of activities, functional expenses and cash flows for the year 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 engagement 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 review, 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.

## **Report on 2015 Financial Statements**

The 2015 financial statements were audited by other auditors, and they expressed an unmodified opinion on them in their report dated May 12, 2016. They have not performed any auditing procedures since that date.

April XX, 2017

**MASSACHUSETTS SOLDIERS LEGACY FUND**  
**STATEMENT OF FINANCIAL POSITION**  
**December 31, 2016**  
**(With Comparative Totals as of December 31, 2015)**

draft

	<b>2016</b>	<b>2015</b>
<b>Assets</b>		
Cash	\$ 44,272	\$ 92,284
Pledges and other receivables	200,250	204,450
Prepaid expenses and other assets	1,281	6,671
Investments	4,003,838	3,917,984
<b>Total Assets</b>	<b>\$ 4,249,641</b>	<b>\$ 4,221,389</b>
<b>Liabilities and Net Assets</b>		
Liabilities:		
Accounts payable	\$ -	\$ 3,674
Net Assets:		
Unrestricted	2,063,456	1,777,678
Temporarily restricted	2,186,185	2,440,037
<b>Total net assets</b>	<b>4,249,641</b>	<b>4,217,715</b>
<b>Total Liabilities and Net Assets</b>	<b>\$ 4,249,641</b>	<b>\$ 4,221,389</b>

MASSACHUSETTS SOLDIERS LEGACY FUND  
STATEMENT OF ACTIVITIES  
Year Ended December 31, 2016

(With Comparative Totals for the Year Ended December 31, 2015)

	2016		2015	
	Unrestricted	Temporarily Restricted	Total	Total
Support and Revenue:				
Contributions	\$ 164,967	\$ -	\$ 164,967	\$ 92,358
Investment return	265,934	-	265,934	(50,329)
<b>Total support and revenue</b>	<b>430,901</b>	-	<b>430,901</b>	<b>42,029</b>
Net assets released from restrictions	253,852	(253,852)	-	-
<b>Total support, revenue and net assets released from restrictions</b>	<b>684,753</b>	<b>(253,852)</b>	<b>430,901</b>	<b>42,029</b>
Expenses:				
Program	344,939	-	344,939	390,617
General and administrative	37,112	-	37,112	30,186
Fundraising	16,924	-	16,924	5,942
<b>Total expenses</b>	<b>398,975</b>	-	<b>398,975</b>	<b>426,745</b>
<b>Change in Total Net Assets</b>	<b>285,778</b>	<b>(253,852)</b>	<b>31,926</b>	<b>(384,716)</b>
<b>Net Assets, beginning of year</b>	<b>1,777,678</b>	<b>2,440,037</b>	<b>4,217,715</b>	<b>4,602,431</b>
<b>Net Assets, end of year</b>	<b>\$ 2,063,456</b>	<b>\$ 2,186,185</b>	<b>\$ 4,249,641</b>	<b>\$ 4,217,715</b>

See accompanying notes to the financial statements and independent accountants' review report.

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**MASSACHUSETTS SOLDIERS LEGACY FUND  
STATEMENT OF FUNCTIONAL EXPENSES**

Year Ended December 31, 2016

(With Comparative Totals for the Year Ended December 31, 2015)

	2016			2015	
	Program Services	General and Administrative	Fundraising	Total	Total
Salaries	\$ 71,655	\$ 8,430	\$ 4,215	\$ 84,300	\$ 72,000
Payroll taxes and benefits	6,681	786	393	7,860	5,984
Education assistance grants	253,852	-	-	253,852	298,132
Marketing and advertising expenses	1,878	10,178	917	12,973	9,892
Professional fees	-	12,725	-	12,725	8,580
Occupancy	9,295	1,093	547	10,935	10,475
Event consultants	-	-	7,824	7,824	5,942
Fundraising fees	-	-	2,935	2,935	2,377
Payroll processing fees	1,578	186	93	1,857	-
Office expenses	-	1,628	-	1,628	4,761
Insurance	-	1,075	-	1,075	2,452
Travel expenses	-	1,011	-	1,011	2,232
Design fees	-	-	-	-	3,918
<b>Total expenses</b>	<b>\$ 344,939</b>	<b>\$ 37,112</b>	<b>\$ 16,924</b>	<b>\$ 398,975</b>	<b>\$ 426,745</b>

See accompanying notes to the financial statements and independent accountants' review report.

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**MASSACHUSETTS SOLDIERS LEGACY FUND**  
**STATEMENT OF CASH FLOWS**  
**Year Ended December 31, 2016**  
**(With Comparative Totals for the Year Ended December 31, 2015)**

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	<b>2016</b>	<b>2015</b>
Cash Flows from Operating Activities:		
Change in total net assets	\$ 31,926	\$ (384,716)
Adjustments to reconcile change in total net assets to net cash used by operating activities:		
Net realized and unrealized (gain) loss from investments	(172,659)	168,328
Changes in operating assets and liabilities:		
Pledges and other receivables	4,200	23,872
Prepaid expenses and other assets	5,390	57
Accounts payable	(3,674)	3,453
<b>Net cash used by operating activities</b>	<b>(134,817)</b>	<b>(189,006)</b>
Cash Flows from Investing Activities:		
Purchase of investments	(1,370,827)	(1,070,101)
Proceeds from sale of investments	1,457,632	1,320,000
<b>Net cash provided by investing activities</b>	<b>86,805</b>	<b>249,899</b>
<b>Net Increase (Decrease) in Cash</b>	<b>(48,012)</b>	<b>60,893</b>
<b>Cash, beginning of year</b>	<b>92,284</b>	<b>31,391</b>
<b>Cash, end of year</b>	<b>\$ 44,272</b>	<b>\$ 92,284</b>



**MASSACHUSETTS SOLDIERS LEGACY FUND**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**Year Ended December 31, 2016**

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**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 were killed while deployed on Operations Enduring and Iraqi Freedom. 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 or Iraqi 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. MSLF had no permanently restricted net assets as of and for the year ended December 31, 2016.

***Comparative Financial 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 accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with MSLF's financial statements for the year ended December 31, 2015, from which the summarized information was derived.

***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.

**MASSACHUSETTS LEGACY SOLDIERS FUND**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**Year Ended December 31, 2016**

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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, 2016, management has determined that no allowance for doubtful accounts is deemed necessary.

***Investments and Fair Value Measurements***

Investments with readily determinable fair values are reported at fair value in the statement of financial position. Unrealized and realized gains and losses, interest and dividends and investment expenses 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 levels 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.

**MASSACHUSETTS LEGACY SOLDIERS FUND**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**Year Ended December 31, 2016**

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***Support and Revenue***

**Contributions** – 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.

***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.

***Reclassification***

Certain 2015 balances were reclassified to conform to the 2016 financial statement presentation.

***Subsequent Events***

Management of MSLF has evaluated subsequent events through April XX, 2017, which is the date these financial statements were available to be issued.

**MASSACHUSETTS LEGACY SOLDIERS FUND**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**Year Ended December 31, 2016**

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**3. Investments**

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

Cash and short-term investments	\$ 9,568
Fixed income	848,794
Domestic equity securities	1,415,508
International equity securities	230,833
Mutual funds:	
Balanced funds	645,502
Alternative investment funds	<u>853,633</u>
 Total investments	 <u><u>\$ 4,003,838</u></u>

Investment return is as follows:

Interest and dividend income	\$ 93,275
Gain on investments:	
Net realized gains	72,162
Net unrealized gains	<u>100,497</u>
Total gain on investments	<u>172,659</u>
 Total investment return	 <u><u>\$ 265,934</u></u>

**4. Temporarily Restricted Net Assets**

At December 31, 2016, temporarily restricted net assets of \$2,186,185 were available for grants, in accordance with MSLF's mission.

**MASSACHUSETTS LEGACY SOLDIERS FUND**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**Year Ended December 31, 2016**

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**5. Operating Leases**

MSLF leases an office facility located in Marlborough, Massachusetts under an operating lease that was extended through February 28, 2018. The lease includes provisions for annual renewals, as defined. Rent expense, including MSLF's share of operating costs, was \$10,935 for the year ended December 31, 2016. Approximate future minimum lease payments under the lease are as follows:

<u>Year</u>	<u>Amount</u>
December 31, 2017	\$ 7,500
December 31, 2018	1,250
Total	<u>\$ 8,750</u>

**6. 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 \$843 for the year ended December 31, 2016.

**7. Concentration of Credit Risk**

The financial instruments that potentially subject MSLF to concentration of credit risk consist principally of pledges and other receivables and investments.

One donor represents 100% of total pledges and other receivables as of December 31, 2016. At year end, management does not believe that significant credit risk exists relative to pledges and other receivables. One donor accounted for approximately 12% of MSLF's total support and revenue for the year ended December 31, 2016.

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 the Foundation's investment portfolios are diversified among issuers.