

**MASSACHUSETTS SOLDIERS
LEGACY FUND**

Financial Statements

Years Ended December 31, 2018 and 2017

(With Independent Accountants' Review Report Thereon)

MASSACHUSETTS SOLDIERS LEGACY FUND

FINANCIAL STATEMENTS

Years Ended December 31, 2018 and 2017

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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 (MSLF), which comprise the statements of financial position as of December 31, 2018 and 2017, 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.

Emphasis of Matter

For the year ended December 31, 2018, MSLF adopted Financial Accounting Standards Board's ASU 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*, as described in Note 2 of the notes to the financial statements. Our conclusion is not modified with respect to this matter. The changes required by the update have been applied retrospectively to all periods presented.

Kahn, Litwin, Renya & Co, Ltd.

March 8, 2019

MASSACHUSETTS SOLDIERS LEGACY FUND
STATEMENTS OF FINANCIAL POSITION
December 31, 2018 and 2017



	2018	2017
Assets		
Cash	\$ 86,666	\$ 81,759
Pledges and other receivables	-	4,837
Prepaid expenses and other assets	1,306	1,281
Investments	3,808,003	4,427,384
Total Assets	\$ 3,895,975	\$ 4,515,261
Liabilities and Net Assets without Donor Restrictions		
Accounts payable	\$ 2,051	\$ 340
Net Assets without Donor Restrictions:		
Undesignated	2,584,382	2,859,821
Board designated for education assistance grants	1,309,542	1,655,100
Total net assets without donor restrictions	3,893,924	4,514,921
Total Liabilities and Net Assets without Donor Restrictions	\$ 3,895,975	\$ 4,515,261

MASSACHUSETTS SOLDIERS LEGACY FUND
STATEMENTS OF ACTIVITIES
Years Ended December 31, 2018 and 2017



	2018	2017
<u>Net Assets without Donor Restrictions</u>		
Support and Revenue:		
Contributions	\$ 91,794	\$ 210,188
Investment return	(219,194)	573,646
Total support and revenue	(127,400)	783,834
Expenses:		
Program	450,199	468,738
General and administrative	37,324	39,188
Fundraising	6,074	10,628
Total expenses	493,597	518,554
 Change in Net Assets without Donor Restrictions	(620,997)	265,280
 Net Assets without Donor Restrictions, beginning of year	4,514,921	4,249,641
 Net Assets without Donor Restrictions, end of year	\$ 3,893,924	\$ 4,514,921

MASSACHUSETTS SOLDIERS LEGACY FUND
STATEMENTS OF FUNCTIONAL EXPENSES
Years Ended December 31, 2018 and 2017



	2018				2017			
	Program Services	General and Administrative	Fundraising	Total	Program Services	General and Administrative	Fundraising	Total
Salaries	\$ 66,827	\$ 7,560	\$ 3,780	\$ 78,167	\$ 64,260	\$ 7,560	\$ 3,780	\$ 75,600
Payroll taxes and benefits	6,154	700	350	7,204	5,946	700	350	6,996
Education assistance grants	345,558	-	-	345,558	371,340	-	-	371,340
Professional fees	-	23,460	-	23,460	-	23,741	-	23,741
Marketing and advertising	13,133	-	1,288	14,421	12,796	-	5,250	18,046
Occupancy	9,943	1,143	571	11,657	9,714	1,143	571	11,428
Event consultants	5,505	-	-	5,505	-	-	592	592
Insurance	-	2,376	-	2,376	-	2,501	-	2,501
Payroll processing fees	1,785	190	85	2,060	1,632	190	85	1,907
Travel expenses	894	707	-	1,601	-	707	-	707
Office expenses	-	1,188	-	1,188	-	2,646	-	2,646
Educational forums	400	-	-	400	3,050	-	-	3,050
Total expenses	\$ 450,199	\$ 37,324	\$ 6,074	\$ 493,597	\$ 468,738	\$ 39,188	\$ 10,628	\$ 518,554

MASSACHUSETTS SOLDIERS LEGACY FUND
STATEMENTS OF CASH FLOWS
Years Ended December 31, 2018 and 2017



	<u>2018</u>	<u>2017</u>
Cash Flows from Operating Activities:		
Change in net assets without donor restrictions	\$ (620,997)	\$ 265,280
Adjustments to reconcile change in net assets without donor restrictions to net cash used by operating activities:		
Net realized and unrealized gain (loss) from investments	298,763	(484,308)
Dividend income, reinvested	(79,569)	(89,338)
Changes in operating assets and liabilities:		
Pledges and other receivables	4,837	195,413
Prepaid expenses and other assets	(25)	-
Accounts payable	1,711	340
Net cash used by operating activities	<u>(395,280)</u>	<u>(112,613)</u>
Cash Flows from Investing Activities:		
Proceeds from sale of investments	400,187	150,100
Net cash provided by investing activities	<u>400,187</u>	<u>150,100</u>
Net Increase in Cash	4,907	37,487
Cash, beginning of year	<u>81,759</u>	<u>44,272</u>
Cash, end of year	<u><u>\$ 86,666</u></u>	<u><u>\$ 81,759</u></u>

MASSACHUSETTS SOLDIERS LEGACY FUND
NOTES TO THE FINANCIAL STATEMENTS
Years Ended December 31, 2018 and 2017

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.

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 the financial statements and notes about its liquidity and availability of resources and financial performance. Upon adoption, net assets were reduced to two classes (with and without donor restriction). MSLF adopted the provisions of this new standard for the year ended December 31, 2018.

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 following net asset classifications:

Net assets without donor restrictions: Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of MSLF. These net assets may be used at the discretion of MSLF's management and Board of Trustees.

Net assets with donor restrictions: Net assets subject to stipulations imposed by donors, and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of MSLF or by the passage of time. Other restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

MASSACHUSETTS SOLDIERS LEGACY FUND
NOTES TO THE FINANCIAL STATEMENTS
Years Ended December 31, 2018 and 2017

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, 2018 and 2017, management has determined that no allowance for doubtful accounts was deemed necessary.

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 net assets without donor restrictions, 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.

MASSACHUSETTS SOLDIERS LEGACY FUND
NOTES TO THE FINANCIAL STATEMENTS
Years Ended December 31, 2018 and 2017

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 with or without donor restrictions, depending on the existence and/or nature of any donor imposed restrictions. Restricted contributions are classified as net assets without donor restrictions if the restrictions are satisfied in the same reporting period in which the contributions are received.

Functional Allocation of Expenses

The accompanying financial statements report certain categories of expenses that are attributable to more than one program or supporting function. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include salaries and benefits, which are allocated on a basis of estimates of time and efforts.

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.

MASSACHUSETTS SOLDIERS LEGACY FUND
NOTES TO THE FINANCIAL STATEMENTS
Years Ended December 31, 2018 and 2017

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.

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, with early adoption permitted.

In August 2016, the FASB issued ASU 2016-15, *Classification of Certain Cash Receipts and Cash Payments*, which is effective for annual periods beginning after December 15, 2018. The standard provides guidance on the classification of certain transactions in the statement of cash flows. When adopted, the new guidance will be applied retrospectively. This standard will be effective for MSLF's year ending December 31, 2019.

In June 2018, the FASB issued ASU 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*, which is effective for annual periods beginning after December 15, 2018. The standard provides guidance on characterizing grants and similar contracts as reciprocal exchanges or contributions, determining whether a contribution is conditional and the simultaneous release option. This standard will be effective for MSLF's year ending December 31, 2019.

Subsequent Events

Management of MSLF has evaluated subsequent events through March 8, 2019, which is the date these financial statements were available to be issued.

MASSACHUSETTS SOLDIERS LEGACY FUND
NOTES TO THE FINANCIAL STATEMENTS
Years Ended December 31, 2018 and 2017

3. Liquidity and Availability

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:

Financial assets:	
Cash	\$ 86,666
Investments	<u>3,808,003</u>
Financial assets available to meet general expenditure needs within one year	<u>\$ 3,894,669</u>

MSLF's financial assets available for operations consist of funds intended to be used to cover short-term operating expenses, including its extensive grant program. These financial assets are invested with the purpose of preserving its assets to cover operating expenses and realizing earnings in a way that allows for immediate liquidity to meet MSLF's ongoing programmatic and operational needs.

4. Investments

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

	<u>2018</u>	<u>2017</u>
Money market	\$ 53,131	\$ 139
Fixed income	726,599	733,100
Domestic equity securities	1,526,735	1,813,139
International equity securities	254,946	277,750
Mutual funds:		
Balanced funds	649,310	727,392
Alternative investment funds	<u>597,282</u>	<u>875,864</u>
Total investments	<u>\$ 3,808,003</u>	<u>\$ 4,427,384</u>

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5. Operating Lease

MSLF leases an office facility located in Marlborough, Massachusetts under an operating lease that was extended through February 28, 2021. The lease includes provisions for annual renewals, as defined. Rent expense, including MSLF's share of operating costs, was \$11,657 and \$11,428 for the years ended December 31, 2018 and 2017, respectively. Approximate future minimum lease payments under the lease are as follows:

<u>Year</u>	<u>Amount</u>
December 31, 2019	\$ 8,400
December 31, 2020	8,496
December 31, 2021	<u>1,146</u>
Total	<u>\$ 18,042</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 \$845 and \$756 for the years ended December 31, 2018 and 2017, respectively.

7. Concentrations

The financial instruments that potentially subject MSLF to concentrations of credit and business risk consist principally of investments and contributions.

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.

Three donors accounted for approximately 71% of MSLF's total contribution support for the year ended December 31, 2018. Two donors accounted for approximately 47% of MSLF's total contribution support for the year ended December 31, 2017.