

THE HUNDRED CLUB OF MASS., INC.
FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017

Engineering Growth for More Than 30 Years

Business Consulting | Financial Advisory | Strategic Intelligence



To the Board of Directors
The Hundred Club of Mass., Inc.
Boston, Massachusetts

INDEPENDENT AUDITORS' REPORT

We have audited the accompanying financial statements of The Hundred Club of Mass., Inc. (the Organization), 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.

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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of 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 auditors' 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 auditors consider internal control relevant to the Organization'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 Organization'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 The Hundred Club of Mass., Inc. as of December 31, 2018 and 2017, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

A handwritten signature in cursive script that reads "Moody, Famiglietti & Andronico, LLP".

Moody, Famiglietti & Andronico, LLP
Tewksbury, Massachusetts
May 13, 2019

Statements of Financial Position
The Hundred Club of Mass., Inc.

| December 31 | 2018 | 2017 |
|---|---------------------|---------------------|
| Assets | | |
| Cash | \$ 416,172 | \$ 281,272 |
| Investments | 3,340,772 | 3,395,397 |
| Endowment | 3,070,110 | 3,274,500 |
| Property and Equipment, Net of Accumulated Depreciation | 88,996 | 113,452 |
| Total Assets | \$ 6,916,050 | \$ 7,064,621 |
| Liabilities and Net Assets | | |
| Liabilities: | | |
| Accounts Payable and Accrued Expenses | \$ 77,681 | \$ 28,799 |
| Benefits Payable | 160,389 | 79,250 |
| Total Liabilities | 238,070 | 108,049 |
| Net Assets: | | |
| Net Assets without Donor Restrictions | 3,487,759 | 3,525,837 |
| Net Assets with Donor Restrictions | 3,190,221 | 3,430,735 |
| Total Net Assets | 6,677,980 | 6,956,572 |
| Total Liabilities and Net Assets | \$ 6,916,050 | \$ 7,064,621 |

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

Statements of Activities

The Hundred Club of Mass., Inc.

For the Years Ended December 31

2018

2017

| | Without Donor Restrictions | With Donor Restrictions | Total | Without Donor Restrictions | With Donor Restrictions | Total |
|---|----------------------------------|----------------------------|---------------------|-------------------------------|----------------------------|---------------------|
| Operating Activities: | | | | | | |
| Revenue and Other Support: | | | | | | |
| Foundation Contributions | \$ 348,425 | \$ - | \$ 348,425 | \$ 152,550 | \$ - | \$ 152,550 |
| Member Contributions | 78,000 | 194,500 | 272,500 | 92,170 | 235,485 | 327,655 |
| Interest and Dividends | 102,720 | 96,282 | 199,002 | 88,279 | 102,595 | 190,874 |
| Other Contributions | 40,451 | - | 40,451 | 51,019 | - | 51,019 |
| Bequests and Memorials | - | - | - | 136,436 | - | 136,436 |
| Net Assets Released from Restriction | 331,767 | (331,767) | - | 338,020 | (338,020) | - |
| Donated Services | - | - | - | 9,400 | - | 9,400 |
| Total Revenue and Other Support | 901,363 | (40,985) | 860,378 | 867,874 | 60 | 867,934 |
| Operating Expenses: | | | | | | |
| Program Services: | | | | | | |
| Benefit Program Services | 621,318 | 21,893 | 643,211 | 426,711 | 23,345 | 450,056 |
| General and Administrative | 51,188 | - | 51,188 | 43,780 | - | 43,780 |
| Fundraising | 48,894 | - | 48,894 | 28,083 | - | 28,083 |
| Total Operating Expenses | 721,400 | 21,893 | 743,293 | 498,574 | 23,345 | 521,919 |
| Increase (Decrease) in Net Assets from Operations | 179,963 | (62,878) | 117,085 | 369,300 | (23,285) | 346,015 |
| Nonoperating Activities: | | | | | | |
| Realized and Unrealized (Losses) Gains on Investments and Endowments | (218,041) | (177,636) | (395,677) | 291,926 | 236,178 | 528,104 |
| (Decrease) Increase in Net Assets | (38,078) | (240,514) | (278,592) | 661,226 | 212,893 | 874,119 |
| Net Assets, Beginning of Year | 3,525,837 | 3,430,735 | 6,956,572 | 2,864,611 | 3,217,842 | 6,082,453 |
| Net Assets, End of Year | \$ 3,487,759 | \$ 3,190,221 | \$ 6,677,980 | \$ 3,525,837 | \$ 3,430,735 | \$ 6,956,572 |

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

Statements of Functional Expenses

The Hundred Club of Mass., Inc.

For the Years Ended December 31

2018

2017

| | Benefit Program Services | General and Administrative | Fundraising | Total | Benefit Program Services | General and Administrative | Fundraising | Total |
|--|--------------------------------|-------------------------------|-------------|------------|--------------------------------|-------------------------------|-------------|------------|
| Lump-Sum Benefits - General Fund | \$ 196,000 | \$ - | \$ - | \$ 196,000 | \$ 40,000 | \$ - | \$ - | \$ 40,000 |
| Functions and Other Benefits Provided to | | | | | | | | |
| Families of Fallen Heroes | 115,594 | - | - | 115,594 | 114,358 | - | - | 114,358 |
| Payments to Children of Fallen Heroes | 104,413 | - | - | 104,413 | 77,104 | - | - | 77,104 |
| Salaries and Related Fringe | 65,132 | 7,663 | 3,831 | 76,626 | 49,303 | 5,801 | 2,900 | 58,004 |
| Lump-Sum Benefits - Memorial Fund | 74,389 | - | - | 74,389 | 79,250 | - | - | 79,250 |
| Memorial Fund Administrative Fee | 43,786 | - | - | 43,786 | 46,690 | - | - | 46,690 |
| Professional Fees | - | 36,634 | - | 36,634 | - | 21,651 | - | 21,651 |
| Office Expense, Postage, and | | | | | | | | |
| Miscellaneous | 14,139 | 2,719 | 10,333 | 27,191 | 16,973 | 3,264 | 12,404 | 32,641 |
| Depreciation | 15,402 | 2,139 | 3,851 | 21,392 | 15,256 | 2,119 | 3,814 | 21,189 |
| Promotion | - | - | 19,139 | 19,139 | - | - | 6,184 | 6,184 |
| Occupancy | 13,626 | 1,893 | 3,406 | 18,925 | 9,918 | 1,378 | 2,480 | 13,776 |
| Website | - | - | 7,800 | 7,800 | - | - | - | - |
| Other Expense | 730 | 140 | 534 | 1,404 | 1,204 | 167 | 301 | 1,672 |
| Donated Services | - | - | - | - | - | 9,400 | - | 9,400 |
| Total | \$ 643,211 | \$ 51,188 | \$ 48,894 | \$ 743,293 | \$ 450,056 | \$ 43,780 | \$ 28,083 | \$ 521,919 |

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

| For the Years Ended December 31 | 2018 | 2017 |
|---|-------------------|------------------|
| Cash Flows from Operating Activities: | | |
| (Decrease) Increase in Net Assets | \$ (278,592) | \$ 874,119 |
| Adjustments to Reconcile (Decrease) Increase in Net Assets to Net Cash Provided by Operating Activities: | | |
| Depreciation | 24,456 | 24,458 |
| Realized Loss (Gain) on Investments and Endowments | 28,574 | (283,260) |
| Unrealized Loss (Gain) on Investments and Endowments | 367,103 | (244,844) |
| Increase (Decrease) in Accounts Payable and Accrued Expenses | 48,882 | (37,121) |
| Increase (Decrease) in Benefit Payable | 81,139 | (57,434) |
| Net Cash Provided by Operating Activities | 271,562 | 275,918 |
| Cash Flows from Investing Activities: | | |
| Purchase of Investments | (1,888,218) | (985,701) |
| Proceeds from Sale of Investments | 1,721,900 | 727,439 |
| Proceeds from Sale or Maturity of Endowment | 646,499 | 1,038,170 |
| Purchase of Endowment | (616,843) | (957,391) |
| Net Cash Used in Investing Activities | (136,662) | (177,483) |
| Net Increase in Cash | 134,900 | 98,435 |
| Cash, Beginning of Year | 281,272 | 182,837 |
| Cash, End of Year | \$ 416,172 | \$ 281,272 |

1. Organization and Summary of Significant Accounting Policies:

Nature of Organization: The Hundred Club of Mass., Inc. (the Organization) is a Massachusetts nonprofit organization incorporated in November 1959. The primary purpose of the Organization is to provide benefits to the surviving spouses and dependents of police, court, and fire personnel employed by the Commonwealth of Massachusetts, or by a county, city, town, or other political subdivision or agency thereof, who have lost their lives in connection with the performance of their duties, or who while so employed, have died, leaving a surviving spouse and/or one or more children and/or other dependents.

Basis of Presentation: The financial statements of the Organization have been prepared using the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (GAAP). The Organization 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 the Organization. These net assets may be used at the discretion of the Organization's management and Board of Directors.

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 the Organization or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

Measure of Operations: The statements of activities report all changes in net assets, including changes in net assets from operating and nonoperating activities. Operating activities consist of those items attributable to the Organization's ongoing program benefit services and interest and dividends earned on investments. Nonoperating activities are limited to resources that generate return from investments and other activities considered to be of a more unusual or nonrecurring nature.

Fair Value Measurements: The framework for measuring fair value 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). The three levels of the fair value hierarchy are described as follows:

Level 1 - Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Organization has the ability to access.

Level 2 - Inputs to the valuation methodology include:

- 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; and
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

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.

Level 3 - Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

Contributions: Contributions received are recorded as net assets without donor restrictions or net assets with donor restrictions, depending on the existence and/or nature of any donor-imposed restrictions. Contributions that are restricted by the donor are reported as an increase in net assets without donor restrictions if the restriction expires in the reporting period in which the contribution is recognized. All other donor restricted contributions are reported as an increase in net assets with donor restrictions, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is

1. Organization and Summary of Significant Accounting Policies (Continued):

accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions.

Contributed property and equipment are recorded at fair value at the date of donation. Contributions with donor-imposed stipulations regarding how long contributed assets must be used are recorded as net assets with donor restrictions. Otherwise, the contributions are recorded as net assets without donor restrictions.

Contributions of services are reported as revenue and expenses without donor restrictions at the fair value of the service received only if the services create or enhance a nonfinancial asset or would typically need to be purchased by the Organization if they had not been provided by contribution, require specialized skills, and are provided by individuals with those skills. Contributions of goods and space to be used in program operations are reported as revenue and expenses without donor restrictions at the time the goods or space is received.

Cash: The Organization maintains its cash in bank deposit accounts, which, at times, may exceed federally insured limits. The Organization has not experienced any losses in such accounts, and believes it is not exposed to any significant credit risk on cash.

Investments, Endowment, and Investment and Endowment Income: The Organization's investments are reported at fair value as of the date of the statements of financial position. Realized and unrealized gains and losses are reflected in the accompanying statements of activities. Investment income or loss on investments (including realized and unrealized gains and losses on investments, interest and dividends) is included in net assets without donor restrictions unless the income or loss is restricted by donor or law.

Interpretation of Relevant Law: The Organization follows the Uniform Prudent Management of Institutional Funds Act (UPMIFA). The Organization's Board of Trustees has interpreted UPMIFA as considering the preservation of the fair value of the original gift as of

the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Organization classifies as donor-restricted endowment funds (a) the original value of gifts donated to the endowment, (b) the original value of subsequent gifts to the endowment (c) accumulations to the endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund, and (d) appreciation (depreciation) in the fair value of endowment investments. Therefore, unless stated otherwise in the gift instrument, the assets in an endowment fund are donor-restricted assets until those amounts are appropriated for expenditure by the Organization in a manner consistent with the standard of prudence prescribed by UPMIFA.

In accordance with UPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate endowment funds:

- Duration and preservation of the fund
- Purposes of the Organization and the donor-restricted endowment fund
- General economic conditions
- Possible effect of inflation and deflation
- Expected total return from income and the appreciation of investments
- Other resources of the Organization
- Investment policies of the Organization

Concentrations of Credit Risk: Financial instruments that potentially subject the Organization to concentration of credit risk consist primarily of cash, investments and endowments. The Organization maintains its cash, investments and endowments with high-credit quality financial institutions.

Other Risks and Uncertainties: Due to the level of risk associated with certain investment securities and the level of uncertainty related to changes in the value of investment securities, it is at least reasonably possible that changes in the values of the investment securities will occur in the near term and that such changes could materially affect the amounts reported in the statements of financial position.

1. Organization and Summary of Significant Accounting Policies (Continued):

Property and Equipment: Property and equipment are recorded at cost on the date of acquisition. Depreciation is computed using the straight-line method over the estimated useful lives of the related assets, as follows:

| | |
|-----------------------|----------|
| Building | 32 Years |
| Building Improvements | 20 Years |
| Office Equipment | 3 Years |
| Computer Equipment | 3 Years |

Functional Allocation of Expenses: The costs of providing the Organization's program and other activities have been summarized on a functional basis in the statements of activities. Expenses related directly to program activities are charged directly to program services while other expenses that are common to several functions are allocated based on management's estimates, among major classes of programs services and supporting activities.

The expenses that are allocated include the following:

| Expense | Method of Allocation |
|---|----------------------|
| Salaries and Related Benefits | Time and Effort |
| Office Expense, Postage and Miscellaneous | Time and Effort |
| Depreciation | Time and Effort |
| Occupancy | Time and Effort |

Income Taxes: The Organization is a nonprofit Organization as described in Section 501(c)(3) of the Internal Revenue Code and is exempt from federal and state income taxes on trade or business profits generated by activities related to the Organization's exempt function. The Organization may be subject to

federal and state income taxes for profits generated from trade or business activities unrelated to the Organization's exempt function. As of December 31, 2018 and 2017, management believes that the Organization has not generated any unrelated business taxable income.

The Organization assesses the recording of uncertain tax positions by evaluating the minimum recognition threshold and measurement requirements a tax position must meet before being recognized as a benefit in the financial statements. The Organization's policy is to recognize interest and penalties accrued on any uncertain tax positions as a component of income tax expense, if any, in its statements of activities.

Use of Estimates: Management has used estimates and assumptions relating to the reporting of assets and liabilities and the disclosure of contingent assets and liabilities in its preparation of the financial statements in accordance GAAP. Actual results experienced by the Organization may differ from those estimates.

Subsequent Events: Management has evaluated subsequent events spanning the period from December 31, 2018 through May 13, 2019, the latter representing the issuance date of these financial statements.

Recently Adopted Accounting Policies: On August 18, 2016, FASB issued 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 classifications, deficiencies in information about liquidity and the 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 of these financial statements accordingly. The ASU 2016-14 has been applied retrospectively to all periods presented.

2. Availability and Liquidity:

The following reflects the Organization's financial assets as of December 31, 2018:

| | |
|---|---------------------|
| Financial Assets at December 31, 2018: | |
| Cash | \$ 416,172 |
| Investments | 3,340,772 |
| Endowment | 3,070,110 |
| Total Financial Assets at December 31, 2018 | <u>6,827,054</u> |
| Less: Amounts Unavailable for General Expenditures within One Year Due to: | |
| Contractual or Donor-Imposed Restrictions: | |
| Restricted by the Passage of Time | 194,500 |
| Subject to Appropriation - to be Held in Perpetuity | 2,995,721 |
| | <u>3,190,221</u> |
| Financial Assets Available to Meet Cash Needs for General Expenditures Over the Next Twelve Months | <u>\$ 3,636,833</u> |

As part of the Organization's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities and other obligations may come due. In addition, the Organization invests cash in excess of daily requirements in long-term investments.

3. Investments and Endowment:

Investments as of December 31, 2018 and 2017 consist of the following:

| | <u>2018</u> | <u>2017</u> |
|------------------------|---------------------|---------------------|
| Equity Securities | \$ 1,971,435 | \$ 2,087,569 |
| Fixed Income Bond Fund | 846,110 | 875,185 |
| Money Market Funds | 523,227 | 432,643 |
| | <u>\$ 3,340,772</u> | <u>\$ 3,395,397</u> |

For the years ended December 31, 2018 and 2017, the Organization's net unrealized and realized (losses) gains on these investments amounted to \$(218,041) and \$291,926.

Endowment investments as of December 31, 2018 and 2017 consist of the following:

| | <u>2018</u> | <u>2017</u> |
|-------------------------|---------------------|---------------------|
| Equity Securities | \$ 1,826,071 | \$ 1,943,972 |
| Fixed Income Bond Fund | 859,811 | 918,834 |
| Certificates of Deposit | 252,500 | 252,500 |
| Money Market Funds | 126,502 | 155,860 |
| Cash | 5,226 | 3,334 |
| | <u>\$ 3,070,110</u> | <u>\$ 3,274,500</u> |

For the years ended December 31, 2018 and 2017, the Organization's net unrealized and realized (losses) gains on these investments amounted to \$(177,636) and \$236,178.

3. Investments and Endowment (Continued):

As of December 31, 2018 and 2017, the endowment balance by net asset classification consists of the following:

| | 2018 | | |
|----------------------------------|-------------------------------|----------------------------|--------------|
| | Without Donor Restrictions | With Donor Restrictions | Total |
| Donor-Restricted Endowment Funds | \$ - | \$ 3,070,110 | \$ 3,070,110 |

| | 2017 | | |
|----------------------------------|-------------------------------|----------------------------|--------------|
| | Without Donor Restrictions | With Donor Restrictions | Total |
| Donor-Restricted Endowment Funds | \$ - | \$ 3,274,500 | \$ 3,274,500 |

The changes in the endowment balance by net asset classification as of December 31, 2018 and 2017 consist of the following:

| | Without Donor Restrictions | With Donor Restrictions | Totals |
|---|-------------------------------|----------------------------|--------------|
| Endowment Balance, December 31, 2016 | \$ - | \$ 3,119,101 | \$ 3,119,101 |
| Investment Returns: | | | |
| Net Realized and Unrealized Gains | - | 236,178 | 236,178 |
| Interest and Dividends, Net of Investment Fees | - | 102,595 | 102,595 |
| Total Investment Returns | - | 338,773 | 338,773 |
| Transfers In (Out) - Administrative Fee | 46,690 | (46,690) | - |
| Appropriation of Endowment Assets for Expenditure | (46,690) | (136,684) | (183,374) |
| Endowment Balance, December 31, 2017 | - | 3,274,500 | 3,274,500 |
| Investment Returns: | | | |
| Net Realized and Unrealized Losses | - | (177,636) | (177,636) |
| Interest and Dividends, Net of Investment Fees | - | 96,282 | 96,282 |
| Total Investment Returns | - | (81,354) | (81,354) |
| Transfers In (Out) - Administrative Fee | 43,786 | (43,786) | - |
| Appropriation of Endowment Assets for Expenditure | (43,786) | (79,250) | (123,036) |
| Endowment Balance, December 31, 2018 | \$ - | \$ 3,070,110 | \$ 3,070,110 |

3. Investments and Endowment (Continued):

Return Objectives and Risk Parameters: The Organization's President, Treasurer, and another member of the Board of Directors, who is a professional investment manager (collectively, the Investment Committee) provide recommendations and advise the Board of Directors on the management of endowment assets and investment policies. Endowment assets include donor-restricted funds that the Organization must hold in perpetuity. From time to time, the Board designates a portion of the Organization's endowment investment income to support the administration of the benefits of the perpetual funds in accordance with the donor's restrictions for use. For the years ended December 31, 2018 and 2017, the Organization's endowment spending policy provides for 1.4% of the fair value of the total endowment investments to be appropriated to support the administration.

The percentage is allocated to charge 50% to the funds to be held in perpetuity and 50% to investment income, prior to the allocation of net income to surviving spouses. This percentage was determined in an effort to prevent the rate of return from eroding the contributed principal. The endowment assets are invested with an asset allocation strategy assuming a moderate level of investment risk. The Organization's strategy is to have an appropriate amount of endowment funds invested in equity based investments to achieve its long-term return objective and an appropriate amount invested in fixed income securities and cash reserves to maintain prudent risk constraints. The allocation percentage between the risk pools is reviewed from time to time by the Board, who rely upon the Investment Committee to select the most appropriate and prudent investments. There are no board-designated endowment funds as of December 31, 2018 and 2017; all endowment funds are donor-restricted.

4. Fair Value Measurements:

Investments measured at fair value on a recurring basis as of December 31, 2018 and 2017 are as follows:

| | Fair Value Measurements at December 31, 2018 | | | |
|----------------------------------|--|--|--|--|
| | Totals | Quoted Prices in Active Markets for Identical Assets or Liabilities (Level 1) | Significant Other Observable Inputs (Level 2) | Significant Unobservable Inputs (Level 3) |
| Investments: | | | | |
| Equity Securities | \$ 1,971,435 | \$ 1,971,435 | \$ - | \$ - |
| Fixed Income Bond Fund | 846,110 | 846,110 | - | - |
| Money Market Funds | 523,227 | 523,227 | - | - |
| Total Investments | 3,340,772 | 3,340,772 | - | - |
| Endowments: | | | | |
| Equity Securities | 1,826,071 | 1,826,071 | - | - |
| Fixed Income Bond Fund | 859,811 | 859,811 | - | - |
| Certificates of Deposit | 252,500 | 252,500 | - | - |
| Money Market Funds | 126,502 | 126,502 | - | - |
| Cash | 5,226 | 5,226 | - | - |
| Total Endowments | 3,070,110 | 3,070,110 | - | - |
| Total Investments and Endowments | \$ 6,410,882 | \$ 6,410,882 | \$ - | \$ - |

4. Fair Value Measurements (Continued):

| | Fair Value Measurements at December 31, 2017 | | | |
|----------------------------------|--|--|--|--|
| | Total | Quoted Prices in Active Markets for Identical Assets or Liabilities (Level 1) | Significant Other Observable Inputs (Level 2) | Significant Unobservable Inputs (Level 3) |
| Investments | | | | |
| Equity Securities | \$ 2,087,569 | \$ 2,087,569 | \$ - | \$ - |
| Fixed Income Bond Fund | 875,185 | 875,185 | - | - |
| Money Market Funds | 432,643 | 432,643 | - | - |
| Total Investments | 3,395,397 | 3,395,397 | - | - |
| Endowments: | | | | |
| Equity Securities | 1,943,972 | 1,943,972 | - | - |
| Fixed Income Bond Fund | 918,834 | 918,834 | - | - |
| Certificates of Deposit | 252,500 | 252,500 | - | - |
| Money Market Funds | 155,860 | 155,860 | - | - |
| Cash | 3,334 | 3,334 | - | - |
| Total Endowments | 3,274,500 | 3,274,500 | - | - |
| Total Investments and Endowments | \$ 6,669,897 | \$ 6,669,897 | \$ - | \$ - |

The following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used for the years ended December 31, 2018 and 2017.

Mutual Funds: Valued at the daily closing price as reported by the fund. Mutual funds held by the Organization are registered with the Securities and Exchange Commission. These funds are required to publish their daily net asset value (NAV) and to transact at that price. The mutual funds held by the Organization are deemed to be actively traded.

Equity Securities: Valued at the closing price reported on the active market on which the individual securities are traded.

Fixed Income Securities: Valued using pricing models maximizing the use of observable inputs for similar securities. This methodology included basing value on yields currently available on comparable securities of issuers with similar credit ratings. When quotes prices are not available for identical or similar bonds, the bond is valued under a discounted cash flow approach that maximizes observable inputs, such as current yields of similar instruments, but includes adjustments for certain risks that may not be observable, such as credit and liquidity risks or a broker quote if available.

Money Market Funds: Valued at the daily closing price as reported by the fund from an active market.

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Organization believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

5. Net Assets with Donor Restrictions:

Net assets with donor restrictions as of December 31, 2018 and 2017 consist of the following:

| | 2018 | 2017 |
|--|--------------|--------------|
| Subject to Passage of Time: | | |
| Membership Contributions | \$ 194,500 | \$ 235,485 |
| Subject to Spending Policy and Appropriation Guidelines: | | |
| Memorial Fund - to be Held in Perpetuity | 2,995,721 | 3,195,250 |
| Total Net Assets with Donor Restrictions | \$ 3,190,221 | \$ 3,430,735 |

Net assets with donor restrictions contains donor restricted contributions in the original amount of \$1,841,042 made to the Organization to establish and maintain the Memorial Fund. The annual income of the Memorial Fund, which consists of interest and dividend income less administrative expenses earned by this fund, is to be distributed equally to the surviving spouses and dependents of law enforcement officers and firefighters who have lost their lives in the line of duty during the year. If there are no line-of-duty deaths during the year, the benefit that would have been payable carries over into the next year. The remaining balance of the funds to be held in perpetuity represents cumulative net gains on the investments. The distribution to beneficiaries is made in the year after the line-of-duty death occurs.

6. Net Assets Released from Restriction:

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes specified by donors or by the passage of time. Net assets released from restriction during the years ended December 31, 2018 and 2017 consist of the following:

| | 2018 | 2017 |
|--|------------|------------|
| Passage of Time - Membership Contributions | \$ 235,485 | \$ 235,425 |
| Scheduled Payments to Beneficiaries | 74,389 | 79,250 |
| Programmatic Administrative Fees | 21,893 | 23,345 |
| | \$ 331,767 | \$ 338,020 |

7. Property and Equipment:

Property and equipment as of December 31, 2018 and 2017 consists of the following:

| | 2018 | 2017 |
|-----------------------------------|------------------|-------------------|
| Building | \$ 530,000 | \$ 530,000 |
| Building Improvements | 110,403 | 110,403 |
| Office Equipment | 16,788 | 16,788 |
| Computer Equipment | 12,507 | 12,507 |
| | <u>669,698</u> | <u>669,698</u> |
| Less: Accumulated Depreciation | <u>580,702</u> | <u>556,246</u> |
| | <u>\$ 88,996</u> | <u>\$ 113,452</u> |

Depreciation expense for the years ended December 31, 2018 and 2017 amounted to \$24,456 and \$24,458.

8. Donated Goods and Services:

The Organization receives donated goods and services. The estimated fair value for goods and services is determined by the donor or by management. There were no donated goods and services received during the year ended December 31, 2018. During the year ended December 31, 2017, the Organization received donated legal services in the amount \$9,400.

9. Indemnifications:

In the ordinary course of business, the Organization enters into various agreements containing standard indemnification provisions. The Organization's indemnification obligations under such provisions are typically in effect from the date of execution of the applicable agreement through the end of the applicable statute of limitations. The aggregate maximum potential future liability of the Organization under such indemnification provisions is uncertain. As of December 31, 2018 and 2017, no amounts have been accrued related to such indemnification provisions.



1 Highwood Drive, Tewksbury, MA 01876

www.themfacompanies.com