

**Martha's Vineyard Community Foundation, Inc.**

Financial Statements &  
Independent Auditors' Report  
December 31, 2025 and 2024

**Martha's Vineyard Community Foundation, Inc.**  
**Financial Statements**  
**December 31, 2025 and 2024**

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## **Independent Auditors' Report**

To the Board of Directors of  
Martha's Vineyard Community Foundation, Inc.

### **Report on the Audit of the Financial Statements**

#### ***Opinion***

We have audited the accompanying financial statements of Martha's Vineyard Community Foundation, Inc. (a non-for-profit Foundation), which comprise the statements of financial position as of December 31, 2025 and 2024, and the related statements of activities, functional expenses and cash flows for the years then ended and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Martha's Vineyard Community Foundation, Inc. as of December 31, 2025 and 2024, and the changes in its net assets and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

#### ***Basis for Opinion***

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Martha's Vineyard Community Foundation, Inc. and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### ***Responsibilities of Management 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Martha's Vineyard Community Foundation, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

#### ***Auditors' Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material

misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Martha's Vineyard Community Foundation, Inc.'s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Martha's Vineyard Community Foundation, Inc.'s ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Grassi & Co., CPAs, P.C.

Grassi & Co., CPAs, P.C.

Chelmsford, MA  
September 16, 2026

**Martha's Vineyard Community Foundation, Inc.**  
**Statements of Financial Position**  
**December 31, 2025 and 2024**

|                                                | 2025                 | 2024                 |
|------------------------------------------------|----------------------|----------------------|
| ASSETS                                         |                      |                      |
| Current assets                                 |                      |                      |
| Cash and cash equivalents                      | \$ 470,596           | \$ 135,999           |
| Investments - non-endowed                      | 2,247,834            | 2,283,437            |
| Accounts receivable                            | -                    | 551                  |
| Prepaid expenses                               | 15,743               | 4,554                |
| Fiscal sponsor advances                        | 30,294               | -                    |
| Total current assets                           | <u>2,764,467</u>     | <u>2,424,541</u>     |
| Long-term assets                               |                      |                      |
| Property and equipment - net                   | 11,851               | 22,509               |
| Operating lease right-of-use assets            | 40,015               | 60,267               |
| Cash held for endowment                        | 37,008               | 131,923              |
| Endowment investments                          | 15,066,314           | 13,630,744           |
| Total long-term assets                         | <u>15,155,188</u>    | <u>13,845,443</u>    |
| Total assets                                   | <u>\$ 17,919,655</u> | <u>\$ 16,269,984</u> |
| LIABILITIES AND NET ASSETS                     |                      |                      |
| Current liabilities                            |                      |                      |
| Accounts payable and accrued expenses          | \$ 45,238            | \$ 46,779            |
| Grants and scholarships payable                | 163,393              | 142,718              |
| Accrued wages                                  | 9,603                | 6,865                |
| Liabilities under operating leases - current   | 22,504               | 21,409               |
| Total current liabilities                      | <u>240,738</u>       | <u>217,771</u>       |
| Long-term liabilities                          |                      |                      |
| Liabilities under operating leases - long-term | 19,631               | 42,135               |
| Agency endowment liability                     | 126,910              | 112,937              |
| Total long-term liabilities                    | <u>146,541</u>       | <u>155,072</u>       |
| Total liabilities                              | <u>387,279</u>       | <u>372,843</u>       |
| Net assets                                     |                      |                      |
| Without donor restrictions                     |                      |                      |
| Undesignated                                   | 1,188,680            | 1,159,764            |
| Invested in property and equipment - net       | 11,851               | 22,509               |
| Designated for operating reserves              | 100,000              | 100,000              |
| Quasi-endowment                                | 7,421,268            | 6,702,212            |
| Total without donor restrictions               | <u>8,721,799</u>     | <u>7,984,485</u>     |
| With donor restrictions                        |                      |                      |
| Perpetual in nature                            | 670,395              | 670,395              |
| Purpose restrictions                           | 8,140,182            | 7,242,261            |
| Total with donor restrictions                  | <u>8,810,577</u>     | <u>7,912,656</u>     |
| Total net assets                               | <u>17,532,376</u>    | <u>15,897,141</u>    |
| Total liabilities and net assets               | <u>\$ 17,919,655</u> | <u>\$ 16,269,984</u> |

The accompanying notes and auditors' report are an integral part of these financial statements. -3-

**Martha's Vineyard Community Foundation, Inc.**  
**Statements of Activities**  
**For the Years Ended December 31, 2025 and 2024**

|                                       | Without Donor<br>Restrictions | With Donor<br>Restrictions | Total 2025    | Without Donor<br>Restrictions | With Donor<br>Restrictions | Total 2024    |
|---------------------------------------|-------------------------------|----------------------------|---------------|-------------------------------|----------------------------|---------------|
| Support and revenue                   |                               |                            |               |                               |                            |               |
| Contributions, grants and gifts       | \$ 1,641,796                  | \$ 576,625                 | \$ 2,218,421  | \$ 1,637,896                  | \$ 196,421                 | \$ 1,834,317  |
| Government grants                     | -                             | -                          | -             | -                             | 676,358                    | 676,358       |
| Investment return                     | 973,687                       | 1,060,555                  | 2,034,242     | 699,328                       | 809,162                    | 1,508,490     |
| Other income (loss)                   | 82,534                        | -                          | 82,534        | 196,041                       | -                          | 196,041       |
| Net assets released from restrictions | 739,259                       | (739,259)                  | -             | 1,370,843                     | (1,370,843)                | -             |
| Total support and revenue             | 3,437,276                     | 897,921                    | 4,335,197     | 3,904,108                     | 311,098                    | 4,215,206     |
| Expenses                              |                               |                            |               |                               |                            |               |
| Program expenses                      | 2,086,447                     | -                          | 2,086,447     | 2,259,380                     | -                          | 2,259,380     |
| Management and general                | 576,348                       | -                          | 576,348       | 538,786                       | -                          | 538,786       |
| Fundraising and development           | 37,167                        | -                          | 37,167        | 49,044                        | -                          | 49,044        |
| Total expenses                        | 2,699,962                     | -                          | 2,699,962     | 2,847,210                     | -                          | 2,847,210     |
| Change in net assets                  | 737,314                       | 897,921                    | 1,635,235     | 1,056,898                     | 311,098                    | 1,367,996     |
| Net assets at beginning of year       | 7,984,485                     | 7,912,656                  | 15,897,141    | 6,927,587                     | 7,601,558                  | 14,529,145    |
| Net assets at end of year             | \$ 8,721,799                  | \$ 8,810,577               | \$ 17,532,376 | \$ 7,984,485                  | \$ 7,912,656               | \$ 15,897,141 |

The accompanying notes and auditors' report are an integral part of these financial statements.

**Martha's Vineyard Community Foundation, Inc.**  
**Statements of Functional Expenses**  
**For the Years Ended December 31, 2025 and 2024**

|                                      | Program             | Management<br>& General | Fundraising      | Total 2025          |
|--------------------------------------|---------------------|-------------------------|------------------|---------------------|
| Grants                               | \$ 1,379,521        | \$ -                    | \$ -             | \$ 1,379,521        |
| Scholarships                         | 373,656             | -                       | -                | 373,656             |
| Project costs                        | 237,277             | -                       | -                | 237,277             |
| Wages and related                    | -                   | 356,981                 | -                | 356,981             |
| Professional fees                    | 95,993              | 91,382                  | -                | 187,375             |
| Depreciation and amortization        | -                   | 10,658                  | -                | 10,658              |
| Occupancy costs                      | -                   | 34,935                  | -                | 34,935              |
| Office expenses                      | -                   | 73,554                  | -                | 73,554              |
| Insurance                            | -                   | 8,838                   | -                | 8,838               |
| Fundraising and development expenses | -                   | -                       | 37,167           | 37,167              |
| Total expenses                       | <u>\$ 2,086,447</u> | <u>\$ 576,348</u>       | <u>\$ 37,167</u> | <u>\$ 2,699,962</u> |

|                                      | Program             | Management<br>& General | Fundraising      | Total 2024          |
|--------------------------------------|---------------------|-------------------------|------------------|---------------------|
| Grants                               | \$ 1,582,008        | \$ -                    | \$ -             | \$ 1,582,008        |
| Scholarships                         | 391,700             | -                       | -                | 391,700             |
| Project costs                        | 201,465             | -                       | -                | 201,465             |
| Wages and related                    | -                   | 326,990                 | -                | 326,990             |
| Professional fees                    | 84,207              | 89,585                  | -                | 173,792             |
| Depreciation and amortization        | -                   | 10,033                  | -                | 10,033              |
| Occupancy costs                      | -                   | 28,417                  | -                | 28,417              |
| Office expenses                      | -                   | 76,026                  | -                | 76,026              |
| Insurance                            | -                   | 7,735                   | -                | 7,735               |
| Fundraising and development expenses | -                   | -                       | 49,044           | 49,044              |
| Total expenses                       | <u>\$ 2,259,380</u> | <u>\$ 538,786</u>       | <u>\$ 49,044</u> | <u>\$ 2,847,210</u> |

**Martha's Vineyard Community Foundation, Inc.**  
**Statements of Cash Flows**  
**For the Years Ended December 31, 2025 and 2024**

|                                                                                                        | <u>2025</u>              | <u>2024</u>              |
|--------------------------------------------------------------------------------------------------------|--------------------------|--------------------------|
| Cash flows from operating activities                                                                   |                          |                          |
| Change in net assets                                                                                   | \$ 1,635,235             | \$ 1,367,996             |
| Adjustments to reconcile changes in net assets<br>to net cash provided (used) by operating activities: |                          |                          |
| Depreciation and amortization                                                                          | 10,658                   | 10,033                   |
| Loss (gain) on investments non-endowed                                                                 | 748,322                  | (546,149)                |
| Contributions restricted to endowment                                                                  | (474,614)                | (899,732)                |
| Amortization of lease assets                                                                           | 20,252                   | 12,336                   |
| Change in agency endowment liability                                                                   | 13,973                   | (187,905)                |
| Net return on endowment investments                                                                    | (1,888)                  | (613,060)                |
| Changes in assets and liabilities                                                                      |                          |                          |
| Decrease in accounts receivable                                                                        | 551                      | 112,821                  |
| Increase in prepaid expenses                                                                           | (11,189)                 | (535)                    |
| Increase in fiscal sponsor advances                                                                    | (30,294)                 | -                        |
| Increase (decrease) in accounts payable and accrued expenses                                           | 1,197                    | (101,758)                |
| Increase in grants payable                                                                             | 20,675                   | 100,702                  |
| Payments on lease liabilities                                                                          | (21,409)                 | (9,878)                  |
| Net cash provided (used) by operating activities                                                       | <u>1,911,469</u>         | <u>(755,129)</u>         |
| Cash flows from investing activities                                                                   |                          |                          |
| Purchase of property and equipment                                                                     | -                        | (13,120)                 |
| Purchase of investments                                                                                | (15,359,008)             | (5,557,509)              |
| Proceeds from sale of investments                                                                      | 14,646,289               | 4,711,886                |
| (Additions to) withdrawal from endowment - net                                                         | (1,433,682)              | 519,708                  |
| Net cash (used) provided by investing activities                                                       | <u>(2,146,401)</u>       | <u>(339,035)</u>         |
| Cash flows from financing activities                                                                   |                          |                          |
| Contributions restricted to endowment                                                                  | 474,614                  | 899,732                  |
| Payments on notes payable                                                                              | -                        | -                        |
| Net provided by financing activities                                                                   | <u>474,614</u>           | <u>899,732</u>           |
| Net Increase (decrease) in cash and cash equivalents                                                   | 239,682                  | (194,432)                |
| Cash and cash equivalents beginning of year                                                            | <u>267,922</u>           | <u>462,354</u>           |
| Total cash and cash equivalents end of year                                                            | 507,604                  | 267,922                  |
| Less cash held for endowment                                                                           | <u>37,008</u>            | <u>131,923</u>           |
| Cash and cash equivalents on the statement of financial position                                       | <u><u>\$ 470,596</u></u> | <u><u>\$ 135,999</u></u> |

The accompanying notes and auditors' report are an integral part of these financial statements.

**Martha's Vineyard Community Foundation, Inc.**  
**Financial Statements**  
**December 31, 2025 and 2024**

**NOTE 1 –THE ORGANIZATION**

Martha's Vineyard Community Foundation, Inc. (the "Foundation") is a not-for-profit organization established in 1982 as a community foundation located on the island of Martha's Vineyard, Massachusetts. It operates with responsibility to provide funds to organizations and agencies with the intent of providing benefit to the residents of the communities of Martha's Vineyard. The Foundation's Board of Directors awards grants to public and non-profit organizations that serve Martha's Vineyard as well as scholarships to Vineyard students based on a set of written guidelines.

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

***Basis of Presentation***

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (GAAP). In accordance with GAAP, the Foundation reports net assets, revenues, expenses, gains, and losses classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Foundation and changes therein are classified and reported as follows:

**Net Assets Without Donor Restrictions**

Net assets that are not subject to donor-imposed stipulations and those subject to the Foundation's variance power and spending policy are classified as without donor restrictions.

From time to time, the Board may vote to set aside a certain dollar amount or percentage of net assets without donor restrictions for use at a specific time or for a specific purpose, as it sees fit. These board-designated net assets may become undesignated with the passage of time or when used for their intended purpose. In addition, the board may undesignate these net assets at its discretion if the originally intended time period or purpose is deemed no longer relevant or applicable to the needs of the Foundation.

**Net Assets With Donor Restrictions**

Net assets subject to donor-imposed stipulations that may or will be met, either by actions of the Foundation and/or the passage of time are classified as net assets with donor restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

Also included in this category are net assets subject to donor restrictions to be maintained in perpetuity as permanent assets of the Foundation. Generally, all income and unrealized and realized net gains on investments related to these net assets can be made available for operations as the Foundation appropriates its annual spending based on the use of a spending policy or in accordance with donor restrictions.

**Martha's Vineyard Community Foundation, Inc.**  
**Financial Statements**  
**December 31, 2025 and 2024**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

***Cash and Cash Equivalents***

Cash equivalents include cash, time deposits, certificates of deposit, and other highly liquid financial instruments with original maturities of three months or less, which are neither held nor restricted by donors for long-term purposes or endowment. Cash, time deposits, certificates of deposit, and other highly liquid financial instruments restricted to endowments that are perpetual in nature or other long-term purposes are excluded from this definition.

***Fair Value Measurements***

The Foundation follows ASC 820-10, "*Fair Value Measurements*." ASC 820-10 applies to reported balances that are required or permitted to be measured at fair value on a recurring basis under an existing accounting pronouncement. ASC 820-10 emphasizes that fair value is a market-based measurement, not an entity-specific measurement. Therefore, a fair value measurement should be determined based on the assumptions that market participants would use in pricing the asset or liability and establishes a fair value hierarchy consisting of three levels of inputs that may be used to measure fair value as follows:

Level 1 – Inputs that utilize quoted prices (unadjusted) in active markets for identical assets or liabilities that the Foundation has the ability to access.

Level 2 – Inputs that include quoted prices for similar assets and liabilities in active markets and inputs that are observable for the assets or liabilities, either directly or indirectly, for substantially the full term of the financial instrument. Fair values for these instruments are estimated using pricing models, quoted prices of securities with similar characteristics, or discounted cash flows.

Level 3 – Inputs that are unobservable inputs for the asset or liability, which are typically based on an entity's own assumptions, as there is little, if any, related market activity.

In instances where the determination of the fair value measurement is based on inputs from different levels of the fair value hierarchy, the level in the fair value hierarchy within which the entire fair value measurement falls is based on the lowest level input that is significant to the fair value measurement in its entirety.

FASB ASC 825-10, "*Financial Instruments*," permits an entity to measure many financial instruments and certain other assets and liabilities at fair value on an instrument-by-instrument basis. The Foundation has not adopted any of the additional fair value options allowed in the standard. Management has determined that the fair values of its financial instruments not carried at fair value, including cash and cash equivalents, prepaid expenses, accounts payable, grants payable, and accrued expenses are substantially equivalent to their carrying values as of December 31, 2025 and 2024 because of their relatively short-term nature.

**Martha's Vineyard Community Foundation, Inc.**  
**Financial Statements**  
**December 31, 2025 and 2024**

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

***Investments***

The Board of Directors of the Foundation is responsible for adoption and implementation of prudent investment policies, engagement of investment managers, and oversight and coordination of investment performance of third-party fiduciaries. Payout policies and guidelines on funds administered by the Foundation are determined by the Finance Committee and approved by the Board of Directors. The Foundation invests its assets in a manner designed to achieve a total rate of return sufficient to replace the assets spent for grants and expenses and recoup any value lost due to inflation. To minimize risk, the Foundation diversifies its investments among various financial instruments and asset categories and uses multiple investment strategies and managers.

Investments in equity securities with readily determinable fair values and all investments in debt securities are measured at fair value in the statements of financial position and are included in level 1 of the fair value hierarchy. Fair value is based on market value in the case of marketable securities. The market value of publicly traded securities is based upon quoted prices from principal exchanges on which the securities are traded. Investment return (including realized and unrealized gains and losses on investments, interest and dividends, and investment management fees) is included in the current year change in net assets. Realized gains and losses are determined using the average-cost method. Unrealized investment gains and losses represent changes in fair value during the period for investments held at period-end. Dividend and interest income is recognized when earned.

Alternative investments include non-marketable securities such as limited partnerships, private equity, and real estate partnerships which are valued using current estimates of fair value obtained from investment managers or general partners in the absence of readily determinable market values. Such valuations generally consider variables such as operating results, comparable earnings multiples, projected cash flows, recent sales prices, and other pertinent information, and may reflect discounts for the illiquid nature of the investments held. Because of the inherent uncertainty in valuing these investments, the estimate of the investment manager or general partner may differ from the values that would have been used had a ready market existed, and the differences could be significant. The agreements underlying participation in non-marketable investment funds may limit the Foundation's ability to liquidate its interest in such investments. Foundation management is responsible for the measurements of alternative investments reported in the fair value hierarchy as level 3.

Investments in hedge funds are valued using manager-provided net asset value (NAV).

During the year ended December 31, 2020, the Foundation entered into a commitment in the amount of \$250,000 in a real estate investment trust and a second commitment of \$200,000 in Private Equity Partners VIII. In 2021, the Foundation entered into a commitment to fund \$200,000 in Private Equity Partners IX. In 2022, the Foundation entered into commitments of \$200,000 and \$500,000 in Private Equity Partners 10A and GOLUB, respectively. In 2023, the Foundation committed to an investment of \$200,000 in Private Equity Partners 11. In 2024, the Foundation committed to an investment of \$150,000 in Private Equity Partners 12. In 2025, the Foundation committed to an investment of \$150,000 in Private Equity Partners 13 and \$1,099,168 was subscribed to SuMi Trust. As of December 31, 2025 and 2024, \$2,034,300 and \$1,268,158 had been funded, respectively. There were unfunded commitments of \$429,969 and \$431,910, respectively.

**Martha's Vineyard Community Foundation, Inc.**  
**Financial Statements**  
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NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

***Fiscal Sponsor Advances***

During 2025, the Foundation advanced seed funding to two fiscally sponsored projects. Each project raises contributions through the Foundation that are donor restricted for that project. The advances must be used only for the specified project's expenses and supported by actual receipts. After an advance is used, the project may request additional advances up to its remaining fund balance.

***Unconditional Promises to Give***

Contributions are recognized when the donor makes a promise (pledge) to give to the Foundation that is, in substance, unconditional. Promises to give due next year are recorded at their net realizable value. Promises to give due in subsequent years are reported at the present value of their net realizable value using a risk-free interest rate of 5% applicable to the years in which the promises are to be received, net of an allowance for uncollectible amounts. In subsequent periods, amortization of the discount is included in contribution revenue in the statements of activities. The allowance for uncollectible promises to give is based on historical experience, an assessment of economic conditions, and a review of subsequent collections. Promises to give are written off when deemed uncollectible. There were no uncollected promises to give as of December 31, 2025 and 2024.

***Property and Equipment***

The Foundation capitalizes expenditures for property and equipment in excess of \$1,000. Property and equipment is recorded at cost if purchased or constructed, or at fair value at the date of the gift, if donated. Maintenance, repairs, rearrangement expenses, and renewals and betterments that do not significantly enhance the value or increase the basic productive capacity of the assets are charged to expenses as incurred. The Foundation depreciates property and equipment using the straight-line method over the estimated useful lives of the assets as follows:

|                         | <u>Years</u> |
|-------------------------|--------------|
| Leasehold improvements  | 10           |
| Furniture and equipment | 3-7          |
| Website development     | 3            |

The Foundation reviews long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of long-lived assets is measured by comparison to the future undiscounted net cash flows expected to be generated by the assets. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the estimated fair value of the assets. Assets to be disposed of are reportable at the lower of the carrying amount or fair value, less costs to sell.

***Grants and Scholarships Payable***

The Foundation's Board approves grants and scholarships before they are distributed. Once approved, grants and scholarships are recorded as liabilities until paid. As of December 31, 2025 and 2024, grants and scholarships payable were \$163,393 and \$142,718, respectively.

**Martha's Vineyard Community Foundation, Inc.**  
**Financial Statements**  
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**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

***Leases***

The Foundation follows Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) 2016-02, "Leases," which requires lessees to recognize leases on the statement of financial position and disclose key information about leasing arrangements using a right-of-use model (ROU). Under this standard, leases are classified as either finance or operating, with classification affecting the recognition of expenses in the statements of activities.

The Foundation exercised the option under ASU 2016-02 to adopt a policy of expensing payments on operating leases with lease terms of less than twelve months.

***Revenue Recognition***

Program service fees consist of event sponsorships and are recognized when services are performed. Program service fees billed or collected in advance are recorded as deferred revenue until the services are performed. As of December 31, 2025 and 2024, there were no program service fees collected or billed in advance.

A portion of the Foundation's revenue is derived from state contracts and grants which are conditioned upon certain performance requirements and/or the incurrence of allowable qualifying expenses. Amounts received are recognized as revenue when the Foundation has incurred expenditures in compliance with specific contract or grant provisions. Amounts received prior to incurring qualifying expenditures are reported as refundable advances in the statements of financial position. There were no refundable advances as of December 31, 2025 and 2024.

Contributions are recognized when cash, securities, or other assets, or an unconditional pledge or promise to give, or notification of a beneficial interest is received. Gifts of assets other than cash are recorded at their estimated fair value on the date of the gift. Pledges receivable are stated at their estimated net present value, net of an allowance for uncollectible amounts. Conditional promises to give are not recognized until the conditions on which they depend have been substantially met.

Gains and losses on investments and other assets or liabilities are reported as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulation or by law. Expirations of restrictions on net assets by fulfillment of the donor-stipulated purpose or by the passage of the stipulated time period are reported as net assets released from restrictions in the statements of activities.

***In-Kind Contributions***

Donated goods and services are recorded as contributions at their estimated fair value on the date of donation. Such donations are reported as increases in net assets without donor restrictions unless the donor has restricted the donated asset to a specific purpose or time.

From time to time, the Foundation receives donated services from unpaid volunteers who assist in various activities. No amounts have been recognized in the financial statements because the criteria for recognition have not been met.

**Martha's Vineyard Community Foundation, Inc.**  
**Financial Statements**  
**December 31, 2025 and 2024**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

***Functional Allocation of Expenses***

The cost of providing the Foundation's various programs and supporting services have been summarized on a functional basis in the statements of functional expenses. The statement of functional expenses is required to present the natural classification detail of expenses by function, allocated on a reasonable basis that is consistently applied. Expenses that can be identified with a specific program or support service are allocated directly. Based on management's estimates, certain costs have been allocated among major classes of program services and supporting activities. Other unallocable costs, general and administrative, and fundraising costs are allocated to management and general or fundraising, as appropriate.

***Use of Estimates***

The preparation of financial statements in conformity with generally accepted accounting principles 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 the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

***Adoption of Recent Accounting Pronouncement***

The Foundation has elected to early adopt FASB ASU No. 2025-12, "Codification Improvements," as of January 1, 2025. ASU 2025-12 contains various amendments intended to clarify, simplify, and improve consistency in the application of existing accounting guidance throughout the FASB Accounting Standards Codification. The adoption of ASU 2025-12 did not have a material impact on the Foundation's financial statements.

***Income Taxes and Uncertain Tax Positions***

The Foundation, recognized as a tax-exempt entity under Chapter 180 of the Massachusetts General Laws, has been granted tax-exempt status under Internal Revenue Code (IRC) Section 501(c)(3) and is classified as a public charity as defined by section 509(a) of the IRC. Therefore, it is generally exempt from federal and state income taxes. Accordingly, no provision for income taxes has been provided for in the accompanying financial statements.

The Foundation is required by ASC 740-10, "*Accounting for Uncertainty in Income Taxes*," to evaluate and disclose tax positions that could have an effect on the Foundation's financial statements. The Foundation reports its activities to the Internal Revenue Service and to the Commonwealth of Massachusetts on an annual basis. These informational returns are generally subject to audit and review by the governmental agencies for a period of three years after filing. Management believes it is no longer subject to review by taxing authorities for periods prior to 2022. Substantially all of the Foundation's income, expenditures, and activities relate to its exempt purpose. Therefore, management has determined that the Foundation is not subject to unrelated business income taxes and will continue to qualify as a tax-exempt not-for-profit entity.

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**NOTE 3 – LIQUIDITY**

Financial assets available within one year for general expenditure were as follows for the years ending December 31<sup>st</sup>:

|                                                  | <u>2025</u>         | <u>2024</u>         |
|--------------------------------------------------|---------------------|---------------------|
| Cash and cash equivalents                        | \$ 507,604          | \$ 267,922          |
| Investments                                      | 17,314,148          | 15,914,181          |
| Accounts receivable                              | -                   | 551                 |
| Total financial assets                           | <u>17,821,752</u>   | <u>16,182,654</u>   |
| Less:                                            |                     |                     |
| Donor restricted amounts                         | 8,810,577           | 7,912,656           |
| Designated operating reserves                    | 100,000             | 100,000             |
| Quasi-endowment                                  | 7,421,268           | 6,702,212           |
| Plus:                                            |                     |                     |
| Board approved endowment appropriations          | <u>541,500</u>      | <u>517,200</u>      |
| Total financial assets available within one year | <u>\$ 2,031,407</u> | <u>\$ 1,984,986</u> |

To manage liquidity, the Foundation's board strives to maintain a minimum of 4 months of operating reserves to meet current liquidity needs and to address shortfalls in cash flow. The operating reserves are maintained in investment accounts with asset allocations consistent with the investment policy. Operating reserves in the amount of \$100,000 as of December 31, 2025 and 2024 have been Board designated and are not accessible to management for operations without approval by the board. Unrestricted contributions and excess cash on hand not required for current obligations may be added to investments held for operating reserves to either replenish amounts expended or to increase available resources.

In addition, the Foundation had \$2,337,489 and \$2,004,708 in board designated funds functioning as endowment (quasi-endowment) as of December 31, 2025 and 2024, respectively. The annual distribution from the board designated endowment follows the spending policy as approved by the Board. Although the Board currently has no intention of doing so, the operating reserve and quasi-endowment funds can be made available for general expenditure with Board approval.

The Foundation maintains its general ledger accounts in accordance with the principles of fund accounting. Under this method of accounting, resources for various purposes are classified into funds that are in accordance with activities or objectives specified by donors. Separate accounts are maintained for each fund. The Foundation charges each fund an annual administrative fee of 0.75-2.0% depending on the type and size of the fund, consistent with the Foundation's Fee Policy. The administrative fee serves as support for current operations. Administrative fees charged to funds are interfund transfers and are eliminated from organization-wide revenue and expenses for reporting purposes.

The amount for annual distributions is typically based on a spending policy amount, which is calculated as a percentage of the average market value of the fund for the twenty prior quarters. Historically, the spending policy has been 2.5-5.5% of this average value. The Board sets the actual spending rate following a recommendation by the Finance Committee. If upon the establishment of a fund, a donor elects to establish a nonpermanent fund, distributions may be made from principal and income. Grants are generally subject to Board oversight and approval. The Foundation controls operating expenditures through use of a budget that is overseen by the Board.

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**NOTE 4 – INVESTMENTS AND FAIR VALUE OF FINANCIAL INSTRUMENTS**

The Foundation uses fair value measurements to record fair value adjustments to certain assets and liabilities and to determine fair value disclosures (see Note 2). The following table presents the Foundation's fair value hierarchy for those assets and liabilities measured at fair value on a recurring basis as of:

|                         |                      | Quoted prices<br>in active<br>markets for<br>identical<br>assets<br>Level 1 | Significant<br>other<br>observable<br>inputs<br>Level 2 | Significant<br>unobservable<br>inputs<br>Level 3 |
|-------------------------|----------------------|-----------------------------------------------------------------------------|---------------------------------------------------------|--------------------------------------------------|
| December 31, 2025       | Total                |                                                                             |                                                         |                                                  |
| Money market funds      | \$ 1,454,273         | \$ 1,454,273                                                                | \$ -                                                    | \$ -                                             |
| Equity Funds            |                      |                                                                             |                                                         |                                                  |
| Foreign                 | 4,465,549            | 4,465,549                                                                   | -                                                       | -                                                |
| Large cap               | 5,769,979            | 5,769,979                                                                   | -                                                       | -                                                |
| Small cap               | 244,373              | 244,373                                                                     | -                                                       | -                                                |
| Fixed income funds      |                      |                                                                             |                                                         |                                                  |
| Intermediate term       | 2,597,872            | 2,597,872                                                                   | -                                                       | -                                                |
| Alternative investments |                      |                                                                             |                                                         |                                                  |
| Real estate partners    | 231,180              | -                                                                           | -                                                       | 231,180                                          |
| Private equity partners | 1,321,571            | -                                                                           | -                                                       | 1,321,571                                        |
| Total                   | 16,084,797           | \$ 14,532,046                                                               | \$ -                                                    | \$1,552,751                                      |
| Investments at NAV      | 1,229,351            |                                                                             |                                                         |                                                  |
| Total investments       | <u>\$ 17,314,148</u> |                                                                             |                                                         |                                                  |

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NOTE 4 – INVESTMENTS AND FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

|                         |               | Quoted prices<br>in active<br>markets for<br>identical<br>assets<br>Level 1 | Significant<br>other<br>observable<br>inputs<br>Level 2 | Significant<br>unobservable<br>inputs<br>Level 3 |
|-------------------------|---------------|-----------------------------------------------------------------------------|---------------------------------------------------------|--------------------------------------------------|
| December 31, 2024       | Total         |                                                                             |                                                         |                                                  |
| Money market fund       | \$ 1,304,321  | \$ 1,304,321                                                                | \$ -                                                    | \$ -                                             |
| Equity securities       |               |                                                                             |                                                         |                                                  |
| Basic materials         | 16,402        | 16,402                                                                      | -                                                       | -                                                |
| Consumer goods          | 47,021        | 47,021                                                                      | -                                                       | -                                                |
| Financial               | 208,075       | 208,075                                                                     | -                                                       | -                                                |
| Healthcare              | 108,690       | 108,690                                                                     | -                                                       | -                                                |
| Industrial goods        | 101,569       | 101,569                                                                     | -                                                       | -                                                |
| Services                | 93,170        | 93,170                                                                      | -                                                       | -                                                |
| Technology              | 497,294       | 497,294                                                                     | -                                                       | -                                                |
| Real estate             | -             | -                                                                           | -                                                       | -                                                |
| Equity Funds            |               |                                                                             |                                                         |                                                  |
| Foreign                 | 4,633,006     | 4,633,006                                                                   | -                                                       | -                                                |
| Large cap               | 3,952,937     | 3,952,937                                                                   | -                                                       | -                                                |
| Small cap               | 661,775       | 661,775                                                                     | -                                                       | -                                                |
| Fixed income funds      |               |                                                                             |                                                         |                                                  |
| High yield              | 420,809       | 420,809                                                                     | -                                                       | -                                                |
| Short-term              | -             | -                                                                           | -                                                       | -                                                |
| Intermediate term       | 3,064,721     | 3,064,721                                                                   | -                                                       | -                                                |
| Alternative investments |               |                                                                             |                                                         |                                                  |
| Real estate partners    | 242,917       | -                                                                           | -                                                       | 242,917                                          |
| Private equity partners | 561,474       | -                                                                           | -                                                       | 561,474                                          |
| Total                   | \$ 15,914,181 | \$ 15,109,790                                                               | \$ -                                                    | \$ 804,391                                       |

Investment activity for level 3 investments was as follows for the years ended December 31<sup>st</sup>:

|                        | <u>2025</u>        | <u>2024</u>       |
|------------------------|--------------------|-------------------|
| Beginning balance      | \$ 804,391         | \$ 1,142,606      |
| Capital calls          | 530,493            | 128,691           |
| Fees and distributions | (35,496)           | (536,502)         |
| Investment return      | 253,363            | 69,596            |
| Ending balance         | <u>\$1,552,751</u> | <u>\$ 804,391</u> |

Level 3 investments are valued using current estimates of fair value obtained from investment managers or general partners in the absence of readily determinable market values. Such valuations generally consider variables such as operating results, comparable earnings multiples, projected cash flows, recent sales prices, and other pertinent information, and may reflect discounts for the illiquid nature of the investments held. Because of the inherent uncertainty in valuing these investments, the estimate of the investment manager or general partner may differ from the values that would have been used had a ready market existed, and the differences could be significant.

Investments in hedge funds are valued using manager-provided net asset value (NAV).

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**NOTE 5 – INVESTMENT RETURN**

Investment return consisted of the following for the years ended December 31:

|                            | <u>2025</u>        | <u>2024</u>         |
|----------------------------|--------------------|---------------------|
| Interest and dividends     | \$ 388,324         | \$ 411,521          |
| Realized gain              | 1,978,102          | 613,956             |
| Unrealized gain (loss)     | (264,860)          | 545,253             |
| Investment management fees | (67,324)           | (62,240)            |
| Total investment return    | <u>\$2,034,242</u> | <u>\$ 1,508,490</u> |

Investment custodial fees of \$67,324 and \$62,240 for the years ended December 31, 2025 and 2024, respectively, were paid directly to the investment managers and are included in net investment return. Certain investment funds report investment returns net of underlying management fees and carried interest. Those underlying fees are not separately determinable and are not included in the investment management fees presented above.

**NOTE 6 – PROPERTY AND EQUIPMENT**

Property and Equipment is composed of the following as of December 31<sup>st</sup>:

|                               | <u>2025</u>      | <u>2024</u>      |
|-------------------------------|------------------|------------------|
| Leasehold improvements        | \$ 23,249        | \$ 23,249        |
| Website                       | 23,620           | 23,620           |
| Furniture and equipment       | 10,557           | 10,557           |
| Total property and equipment  | 57,426           | 57,426           |
| Less accumulated depreciation | 45,575           | 34,917           |
| Property and equipment - net  | <u>\$ 11,851</u> | <u>\$ 22,509</u> |

Depreciation and amortization expense was \$10,658 and \$10,033 for years ended December 31, 2025 and 2024, respectively.

**NOTE 7 - NET ASSETS**

Net assets consisted of the following at December 31<sup>st</sup>, respectively:

|                                    | <u>2025</u>                      |                            |                     |
|------------------------------------|----------------------------------|----------------------------|---------------------|
|                                    | Without<br>donor<br>restrictions | With donor<br>restrictions | Total               |
| Other undesignated funds           | \$ 199,595                       | \$ -                       | \$ 199,595          |
| Non-endowed funds                  | 989,085                          | 419,193                    | 1,408,278           |
| Designated operating reserves      | 100,000                          | -                          | 100,000             |
| Invested in property and equipment | 11,851                           | -                          | 11,851              |
| Accounts receivable                | -                                | -                          | -                   |
| Endowment funds                    | 7,421,268                        | 8,391,384                  | 15,812,652          |
| Total net assets                   | <u>\$ 8,721,799</u>              | <u>\$ 8,810,577</u>        | <u>\$17,532,376</u> |

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NOTE 7 - NET ASSETS (continued)

|                                    | 2024                             |                            |                     |
|------------------------------------|----------------------------------|----------------------------|---------------------|
|                                    | Without<br>donor<br>restrictions | With donor<br>restrictions | Total               |
| Other undesignated funds           | \$ 146,922                       | \$ -                       | \$ 146,922          |
| Non-endowed funds                  | 1,012,842                        | 125,335                    | 1,138,177           |
| Designated operating reserves      | 100,000                          | -                          | 100,000             |
| Invested in property and equipment | 22,509                           | -                          | 22,509              |
| Accounts receivable                | -                                | -                          | -                   |
| Endowment funds                    | 6,702,212                        | 7,787,321                  | 14,489,533          |
| Total net assets                   | <u>\$ 7,984,485</u>              | <u>\$ 7,912,656</u>        | <u>\$15,897,141</u> |

The endowment component of net assets without donor restrictions is comprised of amounts designated by the Board to function as endowment, which amounted to \$2,337,489 and \$2,004,708 as of December 31, 2025 and 2024, respectively, and other donor created endowments that are subject to both the Foundation's variance power and spending policy. Non-endowed funds classified as without donor restrictions are those funds subject to the Foundation's variance power.

The Foundation's endowment consists of 48 individual funds, of which five include donor-contributed amounts as of December 31, 2025 and 2024 of \$670,395 required to be maintained in perpetuity. Earnings on perpetual endowment funds with purpose restrictions consist of funds restricted for a variety of uses on Martha's Vineyard, Massachusetts, which meet the charitable needs of the community.

In addition, there were net assets with restrictions consisting of temporarily restricted contributions and earnings on perpetual endowment funds subject to time restrictions under the Uniform Prudent Management of Institutional Funds Act ("UPMIFA") as adopted by the Commonwealth of Massachusetts as follows:

|                                          | 2025                | 2024                |
|------------------------------------------|---------------------|---------------------|
| Earnings on perpetual endowment          |                     |                     |
| Without purpose restrictions             | \$ -                | \$ -                |
| With purpose restrictions                | 184,222             | 124,023             |
| Subtotal                                 | <u>184,222</u>      | <u>124,023</u>      |
| Other funds with purpose restrictions    | 7,955,960           | 7,118,237           |
| Other funds with time restrictions       | -                   | -                   |
| Total net assets with donor restrictions | <u>\$ 8,140,182</u> | <u>\$ 7,242,260</u> |

Net assets released from donor restrictions by incurring expenses satisfying the restricted purpose or by occurrence of the passage of time and other events specified by the donors were \$739,259 and \$1,370,843 for the years ended December 31, 2025 and 2024, respectively.

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**NOTE 8 – ENDOWMENT FUNDS**

The Foundation's endowment consists of 48 individual funds established for a variety of purposes. Its endowment funds consist of both donor restricted funds and funds established by the Board of Directors to function as endowments. The Board of Directors of the Foundation has interpreted UPMIFA as requiring 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 Foundation classifies as perpetual endowment (a) the original value of gifts donated to the perpetual endowment, (b) the original value of the subsequent gifts donated to the perpetual endowment, and (c) accumulations to the perpetual endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in perpetual endowment is classified as other net assets with donor restrictions until those amounts are appropriated for expenditure by the Foundation in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- (1) General economic conditions
- (2) The possible effect of inflation and deflation
- (3) The expected tax consequences, if any, of investment decisions
- (4) The role that each investment or course of action plays within the overall investment portfolio of the fund
- (5) The expected total return from income and appreciation of investments
- (6) Other resources of the organization
- (7) The needs of the Foundation and the fund to make distributions and to preserve capital
- (8) An asset's special relationship or special value, if any, to the charitable purposes of the Foundation
- (9) The duration and preservation of the fund
- (10) The investment policy of the Foundation.

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires the Foundation to retain as a fund of perpetual duration. These deficiencies can result from unfavorable market fluctuations that occur in newer endowment funds, shortly after the investment of new permanently restricted contributions and when there was continued appropriation for certain programs that were deemed prudent by the Board of Directors. There were no deficiencies of this nature as of December 31, 2025 and 2024.

The Foundation has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the Foundation must hold in perpetuity for a donor-specified period(s) as well as board-designated funds. Under this policy, as approved by the Board of Directors, the endowment assets are invested in a manner that is intended to produce results that exceed the price and yield results of the Consumer Price Index while assuming a moderate level of investment risk. The Foundation expects its endowment funds, over time, to provide an average rate of return of 5% or more

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**NOTE 8 – ENDOWMENT FUNDS (continued)**

over the rate of inflation, defined as the Consumer Price Index, as measured over a five-year period. Actual returns in any given year may vary from this amount. To satisfy its long-term rate-of-return objectives, the Foundation relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Foundation targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

The Foundation has a spending policy of appropriating for distribution each year from 2.5 to 5.5 percent, net of investment management fees, of its endowment fund's average fair value. In establishing this policy, the Foundation considered the long-term expected return on its endowment. Accordingly, over the long term, the Foundation expects the current spending policy to allow its endowments to grow. This is consistent with the Foundation's objective to maintain the purchasing power of the endowment assets held in perpetuity or for a specified term as well as to provide additional real growth through new gifts and investment return.

The Articles of Organization of the Foundation include a variance power provision which gives the Board of Directors the power to modify any restriction or condition placed on gifts, if in its sole judgment, the Board determines that the restriction becomes, in effect, incapable of fulfillment or is inconsistent with the charitable needs of the community. Net asset composition by endowment fund type was as of:

| December 31, 2025        | Without Donor<br>Restrictions | With Donor<br>Restrictions | Total               |
|--------------------------|-------------------------------|----------------------------|---------------------|
| Donor created endowments | \$ 5,083,779                  | \$ 8,391,384               | \$13,475,163        |
| Board created endowments | 2,337,489                     | -                          | 2,337,489           |
| Total                    | <u>\$ 7,421,268</u>           | <u>\$ 8,391,384</u>        | <u>\$15,812,652</u> |
| December 31, 2024        | Without Donor<br>Restrictions | With Donor<br>Restrictions | Total               |
| Donor created endowments | \$ 4,697,504                  | \$ 7,787,321               | \$12,484,825        |
| Board created endowments | 2,004,708                     | -                          | 2,004,708           |
| Total                    | <u>\$ 6,702,212</u>           | <u>\$ 7,787,321</u>        | <u>\$14,489,533</u> |

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**NOTE 8 – ENDOWMENT FUNDS (continued)**

Changes in endowment net assets for the year ended December 31, 2025 were as follows:

|                                            | Without Donor<br>Restrictions | With Donor<br>Restrictions | Total                      |
|--------------------------------------------|-------------------------------|----------------------------|----------------------------|
| Endowment net assets,<br>beginning of year | \$6,702,212                   | \$7,787,321                | \$14,489,533               |
| Investment return:                         |                               |                            |                            |
| Investment income                          | 915,006                       | 1,056,443                  | 1,971,449                  |
| Appreciation/depreciation                  | (2,224)                       | 4,112                      | 1,888                      |
| Total investment return                    | <u>912,782</u>                | <u>1,060,555</u>           | <u>1,973,337</u>           |
| Contributions                              | 471,352                       | 3,262                      | 474,614                    |
| Appropriation of assets for<br>expenditure | (667,405)                     | (459,754)                  | (1,127,159)                |
| Other changes                              | <u>2,327</u>                  | <u>-</u>                   | <u>2,327</u>               |
| Endowment net assets,<br>end of year       | <u><u>\$7,421,268</u></u>     | <u><u>\$8,391,384</u></u>  | <u><u>\$15,812,652</u></u> |

Changes in endowment net assets for the year ended December 31, 2024 were as follows:

|                                            | Without Donor<br>Restrictions | With Donor<br>Restrictions | Total                      |
|--------------------------------------------|-------------------------------|----------------------------|----------------------------|
| Endowment net assets,<br>beginning of year | \$6,204,550                   | \$7,508,796                | \$13,713,346               |
| Investment return:                         |                               |                            |                            |
| Investment income                          | 142,676                       | 201,503                    | 344,179                    |
| Appreciation/depreciation                  | 548,022                       | 607,640                    | 1,155,662                  |
| Total investment return                    | <u>690,698</u>                | <u>809,143</u>             | <u>1,499,841</u>           |
| Contributions                              | 895,532                       | 4,200                      | 899,732                    |
| Appropriation of assets for<br>expenditure | (1,008,295)                   | (450,387)                  | (1,458,682)                |
| Other changes                              | <u>(80,273)</u>               | <u>(84,431)</u>            | <u>(164,704)</u>           |
| Endowment net assets,<br>end of year       | <u><u>\$6,702,212</u></u>     | <u><u>\$7,787,321</u></u>  | <u><u>\$14,489,533</u></u> |

**NOTE 9 – CREDIT RISK**

The Foundation places its cash and investments with high-quality financial institutions and investment managers. Such deposits are generally covered by Federal Deposit Insurance Corporation (FDIC) insurance and by state level insurance for balances in excess of FDIC limits. The finance committee routinely assesses the financial strength of the institution in order to minimize risk.

Investments are exposed to various risks such as market and credit risks. Due to the level of risk associated with such investments and the level of uncertainty related to changes in the value of such investments, it is at least reasonably possible that changes in values in the near term could materially affect investment balances and the amounts reported in the financial statements.

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**NOTE 10 – AGENCY ENDOWMENT FUNDS**

Agency endowment arises when a transfer is received from a not-for-profit organization or its affiliate that specifies itself as beneficiary. GAAP requires that the transfers received by a community foundation be accounted for as a liability as the transaction is deemed to be reciprocal. The agency endowment funds held by the Foundation as of December 31, 2025 and 2024 were \$126,910 and \$112,937, respectively. Distributions from agency endowment funds are subject to the Foundation's spending policy. Changes in the fair value of the related investments and amounts distributed to the beneficiary adjust the liability.

**NOTE 11 – OPERATING LEASE**

The Foundation occupies office space in West Tisbury, MA. The Foundation's original office lease expired on October 31, 2024 and was renewed through October 31, 2027. This lease provides for monthly rental payments of \$2,000. Rent expense for the years ended December 31, 2025 and 2024 was \$26,537 and \$23,391, respectively, and is included in occupancy costs in the statements of functional expenses. The lease agreement contains customary indemnification provisions whereby the Foundation agrees to indemnify the landlord for certain claims and liabilities arising from the Foundation's use and occupancy of the leased premises. Management is not aware of any matters that would result in a material obligation under these provisions as of December 31, 2025.

In accordance with GAAP, the Foundation recorded net operating lease right-of-use assets of \$40,015 and \$60,267 and lease liabilities of \$42,135 and \$63,544 as of December 31, 2025 and 2024, respectively. The Foundation used a weighted average discount rate of 5% with a weighted average lease term of 1.83 years. Future minimum payments required under the lease for the years ending December 31<sup>st</sup> are:

|                               |                  |
|-------------------------------|------------------|
| 2026                          | \$ 24,000        |
| 2027                          | 20,000           |
| Total undiscounted cash flows | 44,000           |
| Less present value discount   | 1,865            |
| Total lease liability         | 42,135           |
| Current portion               | 22,504           |
| Long-term portion             | <u>\$ 19,631</u> |

**NOTE 12 – RETIREMENT PLAN**

Effective January 1, 2025, the Foundation adopted a SIMPLE IRA retirement plan covering eligible employees. Under the terms of the plan, the Foundation makes employer contributions in accordance with the plan provisions. Retirement expense recognized under the plan for the years ended December 31, 2025 and 2024 was approximately \$9,367 and \$0, respectively.

**NOTE 13 – SUBSEQUENT EVENTS**

ASC 855-10, "*Subsequent Events*," defines further disclosure requirements for events that occur after the statement of financial position date, but before financial statements are issued. In accordance with ASC 855-10, management has evaluated events subsequent to December 31, 2025 through September 16, 2026, which is the date the financial statements were available to be issued. There were no material events noted during this period that would impact the results reflected in this report.