

The Lenny Zakim Fund

Financial Report
December 31, 2017

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RSM US LLP

Independent Auditor's Report

To the Board of Directors
The Lenny Zakim Fund

Report on the Financial Statements

We have audited the accompanying financial statements of The Lenny Zakim Fund which comprise the statements of financial position as of December 31, 2017 and 2016, the related statements of activities 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.

Auditor's 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 audit to obtain reasonable assurance about whether the financial statements are free from 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 auditor's 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 auditor considers internal control relevant to the entity'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 entity'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 Lenny Zakim Fund as of December 31, 2017 and 2016, 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.

RSM US LLP

Boston, Massachusetts
November 9, 2018

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The Lenny Zakim Fund

Statements of Financial Position
December 31, 2017 and 2016

	2017	2016
Assets		
Cash	\$ 775,252	\$ 567,446
Contributions receivable, net	408,091	8,740
Employee receivable	-	438
Prepaid expenses	8,000	6,750
Investments, at fair value	5,509,121	4,893,065
	<u>5,509,121</u>	<u>4,893,065</u>
Total assets	\$ 6,700,464	\$ 5,476,439
Liabilities and Net Assets		
Liabilities:		
Agency custodial accounts	\$ 31,061	\$ 31,061
Miscellaneous liabilities	1,505	1,425
Total liabilities	32,566	32,486
Net assets:		
Unrestricted:		
Undesignated	541,006	508,888
Board-designated endowment	1,016,476	902,809
	<u>1,557,482</u>	<u>1,411,697</u>
Temporarily restricted	2,455,978	1,377,818
Permanently restricted	2,654,438	2,654,438
Total net assets	6,667,898	5,443,953
	<u>6,667,898</u>	<u>5,443,953</u>
Total liabilities and net assets	\$ 6,700,464	\$ 5,476,439
	<u>\$ 6,700,464</u>	<u>\$ 5,476,439</u>

See notes to financial statements.

The Lenny Zakim Fund

Statements of Activities

Years Ended December 31, 2017 and 2016

	2017				2016			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenues and support:								
Contributions	\$ 925,305	\$ 613,091	\$ -	\$ 1,538,396	\$ 824,603	\$ 42,000	\$ 150,000	\$ 1,016,603
Contributed services and facilities, at fair value	123,559	-	-	123,559	86,798	-	-	86,798
Investment income, net	39,603	175,038	-	214,641	30,374	134,250	-	164,624
Net realized and unrealized gains on investments	87,349	386,066	-	473,415	27,248	120,429	-	147,677
Net assets released from restrictions	37,320	(37,320)	-	-	69,654	(69,654)	-	-
Appropriation of investment earnings for expenditure	72,000	-	-	72,000	53,183	-	-	53,183
Appropriation of investment earnings for expenditure	(13,285)	(58,715)	-	(72,000)	(9,813)	(43,370)	-	(53,183)
Interest income	70	-	-	70	180	-	-	180
Change in donor intent	-	-	-	-	(50,000)	-	50,000	-
	1,271,921	1,078,160	-	2,350,081	1,032,227	183,655	200,000	1,415,882
Expenses:								
Program services	750,132	-	-	750,132	740,438	-	-	740,438
Management and general	199,003	-	-	199,003	160,572	-	-	160,572
Fundraising	177,001	-	-	177,001	130,174	-	-	130,174
	1,126,136	-	-	1,126,136	1,031,184	-	-	1,031,184
Change in net assets	145,785	1,078,160	-	1,223,945	1,043	183,655	200,000	384,698
Net assets, beginning of year	1,411,697	1,377,818	2,654,438	5,443,953	1,410,654	1,194,163	2,454,438	5,059,255
Net assets, end of year	\$ 1,557,482	\$ 2,455,978	\$ 2,654,438	\$ 6,667,898	\$ 1,411,697	\$ 1,377,818	\$ 2,654,438	\$ 5,443,953

See notes to financial statements.

The Lenny Zakim Fund

Statements of Cash Flows

Years Ended December 31, 2017 and 2016

	2017	2016
Cash flows from operating activities:		
Change in net assets	\$ 1,223,945	\$ 384,698
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Net realized and unrealized gains on investments	(473,415)	(147,677)
Contributions restricted to permanent endowment	-	(200,000)
Donated Securities	(5,764)	(16,357)
Proceeds from sale of donated securities	5,764	16,357
Changes in assets and liabilities:		
Increase in prepaid expenses	(1,250)	(3,500)
(Increase) decrease in contributions receivable, net	(399,351)	56,260
Decrease in employee receivable	438	14,187
Increase in miscellaneous liabilities	80	1,425
Net cash provided by operating activities	350,447	105,393
Cash flows from investing activities:		
Purchases of investments	(989,735)	(1,967,130)
Proceeds from sales of investments	847,094	800,689
Net cash used in investing activities	(142,641)	(1,166,441)
Cash flows from financing activities:		
Contributions restricted to permanent endowment	-	200,000
Net cash provided by financing activities	-	200,000
Net increase (decrease) in cash	207,806	(861,048)
Cash, beginning of year	567,446	1,428,494
Cash, end of year	\$ 775,252	\$ 567,446

See notes to financial statements.

The Lenny Zakim Fund

Notes to Financial Statements

Note 1. Organization and Operations

The Lenny Zakim Fund (the "Fund"), formerly The Lenny Fund, is a not-for-profit organization which provides resources that enable and empower people and communities to effectively address social and economic injustice. The Fund supports organizations that improve educational opportunities for children, youth and immigrants; promote positive youth development and prevent violence; promote social and economic justice and human and civil rights; and serve people facing medical challenges and/or physical or cognitive disabilities. The Fund supports organizations through financial grants, education, management assistance and coaching, and networking.

Note 2. Summary of Significant Accounting Policies

Basis of presentation: The financial statements have been prepared on the accrual basis of accounting and in accordance with accounting standards set by the Financial Accounting Standards Board ("FASB"). The FASB sets generally accepted accounting principles ("GAAP") to ensure financial condition, results of operations, and cash flows are consistently reported. References to GAAP issued by the FASB in these footnotes are to the FASB Accounting Standards Codification ("FASB ASC").

A summary of the significant accounting policies applied in the preparation of the financial statements follows.

Classification and reporting of net assets: The financial statement presentation follows FASB ASC 958, *Not-for-Profit Entities* ("ASC 958"). Under ASC 958, the Fund is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets and permanently restricted net assets.

- Unrestricted net assets represent the portion of net assets of the Fund that is neither permanently restricted nor temporarily restricted by donor-imposed stipulations. In addition, unrestricted net assets of the Fund include funds which represent unrestricted resources designated by the Board of Directors ("Board") as board designated endowment.
- Temporarily restricted net assets represent contributions and other inflows of assets whose use by the Fund is limited by donor-imposed stipulations that either expire by passage of time or can be fulfilled and removed by actions of the Fund pursuant to those stipulations. Temporarily restricted net assets also include, under Massachusetts law, cumulative appreciation and investment earnings on restricted endowment funds, which are subject to prudent appropriation by the Board.
- Permanently restricted net assets represent contributions and other inflows of assets whose use by the Fund is limited by donor-imposed stipulations that neither expire by passage of time nor can be fulfilled or otherwise removed by actions of the Fund.

The Fund reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets or have an implied time restriction. When a donor restriction expires, that is when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are released to unrestricted net assets and reported in the statements of activities as net assets released from restrictions.

Use of estimates: The preparation of financial statements in accordance with GAAP 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.

The Lenny Zakim Fund

Notes to Financial Statements

Note 2. Summary of Significant Accounting Policies (Continued)

Liquidity: In order to provide information about liquidity, assets are sequenced according to their nearness of conversion to cash and liabilities according to the nearness of their estimated maturity.

Cash and cash equivalents: The Fund considers cash and cash equivalents to be currency on hand or deposits and short-term investments with maturities of three months or less at the time of purchase. Cash and cash equivalents designated for long-term purposes or received with donor-imposed restrictions limiting their use to long-term purposes are not considered cash and cash equivalents for purposes of the statements of cash flows. Such amounts are reported as a component of investments in the statements of financial position.

Concentration of credit risk and operations: The Fund maintains its cash in bank deposit accounts and money market accounts, which may at times exceed federally insured limits. The Fund has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash and cash equivalents.

There was one fundraising event that provided 16% and 21% of total contributions for the years ended December 31, 2017 and 2016, respectively. There were two donors who provided 36% of total contributions for the year ended December 31, 2017. There were no donors who provided more than 10% of total contributions for the year ended December 31, 2016.

During the years ended December 31, 2017 and 2016, the Fund received approximately 7% and 10%, respectively, of its total contributions from members of the Board.

At December 31, 2017, there were two donors that made up 96% of the contribution receivable balance. No donors made up more than 10% of the contribution receivable balance at December 31, 2016.

Contributions: Contributions, including unconditional promises to give, are initially recognized as revenues at fair value in the period received. Conditional promises to give are not recognized until they become unconditional, that is, at the time the conditions on which they depend are substantially met. At December 31, 2017 and 2016, there were no conditional promises to give. Contributions of assets other than cash are recorded at their estimated fair value as of the date the gift is received. Contributions received with donor-imposed restrictions that are met in the same year as received are reported as revenues of the unrestricted net asset class.

Contributions received in which donors have not determined the specific details of their restrictions are reported as revenues of the temporarily restricted net asset class. A reclassification of net assets to conform to donor's intent is recorded once the final determination is made by the donor or if the donor later changes the nature of any restrictions.

Contributions to be received after one year are discounted at an appropriate discount rate commensurate with the risk involved. The discount rate is 1.99% for outstanding contributions receivable as of December 31, 2017. At December 31, 2016, there were no contributions receivable to be received after one year. Amortization of discount is recorded as additional contribution revenue in accordance with donor-imposed restrictions, if any, on the contributions.

An allowance for uncollectible contributions receivable is provided based upon management's judgment of potential defaults. The determination includes such factors as prior collection history, type of contribution, and nature of fund-raising activity. At December 31, 2017 and 2016, there was no allowance for uncollectible contributions.

The Lenny Zakim Fund

Notes to Financial Statements

Note 2. Summary of Significant Accounting Policies (Continued)

Investments and investment earnings: All investments have been reported in the financial statements at fair value. Investment income and realized and unrealized gains and losses on long-term investments are reported as follows:

- Increases and decreases in permanently restricted net assets if the donor has stipulated that these are to be added to or deducted from the principal;
- Increases and decreases in temporarily restricted net assets if:
 - it is income or a realized or unrealized gain or loss related to a permanently restricted contribution;
 - the donor has stipulated restrictions on the use of the income and gains;
- In the event losses are incurred on endowment assets or investments and temporarily restricted net assets are not sufficient, then unrestricted net assets will be decreased; and
- Increases and decreases in unrestricted net assets in all other cases.

Purchases and sales of securities are recorded on trade dates, and realized gains and losses are determined on the basis of the average cost of securities sold. Investment income and net realized and unrealized gains are reflected in the statements of activities.

Investments, in general, are exposed to various risks, such as interest rate, credit, and overall market volatility. As such, it is reasonably possible that changes in the values of investments will occur in the near term and that such changes could materially affect the amounts reported in the statements of financial position and statements of operations and changes in net assets.

The Fund follows guidance on the net asset classification of donor restricted endowment funds for a not-for-profit organization that is subject to an enacted version of the Uniform Prudent Management of Institutional Funds Act of 2006 ("UPMIFA"). UPMIFA is a model act approved by the Uniform Law Commission that serves as a guideline for states to use in enacting legislation. The guidance also requires disclosures about an organization's endowment funds.

Historically, the Fund has relied upon the Massachusetts Attorney General's interpretation of relevant state law as generally permitting the spending of gains and investment income on permanently restricted net assets over a stipulated period of time. State law allows the Board to appropriate a specified percentage of investment income and the net appreciation as deemed prudent considering the Fund's long and short-term needs, present and anticipated financial requirements, expected total return on its investments, price level trends and general economic conditions.

Board interpretation of UPMIFA that underlies the fund's net asset classification of donor restricted funds: The Board has interpreted Massachusetts 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 Fund classifies as permanently restricted net assets: (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent 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 permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Board in a manner that is consistent with the standards of prudence prescribed by the Massachusetts UPMIFA and in accordance with the Fund's spending policy.

The Lenny Zakim Fund

Notes to Financial Statements

Note 2. Summary of Significant Accounting Policies (Continued)

Return objectives, risk parameters and strategies employed for achieving objectives: The Fund has adopted investment and spending policies, approved by the Board, 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 these endowment assets over the long-term. The Fund's spending and investment policies work together to achieve this objective. The investment policy establishes an achievable return objective through asset class and industry diversification. Actual returns in any given year may vary from this amount. To satisfy its long-term rate-of-return objectives, the Fund 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 Fund targets a diversified asset allocation that places an emphasis on equity-based investments to achieve its long-term return objectives within prudent risk parameters.

Spending policy and how the investment objectives relate to spending policy: The Fund's spending policy involves the utilization of a spending rate determined at the discretion of the Board, not to exceed a spending rate of 4.5% of the average three-year portfolio value as measured at quarter end December 31st of the preceding fiscal year. In no event will the Board authorize spending that will cause the value of the endowments assets to decrease below the principal. As a result of that calculation, a portion of cumulative investment earnings (including realized and unrealized gains and investment income) would be allocated to unrestricted net assets. During the years ended December 31, 2017 and 2016 the Board appropriated \$72,000 and \$53,183 of investment earnings, respectively, to unrestricted net assets under their spending policy.

Agency transactions: Agency custodial accounts on the statements of financial position represent the value of funds received by the Fund on behalf of a donor who determines the beneficiary of the funds. The related asset recognized by the Fund is included in cash on the accompanying statements of financial position. The Fund's policy is to recognize the funds received and an offsetting liability until the funds are distributed to the ultimate beneficiary, at which time the asset and liability are removed from the Fund's books.

Contributed services and facilities: The Fund recognizes as unrestricted revenues and expenses the estimated fair value of those contributed services that meet the following criteria:

- The services received either create or enhance nonfinancial assets, or
- The services received require specialized skills and are provided by individuals possessing those skills, and the services received would typically need to be purchased if not provided by contribution.

In addition, the Fund recognizes the fair value of contributed facilities as unrestricted revenues and expenses.

Grants: The Fund makes grants to organizations in support of the Fund's mission. The amount for which the Fund is obligated is recorded upon the Board's approval. At December 31, 2017 and 2016, there were no grants payable outstanding as grants are approved by the Board and paid during the same fiscal year.

Functional allocation of expenses: The costs of providing the Fund's programs and other activities have been summarized on a functional basis. Accordingly, certain costs have been allocated among program and supporting services benefited. Expenses directly related to the programs are charged to those programs while other expenses are allocated based upon management's estimate of the percentage attributable to each program.

The Lenny Zakim Fund

Notes to Financial Statements

Note 2. Summary of Significant Accounting Policies (Continued)

Income taxes: The Fund is a nonprofit organization, which is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. Accordingly, no provision for income taxes has been recorded in the accompanying financial statements.

The Fund follows the FASB ASC 740, *Income Taxes*, which clarifies the accounting for uncertainty in income taxes by prescribing the recognition threshold a tax position is required to meet before being recognized in the financial statements. The Fund recognizes a tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by authorities. Management has evaluated the Fund's tax positions and has concluded that the Fund has no material uncertainties in income taxes. With few exceptions, the Fund is no longer subject to income tax examination by the U.S., federal, state or local tax authorities for years before 2014. The Fund will account for interest and penalties related to uncertain tax positions, if any, as part of tax expense.

Recently issued accounting pronouncement: In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)*, requiring an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. The updated standard will replace most existing revenue recognition guidance in GAAP when it becomes effective and permits the use of either a full retrospective or retrospective with cumulative effect transition method. In August 2015, the FASB issued ASU 2015-14, *Revenue from Contracts (Topic 606): Deferral of the Effective Date*, which defers the effective date of ASU 2014-09 one year making it effective for annual reporting periods beginning after December 15, 2018. The Fund has not yet selected a transition method and is currently evaluating the effect that the updated standard will have on the financial statements.

In August 2016, the FASB issued ASU 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. The ASU simplifies and improves how a not-for-profit organization classifies its net assets, as well as the information it presents in financial statements and notes about its liquidity, financial performance, and cash flows. The ASU is effective for fiscal years beginning after December 15, 2017. Early adoption is permitted. The Fund is currently evaluating the effect that the updated standard will have on the financial statements.

In August 2016, the FASB issued ASU 2016-15, *Statement of Cash Flows (Topic 230): Classification of Certain Cash Receipts and Cash Payments (A Consensus of the FASB Emerging Issues Task Force)*. To reduce diversity in practice, the ASU provides solutions for eight specific statement of cash flow classification issues. The ASU is effective for fiscal years beginning after December 15, 2018. Early adoption is permitted. The Fund has not yet selected a transition method and is currently evaluating the effect that the updated standard will have on the financial statements.

In June 2018, the FASB issued ASU 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. This ASU clarifies the guidance for evaluating whether a transaction is reciprocal (i.e., an exchange transaction) or nonreciprocal (i.e., a contribution) and for distinguishing between conditional and unconditional contributions. The ASU also clarifies the guidance used by entities other than not-for-profits to identify and account for contributions made. The ASU has different effective dates for resource recipients and resource providers. Where the Fund is a resource recipient, the ASU is applicable to contributions received for annual periods beginning after December 15, 2018, and interim periods within annual periods beginning after December 15, 2019. Early adoption is permitted. The Fund is currently evaluating the impact of the adoption of this guidance on its financial statements.

The Lenny Zakim Fund

Notes to Financial Statements

Note 3. Contributions Receivable

Contributions receivable consisted of the following at December 31:

	2017	2016
Amounts due:		
In one year or less	\$ 215,442	\$ 8,740
Between one and two years	200,000	-
	<u>415,442</u>	<u>8,740</u>
Less unamortized present value discount	(7,351)	-
Contributions receivable, net	<u>\$ 408,091</u>	<u>\$ 8,740</u>

Note 4. Related Party Transactions

As of December 31, 2016, there were employee receivables of \$438, all of which was collected in 2017.

Note 5. Retirement Plan

The Fund provides a 401(k) retirement savings plan (the "Plan") covering substantially all of its employees. All full-time salaried employees with one full year of service are eligible to participate. Under the terms of the Plan, employees may contribute a percentage of their salary, up to a maximum of 100%, or a dollar amount prescribed by the Internal Revenue Service, which is then invested in a wide array of core investment options selected by the employee. The Fund contributes 3 percent of the employee's salary. The contribution made by the Fund for the years ended December 31, 2017 and 2016 totaled \$5,156 and \$4,806, respectively.

Note 6. Investments

Investments consisted of the following at December 31:

	2017	2016
Mutual funds	\$ 5,314,898	\$ 4,701,552
Money market funds	75,291	93,725
Domestic equity securities	118,932	97,788
	<u>\$ 5,509,121</u>	<u>\$ 4,893,065</u>

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

	2017	2016
Interest and dividends	\$ 232,106	\$ 180,199
Net realized and unrealized gains	473,415	147,677
Management fees	(17,465)	(15,575)
Investment return	<u>\$ 688,056</u>	<u>\$ 312,301</u>

The Lenny Zakim Fund

Notes to Financial Statements

Note 7. Fair Value Measurements

Under the FASB's authoritative guidance on fair value measurements, fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. In determining fair value, the Fund uses the market approach method. Based on this approach, the Fund often utilizes certain assumptions that market participants would use in pricing the asset or liability, including assumptions about risk and or the risks inherent in the inputs to the valuation technique. These inputs can be readily observable, market corroborated, or generally unobservable inputs. The Fund utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs. Based on the observability of the inputs used in the valuation techniques, the Fund is required to provide the following information according to the fair value hierarchy. The fair value hierarchy ranks the quality and reliability of the information used to determine fair values. Financial assets and liabilities carried at fair value will be classified and disclosed in one of the following three categories:

- Level 1:** Quoted prices for identical assets and liabilities traded in active exchange markets, such as the New York Stock Exchange.
- Level 2:** Observable inputs other than Level 1 including quoted prices for similar assets or liabilities, quoted prices in less active markets, or other observable inputs that can be corroborated by observable market data.
- Level 3:** Unobservable inputs supported by little or no market activity for financial instruments whose value is determined using pricing models, discounted cash flow methodologies, or similar techniques, as well as instruments for which the determination of fair value requires significant management judgment or estimation; also includes observable inputs for nonbinding single dealer quotes not corroborated by observable market data.

While the Fund 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 estimate of fair value at the reporting date.

The Fund has various processes and controls in place to ensure that fair value is reasonably estimated.

During the years ended December 31, 2017 and 2016, there were no changes to the Fund's valuation techniques that had, or are expected to have, a material impact on its financial position or statement of activities.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs. The following is a description of the valuation methodologies used for instruments measured at fair value:

Mutual funds and domestic equity securities: The fair value of mutual funds, domestic equity securities and money market funds is the market value based on quoted market prices, when available, or market prices provided by recognized broker dealers.

Money market funds: The fair value of money market funds is the market value based on quoted market prices, when available, or market prices provided by recognized broker dealers. If listed prices or quotes are not available, fair value is based upon externally developed models that use unobservable inputs due to the limited market activity of the instrument.

The Lenny Zakim Fund

Notes to Financial Statements

Note 7. Fair Value Measurements (Continued)

The following table is a summary of investments that the Fund measures at fair value on a recurring basis, by level, at December 31:

	2017			
	Total	Level 1	Level 2	Level 3
Mutual funds:				
Blend funds	\$ 1,623,660	\$ 1,623,660	\$ -	\$ -
Bond funds	1,359,612	1,359,612	-	-
Growth funds	1,352,340	1,352,340	-	-
Value funds	979,286	979,286	-	-
Total mutual funds	5,314,898	5,314,898	-	-
Money market funds	75,291	75,291	-	-
Domestic equity securities	118,932	118,932	-	-
Total investments	\$ 5,509,121	\$ 5,509,121	\$ -	\$ -
	2016			
	Total	Level 1	Level 2	Level 3
Mutual funds:				
Blend funds	\$ 1,111,327	\$ 1,111,327	\$ -	\$ -
Bond funds	1,073,075	1,073,075	-	-
Growth funds	1,570,358	1,570,358	-	-
Value funds	946,792	946,792	-	-
Total mutual funds	4,701,552	4,701,552	-	-
Money market funds	93,725	93,725	-	-
Domestic equity securities	97,788	97,788	-	-
Total investments	\$ 4,893,065	\$ 4,893,065	\$ -	\$ -

There were no transfers between fair value hierarchy levels as of December 31, 2017 and 2016.

The Lenny Zakim Fund

Notes to Financial Statements

Note 8. Endowment Net Assets

Following is a summary of endowment net asset composition by type of fund as of December 31, 2017:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor restricted funds	\$ -	\$ 1,838,207	\$ 2,654,438	\$ 4,492,645
Board designated funds	1,016,476	-	-	1,016,476
Endowment funds	<u>\$ 1,016,476</u>	<u>\$ 1,838,207</u>	<u>\$ 2,654,438</u>	<u>\$ 5,509,121</u>

Following is a summary of endowment net asset composition by type of fund as of December 31, 2016:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor restricted funds	\$ -	\$ 1,335,818	\$ 2,654,438	\$ 3,990,256
Board designated funds	902,809	-	-	902,809
Endowment funds	<u>\$ 902,809</u>	<u>\$ 1,335,818</u>	<u>\$ 2,654,438</u>	<u>\$ 4,893,065</u>

Following is a summary of the changes in endowment net assets for the year ended December 31, 2017 and 2016:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, December 31, 2015	\$ -	\$ 1,124,509	\$ 2,454,438	\$ 3,578,947
Contributions	-	-	150,000	150,000
Board designation of funds	855,000	-	-	855,000
Investment return:				
Investment income, net	30,374	134,250	-	164,624
Net realized/unrealized losses	27,248	120,429	-	147,677
Total investment return	<u>57,622</u>	<u>254,679</u>	<u>-</u>	<u>312,301</u>
Appropriation of investment earnings for expenditure	(9,813)	(43,370)	-	(53,183)
Change in donor intent	-	-	50,000	50,000
Endowment net assets, December 31, 2016	<u>902,809</u>	<u>1,335,818</u>	<u>2,654,438</u>	<u>4,893,065</u>
Investment return:				
Investment income, net	39,603	175,038	-	214,641
Net realized/unrealized gains	87,349	386,066	-	473,415
Total investment return	<u>126,952</u>	<u>561,104</u>	<u>-</u>	<u>688,056</u>
Appropriation of investment earnings for expenditure	(13,285)	(58,715)	-	(72,000)
Endowment net assets, December 31, 2017	<u>\$ 1,016,476</u>	<u>\$ 1,838,207</u>	<u>\$ 2,654,438</u>	<u>\$ 5,509,121</u>

The Lenny Zakim Fund

Notes to Financial Statements

Note 8. Endowment Net Assets (Continued)

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level the donor requires the Fund to retain. Deficiencies of this nature are reported in unrestricted net assets. Investment return will flow through unrestricted until the deficiency has been restored. Once the deficiency is restored, the remaining investment return will flow through temporarily restricted. There were no such deficiencies at December 31, 2017 and 2016.

Note 9. Permanently Restricted Net Assets

Permanently restricted net assets as of December 31, 2017 and 2016 consist of permanently restricted gifts received for the support of the mission of the Fund.

Note 10. Net Assets Released From Donor Restrictions

The net assets released from restrictions at December 31 consisted of the following:

	2017	2016
Purpose restrictions	\$ 37,320	\$ 4,654
Time restrictions	-	65,000
	<u>\$ 37,320</u>	<u>\$ 69,654</u>

Note 11. Temporarily Restricted Net Assets

The temporarily restricted net assets of the Fund at December 31 consisted of the following:

	2017	2016
Accumulated and unappropriated investment earnings	\$ 1,838,207	\$ 1,335,818
Contributions restricted for specific purposes	209,680	33,260
Contributions receivable	408,091	8,740
	<u>\$ 2,455,978</u>	<u>\$ 1,377,818</u>

Note 12. Contributed Services and Facilities

Contributed services and facilities are reported at fair value and included the following for the years ended December 31:

	2017	2016
Accounting services	\$ 48,000	\$ 14,500
Auditing and tax services	41,800	40,200
Office space	25,000	25,000
Printing and production services	8,759	7,098
	<u>\$ 123,559</u>	<u>\$ 86,798</u>

The office space is contributed by a law firm. Certain members of the Board of the Fund are employed by this law firm.

The Lenny Zakim Fund

Notes to Financial Statements

Note 12. Contributed Services and Facilities (Continued)

During the year ended December 31, 2016, accounting services were contributed by a company owned by certain members of the Board.

In addition, many individuals volunteer their time and perform a variety of tasks that assist the Fund in carrying out its mission. No value for these volunteer hours is included in the total for contributed services.

Note 13. Functional Expenses

For the year ended December 31, 2017, expenses were incurred for the following:

	Program Services	Management and General	Fundraising	Total
Contributed services	\$ -	\$ 89,800	\$ 8,759	\$ 98,559
Grants awarded	559,275	-	-	559,275
Program/event	33,199	3,873	100,051	137,123
Payroll wages and taxes	137,555	47,760	61,306	246,621
Contributed office space	-	25,000	-	25,000
Other expenses	10,083	7,433	496	18,012
Office expense	9,897	13,001	929	23,827
Printing and reproduction	90	-	5,028	5,118
Bank service charges	-	10,516	-	10,516
Postage and delivery	33	170	432	635
Payroll service fees	-	1,450	-	1,450
	<u>\$ 750,132</u>	<u>\$ 199,003</u>	<u>\$ 177,001</u>	<u>\$ 1,126,136</u>

For the year ended December 31, 2016, expenses were incurred for the following:

	Program Services	Management and General	Fundraising	Total
Contributed services	\$ -	\$ 54,700	\$ 7,098	\$ 61,798
Grants awarded	591,600	-	-	591,600
Program/event	26,007	7,752	72,020	105,779
Payroll wages and taxes	106,770	46,447	43,083	196,300
Contributed office space	-	25,000	-	25,000
Other expenses	4,101	8,951	723	13,775
Office expense	11,175	7,691	1,290	20,156
Printing and reproduction	68	1,624	5,259	6,951
Bank service charges	-	7,060	-	7,060
Professional fees	685	-	-	685
Postage and delivery	32	185	701	918
Payroll service fees	-	1,162	-	1,162
	<u>\$ 740,438</u>	<u>\$ 160,572</u>	<u>\$ 130,174</u>	<u>\$ 1,031,184</u>

Note 14. Subsequent Events

The Fund has evaluated subsequent events through November 9, 2018, the date the financial statements were available to be issued.