

THE LENNY ZAKIM FUND



The Lenny Zakim Fund
BRIDGING COMMUNITIES

FINANCIAL STATEMENTS

Years Ended December 31, 2020 and 2019

**THE LENNY ZAKIM FUND
TABLE OF CONTENTS**

	Page
INDEPENDENT ACCOUNTANTS' REVIEW REPORT	1
FINANCIAL STATEMENTS:	
Statements of Financial Position.....	3
Statements of Activities	4
Statements of Functional Expenses.....	6
Statements of Cash Flows	8
Notes to Financial Statements.....	9



INDEPENDENT AUDITORS' REPORT

Board of Directors
The Lenny Zakim Fund
Boston, Massachusetts

We have audited the accompanying financial statements of The Lenny Zakim Fund (a nonprofit organization), which comprise the statement of financial position as of December 31, 2020, and the related statements of activities, functional expenses, and cash flows for the year 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 audit. We conducted our audit 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, 2020, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Prior Period Financial Statements

The financial statements of The Lenny Zakim Fund as of and for the year ended December 31, 2019, were audited by other auditors whose report dated October 29, 2020, expressed an unmodified opinion on those statements.

Johnson O'Connor Feron & Carucci LLP

Wakefield, Massachusetts

November 12, 2021

THE LENNY ZAKIM FUND
STATEMENTS OF FINANCIAL POSITION

	December 31,	
	2020	2019
ASSETS		
Cash	\$ 1,091,729	\$ 775,740
Cash restricted for investment in endowment	-	275,000
Investments, at fair value	6,738,770	5,968,495
Contributions receivable, net	50,000	180,533
Prepaid expenses	-	650
Total assets	\$ 7,880,499	\$ 7,200,418
LIABILITIES AND NET ASSETS		
LIABILITIES		
Agency custodial accounts	\$ 31,061	\$ 31,061
Miscellaneous liabilities	722	50,021
Total liabilities	31,783	81,082
NET ASSETS		
Without donor restrictions:		
Undesignated	716,093	503,294
Board-designated endowment	1,189,571	1,102,142
With donor restrictions	5,943,052	5,513,900
Total net assets	7,848,716	7,119,336
Total liabilities and net assets	\$ 7,880,499	\$ 7,200,418

See notes to financial statements.

THE LENNY ZAKIM FUND
STATEMENT OF ACTIVITIES

	Year Ended December 31, 2020		
	Total	Without Donor Restrictions	With Donor Restrictions
REVENUES			
Contributions and grants	\$ 1,590,363	\$ 1,244,543	\$ 345,820
Contributed services and facilities, at fair value	77,650	77,650	-
Investment return, net	615,337	108,623	506,714
Interest income	315	315	-
Net assets released from restrictions	-	423,382	(423,382)
Total revenues	2,283,665	1,854,513	429,152
EXPENSES			
Program services	1,216,080	1,216,080	-
Management and general	171,653	171,653	-
Fundraising	166,552	166,552	-
Total expenses	1,554,285	1,554,285	-
Change in net assets	729,380	300,228	429,152
NET ASSETS - BEGINNING OF YEAR	7,119,336	1,605,436	5,513,900
NET ASSETS - END OF YEAR	\$ 7,848,716	\$ 1,905,664	\$ 5,943,052

See notes to financial statements.

THE LENNY ZAKIM FUND
STATEMENT OF ACTIVITIES

	Year Ended December 31, 2019		
	Total	Without Donor Restrictions	With Donor Restrictions
REVENUES			
Contributions and grants	\$ 1,350,409	\$ 980,095	\$ 370,314
Contributed services and facilities, at fair value	188,347	188,347	-
Investment return, net	968,020	178,607	789,413
Interest income	737	737	-
Net assets released from restrictions	-	549,664	(549,664)
Total revenues	<u>2,507,513</u>	<u>1,897,450</u>	<u>610,063</u>
EXPENSES			
Program services	892,780	892,780	-
Management and general	384,421	384,421	-
Fundraising	527,304	527,304	-
Total expenses	<u>1,804,505</u>	<u>1,804,505</u>	<u>-</u>
Change in net assets	<u>703,008</u>	<u>92,945</u>	<u>610,063</u>
NET ASSETS - BEGINNING OF YEAR	<u>6,416,328</u>	<u>1,512,491</u>	<u>4,903,837</u>
NET ASSETS - END OF YEAR	<u>\$ 7,119,336</u>	<u>\$ 1,605,436</u>	<u>\$ 5,513,900</u>

See notes to financial statements.

THE LENNY ZAKIM FUND
STATEMENT OF FUNCTIONAL EXPENSES

	Year Ended December 31, 2020			
	Program Services	Management and General	Fundraising	Total Expenses
Grants awarded	\$ 1,046,925	\$ -	\$ -	\$ 1,046,925
Payroll wages, taxes, and benefits	119,871	66,213	101,285	287,369
Professional fees	36,912	10,505	12,336	59,753
Contributed services	-	46,150	6,500	52,650
Programs/events	1,603	280	36,199	38,082
Contributed office space	-	25,000	-	25,000
Office expense	8,267	8,920	699	17,886
Other expenses	2,502	6,695	128	9,325
Printing and reproduction	-	804	7,744	8,548
Bank service charges	-	4,980	-	4,980
Payroll service fee	-	2,001	-	2,001
Postage and delivery	-	105	1,661	1,766
	\$ 1,216,080	\$ 171,653	\$ 166,552	\$ 1,554,285

See notes to financial statements.

THE LENNY ZAKIM FUND
STATEMENT OF FUNCTIONAL EXPENSES

	Year Ended December 31, 2019			
	Program Services	Management and General	Fundraising	Total Expenses
Grants awarded	\$ 666,000	\$ -	\$ -	\$ 666,000
Payroll wages, taxes, and benefits	96,045	188,809	116,991	401,845
Professional fees	69,145	81,626	33,862	184,633
Contributed services	-	46,150	117,197	163,347
Programs/events	38,566	5,826	239,061	283,453
Contributed office space	-	25,000	-	25,000
Office expense	10,554	8,642	1,042	20,238
Other expenses	12,276	17,262	492	30,030
Printing and reproduction	158	736	16,344	17,238
Bank service charges	-	8,283	33	8,316
Payroll service fee	-	1,969	-	1,969
Postage and delivery	36	118	2,282	2,436
	<u>\$ 892,780</u>	<u>\$ 384,421</u>	<u>\$ 527,304</u>	<u>\$ 1,804,505</u>

See notes to financial statements.

THE LENNY ZAKIM FUND
STATEMENTS OF CASH FLOWS

	Years Ended December 31,	
	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 729,380	\$ 703,008
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Amortization of discount on contributions receivable	(1,967)	(2,814)
Net realized and unrealized gains on investments	(367,975)	(737,763)
Contributions restricted to permanent endowment	-	(275,000)
Donated securities	(54,125)	(36,742)
Proceeds from donated securities	54,125	36,742
Increase (decrease) in operating assets:		
Contributions receivable	132,500	328,746
Prepaid expenses	650	7,350
Increase (decrease) in operating liabilities:		
Miscellaneous liabilities	(49,299)	42,697
Net cash provided by operating activities	443,289	66,224
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of investments	3,367,332	242,418
Purchase of investments	(3,769,632)	(358,636)
Net cash used by investing activities	(402,300)	(116,218)
CASH FLOWS FROM FINANCING ACTIVITIES		
Contributions restricted to permanent endowment	-	275,000
Net cash provided by financing activities	-	275,000
Net increase in cash	40,989	225,006
CASH AND RESTRICTED CASH - BEGINNING OF YEAR	1,050,740	825,734
CASH AND RESTRICTED CASH - END OF YEAR	\$ 1,091,729	\$ 1,050,740

The table below provides a reconciliation of cash and restricted cash reported on the statements of financial position to the totals shown in the statements of cash flows:

Cash	\$ 1,091,729	\$ 775,740
Cash restricted for investment in endowment	-	275,000
Total cash and restricted cash	\$ 1,091,729	\$ 1,050,740

See notes to financial statements.

THE LENNY ZAKIM FUND
NOTES TO FINANCIAL STATEMENTS

1. STATEMENT OF PURPOSE

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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Method of Accounting –

The financial statements of the Fund have been prepared on the accrual basis of accounting. Accordingly, assets are recorded when the Fund obtains the rights of ownership or is entitled to claim receipt, and liabilities are recorded when the obligation is incurred.

Use of Estimates –

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Date of Management’s Review –

Subsequent events have been evaluated through November 12, 2021, the date the financial statements were available to be issued.

Risks and Uncertainties –

As a result of the continued spread of the COVID-19 coronavirus (COVID-19), economic uncertainties have arisen which may impact the Fund’s 2021 operating results. The COVID-19 outbreak is disrupting supply chains and affecting production and sales across a range of industries. The extent of the impact on operational and financial performance will depend on certain developments, including the duration and spread of the outbreak, and impact on existing donors and employees, all of which are uncertain and cannot be predicted. At this point, the extent to which COVID-19 may impact the Fund’s financial condition or results of operations is uncertain.

Cash and Cash Equivalents –

The Fund considers all cash and highly liquid financial instruments with original maturities of three months or less, which are neither held for nor restricted by donors for long-term purposes, to be cash and cash equivalents.

THE LENNY ZAKIM FUND
NOTES TO FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Contributions Receivable –

Contributions receivable consist of unconditional promises to give to be collected over a donor specified term. The Fund uses the allowance method to account for uncollectible promises to give. The allowance is based on management's estimate of possible bad debts. Management believes that all contributions receivable are fully collectible; therefore, there was no allowance for uncollectible promises to give at December 31, 2020 and 2019.

The Fund discounts contributions and grants that are not due within one year to their present value at a risk-free rate of return based on the yield of a U.S. Treasury Security with a maturity date similar to the expected collection period. These discounts are ratably amortized over the life of the contribution receivable and are recorded as contributions and grants in the statements of activities. The risk-free discount rate used for all contributions receivable was 1.62% at December 31, 2020 and 2019.

Investments –

Investments are reported at fair value based on current market prices. Changes in fair market value are reflected in the statements of activities. Investment income and gains restricted by a donor are reported as increases in net assets without donor restriction if the restrictions are met (either by passage of time or by use) in the reporting period in which the income and gains are recognized.

Fair Value of Financial Instruments –

The Fund follows ASC 820-10, *Fair Value Measurements*, which applies to reported balances that are required or permitted to be measured at fair market value 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. The fair value hierarchy consists 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 Fund 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 and 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.

THE LENNY ZAKIM FUND
NOTES TO FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fair Value of Financial Instruments (Continued) –

ASC 825-10, Financial Instruments, permits an entity to measure many financial instruments and certain other assets and liabilities at fair value or on an instrument-by-instrument basis. The Fund has not adopted any of the additional fair value options allowed in the standard. Management has determined that the fair value of its financial instruments not carried at fair value, including cash, prepaid expenses, and miscellaneous liabilities are substantially equivalent to their carrying values as of December 31, 2020 due to their relatively short-term nature.

Agency Custodial Accounts –

Agency custodial accounts on the statements of financial position represent the value of funds received by the Fund on behalf of a donor who retains variance power over the funds and 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 Funds 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.

Net Assets –

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor- or grantor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions – Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions.

Net Assets With Donor Restrictions – Net assets subject to donor-imposed restrictions. Some donor (or certain grantor) imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

The Fund reports contributions restricted by donors as increases in net assets without donor restriction if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions, depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions.

THE LENNY ZAKIM FUND
NOTES TO FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Paycheck Protection Program –

In April 2020, the Fund applied for and obtained a Paycheck Protection Plan (PPP) loan under the CARES Act totaling \$63,150. The loan is available to pay payroll costs, rent and utilities over an eight- or twenty-four- week period from the time the loan is obtained. Provided the loan amount is used to pay these costs and the Fund maintains certain employment benchmarks, the loan will be forgiven. The Fund elected to record the loan as a refundable advance and subsequently recognized grant revenue in accordance with guidance for conditional contributions; that is, once the measurable performance or other barrier and right of return of the PPP loan no longer existed. The Fund has recognized \$63,150 as grant revenue for the year ended December 31, 2020. Subsequent to year end, the Fund applied for forgiveness and in April 2021 was notified that full forgiveness was granted by the U.S. Small Business Administration.

Contributions –

Contributions, including grants, are recognized when cash, securities or other assets, an unconditional promise to give, or notification of a beneficial interest is received. All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as increases in 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 statements of activities as net assets released from restrictions. Conditional promises to give are not recognized until the conditions on which they depend have been substantially met.

Non-Cash Contributions –

The Fund's non-cash contributions consist primarily of donated securities, facilities and professional services. Donations of securities, facilities and professional services are recorded at fair market value based on the price of comparable items at the date of donation.

The Fund recognizes donated services that credit or enhance nonfinancial assets, or that require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. In addition, a substantial number of volunteers donate significant amounts of their time in the furtherance of the Fund's programs. The value of this contributed time is not reflected in the accompanying financial statements, since it does not meet the recognition criteria in accordance with U.S. GAAP.

When significant, donations of professional services are recorded at their estimated fair market value based on the current fee schedule of the donor at the date of receipt and are reflected as both a contribution and expense in the statements of activities. For the years ended December 31, 2020 and 2019, contributed services and facilities totaled \$77,650 and \$188,347, respectively.

THE LENNY ZAKIM FUND
NOTES TO FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Functional Expenses –

The Fund allocates expenses on a functional basis among its programs and supporting services. Supporting services are those related to operating and managing the Fund and its programs on a day-to-day basis and are composed of the following:

Management and general – includes all activities related to the Fund’s internal management and accounting for program services.

Fundraising – includes activities related to maintaining contributor information, writing grant proposals, distribution of materials and other similar projects related to the procurement of funds for the Fund’s programs.

Expenses that can be identified with a specific program or supporting service are allocated directly to those classifications. The financial statements report certain categories of expenses that are attributable to one or more program or supporting functions of the Fund. Therefore, expenses require allocation on a reasonable basis that is consistently applied. The allocation of payroll wages, taxes and benefits are allocated based on estimates of time and effort.

Income Taxes –

The Fund is organized and operated exclusively for charitable and educational purposes. Income related to these purposes is exempt from federal and state income taxes under the provisions of Section 501(c)(3) of the Internal Revenue Code. Unrelated business income would be taxable according to applicable Internal Revenue Code sections. The Fund had no unrelated business income for the years ended December 31, 2020 and 2019.

The Fund regularly reviews and evaluates its tax positions taken in its filed returns and recognizes the benefit from a tax position only if it is more likely than not that the position would be sustained upon audit based solely on the technical merits of the tax position. The Fund accrues interest and penalties on uncertain tax positions as a component of the provision for income taxes.

The Fund files federal and Massachusetts tax returns. The statute of limitations for these jurisdictions is generally three years. The Fund has no returns under examination as of December 31, 2020.

3. CONCENTRATION OF CREDIT AND MARKET RISK

Financial instruments that potentially subject the Fund to concentrations of credit and market risk consist principally of cash, contributions and contributions receivable, and investments.

Cash –

The Fund maintains its cash in bank deposit accounts with financial institutions believed to be creditworthy. At times, amounts on deposit may exceed the federally insured limits. The Fund has not experienced losses in any of these accounts.

**THE LENNY ZAKIM FUND
NOTES TO FINANCIAL STATEMENTS**

3. CONCENTRATION OF CREDIT AND MARKET RISK (Continued)

Contributions and contributions receivable –

Credit risk associated with contributions receivable is considered to be limited due to high historical collection rates and because substantial portions of the outstanding amounts are due from foundations supportive of the Fund’s mission. At December 31, 2020 and 2019, 100% of the Fund’s contributions receivable were due from one and two donors, respectively. For the years ended December 31, 2020 and 2019, one donor accounted for approximately 16% and 20% of contributions and grants, respectively.

Investments –

The Fund invests in securities which are exposed to market and credit risk. Due to the level of risk associated with such investments and the level of uncertainty related to changes on the value of such investments, it is at least reasonably possible that changes in the near term could materially affect investment balances and the amounts reported in the financial statements.

4. LIQUIDITY AND AVAILABILITY

The following table reflects the Fund’s financial assets as of December 31, 2020 and 2019, reduced by amounts not available for general expenditure within one year. Financial assets are considered unavailable when illiquid or not convertible to cash within one year or because the donor has set aside the funds for a specific time period or purpose.

	December 31,	
	2020	2019
Financial assets:		
Cash	\$ 1,091,729	\$ 775,740
Contributions receivable, net	50,000	180,533
Investments	6,738,770	5,968,495
Subsequent year's endowment appropriation	267,327	248,882
Financial assets, at year end	8,147,826	7,173,650
Less those unavailable for general expenditure within one year, due to:		
Board-designated endowment	1,189,571	1,102,142
Donor-designated endowment	5,549,199	5,141,353
Financial assets available to meet cash needs for general expenditure within one year	\$ 1,409,056	\$ 930,155

THE LENNY ZAKIM FUND
NOTES TO FINANCIAL STATEMENTS

4. LIQUIDITY AND AVAILABILITY (Continued)

The Fund receives significant contributions and grants with donor restrictions and considers contributions and grants restricted for programs which are ongoing, major, and central to its annual operations to be available to meet cash needs for general expenditures. The Fund regularly monitors liquidity required to meet its operating needs. For purposes of analyzing resource available to meet general expenditures, such as operating expenses and program grants, over a twelve-month period, the Fund considers all expenditures related to its ongoing activities. In addition, the Fund has a board-designated endowment totaling \$1,189,571 and \$1,102,142 as of December 31, 2020 and 2019, respectively. Although the Fund does not intend to spend from its board-designated endowment other than amounts appropriated for general expenditures as part of its annual budget approval and appropriation process, amounts from its board-designated endowment could be made available if necessary.

5. CONTRIBUTIONS RECEIVABLE

Contributions receivable consisted of the following:

	December 31,	
	2020	2019
Amounts due:		
Less than one year	\$ 25,000	\$ 132,500
One to five years	25,000	50,000
	50,000	182,500
Less: Unamortized present value discount	-	(1,967)
Contributions receivable, net	\$ 50,000	\$ 180,533

6. INVESTMENTS

Investments consist of the following:

	December 31,	
	2020	2019
Mutual funds	\$ 6,548,733	\$ 5,734,243
Money market funds	50,915	98,352
Domestic equity securities	139,122	135,900
	\$ 6,738,770	\$ 5,968,495

THE LENNY ZAKIM FUND
NOTES TO FINANCIAL STATEMENTS

7. FAIR VALUE MEASUREMENTS

The following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used during the years ended December 31, 2020 and 2019.

Mutual funds and domestic equity securities – The fair value of mutual funds and domestic equity securities 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 following table is a summary of investments that the Fund measures at fair value on a recurring basis, by level:

Description	December 31, 2020			
	Level 1	Level 2	Level 3	Total
Mutual funds:				
Bond funds	\$ 2,270,899	\$ -	\$ -	\$ 2,270,899
Growth funds	2,143,679	-	-	2,143,679
Blend funds	1,709,314	-	-	1,709,314
Emerging market funds	244,063	-	-	244,063
Value funds	180,778	-	-	180,778
Total mutual funds	6,548,733	-	-	6,548,733
Domestic equity securities	139,122	-	-	139,122
Money market funds	50,915	-	-	50,915
Total investments	<u>\$ 6,738,770</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6,738,770</u>

THE LENNY ZAKIM FUND
NOTES TO FINANCIAL STATEMENTS

7. FAIR VALUE MEASUREMENTS (Continued)

Description	December 31, 2019			
	Level 1	Level 2	Level 3	Total
Mutual funds:				
Bond funds	\$ 1,628,317	\$ -	\$ -	\$ 1,628,317
Growth funds	1,614,066	-	-	1,614,066
Blend funds	1,539,278	-	-	1,539,278
Emerging market funds	-	-	-	-
Value funds	952,582	-	-	952,582
Total mutual funds	5,734,243	-	-	5,734,243
Domestic equity securities	135,900	-	-	135,900
Money market funds	98,352	-	-	98,352
Total investments	<u>\$ 5,968,495</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,968,495</u>

8. ENDOWMENT FUNDS

The Fund follows guidance on the net asset classifications and financial statement disclosures related to donor-restricted endowment funds for a nonprofit organization that is subject to an enacted version of the Uniform Prudent Management of Institutional Funds Act of 2006 (UPMIFA) which was enacted by the Commonwealth of Massachusetts effective June 30, 2009. As such, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

The Fund interpreted the 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 retains in perpetuity (a) the original value of gifts donated to the endowment, (b) the original value of subsequent gifts to the endowment, and (c) accumulations to the endowment made in accordance with the direction of the applicable donor gift instrument. The remaining portion of the donor-restricted endowment fund is classified as net assets with donor restrictions until those amounts are appropriated for expenditure by the Board in a manner that is consistent with the standards of prudence prescribed by UPMIFA and in accordance with the Fund's spending policy. The Fund's policy prohibits spending from underwater endowment funds.

In accordance with UPMIFA, the Fund considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: (1) the duration and preservation of the various funds, (2) the purposes of the donor-restricted endowment funds, (3) general economic conditions, (4) the possible effect of inflation and deflation, (5) the expected total return from income and the appreciation of investments, (6) other resources of the Fund, and (7) the Fund investment policies.

THE LENNY ZAKIM FUND
NOTES TO FINANCIAL STATEMENTS

8. ENDOWMENT FUNDS (Continued)

Investment Return Objectives, Risk Parameters and Strategies – The Fund has adopted investment and spending policies approved by the Board of Directors, 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 – 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 endowment 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 net assets without donor restrictions. During the years ended December 31, 2020 and 2019, the Board appropriated \$120,062 and \$114,039 of investment earnings, respectively, to net assets without donor restrictions pursuant to the spending policy.

Following is a summary of endowment net asset composition by type of fund:

	December 31, 2020		
	Without Donor Restrictions	With Donor Restrictions	Endowment Net Assets
Donor restricted funds	\$ -	\$ 5,549,199	\$ 5,549,199
Board designated funds	1,189,571	-	1,189,571
Endowment funds	\$ 1,189,571	\$ 5,549,199	\$ 6,738,770
	December 31, 2019		
	Without Donor Restrictions	With Donor Restrictions	Endowment Net Assets
Donor restricted funds	\$ -	\$ 5,141,353	\$ 5,141,353
Board designated funds	1,102,142	-	1,102,142
Endowment funds	\$ 1,102,142	\$ 5,141,353	\$ 6,243,495

THE LENNY ZAKIM FUND
NOTES TO FINANCIAL STATEMENTS

8. ENDOWMENT FUNDS (Continued)

Following is a summary of the changes in endowment net assets for the years ended December 31, 2020 and 2019:

	Without Donor Restrictions	With Donor Restrictions	Total Endowment Net Assets
Endowment net assets, December 31, 2018	\$ 943,666	\$ 4,170,848	\$ 5,114,514
Contributions	-	275,000	275,000
Investment return, net	178,607	789,413	968,020
Appropriation of investment earnings for expenditure	(20,131)	(93,908)	(114,039)
Endowment net assets, December 31, 2019	1,102,142	5,141,353	6,243,495
Contributions	-	-	-
Investment return, net	108,623	506,714	615,337
Appropriation of investment earnings for expenditure	(21,194)	(98,868)	(120,062)
Endowment net assets, December 31, 2020	<u>\$ 1,189,571</u>	<u>\$ 5,549,199</u>	<u>\$ 6,738,770</u>

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 net assets with donor restrictions. There were no such deficiencies at December 31, 2020 and 2019.

9. NET ASSETS

Net assets released from restrictions consisted of the following:

	<u>Year Ended December 31,</u>	
	<u>2020</u>	<u>2019</u>
Subject to the passage of time	\$ 299,166	\$ 144,205
Subject to expenditure for a specified purpose	25,348	311,551
Appropriated endowment earnings	98,868	93,908
Total net assets released from donor restrictions	<u>\$ 423,382</u>	<u>\$ 549,664</u>

THE LENNY ZAKIM FUND
NOTES TO FINANCIAL STATEMENTS

9. NET ASSETS (Continued)

Net assets are as follows:

	December 31,	
	2020	2019
Without donor restrictions:		
Unrestricted	\$ 716,093	\$ 503,294
Board-designated endowment	1,189,571	1,102,142
	1,905,664	1,605,436
With donor restrictions:		
Endowment corpus	\$ 2,929,438	\$ 2,929,438
Accumulated and unappropriated endowment earnings	2,619,761	2,211,915
Subject to the passage of time	301,917	347,199
Subject to expenditure for a specified purpose	91,936	25,348
	5,943,052	5,513,900
Total nets assets	\$ 7,848,716	\$ 7,119,336

10. CONTRIBUTED SERVICES AND FACILITIES

Contributed services and facilities are reported at fair value and included the following:

	Year Ended December 31,	
	2020	2019
Auditing and tax services	\$ 46,150	\$ 46,150
Office space	25,000	25,000
Printing and production services	6,500	7,197
Professional entertainment	-	110,000
	\$ 77,650	\$ 188,347

The office space is contributed by a law firm of which certain members of the Board of Directors are employed by.

THE LENNY ZAKIM FUND
NOTES TO FINANCIAL STATEMENTS

11. RETIREMENT PLAN

The Fund provides a 401(k) retirement savings plan (the Plan) covering substantially all 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 up to the lesser of 100% of their salary 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% of the employee's salary. The contribution made by the Fund for the years ended December 31, 2020 and 2019 totaled \$1,568 and \$3,944, respectively.

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