

THE LENNY ZAKIM FUND



The Lenny Zakim Fund
BRIDGING COMMUNITIES

FINANCIAL STATEMENTS

Years Ended December 31, 2022 and 2021

**THE LENNY ZAKIM FUND
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INDEPENDENT AUDITORS' REPORT

Board of Directors
The Lenny Zakim Fund
Boston, Massachusetts

Opinion

We have audited the accompanying financial statements of The Lenny Zakim Fund, which comprise the statements of financial position as of December 31, 2022 and 2021, 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 The Lenny Zakim Fund as of December 31, 2022 and 2021, 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.

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 The Lenny Zakim Fund and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. 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 the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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 The Lenny Zakim Fund'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, including omissions, 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 The Lenny Zakim Fund'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 The Lenny Zakim Fund'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 audits.

Johnson O'Connor Feron & Carucci LLP

Wakefield, Massachusetts
August 29, 2023

THE LENNY ZAKIM FUND
STATEMENTS OF FINANCIAL POSITION

	December 31,	
	2022	2021
ASSETS		
Cash and cash equivalents	\$ 597,307	\$ 1,223,045
Restricted cash	31,061	31,061
Contributions receivable, net	711,468	1,103,337
Investments, at fair value	6,419,257	7,475,631
Prepaid expense	2,500	-
Total assets	\$ 7,761,593	\$ 9,833,074
LIABILITIES AND NET ASSETS		
LIABILITIES		
Agency custodial account	\$ 31,061	\$ 31,061
Accounts payable and accrued expenses	14,415	1,230
Total liabilities	45,476	32,291
NET ASSETS		
Without donor restrictions:		
Undesignated	305,398	637,190
Board-designated endowment	1,143,772	1,319,646
With donor restrictions	6,266,947	7,843,947
Total net assets	7,716,117	9,800,783
Total liabilities and net assets	\$ 7,761,593	\$ 9,833,074

See notes to financial statements.

THE LENNY ZAKIM FUND
STATEMENT OF ACTIVITIES

	Year Ended December 31, 2022		
	Without Donor Restrictions	With Donor Restrictions	Total
REVENUES			
Contributions and grants	\$ 363,900	\$ 85,000	\$ 448,900
Fundraising events, net of direct benefits to donors	149,061	-	149,061
Contributed services and facilities, at fair value	34,950	-	34,950
Investment return, net	(195,652)	(915,011)	(1,110,663)
Endowment appropriations per spending policy	72,406	(72,406)	-
Net assets released from restrictions	674,583	(674,583)	-
Total revenues	1,099,248	(1,577,000)	(477,752)
EXPENSES			
Program services	1,211,786	-	1,211,786
Management and general	205,995	-	205,995
Fundraising	189,133	-	189,133
Total expenses	1,606,914	-	1,606,914
Change in net assets	(507,666)	(1,577,000)	(2,084,666)
NET ASSETS - BEGINNING OF YEAR	1,956,836	7,843,947	9,800,783
NET ASSETS - END OF YEAR	\$ 1,449,170	\$ 6,266,947	\$ 7,716,117

See notes to financial statements.

THE LENNY ZAKIM FUND
STATEMENT OF ACTIVITIES

	Year Ended December 31, 2021		
	Without Donor Restrictions	With Donor Restrictions	Total
REVENUES			
Contributions and grants	\$ 405,971	\$ 1,824,837	\$ 2,230,808
Fundraising events, net of direct benefits to donors	253,814	-	253,814
Contributed services and facilities, at fair value	27,950	-	27,950
Investment return, net	147,857	688,512	836,369
Endowment appropriations per spending policy	81,726	(81,726)	-
Net assets released from restrictions	530,728	(530,728)	-
Total revenues	<u>1,448,046</u>	<u>1,900,895</u>	<u>3,348,941</u>
EXPENSES			
Program services	1,043,868	-	1,043,868
Management and general	185,535	-	185,535
Fundraising	167,471	-	167,471
Total expenses	<u>1,396,874</u>	<u>-</u>	<u>1,396,874</u>
Change in net assets	<u>51,172</u>	<u>1,900,895</u>	<u>1,952,067</u>
NET ASSETS - BEGINNING OF YEAR	<u>1,905,664</u>	<u>5,943,052</u>	<u>7,848,716</u>
NET ASSETS - END OF YEAR	<u>\$ 1,956,836</u>	<u>\$ 7,843,947</u>	<u>\$ 9,800,783</u>

See notes to financial statements.

THE LENNY ZAKIM FUND
STATEMENT OF FUNCTIONAL EXPENSES

	Year Ended December 31, 2022			
	Program Services	Management and General	Fundraising	Total Expenses
Grants awarded	\$ 823,205	\$ -	\$ -	\$ 823,205
Payroll wages, taxes, and benefits	139,709	92,302	142,178	374,189
Professional fees	156,138	79,855	-	235,993
Programs/events	21,228	303	36,356	57,887
Fundraising event direct benefits to donors	-	-	23,318	23,318
Program stipends	22,500	-	-	22,500
Office	8,993	11,652	209	20,854
Other	4,063	15,620	384	20,067
Contributed office space	20,000	-	-	20,000
Contributed services	14,950	-	-	14,950
Printing and reproduction	1,000	-	9,951	10,951
Bank service charges	-	4,088	-	4,088
Payroll service fee	-	2,163	-	2,163
Postage and delivery	-	12	55	67
Total expenses	1,211,786	205,995	212,451	1,630,232
Less: Direct benefit to donors at fundraising events	-	-	(23,318)	(23,318)
Total functional expenses	<u>\$ 1,211,786</u>	<u>\$ 205,995</u>	<u>\$ 189,133</u>	<u>\$ 1,606,914</u>

See notes to financial statements.

THE LENNY ZAKIM FUND
STATEMENT OF FUNCTIONAL EXPENSES

	Year Ended December 31, 2021			
	Program Services	Management and General	Fundraising	Total Expenses
Grants awarded	\$ 799,000	\$ -	\$ -	\$ 799,000
Payroll wages, taxes, and benefits	104,574	112,640	126,715	343,929
Professional fees	61,371	34,040	324	95,735
Programs/events	11,208	423	31,194	42,825
Fundraising event direct benefits to donors	-	-	2,811	2,811
Program stipends	25,000	-	-	25,000
Office	11,265	12,274	322	23,861
Other	3,500	19,238	188	22,926
Contributed office space	25,000	-	-	25,000
Contributed services	2,950	-	-	2,950
Printing and reproduction	-	845	8,152	8,997
Bank service charges	-	3,902	-	3,902
Payroll service fee	-	2,110	-	2,110
Postage and delivery	-	63	576	639
Total expenses	1,043,868	185,535	170,282	1,399,685
Less: Direct benefit to donors at fundraising events	-	-	(2,811)	(2,811)
Total functional expenses	\$ 1,043,868	\$ 185,535	\$ 167,471	\$ 1,396,874

See notes to financial statements.

THE LENNY ZAKIM FUND
STATEMENTS OF CASH FLOWS

	Years Ended December 31,	
	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (2,084,666)	\$ 1,952,067
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Amortization of discount on contributions receivable	(13,756)	-
Net realized and unrealized (gain) loss on investments	1,350,148	(774,248)
Donated securities	(24,895)	-
Proceeds from sales of donated securities	-	-
Increase (decrease) in operating assets:		
Contributions receivable	405,625	(1,053,337)
Prepaid expenses	(2,500)	-
Increase (decrease) in operating liabilities:		
Accounts payable and accrued expenses	-	508
Net cash provided (used) by operating activities	<u>(356,859)</u>	<u>124,990</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of investments	2,767,104	747,700
Purchase of investments	<u>(3,035,983)</u>	<u>(710,313)</u>
Net cash provided (used) by investing activities	<u>(268,879)</u>	<u>37,387</u>
Net increase (decrease) in cash	(625,738)	162,377
CASH AND CASH EQUIVALENTS AND RESTRICTED CASH - BEGINNING OF YEAR	<u>1,254,106</u>	<u>1,091,729</u>
CASH AND CASH EQUIVALENTS AND RESTRICTED CASH - END OF YEAR	<u>\$ 628,368</u>	<u>\$ 1,254,106</u>

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 and cash equivalents	\$ 597,307	\$ 1,223,045
Restricted cash	<u>31,061</u>	<u>31,061</u>
Total cash and restricted cash	<u>\$ 628,368</u>	<u>\$ 1,254,106</u>

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 August 29, 2023, the date the financial statements were available to be issued.

Cash and Cash Equivalents and Restricted Cash –

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.

Restricted cash represents amounts maintained under a fiscal agency arrangement with a donor who holds variance power to determine the beneficiary of the funds.

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, 2022 and 2021.

THE LENNY ZAKIM FUND
NOTES TO FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Contributions Receivable (Continued) –

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, 2022 and 2021.

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.

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, 2022 due to their relatively short-term nature.

THE LENNY ZAKIM FUND
NOTES TO FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 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.

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.

Revenue Recognition

Fundraising event ticket sales are recognized in the period in which the event takes place. The cost of direct benefits to donors at the events are reported net of fundraising event revenue on the statement of activities.

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.

THE LENNY ZAKIM FUND
NOTES TO FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue Recognition (Continued) –

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's policy is to sell donated securities nearly immediately upon receipt. The Fund follows ASC 958-230, *Classification of the Sale Proceeds of Donated Financial Assets in the Statement of Cash Flows*, which provides that such contributions should be classified as cash flows from operating activities in the statement of cash flows unless the donor restricts the use of the contributed resources to long-term purposes, in which case those cash receipts should be classified as cash flows from financing activities. Accordingly, the impact of \$54,712 and \$58,003 of donated securities sold nearly immediately for proceeds of \$53,636 and \$57,878, which resulted in realized losses of \$1,076 and \$125, have not been separately presented on the statement of cash flows for the years ended December 31, 2022 and 2021, respectively.

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.

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 programs 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, 2022 and 2021.

THE LENNY ZAKIM FUND
NOTES TO FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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, 2022.

Recently Adopted Accounting Pronouncements –

In September 2020, the FASB issued Accounting Standards Update No. 2020-07, *Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. The ASU applies to organizations that receive contributed nonfinancial assets and addresses presentation and disclosure requirements. Contributed nonfinancial assets, as defined in the ASU, will need to be presented as a separate line item in the statement of activities. Disclosure requirements included within the ASU require the organization to include qualitative information, policies, description of donor-imposed restrictions, valuation techniques used, and the principal market used to arrive at the fair value measure. The Fund adopted the new standard effective January 1, 2022. The adoption of this ASU did not have a significant impact on the Fund's financial statements.

In February 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-02, *Leases (Topic 842)*, which supersedes existing guidance for accounting for leases under *Topic 840, Leases*. The FASB also subsequently issued the following additional ASUs, which amend and clarify Topic 842: ASU 2018-01, *Land Easement Practical Expedient for Transition to Topic 842*; ASU 2018-10, *Codification Improvements to Topic 842, Leases*; ASU 2018-11, *Leases (Topic 842): Targeted Improvements*; ASU 2018-20, *Narrow-scope Improvements for Lessors*; and ASU 2019-01, *Leases (Topic 842): Codification Improvements*. The most significant change in the new leasing guidance is the requirement to recognize ROU assets and lease liabilities for operating and finance leases on the statement of financial position.

The Fund elected to adopt these ASUs effective January 1, 2022. The Fund elected the package of practical expedients which allowed the Organization to not reassess previous accounting conclusions regarding lease identification, lease classification and initial direct costs. The Fund elected the short-term lease recognition exemption which provided the option to not recognize right-of-use assets and related liabilities that arise from certain leases with terms of twelve months or less. The Fund also elected the accounting policy to not separate lease and non-lease components for real estate and equipment leases entered into after adoption. The Fund also elected the accounting policy to utilize a risk-free discount rate to calculate lease liabilities for real estate leases when the rate implicit in the lease is not known.

The adoption did not have a material impact on the Fund's financial statements.

THE LENNY ZAKIM FUND
NOTES TO FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Reclassifications –

Certain amounts in the prior year's financial statements have been reclassified for comparative purposes to conform to the presentation in the current year's financial statements. These reclassifications have no effect on previously reported change in net assets.

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.

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, 2022 and 2021, 94% and 84% of the Fund's contributions receivable were due from three and two donors, respectively. For the years ended December 31, 2022 and 2021, one donor and three donors accounted for approximately 12% and 63% 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, 2022 and 2021, 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.

THE LENNY ZAKIM FUND
NOTES TO FINANCIAL STATEMENTS

4. LIQUIDITY AND AVAILABILITY (Continued)

	December 31,	
	2022	2021
Financial assets:		
Cash and cash equivalents	\$ 597,307	\$ 1,223,045
Restricted cash	31,061	31,061
Contributions receivable, net	711,468	1,103,337
Investments	6,419,257	7,475,631
Subsequent year's endowment appropriation	114,923	88,104
Financial assets, at year end	7,874,016	9,921,178
Less those unavailable for general expenditure within one year, due to:		
Agency custodial liability	31,061	31,061
Board-designated endowment	1,143,772	1,319,646
Donor-designated endowment	5,275,485	6,155,985
Purpose or time restrictions	991,462	1,013,379
Financial assets available to meet cash needs for general expenditure within one year	\$ 432,236	\$ 1,401,107

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 the purpose of analyzing resources 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 \$1,143,772 and \$1,319,646 as of December 31, 2022 and 2021, 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.

THE LENNY ZAKIM FUND
NOTES TO FINANCIAL STATEMENTS

5. CONTRIBUTIONS RECEIVABLE

Contributions receivable consisted of the following:

	December 31,	
	2022	2021
Amounts due:		
Less than one year	\$ 469,375	\$ 525,000
One to five years	250,000	600,000
	719,375	1,125,000
Less: Unamortized present value discount	(7,907)	(21,663)
Contributions receivable, net	\$ 711,468	\$ 1,103,337

6. INVESTMENTS AND NET INVESTMENT RETURN

Investments consist of the following:

	December 31,	
	2022	2021
Mutual funds	\$ 6,186,878	\$ 7,273,142
Money market funds	22,187	23,089
Domestic equity securities	210,192	179,400
	\$ 6,419,257	\$ 7,475,631

Net investment return consisted of the following for the years ended December 31, 2022 and 2021:

	December 31,	
	2022	2021
Interest and dividend income	\$ 264,090	\$ 86,654
Net realized gain	50,195	162,060
Net unrealized gain/(loss)	(1,401,419)	612,063
Investment fees	(23,529)	(24,408)
	\$ (1,110,663)	\$ 836,369

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, 2022 and 2021.

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:

Description	December 31, 2022			Total
	Level 1	Level 2	Level 3	
Mutual funds:				
Bond funds	\$ 2,195,306	\$ -	\$ -	\$ 2,195,306
Growth funds	1,705,375	-	-	1,705,375
Blend funds	1,696,544	-	-	1,696,544
Value funds	446,540	-	-	446,540
Emerging market funds	143,113	-	-	143,113
Total mutual funds	6,186,878	-	-	6,186,878
Domestic equity securities	210,192	-	-	210,192
Money market funds	22,187	-	-	22,187
Total investments	<u>\$ 6,419,257</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6,419,257</u>

THE LENNY ZAKIM FUND
NOTES TO FINANCIAL STATEMENTS

7. FAIR VALUE MEASUREMENTS (Continued)

Description	December 31, 2021			
	Level 1	Level 2	Level 3	Total
Mutual funds:				
Bond funds	\$ 2,506,402	\$ -	\$ -	\$ 2,506,402
Growth funds	2,358,542	-	-	2,358,542
Blend funds	2,034,682	-	-	2,034,682
Value funds	163,644	-	-	163,644
Emerging market funds	209,872	-	-	209,872
Total mutual funds	7,273,142	-	-	7,273,142
Domestic equity securities	179,400	-	-	179,400
Money market funds	23,089	-	-	23,089
Total investments	\$ 7,475,631	\$ -	\$ -	\$ 7,475,631

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, 2022 and 2021, the Board appropriated \$88,104 and \$99,246 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, 2022		
	Without Donor Restrictions	With Donor Restrictions	Endowment Net Assets
Donor restricted funds	\$ -	\$ 5,275,485	\$ 5,275,485
Board designated funds	1,143,772	-	1,143,772
Endowment funds	\$ 1,143,772	\$ 5,275,485	\$ 6,419,257
	December 31, 2021		
	Without Donor Restrictions	With Donor Restrictions	Endowment Net Assets
Donor restricted funds	\$ -	\$ 6,155,985	\$ 6,155,985
Board designated funds	1,319,646	-	1,319,646
Endowment funds	\$ 1,319,646	\$ 6,155,985	\$ 7,475,631

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, 2022 and 2021:

	December 31, 2022		
	Without Donor Restrictions	With Donor Restrictions	Total Endowment Net Assets
Endowment net assets, December 31, 2020	\$ 1,189,571	\$ 5,549,199	\$ 6,738,770
Investment return, net	147,595	688,512	836,107
Appropriation of investment earnings for expenditure	<u>(17,520)</u>	<u>(81,726)</u>	<u>(99,246)</u>
Endowment net assets, December 31, 2021	1,319,646	6,155,985	7,475,631
Contributions	25,972	-	25,972
Transfers	10,000	106,917	116,917
Investment return, net	(196,148)	(915,011)	(1,111,159)
Appropriation of investment earnings for expenditure	<u>(15,698)</u>	<u>(72,406)</u>	<u>(88,104)</u>
Endowment net assets, December 31, 2022	<u>\$ 1,143,772</u>	<u>\$ 5,275,485</u>	<u>\$ 6,419,257</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, 2022 and 2021.

THE LENNY ZAKIM FUND
NOTES TO FINANCIAL STATEMENTS

9. NET ASSETS

Net assets are as follows:

	December 31,	
	2022	2021
Without donor restrictions:		
Unrestricted	\$ 305,398	\$ 637,190
Board-designated endowment	1,143,772	1,319,646
	1,449,170	1,956,836
With donor restrictions:		
Endowment corpus	\$ 2,929,438	\$ 2,929,438
Accumulated and unappropriated endowment earnings	2,346,047	3,226,547
Subject to the passage of time	906,462	1,582,962
Subject to expenditure for a specified purpose	85,000	105,000
	6,266,947	7,843,947
Total net assets	\$ 7,716,117	\$ 9,800,783

Net assets released from restrictions consisted of the following:

	Year Ended December 31,	
	2022	2021
Subject to the passage of time	\$ 569,583	\$ 338,792
Subject to expenditure for a specified purpose	105,000	191,936
Total net assets released from donor restrictions	\$ 674,583	\$ 530,728

10. DONATED SERVICES AND ASSETS

The Fund recognizes in-kind contribution revenue and a corresponding expense in an amount approximating the estimated fair value at the time of the donation. During fiscal years December 31, 2022 and 2021, the Fund received donated services for design and tax services, office space, and advertising services. Donated services are valued at the standard hourly rates charged for those services.

The Fund has office space that is contributed by a law firm, which certain members of the Board of Directors are employed by. Donated space is valued at the fair value of similar properties available in commercial real estate listings.

THE LENNY ZAKIM FUND
NOTES TO FINANCIAL STATEMENTS

10. DONATED SERVICES AND ASSETS (Continued)

Donated services and assets consisted of the following:

Program or Supporting Service	Year Ended December 31, 2022		
	Donated Services	Donated Space	Total
Programs	\$ 14,950	\$ -	\$ 14,950
General and administrative		20,000	20,000
Fundraising	-	-	-
Total	\$ 14,950	\$ 20,000	\$ 34,950
Program or Supporting Service	Year Ended December 31, 2021		
	Donated Services	Donated Space	Total
Programs	\$ -	\$ -	\$ -
General and administrative	250	25,000	25,250
Fundraising	2,700	-	2,700
Total	\$ 2,950	\$ 25,000	\$ 27,950

There were no donor-imposed restrictions associated with the donated services or assets.

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, 2022 and 2021 totaled \$9,258 and \$7,383, respectively.

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