



**GT REILLY**  
**& COMPANY**  
CPAs and Advisors

Audited Financial Statements

Mary M.B. Wakefield Charitable Trust

December 31, 2016

# Mary M.B. Wakefield Charitable Trust

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## Audited Financial Statements

December 31, 2016

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# GT REILLY & COMPANY

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## Independent Auditors' Report

Board of Trustees  
Mary M.B. Wakefield Charitable Trust

We have audited the accompanying financial statements of Mary M.B. Wakefield Charitable Trust which comprise the statements of financial position as of December 31, 2016 and 2015, and the related statements of activities and changes in net assets, and cash flows for the years then ended, and the related notes to the financial statements.

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditors' Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risk of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the Trust'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 Trust'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 Mary M.B. Wakefield Charitable Trust of December 31, 2016 and 2015, and the changes in its net assets and cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

G.T. Reilly & Company

Milton, Massachusetts  
October 3, 2017

# Mary M.B. Wakefield Charitable Trust

## Statements of Financial Position

December 31

	<u>2016</u>	<u>2015</u>
<b><u>Assets</u></b>		
CURRENT ASSETS		
Cash and cash equivalents (Note 1)	\$ 227,506	\$ 209,737
Prepaid income-based taxes	48,507	48,507
	<u>276,013</u>	<u>258,244</u>
TOTAL CURRENT ASSETS		
	<u>276,013</u>	<u>258,244</u>
INVESTMENTS, AT FAIR VALUE (Notes 1 & 2)	<u>22,259,084</u>	<u>17,230,400</u>
PROPERTY AND EQUIPMENT (Note 1)		
Land	4,350,000	4,350,000
Land improvements	83,731	64,344
Buildings and building improvements	4,084,498	3,914,319
Furniture, fixtures and equipment	69,480	66,580
Vehicles	8,466	8,466
	<u>8,596,175</u>	<u>8,403,709</u>
Accumulated depreciation	(752,065)	(654,586)
	<u>7,844,110</u>	<u>7,749,123</u>
TOTAL ASSETS	<u>\$ 30,379,207</u>	<u>\$ 25,237,767</u>
<b><u>Liabilities and Net Assets</u></b>		
CURRENT LIABILITIES		
Accounts payable and accrued expenses	\$ 3,045	\$ 4,445
UNRESTRICTED NET ASSETS (Notes 1 & 4)		
Operations	23,531,741	19,904,586
Capital projects	3,426,474	2,738,008
Special projects	3,417,947	2,590,728
	<u>30,376,162</u>	<u>25,233,322</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 30,379,207</u>	<u>\$ 25,237,767</u>

# Mary M.B. Wakefield Charitable Trust

## Statements of Activities and Changes in Net Assets

For the Years Ended December 31

	<u>2016</u>	<u>2015</u>
REVENUE AND SUPPORT:		
Gifts and grants	\$ 18,780	\$ 14,729
Memberships, workshops and programs	14,372	9,970
Special events, net	12,623	12,333
	<u>45,775</u>	<u>37,032</u>
EXPENSES:		
Program services:		
Employee costs	317,171	306,096
Arboretum	39,153	39,538
Museum and collections	15,968	25,569
Insurance	34,018	34,517
Grants to other organizations	1,000	2,000
Payment in lieu of real estate taxes	-	16,000
Other expenses	35,362	36,231
	<u>442,672</u>	<u>459,951</u>
General and administrative:		
Employee costs	61,236	57,582
Professional fees	73,973	77,441
Taxes (refunds)	-	(23,706)
Depreciation	97,479	91,517
	<u>232,688</u>	<u>202,834</u>
Total Expenses	<u>675,360</u>	<u>662,785</u>
CHANGE IN NET ASSETS FROM ACTIVITIES	<u>(629,585)</u>	<u>(625,753)</u>
OTHER INCOME (EXPENSES) AND GAINS (LOSSES):		
Dividends and interest income	189,001	221,564
Realized gain (loss) on investments	1,177,162	(80,616)
Unrealized gain (loss) on investments	4,497,187	(3,362,277)
Professional fees	(91,385)	(86,495)
Other revenue	460	-
CHANGE IN NET ASSETS FROM OTHER ACTIVITIES	<u>5,772,425</u>	<u>(3,307,824)</u>
INCREASE (DECREASE) IN NET ASSETS	5,142,840	(3,933,577)
NET ASSETS AT BEGINNING OF YEAR	<u>25,233,322</u>	<u>29,166,899</u>
NET ASSETS AT END OF YEAR	<u>\$ 30,376,162</u>	<u>\$ 25,233,322</u>

# Mary M.B. Wakefield Charitable Trust

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## Statements of Cash Flows

For the Years Ended December 31

	<u>2016</u>	<u>2015</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 5,142,840	\$ (3,933,577)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	97,479	91,517
Net realized (gains) losses on investments	(1,177,162)	80,616
Net unrealized (gains) losses on investments	(4,497,187)	3,362,277
Changes in operating assets and liabilities:		
Prepaid income-based taxes	-	1,493
Accounts payable and accrued expenses	(1,400)	2,106
	<u>(435,430)</u>	<u>(395,568)</u>
NET CASH USED IN OPERATING ACTIVITIES		
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of investments	(4,851,359)	(3,579,021)
Proceeds from sale of investments	5,497,024	4,306,973
Additions to property and equipment	(192,466)	(269,992)
	<u>453,199</u>	<u>457,960</u>
NET CASH PROVIDED BY INVESTING ACTIVITIES		
NET INCREASE IN CASH AND CASH EQUIVALENTS	17,769	62,392
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>209,737</u>	<u>147,345</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 227,506</u>	<u>\$ 209,737</u>
<b><u>Supplemental Disclosure of Cash Flow Information</u></b>		
Cash paid during the year for income-based taxes, net of refunds	<u>\$ -</u>	<u>\$ (23,754)</u>

# Mary M.B. Wakefield Charitable Trust

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## Notes to Financial Statements

December 31, 2016

### Note 1 – Nature of Organization and Significant Accounting Policies

Nature of Activities – Mary M.B. Wakefield Charitable Trust (“the Trust”) is a private operating foundation, established for the preservation of historical structures, collections and grounds for the education and enjoyment of interested individuals of the Wakefield Charitable Trust located in Milton, Massachusetts.

Financial Statement Presentation – The accompanying financial statements of the Trust are prepared under the accrual method of accounting. Under generally accepted accounting principles, the Trust presents a statement of financial position and a statement of activities segregated into three classes of net assets determined by donor-imposed restrictions as follows: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. The Trust has no donor-imposed restrictions on its net assets at December 31, 2016 or 2015, other than those set forth by IRS regulations. Unrestricted net assets are available for any use deemed necessary to carry out the purpose of the Trust, and include net assets segregated by the Trustees for specific objectives (see Note 4).

Contributions and Donor Restrictions – Under generally accepted accounting principles, use-restricted contributions are reported as increases to temporarily or permanently restricted net assets when received. When a donor restriction expires either by use of the funds for the specified purpose or by the expiration of a time restriction, restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. At December 31, 2016 and 2015, there are no donor-imposed restrictions on the net assets of the Trust.

Accounting Estimates – The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts of assets, liabilities, revenues, expenses and the disclosure of contingent assets and liabilities. Actual results could differ from these estimates.

Cash and Cash Equivalents – The Trust considers highly liquid investments with maturities of three months or less at purchase to be cash equivalents. Cash equivalents intended for long-term use are classified as investments, see below.

Fair Value Measurements – The Trust follows Accounting Standards Codification (ASC) Topic 820, “Fair Value Measurements and Disclosures”, for assets and liabilities that are measured at fair value on a recurring basis, and to determine fair value disclosures. This standard defines fair value, establishes a framework for measuring fair value and requires disclosures about fair value measurement. The applicability of this standard is limited to the Trust’s investments (see Note 2).

Investments – The Trust reports investments at fair value. Interest and dividends are recorded when earned. Gains and losses are recognized in the statement of activities as incurred or based on fair value changes during the period. Investments are reflected as long-term assets in accordance with the Trust’s intent to hold investments for long-term growth. (See Note 2)

Historical Collections – The Trust’s collections consist of artifacts of historical significance and art objects that were donated to the Trust in 2005 (valued at \$1.3 million at the time of the donation). In accordance with accounting practices followed by similar organizations, the Trust’s collections are not recognized as assets on the statement of financial position (see Note 3).

## Note 1 – Nature of Organization and Significant Accounting Policies (Cont.)

Property and Equipment – Property and equipment are recorded at cost or, if donated, at estimated fair value at the time of donation. Maintenance and repairs are expensed as incurred. Expenditures for renewals and improvements that significantly extend the useful life of an asset are capitalized.

Depreciation is provided over the estimated useful lives of the assets by using straight-line methods. The estimated useful lives used in the computation of depreciation are as follows:

<u>Asset</u>	<u>Estimated Useful Lives in Years</u>
Land improvements	15
Building and building improvements	50
Furniture, fixtures and equipment	7
Vehicles	5

Income Tax Status – The Trust is considered a private operating foundation, pursuant to Section 501(c)(3) of the Internal Revenue Service Code. As a private operating foundation, the Trust must spend at least 85% of its adjusted net income or its minimum investment return directly for the active conduct of its exempt purpose.

Reclassification – Certain amounts in the Trust’s 2015 statement of financial position and statement of activities and changes in net assets were retrospectively reclassified to conform to the 2016 presentation. The statement of financial position reclassification had the effect of increasing investments by \$654,066, and decreasing cash and cash equivalents by the same amount. The reclassification on the statement of activities and changes in net assets had the effect of decreasing operating revenues and support by \$5,545, and decreasing operating expenses by the same amount. Such reclassifications had no effect on the change in net assets for the year ended December 31, 2015.

Evaluation of Subsequent Events – Management has evaluated subsequent events involving the Trust for potential recognition or disclosure in the accompanying financial statements. Subsequent events are events or transactions that occurred after December 31, 2016 through October 3, 2017, the date these financial statements were available to be issued.

## Note 2 – Investments

The Trust’s investments are managed and segregated based upon the Board of Trustees’ discretionary designations and consist of the following at December 31:

	2016		2015	
	<u>Cost</u>	<u>Fair Value</u>	<u>Cost</u>	<u>Fair Value</u>
Operations	\$ 8,749,362	\$ 15,414,663	\$ 8,610,386	\$ 11,901,664
Capital Projects	2,262,824	3,426,474	2,054,882	2,738,008
Special Projects	2,371,358	3,417,947	2,186,779	2,590,728
	<u>\$ 13,383,544</u>	<u>\$ 22,259,084</u>	<u>\$ 12,852,047</u>	<u>\$ 17,230,400</u>

Under generally accepted accounting principles, valuation techniques used to measure fair value must maximize the use of observable inputs and minimize the use of unobservable inputs. The fair value accounting standards established a three-tier fair value hierarchy, which prioritizes the inputs used in measuring fair value. The three tiers are defined as:

Level 1 – Observable inputs such as quoted prices in active markets.

Level 2 – Inputs other than Level 1 inputs that are observable, either directly or indirectly, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data.



## Note 2 – Investments (Cont.)

Level 3 – Unobservable inputs in which little or no market data exists, therefore requiring an entity to develop its own assumptions which are significant to the fair value measurement.

The Trust's investments are valued within the fair value hierarchy and are summarized as follows at December 31:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<b><u>2016</u></b>				
Money Market Funds	\$ 786,781	\$ -	\$ -	\$ 786,781
Equity Securities	20,276,078	-	-	20,276,078
Limited Partnership	-	1,196,225	-	1,196,225
	<u>\$ 21,062,859</u>	<u>\$ 1,196,225</u>	<u>\$ -</u>	<u>\$ 22,259,084</u>
<b><u>2015</u></b>				
Money Market Funds	\$ 1,419,955	\$ -	\$ -	\$ 1,419,955
Equity Securities	15,020,649	-	-	15,020,649
Limited Partnership	-	789,796	-	789,796
	<u>\$ 16,440,604</u>	<u>\$ 789,796</u>	<u>\$ -</u>	<u>\$ 17,230,400</u>

Investments are not insured and are subject to ongoing market fluctuations. In general, they are exposed to various risks, such as interest rate, credit, and overall market volatility. Due to the level of risk associated with certain investments, 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 net assets. The Board of Trustees believe the investments are diversified but are still subject to normal market risks.

The following is a description of the valuation methodologies used for investments measured at fair value, including the general description of such instruments pursuant to the fair value hierarchy:

Money Market Funds – These investments are valued using the net asset value (NAV) provided by the administrator of the fund. The NAV is a quoted price in an active market.

Equity Securities – These investments are actively traded on open markets and are valued in accordance with their last published prices.

Limited Partnership – This investment in Second Curve Partners International, Ltd does not have a quoted price in active markets or significant other observable inputs that have quoted market prices, although the Trust can redeem its investment at the net asset value each June 30 and December 31 pursuant to written notice which must be received at least 60 days prior to the redemption date. This fund is regulated and registered under the monetary authority of the Cayman Islands and is not registered under the United States Securities Act of 1933. The prospectus has advised that this fund is intended and designed for a limited number of experienced and sophisticated investors who are able to bear the risk of substantial impairment or loss of the entire investment. The objective of the fund is to achieve superior investment returns by investing primarily in the financial services sector, specifically in common stock and warrants in both the United States and Puerto Rico.

## Note 3 – Historical Collections

The Trust's collections are made up of works of art, jewelry, antique furniture and tableware, as well as other artifacts of historic, cultural and scientific significance that are held for educational, research and curatorial purposes. The current fair values of the donated collections, which are not reflected in the statements of financial position, are not readily determinable and have not been subjected to auditing procedures. All collections are in the process of being cataloged and are preserved.

#### Note 4 – Unrestricted Net Assets

The Board of Trustees has segregated the unrestricted net assets of the Trust for the following purposes:

Operations – Includes all real and certain tangible property used for charitable endeavors, as well as financial assets for use in the ongoing operations of the Trust.

Capital Projects – Includes financial assets set aside for the ongoing improvement of the buildings and such other capital projects as may be needed in the future.

Special Projects – Includes financial assets that may support future educational endeavors and other special projects necessary for the ongoing operations of the Trust.

Unrestricted net assets by category, including the changes therein, are as follows:

	<u>Operations</u>	<u>Capital Projects</u>	<u>Special Projects</u>	<u>Total</u>
<b><u>For the year ended December 31, 2016:</u></b>				
Net assets, beginning of year	<u>\$ 19,904,586</u>	<u>\$ 2,738,008</u>	<u>\$ 2,590,728</u>	<u>\$ 25,233,322</u>
Change in net assets from activities	<u>(629,585)</u>	<u>-</u>	<u>-</u>	<u>(629,585)</u>
Investment return:				
Investment income	131,327	29,872	27,802	189,001
Investment advisor fees	(48,444)	(21,586)	(21,355)	(91,385)
Net realized and unrealized losses	3,980,931	872,646	820,772	5,674,349
Net investment return	<u>4,063,814</u>	<u>880,932</u>	<u>827,219</u>	<u>5,771,965</u>
Other revenue	460	-	-	460
Release of net assets for expenditure	192,466	(192,466)	-	-
Net assets, end of year	<u><u>\$ 23,531,741</u></u>	<u><u>\$ 3,426,474</u></u>	<u><u>\$ 3,417,947</u></u>	<u><u>\$ 30,376,162</u></u>
<b><u>For the year ended December 31, 2015:</u></b>				
Net assets, beginning of year	<u>\$ 22,407,271</u>	<u>\$ 3,609,791</u>	<u>\$ 3,149,837</u>	<u>\$ 29,166,899</u>
Change in net assets from activities	<u>(625,753)</u>	<u>-</u>	<u>-</u>	<u>(625,753)</u>
Investment return:				
Investment income	151,237	38,938	31,389	221,564
Investment advisor fees	(55,679)	(16,113)	(14,703)	(86,495)
Net realized and unrealized losses	(2,213,449)	(653,649)	(575,795)	(3,442,893)
Net investment return	<u>(2,117,891)</u>	<u>(630,824)</u>	<u>(559,109)</u>	<u>(3,307,824)</u>
Release of net assets for expenditure	240,959	(240,959)	-	-
Net assets, end of year	<u><u>\$ 19,904,586</u></u>	<u><u>\$ 2,738,008</u></u>	<u><u>\$ 2,590,728</u></u>	<u><u>\$ 25,233,322</u></u>

#### Note 5 – Storage Lease Agreements

In August of 2014, the Trust entered into a lease agreement for the purpose of warehousing its collections. On August 31, 2016 the Trust exercised its first option to extend the term of the lease for two years. An additional option remains to extend for an additional two years. The base monthly rent is \$1,333. The lease includes an escalation clause whereby the rent increases on July 1 annually based on the urban consumer price index, and is determined prior to that date.

Total rent expense for storage under this agreement was \$13,667 and \$16,007 for the years ended December 31, 2016 and 2015, respectively.

## Note 5 – Storage Lease Agreements (Cont.)

Future minimum payments under the lease agreement are as follows:

Year Ending <u>December 31</u>	
2017	\$ 16,000
2018	16,000
2019	16,000
2020	10,667
	<u>\$ 58,667</u>

## Note 6 – Related Party Transactions

Management of the Trust's investment portfolio is provided by a company owned by a Trustee. Investment fees paid to this company for the years ended December 31, 2016 and 2015 were \$91,385 and \$86,495, respectively.

Additionally, one of the Trustees is a partner at a firm that provided accounting services for the Trust. Amounts paid to this firm for the years ended December 31, 2016 and 2015 totaled \$50,000 and \$48,000, respectively.

## Note 7 – Employee Benefit Plan

The Trust maintains a 401(k) defined contribution plan for all of its employees. Employees may elect to defer a percentage of their yearly compensation up to statutory limits. The Trust matches the employee contribution to a maximum of 6% of compensation. Trust contributions to the plan for the years ended December 31, 2016 and 2015 were \$15,945 and \$15,729, respectively.

## Note 8 – Concentrations and Credit Risk

The Trust maintains its cash and cash equivalents in high-quality financial institutions. At times, the amounts on deposit at any institution are in excess of insured limits. At December 31, 2016, the Trust has deposits of approximately \$1,040,000 in excess of FDIC insured limits, based on bank balances.

The Trust's investments at December 31, 2016 consist of equity securities (91%), money market funds (4%) and one limited partnership (5%) as reflected in Note 2.