

**COMMUNITY FOUNDATION
OF
ORANGE AND SULLIVAN
FINANCIAL STATEMENTS
JUNE 30, 2013 AND 2012**

COMMUNITY FOUNDATION OF ORANGE AND SULLIVAN

TABLE OF CONTENTS

JUNE 30, 2013 AND 2012

| | <u>Page</u> |
|----------------------------------|-------------|
| Independent Auditor's Report | 1 |
| Financial Statements: | |
| Statements of Financial Position | 2 |
| Statement of Activities | 3 |
| Statement of Functional Expenses | 4 |
| Statements of Cash Flows | 5 |
| Notes to Financial Statements | 6-14 |

PANGIA & COMPANY, LLC

Certified Public Accountants

2 Jefferson Plaza
Suite 101
Poughkeepsie, NY 12601
845.454.4610
FAX 845.454.6771
www.pangiacpa.com

Vincent C. Pangia, CPA, CFE
Admitted To U.S. Tax Court
Parul Patel, CPA
Jesse J. Doughty, CPA
Stacey A. Strang, CPA

INDEPENDENT AUDITOR'S REPORT

To the Officers and Members of the Board of Directors
Community Foundation of Orange and Sullivan
Montgomery, New York

We have audited the accompanying financial statements of the Community Foundation of Orange and Sullivan (Foundation) (a non-profit organization), which comprise the statement of financial position as of June 30, 2013, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements. The prior year summarized comparative information has been derived from the Foundation's June 30, 2012 financial statements and, in our report dated September 24, 2012, we expressed an unqualified opinion on those 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 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 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 Foundation as of June 30, 2013, 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.

Poughkeepsie, New York
September 27, 2013

**COMMUNITY FOUNDATION OF ORANGE AND SULLIVAN
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2013 AND 2012**

| ASSETS | | |
|---|--------------|--------------|
| | 2013 | 2012 |
| Current Assets: | | |
| Cash and Cash Equivalents | \$ 1,320,387 | \$ 1,147,551 |
| Prepaid Expenses | 2,188 | - |
| Investments | 8,026,802 | 6,396,889 |
| Total Current Assets | 9,349,377 | 7,544,440 |
| Fixed Assets, net | 5,774 | 2,952 |
| Intangible Assets, net | 820 | 1,063 |
| Other Assets: | | |
| Student Loans Receivable (including Interest and Penalties), less allowances: 2013, \$35,294; 2012, \$47,171 | 94,264 | 77,415 |
| Total Assets | \$ 9,450,235 | \$ 7,625,870 |
| LIABILITIES AND NET ASSETS | | |
| Current Liabilities: | | |
| Agency Endowments | \$ 1,736,398 | \$ 1,278,702 |
| Accounts Payable and Accrued Expenses | 6,125 | 5,107 |
| Deferred Revenue | 11,160 | 67,655 |
| Total Current Liabilities | 1,753,683 | 1,351,464 |
| Liability under Split-Interest Agreement | 17,350 | 15,300 |
| Total Liabilities | 1,771,033 | 1,366,764 |
| Net Assets: | | |
| Unrestricted | 405,433 | 318,661 |
| Temporarily Restricted | 573,897 | 519,884 |
| Permanently Restricted | 6,699,872 | 5,420,561 |
| Total Net Assets | 7,679,202 | 6,259,106 |
| Total Liabilities and Net Assets | \$ 9,450,235 | \$ 7,625,870 |

The accompanying notes are an integral part of these financial statements.

COMMUNITY FOUNDATION OF ORANGE AND SULLIVAN
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2013
(WITH COMPARATIVE TOTALS FOR JUNE 30, 2012)

| | <u>UNRESTRICTED</u> | <u>TEMPORARILY RESTRICTED</u> | <u>PERMANENTLY RESTRICTED</u> | <u>2013 TOTAL</u> | <u>2012 TOTAL</u> |
|---|---------------------|-----------------------------------|-----------------------------------|-----------------------|-----------------------|
| Revenues, Gains and Other Support: | | | | | |
| Contributions | \$ 107,985 | \$ 385,956 | \$ 628,470 | \$ 1,122,411 | \$ 865,639 |
| Pledges | 76,489 | - | - | 76,489 | 80,719 |
| Donor Initiated Events | - | 12,923 | 132,600 | 145,523 | 197,887 |
| Annual Reception | 115,075 | - | - | 115,075 | 96,670 |
| Seminar Revenue | 7,775 | - | - | 7,775 | 2,990 |
| Management Fee Income | 109,598 | - | - | 109,598 | 88,138 |
| Student Loan Interest Income | - | - | 4,045 | 4,045 | 11,351 |
| Investment Return | 26,701 | 53,130 | 743,453 | 823,284 | 176,915 |
| | <hr/> | <hr/> | <hr/> | <hr/> | <hr/> |
| Total Revenues and Gains | 443,623 | 452,009 | 1,508,568 | 2,404,200 | 1,520,309 |
| Net Assets Released from Restrictions | 627,253 | (397,996) | (229,257) | - | - |
| | <hr/> | <hr/> | <hr/> | <hr/> | <hr/> |
| Total Revenues, Gains and Other Support | 1,070,876 | 54,013 | 1,279,311 | 2,404,200 | 1,520,309 |
| Expenses: | | | | | |
| Program Services | 657,119 | - | - | 657,119 | 561,347 |
| Donor Initiated Events | 69,975 | - | - | 69,975 | 98,452 |
| Management and General | 119,675 | - | - | 119,675 | 114,714 |
| Development | 87,713 | - | - | 87,713 | 72,440 |
| Fund Raising | 49,622 | - | - | 49,622 | 42,972 |
| | <hr/> | <hr/> | <hr/> | <hr/> | <hr/> |
| Total Expenses | 984,104 | - | - | 984,104 | 889,925 |
| Change in Net Assets | 86,772 | 54,013 | 1,279,311 | 1,420,096 | 630,384 |
| Net Assets, Beginning of Year | 318,661 | 519,884 | 5,420,561 | 6,259,106 | 5,628,722 |
| | <hr/> | <hr/> | <hr/> | <hr/> | <hr/> |
| Net Assets, End of Year | \$ 405,433 | \$ 573,897 | \$ 6,699,872 | \$ 7,679,202 | \$ 6,259,106 |

The accompanying notes are an integral part of these financial statements.

COMMUNITY FOUNDATION OF ORANGE AND SULLIVAN
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2013
(WITH COMPARATIVE TOTALS FOR JUNE 30, 2012)

| | <u>PROGRAM</u> | <u>DONOR INITIATED</u> | <u>MANAGEMENT</u> | | <u>FUND</u> | <u>2013</u> | <u>2012</u> |
|----------------------------|-------------------|------------------------|----------------------|--------------------|------------------|-------------------|-------------------|
| | <u>SERVICES</u> | <u>EVENTS</u> | <u>& GENERAL</u> | <u>DEVELOPMENT</u> | <u>RAISING</u> | <u>TOTAL</u> | <u>TOTAL</u> |
| Grants | \$ 428,086 | \$ - | \$ - | \$ - | \$ - | \$ 428,086 | \$ 364,304 |
| Salaries | 56,371 | - | 67,599 | 55,026 | 12,529 | 191,525 | 177,949 |
| Payroll Taxes | 4,322 | - | 5,183 | 4,220 | 961 | 14,686 | 14,224 |
| Direct Benefits to Donors | - | 69,034 | - | - | 33,067 | 102,101 | 123,933 |
| Administrative Fees | 92,738 | - | - | - | - | 92,738 | 74,042 |
| Investment Management Fees | 38,675 | - | - | - | - | 38,675 | 33,547 |
| Office Rent and Taxes | 10,883 | - | 6,530 | 4,353 | - | 21,766 | 19,489 |
| Professional Fees | - | - | 16,983 | - | - | 16,983 | 16,912 |
| Office Expenses & Supplies | 7,558 | - | 6,046 | 1,511 | - | 15,115 | 16,451 |
| Strategic Planning | - | - | - | 10,239 | - | 10,239 | - |
| Computer Software | 4,785 | - | 2,871 | 957 | 957 | 9,570 | 8,002 |
| Employee Benefits | 1,875 | 469 | 2,812 | 3,749 | 468 | 9,373 | 9,377 |
| Printing & Publications | 3,032 | - | 3,032 | 758 | 757 | 7,579 | 6,229 |
| Retirement Expense | 1,353 | 338 | 2,030 | 2,706 | 338 | 6,765 | 6,877 |
| Conferences & Meetings | 1,584 | - | 1,408 | 527 | - | 3,519 | 4,389 |
| Telephone | 1,503 | - | 1,336 | 334 | 167 | 3,340 | 2,734 |
| Insurance | 1,994 | - | 665 | - | - | 2,659 | 2,614 |
| Travel | 487 | 122 | 1,095 | 487 | 243 | 2,434 | 1,980 |
| Seminar Expenses | - | - | - | 2,396 | - | 2,396 | 1,642 |
| Advertising | 994 | - | 883 | 221 | 110 | 2,208 | 2,489 |
| Depreciation | 614 | - | 546 | 205 | - | 1,365 | 733 |
| Filing Fees | - | - | 583 | - | - | 583 | 1,079 |
| Amortization | 109 | 12 | 73 | 24 | 25 | 243 | 243 |
| Program Expenses | 156 | - | - | - | - | 156 | 686 |
| | <u>\$ 657,119</u> | <u>\$ 69,975</u> | <u>\$ 119,675</u> | <u>\$ 87,713</u> | <u>\$ 49,622</u> | <u>\$ 984,104</u> | <u>\$ 889,925</u> |

The accompanying notes are an integral part of these financial statements.

**COMMUNITY FOUNDATION OF ORANGE AND SULLIVAN
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2013 AND 2012**

| | <u>2013</u> | <u>2012</u> |
|---|---------------------|---------------------|
| Cash Flows from Operating Activities: | | |
| Change in Net Assets | \$ 1,420,096 | \$ 630,384 |
| <i>Adjustments to Reconcile Change in Net Assets to Net Cash Flows from Operating Activities:</i> | | |
| Depreciation | 1,365 | 733 |
| Amortization | 243 | 243 |
| Non-Cash Contributions | (1,156) | (4,619) |
| Realized (Gains)/Losses on Sale of Investments | 100,544 | (8,318) |
| Unrealized (Gains)/Losses on Investments | (730,000) | 13,929 |
| <i>Decrease/(Increase):</i> | | |
| Student Loans Receivable | (16,849) | (95) |
| Prepaid Expenses | (2,188) | - |
| <i>(Decrease)/Increase:</i> | | |
| Agency Endowments | 457,696 | 187,087 |
| Accounts Payable and Accrued Expenses | 1,018 | (2,232) |
| Deferred Revenue | (56,495) | 47,755 |
| Liability under Split-Interest Agreement | <u>2,050</u> | <u>(2,500)</u> |
| Net Cash Flows from Operating Activities | <u>1,176,324</u> | <u>862,367</u> |
| Cash Flows from Investing Activities: | | |
| Purchase of Investments | (2,251,147) | (1,644,736) |
| Sale of Investments | 1,251,846 | 1,256,288 |
| Purchase of Fixed Assets | <u>(4,187)</u> | <u>(2,567)</u> |
| Net Cash Flows from Investing Activities | <u>(1,003,488)</u> | <u>(391,015)</u> |
| Change in Cash and Cash Equivalents | 172,836 | 471,352 |
| Cash and Cash Equivalents, Beginning of Year | <u>1,147,551</u> | <u>676,199</u> |
| Cash and Cash Equivalents, End of Year | <u>\$ 1,320,387</u> | <u>\$ 1,147,551</u> |

The accompanying notes are an integral part of these financial statements.

COMMUNITY FOUNDATION OF ORANGE AND SULLIVAN
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013 AND 2012

1. Nature of Activities

The Community Foundation of Orange County, Inc. (Foundation) was established in 1999 as a community foundation in Orange County, New York, to administer and invest charitable funds and to assist in matching community resources with community needs. The Foundation's mission is to enable charitable individuals and organizations to become meaningful donors by providing trusted support and expertise for their contributions to make a difference in our community, now and forever. The Foundation operates under the "d/b/a" Community Foundation of Orange and Sullivan.

2. Summary of Significant Accounting Policies

Basis of Accounting:

The accompanying financial statements are prepared on the accrual basis of accounting, in accordance with accounting principles generally accepted in the United States of America as applicable to not-for-profit entities.

Cash and Cash Equivalents:

For purposes of the statements of cash flows, cash and cash equivalents consists of monies in the checking, savings and money market accounts.

Investments:

Effective July 1, 2008, the Foundation adopted FAS 157 and FSP FAS 157-3, codified in the *Fair Value Measurements and Disclosures Topic of FASB ASC* (ASC Section 820), which defines fair value, establishes a framework for measuring fair value, and requires enhanced disclosures about fair value measurements. Fair value is the amount that would be received to sell an asset, or paid to transfer a liability, in an orderly transaction between market participants at the measurement date.

Investments are reflected on the statements of financial position at fair value with changes in unrealized gains and losses resulting from changes in fair value reflected in the statement of activities.

The Foundation only invests in publicly traded investments in active markets which are reported at fair market value based on current quoted market prices.

See *Note 6, Investments*, for further discussion relating to *Fair Value Measurements and Disclosures* and the Foundation's investments.

Fixed Assets and Depreciation:

Fixed assets are stated at cost when purchased and at fair market value when donated. Depreciation is provided on the straight-line method over the estimated useful lives of the assets.

COMMUNITY FOUNDATION OF ORANGE AND SULLIVAN
NOTES TO FINANCIAL STATEMENTS (Continued)
JUNE 30, 2013 AND 2012

2. Summary of Significant Accounting Policies (continued)

Classification of Contributions and Net Assets:

The accompanying financial statements have been prepared in accordance with the *Not-for Profit Entities Topic of Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC)* (ASC Section 958). The *Balance Sheet and Income Statement Subtopics* of ASC Section 958 require the Foundation to present its net assets and its revenue and gains based upon the existence or absence of donor-imposed restrictions into these classes: unrestricted, temporarily restricted, and permanently restricted. Effective July 1, 2008, the Foundation adopted FSP 117-1, codified as the *Classification of Donor-Restricted Endowment Funds Subject to UPMIFA Subtopic of FASB ASC* (ASC 958-205-45-28), which was issued by the FASB in August 2008 and provides guidance for the classification of donor-restricted endowment funds that are subject to an enacted version of the Uniform Prudent Management of Institutional Funds Act (UPMIFA). FSP 117-1 also provides for enhanced disclosures about endowment funds. The State of New York adopted its version of UPMIFA, the New York Prudent Management of Institutional Funds Act (NYPMIFA), on September 17, 2010. The Foundation has determined its net assets do not meet the definition of endowment under NYPMIFA.

The bylaws of the Foundation include a variance provision giving the Board of Directors the power, whenever any restriction or condition on the distribution of funds becomes, in effect, unnecessary or incapable of fulfillment, to modify any restriction or condition placed on the distribution of funds and to apply the whole or any part of the principal or income of funds as in its judgment is necessary to serve more effectively the charitable and educational purposes of the Foundation. While the Foundation has the ability to exercise this variance power, it only intends to do so in extreme circumstances and accordingly classifies its net assets based on the following criteria:

Unrestricted:

Unrestricted net assets are those resources that are not subject to donor-restrictions.

Temporarily Restricted:

Temporarily restricted net assets are those resources that are subject to donor-imposed restrictions that will be met either by actions of the Foundation and/or the passage of time.

Permanently Restricted:

Permanently restricted net assets are those resources that are subject to donor-imposed restrictions that will be honored permanently by the Foundation. Generally, the donors of these assets specify the use of the income earned on related investments, and the net capital appreciation thereon, for specific purposes.

COMMUNITY FOUNDATION OF ORANGE AND SULLIVAN
NOTES TO FINANCIAL STATEMENTS (Continued)
JUNE 30, 2013 AND 2012

2. Summary of Significant Accounting Policies (continued)

Deferred Revenue:

Revenues received for specific activities, programs or events that have not yet occurred or for expenses which have not yet been incurred are reported as deferred revenue.

Income Taxes:

The Foundation is a not-for-profit corporation that is exempt from income tax under section 501(c)(3) of the Internal Revenue Code of 1986, as amended (Code). In addition, the Foundation has been determined by the Internal Revenue Service not to be a private foundation within the meaning of section 509(a) of the Code.

Uncertain Tax Positions:

Effective July 1, 2009, the Foundation adopted guidance issued by the FASB with respect to accounting for uncertainty in income taxes. A tax position is recognized as a benefit only if it is "more likely than not" that the tax position would be sustained in a tax examination, with a tax examination being presumed to occur. The amount recognized is the largest amount of tax benefit that is greater than 50% likely of being realized on examination. For tax positions not meeting the "more likely than not" test, no tax benefit is recorded. The adoption had no effect on the Foundation's financial statements.

The Foundation recognizes interest and penalties related to unrecognized tax benefits in interest and income tax expense, respectively. The Foundation has no amounts accrued for interest or penalties as of June 30, 2013 and 2012. The Foundation is no longer subject to examination by U.S. federal taxing authorities for years before June 30, 2010. The Foundation does not expect the total amount of unrecognized tax benefits to significantly change in the next 12 months.

Use of 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 and disclosures. Accordingly, actual results could differ from those estimates.

Agency Endowments:

Accounting for receipts in which the donor specifies itself or an affiliate as a beneficiary conforms to the *Transfers of Assets to a Not-for-Profit Entity or Charitable Trust that Raises or Holds Contributions for Others Subtopic of FASB ASC (ASC 958-605-25-21)*. The net assets of the funds created with such receipts are recognized as a liability (Agency Endowments) to the donor. The additions, expenses, gains, and losses are not reported as separate transactions in the Statement of Activities, but are netted and the net (\$457,696 for 2013 and \$187,087 for 2012) are reported through the change in the liability account. The resulting ending balances of \$1,736,398 in 2013 and \$1,278,702 in 2012 represent the fair market value of the Agency Endowments.

COMMUNITY FOUNDATION OF ORANGE AND SULLIVAN
NOTES TO FINANCIAL STATEMENTS (Continued)
JUNE 30, 2013 AND 2012

2. Summary of Significant Accounting Policies (continued)

Split-Interest Agreements:

The Foundation serves as trustee for a charitable lead annuity trust. Assets held under this agreement are included in investments. The present value of the remainder interest of this trust is included in liabilities. The liabilities are adjusted during the term of the split-interest agreement for changes in fair value of the assets, accretion of the discount, and other changes in the estimates of future benefits.

Reclassifications:

Certain amounts reported in 2012 have been reclassified to conform to the 2013 presentation.

Subsequent Events:

Management has evaluated subsequent events through the date of the accountant's report, September 27, 2013, which is the date the financial statements were available to be issued.

Allocation of Expenses:

Costs have been summarized by management on a functional basis in the Statement of Functional Expenses and accordingly, have been allocated among the following categories:

Program Services:

Expenses directly connected with fulfilling the Foundation's mission and servicing the endowments.

Donor Initiated Events:

Certain donors sponsor events designed to raise funds for their endowments. The costs of direct benefits to those attending these events are included in this category.

Management and General:

Expenses relating to the general operations of the Foundation.

Development Expenses:

By its very nature, a community foundation's mission is to educate the public about philanthropy, methods of charitable giving and the benefits of establishing endowments. As such, the Foundation conducts various promotional and educational activities, the costs of which have been classified as development expenses.

Fund Raising:

This category includes fund raising costs incurred by the Foundation to support its general operations. It also includes indirect costs related to the donor initiated events sponsored by the donors.

COMMUNITY FOUNDATION OF ORANGE AND SULLIVAN
NOTES TO FINANCIAL STATEMENTS (Continued)
JUNE 30, 2013 AND 2012

3. Endowment Investment and Spending Policies

The Foundation's Board of Directors is entrusted with the investment and management of its charitable funds and with carrying out the wishes of its donors in the best interest of the community. The Board views the assets held by the Foundation as Endowment Funds designed for long-term development purposes. However, the Board is also cognizant of the Foundation's central philanthropic purpose, which is to be consistently responsive to the current and changing charitable needs of the community. This purpose dictates the need for an annual return on the Foundation's assets to meet these needs and allow for a growth in capital to at least equal inflation.

In order to balance the current charitable needs of the community with growth for the future, the Foundation annually sets a disbursement level based on a recommendation of the Finance & Investment Committee. To allow for a more stable and predictable flow of funds available for distribution, the spending rate is set based upon the average of the market value of the Foundation's total earning assets over the preceding 20-quarter period. The recommended current disbursement level is set at 4% to support the Foundation's grant program.

4. Prior-Year Information

The Statements of Activities and Functional Expenses include certain prior year summarized comparative information in total but not by net asset/program. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the financial statements for the year ended June 30, 2012, from which the summarized information was derived.

5. Uninsured Cash

The Foundation maintains several accounts at a local bank. The combined balances in these accounts periodically exceed the \$250,000 federally insured limit; at June 30, 2013 there were no uninsured balances.

COMMUNITY FOUNDATION OF ORANGE AND SULLIVAN
NOTES TO FINANCIAL STATEMENTS (Continued)
JUNE 30, 2013 AND 2012

6. Investments

Fair Value Measurements and Disclosures Topic (FASB ASC Section 820) establishes a three-level hierarchy for disclosure of assets and liabilities recorded at fair value. The classification of assets and liabilities within the hierarchy is based on whether the inputs to the valuation methodology used for measurement are observable or unobservable. Observable inputs reflect market-derived or market-based information obtained from independent sources while unobservable inputs reflect estimates about market data.

The fair value hierarchy prioritizes the inputs to valuation techniques used to measure fair value into three broad levels:

Level I: Quoted prices are available in active markets for identical investments as of the reporting date. The type of investments which would generally be included in *Level I* include listed equities, listed derivatives, and most U.S. government securities.

Level II: Pricing inputs are observable for the investments, either directly or indirectly, as of the reporting date, but are not the same as those used in *Level I*. Fair value is determined through the use of the market approach. Investments which are generally included in this category include corporate and municipal bonds, and restricted stock.

Level III: Pricing inputs are unobservable for the investment and include situations where there is little, if any, market activity for the investment. The Foundation has no investments where *Level III* inputs must be used.

COMMUNITY FOUNDATION OF ORANGE AND SULLIVAN
NOTES TO FINANCIAL STATEMENTS (Continued)
JUNE 30, 2013 AND 2012

6. Investments (continued)

The fair value of each financial instrument in the table below was measured using FASB ASC 820 input guidance and valuation techniques. The following tables set forth estimated fair values for financial instruments at June 30, 2013 and June 30, 2012:

| <u>2013</u> | <u>LEVEL I</u> | <u>LEVEL II</u> | <u>LEVEL III</u> | <u>2013</u> <u>TOTAL</u> |
|----------------------------|---------------------|---------------------|------------------|-----------------------------|
| Publicly Traded Equities | \$ 4,295,842 | \$ - | \$ - | \$ 4,295,842 |
| Mutual Funds | 821,305 | - | - | 821,305 |
| U.S. Government Securities | 470,080 | - | - | 470,080 |
| Fixed Income | 103,911 | 2,335,664 | - | 2,439,575 |
| Total | <u>\$ 5,691,138</u> | <u>\$ 2,335,664</u> | <u>\$ -</u> | <u>\$ 8,026,802</u> |

| <u>2012</u> | <u>LEVEL I</u> | <u>LEVEL II</u> | <u>LEVEL III</u> | <u>2012</u> <u>TOTAL</u> |
|----------------------------|---------------------|---------------------|------------------|-----------------------------|
| Publicly Traded Equities | \$ 3,334,576 | \$ - | \$ - | \$ 3,334,576 |
| Mutual Funds | 486,486 | - | - | 486,486 |
| U.S. Government Securities | 578,563 | - | - | 578,563 |
| Fixed Income | 103,261 | 1,894,003 | - | 1,997,264 |
| Total | <u>\$ 4,502,886</u> | <u>\$ 1,894,003</u> | <u>\$ -</u> | <u>\$ 6,396,889</u> |

The investment return consists of the following:

| <u>2013</u> | <u>UNRESTRICTED</u> | <u>TEMPORARILY RESTRICTED</u> | <u>PERMANENTLY RESTRICTED</u> | <u>2013</u> <u>TOTAL</u> |
|------------------------------|---------------------|-----------------------------------|-----------------------------------|-----------------------------|
| Realized Gains/(Losses) | \$ (3,126) | \$ (4,824) | \$ (92,594) | \$ (100,544) |
| Unrealized Gains/(Losses) | 23,502 | 45,345 | 661,153 | 730,000 |
| Interest and Dividend Income | 6,325 | 12,609 | 174,894 | 193,828 |
| Net Investment Return | <u>\$ 26,701</u> | <u>\$ 53,130</u> | <u>\$ 743,453</u> | <u>\$ 823,284</u> |

| <u>2012</u> | <u>UNRESTRICTED</u> | <u>TEMPORARILY RESTRICTED</u> | <u>PERMANENTLY RESTRICTED</u> | <u>2012</u> <u>TOTAL</u> |
|------------------------------|---------------------|-----------------------------------|-----------------------------------|-----------------------------|
| Realized Gains/(Losses) | \$ 154 | \$ 718 | \$ 7,446 | \$ 8,318 |
| Unrealized Gains/(Losses) | (274) | 3,604 | (17,259) | (13,929) |
| Interest and Dividend Income | 4,678 | 12,869 | 164,979 | 182,526 |
| Net Investment Return | <u>\$ 4,558</u> | <u>\$ 17,191</u> | <u>\$ 155,166</u> | <u>\$ 176,915</u> |

COMMUNITY FOUNDATION OF ORANGE AND SULLIVAN
NOTES TO FINANCIAL STATEMENTS (Continued)
JUNE 30, 2013 AND 2012

7. Fixed Assets

Fixed assets are summarized as follows:

| | <u>2013</u> | <u>2012</u> |
|--------------------------------|-----------------|-----------------|
| Office Equipment | \$ 7,351 | \$ 7,351 |
| Office Furniture | 4,187 | - |
| Less: Accumulated Depreciation | <u>(5,764)</u> | <u>(4,399)</u> |
| Fixed Assets, net | <u>\$ 5,774</u> | <u>\$ 2,952</u> |

8. Intangible Assets

Intangible assets are summarized as follows:

| | <u>2013</u> | <u>2012</u> |
|--------------------------------|----------------|-----------------|
| Logo | \$ 2,000 | \$ 2,000 |
| Website | <u>1,643</u> | <u>1,643</u> |
| | 3,643 | 3,643 |
| Less: Accumulated Amortization | <u>(2,823)</u> | <u>(2,580)</u> |
| Intangible Assets, net | <u>\$ 820</u> | <u>\$ 1,063</u> |

9. Student Loans Receivable

Under the terms of The Roy D. Parker Education Fund, the Foundation administers loans to eligible students in Orange County. Student loans receivable are reported net of any anticipated losses due to uncollectible loans. The balance of such loans at June 30, 2013 and 2012 amounted to \$94,264 and \$77,415, respectively.

10. Additions to Endowments

Various gifts, legacies and bequests constitute additions to the endowments. At times a single source is responsible for a significant portion of additions during a particular year; however, the Foundation does not use, and is not dependent on, such additions to fund current operations.

COMMUNITY FOUNDATION OF ORANGE AND SULLIVAN
NOTES TO FINANCIAL STATEMENTS (Continued)
JUNE 30, 2013 AND 2012

11. Net Assets Released from Restrictions

Net assets were released from donor restrictions either by incurring expenses satisfying the restricted purpose or by the occurrence of events specified by donors.

| | <u>TEMPORARILY RESTRICTED</u> | <u>PERMANENTLY RESTRICTED</u> | <u>2013 TOTAL</u> | <u>2012 TOTAL</u> |
|--|--|--|------------------------------|------------------------------|
| Grants | \$ 79,175 | \$ 203,509 | \$ 282,684 | \$ 298,965 |
| Satisfaction of Restrictions | 160,243 | 52,426 | 212,669 | 163,953 |
| Reclassifications | 144,418 | (144,418) | - | - |
| Administrative & Investment Management Fees | <u>14,160</u> | <u>117,740</u> | <u>131,900</u> | <u>108,553</u> |
| Net Assets Released from Restrictions | <u>\$ 397,996</u> | <u>\$ 229,257</u> | <u>\$ 627,253</u> | <u>\$ 571,471</u> |

12. Donated Services

It is the policy of the Foundation to record a value for contributed services when such services require a special skill or enhance a non-financial asset. No amounts have been reflected in the financial statements for donated volunteer time, since no objective basis is available to measure the value of such services; however, volunteers and Board members have donated time in the accomplishment of program objectives.

13. Donated Assets

Donated securities and other non-cash donations are recorded as contributions at fair market value on the date of donation.

14. Lease Obligations

The Foundation rents its office space under the terms of a lease agreement effective May 1, 2008 through April 30, 2014, which specifies annual rents of \$17,106 through April 2014. Rent expense for the years ended June 30, 2013 and 2012 amounted to \$17,106 and \$16,740, respectively.

Future minimum annual lease payments at June 30, 2013 are as follows:

| | | |
|-----------------------|------|------------------|
| Years ending June 30, | 2014 | <u>\$ 14,255</u> |
|-----------------------|------|------------------|

15. Retirement Plan

The Foundation has a 401(k) Plan, under which the Foundation is obligated to make a contribution of 4% of eligible employees' salary. Retirement expense for the years ended June 30, 2013 and 2012, amounted to \$6,765 and \$6,877, respectively.