

COMMUNITY FOUNDATION OF
ORANGE AND SULLIVAN

FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2018 AND 2017

COMMUNITY FOUNDATION OF ORANGE AND SULLIVAN
MONTGOMERY, NEW YORK

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Community Foundation of Orange and Sullivan

We have audited the accompanying financial statements of the Community Foundation of Orange and Sullivan (a nonprofit organization), which comprise the statement of financial position as of June 30, 2018, and the related statement of activities and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Community Foundation of Orange and Sullivan as of June 30, 2018, 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.

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedules of functional expenses on page 16 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Report on Summarized Comparative Information

We have previously audited the Community Foundation of Orange and Sullivan’s 2017 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated October 3, 2017. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2017, is consistent, in all material respects with the audited financial statements from which it has been derived.

Montgomery, New York
November 2, 2018

COMMUNITY FOUNDATION OF ORANGE AND SULLIVAN
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2018 AND 2017

ASSETS

	2018	2017
Cash and Cash Equivalents	\$ 77,271	\$ 47,258
Restricted Cash and Cash Equivalents - Donor Imposed	2,360,222	1,476,098
Accounts Receivable	1,550	0
Prepaid Expenses	636	4,971
Investments	842,264	710,511
Restricted Investments - Donor Imposed	25,726,578	22,192,541
Student Loans Receivable (including Interest and Penalties), less allowances of \$63,979 and \$36,643 as of June 30, 2018 and 2017, respectively	66,926	79,570
Fixed Assets, Net of Accumulated Depreciation	3,592	5,298
TOTAL ASSETS	\$ 29,079,039	\$ 24,516,247

LIABILITIES AND NET ASSETS

Accounts Payable and Accrued Expenses	\$ 8,763	\$ 7,625
Deferred Revenue	7,750	6,000
Due to the Rockland Community Foundation	1,931,926	1,695,570
Agency Endowments	5,086,846	4,286,424
Obligation Under Split-Interest Agreement	32,501	28,176
TOTAL LIABILITIES	7,067,786	6,023,795
 NET ASSETS		
Unrestricted	908,800	754,413
Temporarily Restricted	1,239,398	1,001,328
Permanently Restricted	19,863,055	16,736,711
TOTAL NET ASSETS	22,011,253	18,492,452
TOTAL LIABILITIES AND NET ASSETS	\$ 29,079,039	\$ 24,516,247

The accompanying notes are an integral part of these financial statements

COMMUNITY FOUNDATION OF ORANGE AND SULLIVAN
STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED JUNE 30, 2018 AND 2017

	UNRESTRICTED	TEMPORARILY RESTRICTED	PERMANENTLY RESTRICTED	2018 TOTAL	For Comparative Purposes Only 2017 TOTAL
REVENUES, GAINS AND OTHER SUPPORT					
Contributions	\$ 115,405	\$ 653,888	\$ 2,677,894	\$ 3,447,187	\$ 4,120,651
Pledges	70,312	-	-	70,312	68,544
Donor Initiated Events	-	147,927	202,492	350,419	388,021
Annual Reception	160,450	-	-	160,450	181,095
Seminar Revenue	2,275	-	-	2,275	2,200
Management Fee Income	291,650	-	-	291,650	235,528
Membership Dues	-	2,740	-	2,740	1,670
Investment Return	53,991	60,037	1,413,570	1,527,598	1,471,238
TOTAL REVENUES AND GAINS	694,083	864,592	4,293,956	5,852,631	6,468,947
NET ASSETS RELEASED FROM RESTRICTIONS	1,794,134	(626,522)	(1,167,612)	-	-
TOTAL REVENUES, GAINS AND OTHER SUPPORT	2,488,217	238,070	3,126,344	5,852,631	6,468,947
EXPENSES					
Program Services	1,999,011	-	-	1,999,011	1,521,767
Management and General	154,516	-	-	154,516	153,149
Development	97,911	-	-	97,911	92,575
Fund Raising	82,392	-	-	82,392	81,813
TOTAL EXPENSES	2,333,830	-	-	2,333,830	1,849,304
CHANGE IN NET ASSETS	154,387	238,070	3,126,344	3,518,801	4,619,643
NET ASSETS, BEGINNING OF YEAR, AS RESTATED	754,413	1,001,328	16,736,711	18,492,452	13,872,809
NET ASSETS, END OF YEAR	<u>\$ 908,800</u>	<u>\$ 1,239,398</u>	<u>\$ 19,863,055</u>	<u>\$ 22,011,253</u>	<u>\$ 18,492,452</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, 2018 AND 2017

	<u>2018</u>	<u>2017</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ 3,518,801	\$ 4,619,643
Adjustments to Reconcile Change in Net Assets to Net Cash Flows from Operating Activities		
Depreciation	1,706	1,981
Amortization	-	92
Uncollectible Loan Expense	27,336	-
Non-Cash Contributions	(1,812)	(1,877)
Non-Cash Expenses	1,812	1,877
Realized (Gains)/Losses on Sale of Investments	(942,699)	(279,195)
Unrealized (Gains)/Losses on Investments	(139,642)	(840,504)
(Increase) Decrease in:		
Student Loans Receivable	(14,692)	(12,102)
Accounts Receivable	(1,550)	-
Prepaid Expenses	4,335	(2,610)
Increase (Decrease) in:		
Agency Endowments	800,422	792,639
The Rockland Community Foundation	236,356	40,783
Accounts Payable and Accrued Expenses	1,138	(4,340)
Deferred Revenue	1,750	(9,375)
Liability under Split-Interest Agreement	<u>4,325</u>	<u>1,423</u>
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>3,497,586</u>	<u>4,308,435</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of Investments	(6,461,622)	(10,003,214)
Sale of Investments	<u>3,878,173</u>	<u>5,748,577</u>
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	<u>(2,583,449)</u>	<u>(4,254,637)</u>
CHANGE IN CASH AND CASH EQUIVALENTS	914,137	53,798
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>1,523,356</u>	<u>1,469,558</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 2,437,493</u>	<u>\$ 1,523,356</u>
Supplemental Information:		
Taxes Paid	\$ 775	\$ 775

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

COMMUNITY FOUNDATION OF ORANGE AND SULLIVAN
NOTES TO FINANCIAL STATEMENTS

NOTE 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.

NOTE 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, the Foundation considers all highly liquid investments with an initial maturity of three months or less to be cash equivalents. Cash and cash equivalents consist of monies in the checking, savings and money market accounts.

Investments

The Foundation maintains master investment accounts for its donor-restricted and board designated endowments. Pooling endowment funds for investment purposes has many benefits, including but not limited to spreading the total risk for each endowment fund and making the risk equal for all funds invested in the master investment accounts, enhancing the investment performance relative to that of an individual fund; and reducing management fees. Realized and unrealized gains and losses from securities in the master investment accounts are allocated monthly to the individual endowments based on the relationship of the fair value of each endowment to the total fair value of the master investment accounts, as adjusted for additions to or deductions from those accounts.

The Foundation only invests in publicly traded investments in active markets which are reported at fair value in the statement of financial position. Unrealized gains and losses are included in the change in net assets. Investment income and gains restricted by a donor are reported as increases in unrestricted net assets 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.

COMMUNITY FOUNDATION OF ORANGE AND SULLIVAN
NOTES TO FINANCIAL STATEMENTS

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fixed Assets

Fixed assets are stated at cost when purchased and at fair market value when donated. Major additions and improvements will be capitalized, while replacements, maintenance, and repairs, which do not improve or extend the life of the respective asset, will be expensed. When fixed assets are retired, the cost and accumulated depreciation will be eliminated from the accounts with any resulting gain or loss included in income for the period.

Depreciation

Depreciation for financial reporting purposes is provided for on the straight-line method over the estimated useful lives of the related assets.

Classification of Revenues and Net Assets

The Foundation presents its net assets and its revenues based upon the existence or absence of donor-imposed restrictions into these classes as follows:

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.

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. In addition, the Foundation has been classified as an organization other than a private foundation under Section 509(a)(2) of the Internal Revenue Code.

COMMUNITY FOUNDATION OF ORANGE AND SULLIVAN
NOTES TO FINANCIAL STATEMENTS

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expense during the reporting period. On an ongoing basis, management evaluates the estimates and assumptions based on new information. Management believes that the estimates and assumptions are reasonable in the circumstances; however, actual results could differ from those estimates.

Advertising

The Foundation expenses advertising as incurred. The total cost of advertising expense for the years ended June 30, 2018 and 2017, was \$11,726 and \$22,475 respectively.

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 amounts (\$800,422 gain for 2018 and \$792,639 gain for 2017) are reported through the change in the liability account. The resulting ending balances of \$5,086,846 in 2018 and \$4,286,424 in 2017 represent the fair market value of the Agency Endowments.

Donated Services

It is 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.

Donated Assets

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

Reclassifications

Certain amounts reported in 2017 have been reclassified to conform to the 2018 presentation.

COMMUNITY FOUNDATION OF ORANGE AND SULLIVAN
NOTES TO FINANCIAL STATEMENTS

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Functional 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.

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.

NOTE 3. CONCENTRATION OF CREDIT RISK

The Foundation maintains cash balances at several financial institutions. Accounts at each institution are insured by the Federal Deposit Insurance Corporation up to \$250,000. At June 30, 2018 and 2017, the Foundation’s cash balances were fully insured with federal depository insurance.

NOTE 4. 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. The Foundation’s endowment consists of approximately 280 individual funds established for a variety of purposes. Furthermore, 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.

COMMUNITY FOUNDATION OF ORANGE AND SULLIVAN
NOTES TO FINANCIAL STATEMENTS

NOTE 4. ENDOWMENT INVESTMENT AND SPENDING POLICIES (Continued)

As required by generally accepted accounting principles, net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor – imposed restrictions. Absent explicit donor stipulations to the contrary, the Board of Directors of the Foundation has interpreted the New York Uniform Prudent Management of Institutional Funds Act (NYPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor - restricted endowment funds. In accordance with NYPMIFA, the Foundation 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 Foundation, and (7) the Foundation’s investment policies.

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 investments over the preceding 20-quarter period. The recommended current disbursement level is set at 4% to support the Foundation’s grant program.

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.

Changes in endowment net assets as of June 30, 2018 are as follows:

	Temporarily Restricted	Permanently Restricted
Endowment net assets, beginning of year	\$ 1,001,328	\$ 16,736,711
Contributions	804,555	2,880,386
Investment Income	18,105	411,606
Net Appreciation (depreciation)	41,932	1,001,964
Amounts appropriated for expenditures	<u>(626,522)</u>	<u>(1,167,612)</u>
Endowment net assets, end of year	<u>\$ 1,239,398</u>	<u>\$ 19,863,055</u>

COMMUNITY FOUNDATION OF ORANGE AND SULLIVAN
NOTES TO FINANCIAL STATEMENTS

NOTE 4. ENDOWMENT INVESTMENT AND SPENDING POLICIES (Continued)

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

	TEMPORARILY RESTRICTED	PERMANENTLY RESTRICTED	2018 TOTAL	2017 TOTAL
Grants	\$ 285,211	\$ 713,452	\$ 998,663	\$ 640,833
Satisfaction of Restrictions	302,332	119,565	421,897	427,845
Uncollectible Loan Expense	-	27,336	27,336	-
Administrative & Investment Management Fees	<u>38,979</u>	<u>307,259</u>	<u>346,238</u>	<u>263,390</u>
Net Assets Released from Restrictions	<u>\$ 626,522</u>	<u>\$ 1,167,612</u>	<u>\$ 1,794,134</u>	<u>\$ 1,332,068</u>

NOTE 5. 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

NOTE 5. 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 as of June 30, 2018 and June 30, 2017:

<u>2018</u>	<u>LEVEL 1</u>	<u>LEVEL II</u>	<u>LEVEL III</u>	<u>2018 TOTAL</u>
Publicly Traded Equities	\$ 14,670,003	\$ -	\$ -	\$ 14,670,003
Mutual Funds	2,539,592	-	-	2,539,592
Fixed Income	-	8,735,713	-	8,735,713
Exchange - Traded Products	<u>623,534</u>	<u>-</u>	<u>-</u>	<u>623,534</u>
Total	<u>\$ 17,833,129</u>	<u>\$ 8,735,713</u>	<u>\$ -</u>	<u>\$ 26,568,842</u>

<u>2017</u>	<u>LEVEL 1</u>	<u>LEVEL II</u>	<u>LEVEL III</u>	<u>2017 TOTAL</u>
Publicly Traded Equities	\$ 12,689,224	\$ -	\$ -	\$ 12,689,224
Mutual Funds	2,520,196	-	-	2,520,196
Fixed Income	-	7,168,701	-	7,168,701
Exchange - Traded Products	<u>524,931</u>	<u>-</u>	<u>-</u>	<u>524,931</u>
Total	<u>\$ 15,734,351</u>	<u>\$ 7,168,701</u>	<u>\$ -</u>	<u>\$ 22,903,052</u>

The investment return consists of the following:

<u>2018</u>	<u>UNRESTRICTED</u>	<u>TEMPORARILY RESTRICTED</u>	<u>PERMANENTLY RESTRICTED</u>	<u>2018 TOTAL</u>
Realized Gains/(Losses)	\$ 14,853	\$ 16,142	\$ 911,704	\$ 942,699
Unrealized Gains/(Losses)	23,592	25,790	90,260	139,642
Interest and Dividend Income	<u>15,546</u>	<u>18,105</u>	<u>411,606</u>	<u>445,257</u>
Net Investment Return	<u>\$ 53,991</u>	<u>\$ 60,037</u>	<u>\$ 1,413,570</u>	<u>\$ 1,527,598</u>

COMMUNITY FOUNDATION OF ORANGE AND SULLIVAN
NOTES TO FINANCIAL STATEMENTS

NOTE 5. INVESTMENTS (Continued)

<u>2017</u>	<u>UNRESTRICTED</u>	TEMPORARILY <u>RESTRICTED</u>	PERMANENTLY <u>RESTRICTED</u>	2017 <u>TOTAL</u>
Realized Gains/(Losses)	\$ 3,061	\$ 3,797	\$ 272,337	\$ 279,195
Unrealized Gains/(Losses)	34,191	43,375	764,361	841,927
Interest and Dividend Income	<u>12,326</u>	<u>15,177</u>	<u>322,613</u>	<u>350,116</u>
Net Investment Return	<u>\$ 49,578</u>	<u>\$ 62,349</u>	<u>\$ 1,359,311</u>	<u>\$1,471,238</u>

NOTE 6. 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. During 2018, management wrote off student loans in the amount of \$27,336.00, as uncollectible. The balance of such loans at June 30, 2018 and 2017 are summarized as follows:

	<u>2018</u>	<u>2017</u>
Student Loans Receivable	\$ 130,905	\$ 116,213
Less: Allowance for Uncollectible Loans	<u>(63,979)</u>	<u>(36,643)</u>
	<u>\$ 66,926</u>	<u>\$ 79,570</u>

NOTE 7. FIXED ASSETS

Fixed assets are summarized as follows:

	<u>2018</u>	<u>2017</u>
Office Equipment	\$ 9,113	\$ 9,547
Office Furniture	<u>5,596</u>	<u>5,596</u>
	14,709	15,143
Less: Accumulated Depreciation	<u>(11,117)</u>	<u>(9,845)</u>
Fixed Assets, net	<u>\$ 3,592</u>	<u>\$ 5,298</u>

COMMUNITY FOUNDATION OF ORANGE AND SULLIVAN
NOTES TO FINANCIAL STATEMENTS

NOTE 8. MANAGEMENT SERVICE AGREEMENT

During the year ended June 30, 2016, the Foundation entered into a management agreement with the Rockland Community Foundation. Under the terms of the management agreement, the Foundation will provide bookkeeping services, reporting services, deposit services and ancillary services for the Rockland Community Foundation. The management agreement is in effect indefinitely or until either party wishes to terminate the agreement with 60 days written notice.

The additions, expenses, gains, and losses are not reported as separate transactions in the Statement of Activities, but are netted and the net amounts (\$236,356 for 2018 and \$40,783 for 2017) are reported through the change in the Due to the Rockland Community Foundation liability account on the statement of financial position. The resulting Due to Rockland Community Foundation liability account balance as of June 30, 2018 and 2017 was \$1,931,926 and \$1,695,570, respectively.

NOTE 9. SPLIT-INTEREST AGREEMENT

The Foundation serves as trustee for a charitable lead annuity trust. Assets held under this agreement totaled \$47,506. and \$46,239 as of June 30, 2018 and 2017, respectively, and are included in investments, reported at fair value. The present value of the remainder interest of this trust is reported as obligations under split-interest liabilities. Under the terms of the split – interest agreement, the Foundation receives an annual amount for its unrestricted use until the donor's death. The trust will terminate upon the donor's death, and the remaining assets will be distributed to beneficiaries designated by the donor. Based on the donors' life expectancy and the use of a 5% discount rate, the present value of the obligation under this agreement was estimated to be \$32,501 and \$28,176 as of June 30, 2018 and 2017, respectively.

NOTE 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

NOTE 11. LEASE OBLIGATIONS

On June 25, 2014, the Foundation signed a lease for a new office space. The office space lease agreement is effective August 1, 2014 through July 31, 2019, and specifies annual rents of \$24,390. Rent expense for the years ended June 30, 2018 and 2017 amounted to \$23,374 and \$24,390, respectively.

The Foundation leases a copier for its operations. The lease agreement calls for the Foundation to pay \$379.00 per month for 60 months.

Future minimum annual lease payments at June 30, 2017 are as follows:

Year Ending June 30,	
2019	\$ 28,938
2020	<u>1,137</u>
	<u>\$ 30,075</u>

NOTE 12. RETIREMENT PLAN

The Foundation has a 403(b) Plan which covers substantially all eligible full time employees. The Foundation contributes 4% of a participating employees' compensation. Employer contributions for the years ended June 30, 2018 and 2017 amounted to \$10,179 and \$7,425, respectively.

NOTE 13. PRIOR PERIOD ADJUSTMENT.

During the year ended June 30, 2018, it was discovered that the Foundation overstated their agency endowment liability by \$72,263 as of June 30, 2017. The Foundation had incorrectly reported a permanently restricted fund as an agency endowment liability. The Foundation's net assets as of June 30, 2017 have been restated as follows:

Net Assets End of Year, as Previously Stated	\$ 18,420,189
Overstatement of Agency Endowment at June 30, 2017	<u>72,263</u>
Net Assets End of Year, As Restated	<u>\$ 18,492,452</u>

NOTE 14. SUBSEQUENT EVENTS.

Management has evaluated subsequent events through November 2, 2018, the date that the financial statements were available to be issued. No significant subsequent events have been identified that would require adjustment of or disclosure in the accompanying consolidated financial statements.

COMMUNITY FOUNDATION OF ORANGE AND SULLIVAN
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEARS ENDED JUNE 30, 2018 AND 2017

	PROGRAM SERVICES	MANAGEMENT & GENERAL	DEVELOPMENT	FUND RAISING	2018 TOTAL	For Comparative Purposes Only 2017 TOTAL
Grants	\$ 1,296,968	\$ -	\$ -	\$ -	\$ 1,296,968	\$ 867,670
Salaries	108,286	81,064	59,273	34,822	283,445	281,396
Payroll Taxes	7,654	5,730	4,190	2,461	20,035	20,865
Direct Benefits to Donors	148,988	-	-	39,206	188,194	246,371
Administrative Fees	235,142	-	-	-	235,142	176,103
Investment Management Fees	110,773	-	-	-	110,773	87,352
Office Rent and Taxes	12,206	9,154	9,154	-	30,514	30,353
Professional Fees	-	14,783	-	-	14,783	12,217
Office Expenses & Supplies	12,464	9,968	2,492	-	24,924	21,088
Strategic Planning	-	-	3,791	-	3,791	590
Computer Software	8,535	5,123	1,708	1,708	17,074	17,178
Employee Benefits	3,094	3,713	4,950	618	12,375	11,757
Printing & Publications	7,202	7,203	1,800	1,800	18,005	15,839
Retirement Expense	2,924	3,508	4,678	585	11,695	8,941
Conferences & Meetings	1,311	1,166	437	-	2,914	3,844
Telephone	2,611	2,319	580	289	5,799	4,943
Insurance	5,923	1,975	-	-	7,898	7,621
Travel	776	1,406	625	316	3,123	4,965
Seminar Expenses	-	-	2,804	-	2,804	3,464
Advertising	5,276	4,690	1,173	587	11,726	22,475
Depreciation	767	683	256	-	1,706	1,981
Filing Fees	-	2,031	-	-	2,031	1,424
Amortization	-	-	-	-	-	92
Uncollectible Loan Expense	27,336	-	-	-	27,336	-
Program Expenses	775	-	-	-	775	775
	<u>\$ 1,999,011</u>	<u>\$ 154,516</u>	<u>\$ 97,911</u>	<u>\$ 82,392</u>	<u>\$ 2,333,830</u>	<u>\$ 1,849,304</u>

See independent auditor's report.