

COMMUNITY FOUNDATION OF
ORANGE AND SULLIVAN

FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2019 AND 2018

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, 2019, and the related statement of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

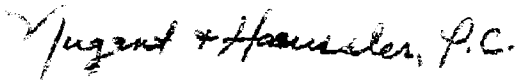
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Community Foundation of Orange and Sullivan as of June 30, 2019, 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 Summarized Comparative Information

We have previously audited the Community Foundation of Orange and Sullivan's 2018 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated November 2, 2018. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2018, is consistent, in all material respects with the audited financial statements from which it has been derived.



Montgomery, New York
November 8, 2019

COMMUNITY FOUNDATION OF ORANGE AND SULLIVAN
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2019 AND 2018

ASSETS

	<u>2019</u>	<u>2018</u>
Cash and Cash Equivalents	\$ 121,787	\$ 77,271
Restricted Cash and Cash Equivalents	3,447,347	2,360,222
Accounts Receivable	1,000	1,550
Prepaid Expenses	600	636
Investments	949,860	842,264
Restricted Investments	26,887,261	25,726,578
Student Loans Receivable Less Allowances of \$31,330 and \$63,979 as of June 30, 2019 and 2018, respectively	60,250	66,926
Furniture and Equipment, Net of Accumulated Depreciation	<u>1,951</u>	<u>3,592</u>
 TOTAL ASSETS	 <u>\$ 31,470,056</u>	 <u>\$ 29,079,039</u>

LIABILITIES AND NET ASSETS

Accounts Payable and Accrued Expenses	\$ 8,607	\$ 8,763
Deferred Revenue	5,000	7,750
Due to the Rockland Community Foundation	2,032,512	1,931,926
Agency Endowments	5,336,458	5,086,846
Obligation Under Split-Interest Agreement	<u>33,029</u>	<u>32,501</u>
 TOTAL LIABILITIES	 <u>7,415,606</u>	 <u>7,067,786</u>
 NET ASSETS		
Net Assets Without Donor Restrictions	1,061,590	908,800
Net Assets With Donor Restrictions	<u>22,992,860</u>	<u>21,102,453</u>
 TOTAL NET ASSETS	 <u>24,054,450</u>	 <u>22,011,253</u>
 TOTAL LIABILITIES AND NET ASSETS	 <u>\$ 31,470,056</u>	 <u>\$ 29,079,039</u>

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, 2019 AND 2018

	NET ASSETS WITHOUT DONOR RESTRICTIONS	NET ASSETS WITH DONOR RESTRICTIONS	2019 TOTAL	For Comparative Purposes Only 2018 TOTAL
REVENUES, GAINS AND OTHER SUPPORT				
Contributions	\$ 121,838	\$ 3,759,060	\$ 3,880,898	\$ 3,449,927
Pledges	75,272	-	75,272	70,312
Donor Initiated Events	-	818,045	818,045	350,419
Annual Reception	173,596	-	173,596	160,450
Seminar Revenue	1,410	-	1,410	2,275
Management Fee Income	355,517	-	355,517	291,650
Net Investment Return	46,011	1,444,037	1,490,048	1,416,825
TOTAL REVENUES AND GAINS	773,644	6,021,142	6,794,786	5,741,858
NET ASSETS RELEASED FROM RESTRICTIONS	<u>4,130,735</u>	<u>(4,130,735)</u>	-	-
TOTAL REVENUES, GAINS AND OTHER SUPPORT	4,904,379	1,890,407	6,794,786	5,741,858
EXPENSES				
Program Services	4,355,128	-	4,355,128	1,888,238
Supporting Services	396,461	-	396,461	334,819
TOTAL EXPENSES	<u>4,751,589</u>	<u>-</u>	<u>4,751,589</u>	<u>2,223,057</u>
CHANGE IN NET ASSETS	152,790	1,890,407	2,043,197	3,518,801
NET ASSETS, BEGINNING OF YEAR	<u>908,800</u>	<u>21,102,453</u>	<u>22,011,253</u>	<u>18,492,452</u>
NET ASSETS, END OF YEAR	<u>\$ 1,061,590</u>	<u>\$ 22,992,860</u>	<u>\$ 24,054,450</u>	<u>\$ 22,011,253</u>

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

COMMUNITY FOUNDATION OF ORANGE AND SULLIVAN
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEARS ENDED JUNE 30, 2019 AND 2018

	Program Services	Supporting Services			2019 Total	For Comparative Purposes Only 2018 Total
	Distributions For Charitable Purposes	Management & General	Development	Fundraising		
Grants	\$ 3,591,468	\$ -	\$ -	\$ -	\$ 3,591,468	\$ 1,296,968
Salaries	104,014	85,141	96,318	34,683	320,156	283,445
Payroll Taxes	7,664	6,273	7,096	2,555	23,588	20,035
Donor Initiated Events	296,561	-	-	-	296,561	148,988
Annual Event Expense	-	-	-	42,718	42,718	39,206
Administrative Fees	279,693	-	-	-	279,693	235,142
Office Rent and Taxes	11,741	8,806	8,806	-	29,353	30,514
Professional Fees	-	15,484	-	-	15,484	14,783
Office Expenses & Supplies	13,804	11,044	2,761	-	27,609	24,924
Strategic Planning	3,654	1,827	3,654	-	9,135	3,791
Computer Software	12,240	7,346	2,449	2,449	24,484	17,074
Employee Benefits	3,876	4,651	6,201	775	15,503	12,375
Printing & Publications	6,692	6,693	1,673	1,673	16,731	18,005
Retirement Expense	3,222	3,866	5,154	645	12,887	11,695
Conferences & Meetings	1,429	1,271	477	-	3,177	2,914
Telephone	3,209	2,852	713	356	7,130	5,799
Insurance	5,960	1,987	-	-	7,947	7,898
Travel	1,366	2,476	1,101	557	5,500	3,123
Seminar Expenses	-	-	2,238	-	2,238	2,804
Advertising	7,022	6,242	1,561	781	15,606	11,726
Depreciation	738	657	246	-	1,641	1,706
Filing Fees	-	2,205	-	-	2,205	2,031
Uncollectible Loan Expense	-	-	-	-	-	27,336
Program Expenses	775	-	-	-	775	775
	<u>\$ 4,355,128</u>	<u>\$ 168,821</u>	<u>\$ 140,448</u>	<u>\$ 87,192</u>	<u>\$ 4,751,589</u>	<u>\$ 2,223,057</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, 2019 AND 2018

	<u>2019</u>	<u>2018</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ 2,043,197	\$ 3,518,801
Adjustments to Reconcile Change in Net Assets to Net Cash Flows from Operating Activities		
Depreciation	1,641	1,706
Uncollectible Loan Expense	-	27,336
Non-Cash Contributions	(1,812)	(1,812)
Non-Cash Expenses	1,812	1,812
Realized (Gains)/Losses on Sale of Investments	(2,264,531)	(942,699)
Unrealized (Gains)/Losses on Investments	1,452,204	(139,642)
(Increase) Decrease in:		
Student Loans Receivable	6,676	(14,692)
Accounts Receivable	550	(1,550)
Prepaid Expenses	36	4,335
Increase (Decrease) in:		
Agency Endowments	249,612	800,422
The Rockland Community Foundation	100,586	236,356
Accounts Payable and Accrued Expenses	(156)	1,138
Deferred Revenue	(2,750)	1,750
Liability under Split-Interest Agreement	<u>528</u>	<u>4,325</u>
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>1,587,593</u>	<u>3,497,586</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of Investments	(16,538,553)	(6,370,622)
Sale of Investments	<u>16,082,601</u>	<u>3,787,173</u>
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	<u>(455,952)</u>	<u>(2,583,449)</u>
CHANGE IN CASH AND CASH EQUIVALENTS	1,131,641	914,137
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>2,437,493</u>	<u>1,523,356</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 3,569,134</u>	<u>\$ 2,437,493</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.

Accounts Receivable

Accounts receivable are stated at the amount management expects to be collected from the outstanding balance. As of June 30, 2019, management has determined, based on historical experience, that all amounts are fully collectible and no allowance for doubtful accounts is necessary.

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.

COMMUNITY FOUNDATION OF ORANGE AND SULLIVAN
NOTES TO FINANCIAL STATEMENTS

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments (Continued)

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.

Furniture and Equipment

Furniture and equipment 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 furniture and equipment 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:

Net Assets Without Donor Restrictions – This net asset class includes resources that are not subject to donor-restrictions.

Net Assets With Donor Restrictions - Assets that are subject to donor-imposed restrictions that will be honored by the Foundation. These restrictions may be temporary or may be based on a particular use. Restrictions may be met by the passage of time or by actions of the Organization. Certain restrictions may need to be maintained in perpetuity. 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

NOTE 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. In addition, the Foundation qualifies for the charitable contribution deduction under section 170(b)(1)(A) and has been classified as an organization other than a private foundation under Section 509(a)(2) of the Internal Revenue Code.

Comparative Financial Information

The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Foundation's financial Statements for the year ended June 30, 2018, from which the summarized information was derived.

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, 2019 and 2018, was \$15,606 and \$11,726 respectively.

COMMUNITY FOUNDATION OF ORANGE AND SULLIVAN
NOTES TO FINANCIAL STATEMENTS

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 (\$249,612 gain for 2019 and \$800,422 gain for 2018) are reported through the change in the liability account. The resulting ending balances of \$5,336,458 in 2019 and \$5,086,846 in 2018 represent the fair market value of the Agency Endowments.

Promises to Give

Unconditional promises to give are recognized as revenues in the period received and as assets, decreases in liabilities, or expenses depending on the form of the benefits, received. Conditional promises to give are recognized only when the conditions on which they depend are substantially met and the promises become unconditional.

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.

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 Activities 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.

Expense Allocation

The statement of functional expenses presents the natural classification of expenses by function. The costs of administering grants and scholarships and various other activities have been allocated within the statement of functional expenses. Most expenses are charged directly to program and supporting services, based on specific identification. Salaries and wages are allocated based on estimated time spent for each function.

Change in Charitable Fund Purpose

Under the terms of The Roy D. Parker Education Fund, the Foundation administered loans to eligible students in Orange County. As of July 1, 2018, the Foundation’s Board of Directors used its variance power to change the purpose of the Roy D. Parker Education Fund. The fund will now give out scholarships instead of student loans to eligible students in Orange County.

Reclassifications

Certain amounts reported in 2018 have been reclassified to conform to the 2019 presentation.

COMMUNITY FOUNDATION OF ORANGE AND SULLIVAN
NOTES TO FINANCIAL STATEMENTS

NOTE 3. ADOPTION OF ACCOUNTING PRONOUNCEMENT

In August 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2016-14, Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities. ASU 2016-14 requires significant changes to the financial reporting model of organizations who follow the not-for-profit reporting model. The changes include reducing the classes of net assets from three classes to two – net assets with donor restrictions and net assets without donor restrictions. The ASU will also require changes in the way certain information is aggregated and reported by the Organization, including required disclosures about liquidity and availability of resources and increased disclosures on functional expenses. The Organization adopted the ASU effective July 1, 2018.

NOTE 4. LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

The following reflects the Foundation’s financial assets as of the balance sheet date, reduced by amounts not available for general use because of contractual or donor-imposed restrictions within one year of the balance sheet date.

Cash and cash equivalents	\$ 3,569,134
Accounts receivable	1,000
Investments	27,837,121
Net student loan receivable	<u>60,250</u>
Financial assets at June 30, 2019	<u>31,467,505</u>
Less restricted assets	<u>\$ (30,394,858)</u>
Financial assets available to meet cash needs for general expenses within one year	<u>\$ 1,072,647</u>

NOTE 5. 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 (FDIC) up to \$250,000. At June 30, 2019 and 2018, the Foundation’s uninsured cash balances held in financial institutions totaled \$601,880 and \$0, respectively. At June 30, 2019, the Foundation held \$2,185,144 in a U.S. Government Money Market Fund. Although the fund’s goal is to provide current income while maintaining liquidity and stability of principal, the fund is not insured or guaranteed by the FDIC.

COMMUNITY FOUNDATION OF ORANGE AND SULLIVAN
NOTES TO FINANCIAL STATEMENTS

NOTE 6. 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 310 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.

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.

COMMUNITY FOUNDATION OF ORANGE AND SULLIVAN
NOTES TO FINANCIAL STATEMENTS

NOTE 6. ENDOWMENT INVESTMENT AND SPENDING POLICIES (Continued)

Changes in endowment net assets as of June 30, 2019 are as follows:

	<u>Net Assets With Donor Restrictions</u>
Endowment net assets, beginning of year	\$ 21,102,453
Contributions	4,577,105
Net Investment Income	1,444,037
Amounts appropriated for expenditures	<u>(4,130,735)</u>
 Endowment net assets, end of year	 <u>\$ 22,992,860</u>

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>2019</u>	<u>2018</u>
Grants	\$2,862,629	\$ 998,663
Satisfaction of Restrictions	982,318	421,897
Uncollectible Loan Expense	-	27,336
Administrative & Management Fees	<u>285,788</u>	<u>234,999</u>
Net Assets Released from Restrictions	<u>\$4,130,735</u>	<u>\$1,682,895</u>

As of June 30, 2019 and 2018, The Board of Directors had designated \$919,567 and \$774,624, respectively, of net assets without donor restrictions as a general endowment fund to support the mission of the Foundation. Since that amount resulted from an internal designation and is not donor-restricted, it is classified and reported as net assets without donor restrictions.

NOTE 7. INVESTMENTS AND FAIR VALUE MEASUREMENTS

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.

COMMUNITY FOUNDATION OF ORANGE AND SULLIVAN
NOTES TO FINANCIAL STATEMENTS

NOTE 7. INVESTMENTS AND FAIR VALUE MEASUREMENTS (Continued)

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.

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, 2019 and June 30, 2018:

COMMUNITY FOUNDATION OF ORANGE AND SULLIVAN
NOTES TO FINANCIAL STATEMENTS

<u>2019</u>	<u>LEVEL 1</u>	<u>LEVEL II</u>	<u>LEVEL III</u>	<u>2019</u> <u>TOTAL</u>
Publicly Traded Equities	\$ 15,074,274	\$ -	\$ -	\$ 15,074,274
Mutual Funds	3,268,699	-	-	3,268,699
Fixed Income	-	8,796,074	-	8,796,074
Exchange - Traded Products	698,074	-	-	698,074
Total	<u>\$ 19,041,047</u>	<u>\$ 8,796,074</u>	<u>\$ -</u>	<u>\$ 27,837,121</u>

<u>2018</u>	<u>LEVEL 1</u>	<u>LEVEL II</u>	<u>LEVEL III</u>	<u>2018</u> <u>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	623,534	-	-	623,534
Total	<u>\$ 17,833,129</u>	<u>\$ 8,735,713</u>	<u>\$ -</u>	<u>\$ 26,568,842</u>

NOTE 7. INVESTMENTS AND FAIR VALUE MEASUREMENTS (Continued)

The investment return consists of the following:

<u>2019</u>	<u>Net Assets Without</u> <u>Donor Restrictions</u>	<u>Net Assets With</u> <u>Donor Restrictions</u>	<u>2019</u> <u>TOTAL</u>
Realized Gains/(Losses)	\$ 104,374	\$ 2,160,157	\$ 2,264,531
Unrealized Gains/(Losses)	(87,852)	(1,364,880)	(1,452,732)
Interest and Dividend Income	34,398	768,876	803,274
Investment Management Fees	(4,909)	(120,116)	(125,025)
Net Investment Return	<u>\$ 46,011</u>	<u>\$ 1,444,037</u>	<u>\$ 1,490,048</u>

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<u>2018</u>	<u>Net Assets Without Donor Restrictions</u>	<u>Net Assets With Donor Restrictions</u>	<u>2018 TOTAL</u>
Realized Gains/(Losses)	\$ 14,853	\$ 927,846	\$ 942,699
Unrealized Gains/(Losses)	23,592	116,050	139,642
Interest and Dividend Income	15,546	429,711	445,257
Investment Management Fees	<u>(4,059)</u>	<u>(107,180)</u>	<u>(111,239)</u>
Net Investment Return	<u>\$ 49,932</u>	<u>\$ 1,366,427</u>	<u>\$ 1,416,359</u>

NOTE 8. STUDENT LOANS RECEIVABLE

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, as uncollectible. The balance of such loans at June 30, 2019 and 2018 are summarized as follows:

	<u>2019</u>	<u>2018</u>
Student Loans Receivable	\$ 91,580	\$ 130,905
Less: Allowance for Uncollectible Loans	<u>(31,330)</u>	<u>(63,979)</u>
	<u>\$ 60,250</u>	<u>\$ 66,926</u>

NOTE 9. FURNITURE AND EQUIPMENT

Furniture and equipment are summarized as follows:

	<u>2019</u>	<u>2018</u>
Office Furniture	\$ 9,547	\$ 9,547
Office Equipment	<u>5,162</u>	<u>5,162</u>
	14,709	14,709
Less: Accumulated Depreciation	<u>(12,758)</u>	<u>(11,117)</u>
Furniture and Equipment, net	<u>\$ 1,951</u>	<u>\$ 3,592</u>

NOTE 10. MANAGEMENT SERVICE AGREEMENT

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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 (\$100,586 for 2019 and \$236,356 for 2018) 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, 2019 and 2018 was \$2,032,512 and \$1,931,926, respectively.

NOTE 11. SPLIT-INTEREST AGREEMENT

The Foundation serves as trustee for a charitable lead annuity trust. Assets held under this agreement totaled \$47,417 and \$47,506 as of June 30, 2019 and 2018, 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 \$33,029 and \$32,501 as of June 30, 2019 and 2018, respectively.

NOTE 12. 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.

NOTE 13. 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, 2019 and 2018 amounted to \$24,390 and \$23,374, respectively. As of June 30, 2019, the Foundation has not received a new lease agreement from their current landlord and are currently renting office space on a month to month basis. The lease renewal is currently being negotiated.

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

COMMUNITY FOUNDATION OF ORANGE AND SULLIVAN
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September 30, 2019. Rent expense for the year ended June 30, 2019 and 2018 amounted to \$4,548 and \$4,548, respectively.

Future minimum annual lease payments at June 30, 2019 are as follows:

Year Ending June 30,	
2020	\$ 3,170
	<u>\$ 3,170</u>

NOTE 14. RELATED PARTY TRANSACTIONS

The Foundation holds various events at a venue that is owned and operated by a board member. For the year ended June 30, 2019 and 2018, event expense paid to this venue, at fair market value, was \$25,158 and \$21,771, respectively.

NOTE 15. 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, 2019 and 2018 amounted to \$11,387 and \$10,179, respectively.

NOTE 16. SUBSEQUENT EVENTS.

Management has evaluated subsequent events through November 8, 2019, 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.



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In planning and performing our audit of the financial statements of Community Foundation of Orange and Sullivan as of and for the year ended June 30, 2019, in accordance with auditing standards generally accepted in the United States of America, we considered Community Foundation of Orange and Sullivan's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Organization's financial statements will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control was for the limited purpose described in the first paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

This communication is intended solely for the information and use of management, board of directors, and others within the Organization, and is not intended to be, and should not be, used by anyone other than these specified parties.

Nugent & Haeussler, P.C.
Montgomery, New York
November 8, 2019