

COMMUNITY FOUNDATION OF
ORANGE AND SULLIVAN

FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2020 AND 2019

COMMUNITY FOUNDATION OF ORANGE AND SULLIVAN
MONTGOMERY, NEW YORK

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INDEPENDENT AUDITOR'S REPORT

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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, 2020, and the related statements 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, 2020, 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 2019 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated November 8, 2019. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2019, is consistent, in all material respects with the audited financial statements from which it has been derived.

Jugent & Hausler, P.C.

Montgomery, New York
November 17, 2020

COMMUNITY FOUNDATION OF ORANGE AND SULLIVAN
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2020 AND 2019

ASSETS

	<u>2020</u>	<u>2019</u>
Cash and Cash Equivalents	\$ 130,380	\$ 121,787
Restricted Cash and Cash Equivalents	3,428,592	3,447,347
Accounts Receivable	500	1,000
Prepaid Expenses	500	600
Investments	1,120,169	949,860
Restricted Investments	29,457,019	26,887,261
Student Loans Receivable Less Allowances of \$60,350 and \$31,330 as of June 30, 2020 and 2019, respectively	25,812	60,250
Furniture and Equipment, Net of Accumulated Depreciation	<u>1,098</u>	<u>1,951</u>
TOTAL ASSETS	<u>\$ 34,164,070</u>	<u>\$ 31,470,056</u>

LIABILITIES AND NET ASSETS

Accounts Payable and Accrued Expenses	\$ 40,997	\$ 8,607
Deferred Revenue	2,000	5,000
Due to the Rockland Community Foundation	2,395,978	2,032,512
Agency Endowments	5,534,062	5,336,458
Loan Payable	64,172	-
Obligation Under Split-Interest Agreement	<u>33,234</u>	<u>33,029</u>
TOTAL LIABILITIES	<u>8,070,443</u>	<u>7,415,606</u>
NET ASSETS		
Net Assets Without Donor Restrictions	1,145,478	1,061,590
Net Assets With Donor Restrictions	<u>24,948,149</u>	<u>22,992,860</u>
TOTAL NET ASSETS	<u>26,093,627</u>	<u>24,054,450</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 34,164,070</u>	<u>\$ 31,470,056</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, 2020 AND 2019

	NET ASSETS WITHOUT DONOR RESTRICTIONS	NET ASSETS WITH DONOR RESTRICTIONS	2020 TOTAL	For Comparative Purposes Only 2019 TOTAL
REVENUES, GAINS AND OTHER SUPPORT				
Contributions	\$ 93,877	\$ 3,764,836	\$ 3,858,713	\$ 3,880,898
Pledges	63,682	-	63,682	75,272
Donor Initiated Events	-	533,354	533,354	818,045
Annual Reception	192,277	-	192,277	173,596
Seminar Revenue	-	-	-	1,410
Management Fee Income	359,633	-	359,633	355,517
Net Investment Return	<u>38,208</u>	<u>829,137</u>	<u>867,345</u>	<u>1,490,048</u>
TOTAL REVENUES AND GAINS	747,677	5,127,327	5,875,004	6,794,786
NET ASSETS RELEASED FROM RESTRICTIONS	<u>3,172,038</u>	<u>(3,172,038)</u>	-	-
TOTAL REVENUES, GAINS AND OTHER SUPPORT	3,919,715	1,955,289	5,875,004	6,794,786
EXPENSES				
Program Services	3,399,064	-	3,399,064	4,355,128
Supporting Services	<u>436,763</u>	<u>-</u>	<u>436,763</u>	<u>396,461</u>
TOTAL EXPENSES	<u>3,835,827</u>	<u>-</u>	<u>3,835,827</u>	<u>4,751,589</u>
CHANGE IN NET ASSETS	83,888	1,955,289	2,039,177	2,043,197
NET ASSETS, BEGINNING OF YEAR	<u>1,061,590</u>	<u>22,992,860</u>	<u>24,054,450</u>	<u>22,011,253</u>
NET ASSETS, END OF YEAR	<u>\$ 1,145,478</u>	<u>\$ 24,948,149</u>	<u>\$ 26,093,627</u>	<u>\$ 24,054,450</u>

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

COMMUNITY FOUNDATION OF ORANGE AND SULLIVAN
STATEMENTS OF FUNCTIONAL EXPENSES
FOR THE YEARS ENDED JUNE 30, 2020 AND 2019

	Program Services	Supporting Services			2020 Total	For Comparative Purposes Only
	Distributions For Charitable Purposes	Management & General	Development	Fundraising		2019 Total
Grants	\$ 2,690,017	\$ -	\$ -	\$ -	\$ 2,690,017	\$ 3,591,468
Salaries	103,936	88,884	98,588	35,993	327,401	320,156
Payroll Taxes	7,779	6,652	7,378	2,694	24,503	23,588
Donor Initiated Events	192,432	-	-	-	192,432	296,561
Annual Event Expense	-	-	-	58,314	58,314	42,718
Administrative Fees	281,793	-	-	-	281,793	279,693
Office Rent and Taxes	12,352	9,263	9,263	-	30,878	29,353
Professional Fees	-	15,143	-	-	15,143	15,484
Office Expenses & Supplies	19,313	15,454	3,863	-	38,630	29,039
Strategic Planning	1,600	800	1,600	-	4,000	9,135
Computer Software	22,034	13,224	4,410	4,410	44,078	24,484
Employee Benefits	4,659	5,591	7,454	931	18,635	15,503
Printing & Publications	8,062	8,062	2,015	2,014	20,153	16,731
Retirement Expense	3,198	3,837	5,117	640	12,792	12,887
Conferences & Meetings	1,719	1,529	573	-	3,821	3,177
Telephone	3,576	3,177	795	396	7,944	7,130
Insurance	7,091	2,364	-	-	9,455	7,947
Travel	1,229	2,224	989	500	4,942	5,500
Seminar Expenses	-	-	535	-	535	2,238
Marketing	8,870	7,885	1,971	987	19,713	15,606
Depreciation	384	341	128	-	853	1,641
Filing Fees	-	775	-	-	775	775
Uncollectible Loan Expense	29,020	-	-	-	29,020	-
Program Expenses	-	-	-	-	-	775
	<u>\$ 3,399,064</u>	<u>\$ 185,205</u>	<u>\$ 144,679</u>	<u>\$ 106,879</u>	<u>\$ 3,835,827</u>	<u>\$ 4,751,589</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, 2020 AND 2019

	<u>2020</u>	<u>2019</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ 2,039,177	\$ 2,043,197
Adjustments to Reconcile Change in Net Assets to Net Cash Flows from Operating Activities		
Depreciation	853	1,641
Uncollectible Loan Expense	29,020	-
Non-Cash Contributions	(1,682)	(1,812)
Non-Cash Expenses	1,682	1,812
Realized (Gains)/Losses on Sale of Investments	(568,510)	(2,264,531)
Unrealized (Gains)/Losses on Investments	89,868	1,452,204
(Increase) Decrease in:		
Student Loans Receivable	5,418	6,676
Accounts Receivable	500	550
Prepaid Expenses	100	36
Increase (Decrease) in:		
Agency Endowments	197,604	249,612
The Rockland Community Foundation	363,466	100,586
Accounts Payable and Accrued Expenses	32,390	(156)
Deferred Revenue	(3,000)	(2,750)
Liability under Split-Interest Agreement	<u>205</u>	<u>528</u>
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>2,187,091</u>	<u>1,587,593</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of Investments	(13,520,289)	(16,538,553)
Sale of Investments	<u>11,258,864</u>	<u>16,082,601</u>
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	<u>(2,261,425)</u>	<u>(455,952)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from Borrowings	<u>64,172</u>	-
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	<u>64,172</u>	-
CHANGE IN CASH AND CASH EQUIVALENTS	(10,162)	1,131,641
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>3,569,134</u>	<u>2,437,493</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 3,558,972</u>	<u>\$ 3,569,134</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, 2020, 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.

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

COMMUNITY FOUNDATION OF ORANGE AND SULLIVAN
NOTES TO FINANCIAL STATEMENTS

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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

COMMUNITY FOUNDATION OF ORANGE AND SULLIVAN
NOTES TO FINANCIAL STATEMENTS

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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, 2019, 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, 2020 and 2019, was \$19,713 and \$15,606 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 (\$197,604 gain for 2020 and \$249,612 gain for 2019) are reported through the change in the liability account. The resulting ending balances of \$5,534,062 in 2020 and \$5,336,458 in 2019 represent the fair market value of the Agency Endowments.

COMMUNITY FOUNDATION OF ORANGE AND SULLIVAN
NOTES TO FINANCIAL STATEMENTS

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 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.

Donated Assets

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

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

COMMUNITY FOUNDATION OF ORANGE AND SULLIVAN
NOTES TO FINANCIAL STATEMENTS

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

Reclassifications

Certain amounts reported in 2019 have been reclassified to conform to the 2020 presentation.

NOTE 3. ADOPTION OF ACCOUNTING PRONOUNCEMENT

In June 2018, the FASB issued Accounting Standards Update (ASU) 2018-08, *Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made*. This guidance assists entities in evaluation whether a transaction should be accounted for as a contribution or an exchange transaction, and whether a contribution is conditional. The Organization adopted this ASU as of July 1, 2019.

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.

	<u>2020</u>	<u>2019</u>
Cash and cash equivalents	\$ 3,558,972	\$ 3,569,134
Accounts receivable	500	1,000
Investments	30,577,188	27,837,121
Net student loan receivable	25,812	60,250
Financial assets at June 30,	<u>34,162,472</u>	<u>31,467,505</u>
Less restricted assets	<u>\$ (32,911,423)</u>	<u>\$ (30,394,858)</u>
Financial assets available to meet cash needs for general expenses within one year	<u>\$ 1,251,049</u>	<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, 2020 and 2019, the Foundation's uninsured cash balances held in financial institutions totaled \$0 and \$601,880, respectively. At June 30, 2020 and 2019, the Foundation held \$1,136,209 and \$2,185, 144, respectively 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 5. CONCENTRATION OF CREDIT RISK (Continued)

Management believes the U.S. Money Market Fund is a high quality investment, and therefore, the Foundation's exposure to credit risk is minimal.

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 326 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, 2020 are as follows:

	Net Assets With Donor Restrictions
Endowment net assets, beginning of year	\$ 22,992,860
Contributions	4,298,190
Net Investment Income	829,137
Amounts appropriated for expenditures	<u>(3,172,038)</u>
 Endowment net assets, end of year	 <u>\$ 24,948,149</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.

	2020	2019
Grants	\$2,138,977	\$2,862,629
Satisfaction of Restrictions	711,279	982,318
Uncollectible Loan Expense	29,020	-
Administrative & Management Fees	<u>292,762</u>	<u>285,788</u>
Net Assets Released from Restrictions	<u>\$3,172,038</u>	<u>\$4,130,735</u>

As of June 30, 2020 and 2019, The Board of Directors had designated \$1,046,828 and \$919,567, 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.

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.

COMMUNITY FOUNDATION OF ORANGE AND SULLIVAN
NOTES TO FINANCIAL STATEMENTS

NOTE 7. INVESTMENTS AND FAIR VALUE MEASUREMENTS (Continued)

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, 2020 and June 30, 2019:

	<u>2020</u>	<u>LEVEL 1</u>	<u>LEVEL II</u>	<u>LEVEL III</u>	<u>2020</u> <u>TOTAL</u>
Publicly Traded Equities	\$ 17,045,800	\$ -	\$ -	\$ -	\$ 17,045,800
Mutual Funds	3,845,984	-	-	-	3,845,984
Fixed Income	-	9,040,710	-	-	9,040,710
Exchange - Traded Products	644,694	-	-	-	644,694
Total	<u>\$ 21,536,478</u>	<u>\$ 9,040,710</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 30,577,188</u>
					<u>2019</u>
	<u>2019</u>	<u>LEVEL 1</u>	<u>LEVEL II</u>	<u>LEVEL III</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>\$ -</u>	<u>\$ 27,837,121</u>

COMMUNITY FOUNDATION OF ORANGE AND SULLIVAN
NOTES TO FINANCIAL STATEMENTS

NOTE 7. INVESTMENTS AND FAIR VALUE MEASUREMENTS (Continued)

The investment return consists of the following:

<u>2020</u>	<u>Net Assets Without Donor Restrictions</u>	<u>Net Assets With Donor Restrictions</u>	<u>2020 TOTAL</u>
Realized Gains/(Losses)	\$ 4,978	\$ 563,532	\$ 568,510
Unrealized Gains/(Losses)	17,488	(107,561)	(90,073)
Interest and Dividend Income	20,522	494,355	514,877
Investment Management Fees	<u>(4,780)</u>	<u>(121,189)</u>	<u>(125,969)</u>
Net Investment Return	<u>\$ 38,208</u>	<u>\$ 829,137</u>	<u>\$ 867,345</u>

<u>2019</u>	<u>Net Assets Without Donor Restrictions</u>	<u>Net Assets With Donor Restrictions</u>	<u>2019 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	<u>(4,909)</u>	<u>(120,116)</u>	<u>(125,025)</u>
Net Investment Return	<u>\$ 46,011</u>	<u>\$ 1,444,037</u>	<u>\$1,490,048</u>

NOTE 8. STUDENT LOANS RECEIVABLE

Student loans receivable are reported net of any anticipated losses due to uncollectible loans. The balance of such loans at June 30, 2020 and 2019 are summarized as follows:

	<u>2019</u>	<u>2018</u>
Student Loans Receivable	\$ 86,162	\$ 91,580
Less: Allowance for Uncollectible Loans	<u>(60,350)</u>	<u>(31,330)</u>
	<u>\$ 25,812</u>	<u>\$ 60,250</u>

COMMUNITY FOUNDATION OF ORANGE AND SULLIVAN
NOTES TO FINANCIAL STATEMENTS

NOTE 9. FURNITURE AND EQUIPMENT

Furniture and equipment are summarized as follows:

	2019	2018
Office Furniture	\$ 9,547	\$ 9,547
Office Equipment	5,162	5,162
	14,709	14,709
Less: Accumulated Depreciation	(13,611)	(12,758)
Furniture and Equipment, net	\$ 1,098	\$ 1,951

NOTE 10. 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 (\$363,466 for 2020 and \$100,586 for 2019) 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, 2020 and 2019 was \$2,395,978 and \$2,032,512, respectively.

NOTE 11. SPLIT-INTEREST AGREEMENT

The Foundation serves as trustee for a charitable lead annuity trust. Assets held under this agreement totaled \$47,009 and \$47,417 as of June 30, 2020 and 2019, 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 \$33,234 and \$33,029 as of June 30, 2020 and 2019, 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.

COMMUNITY FOUNDATION OF ORANGE AND SULLIVAN
NOTES TO FINANCIAL STATEMENTS

NOTE 13. LOAN PAYABLE

During the year ended June 30, 2020, the Foundation entered into a loan payable with the Small Business Administration (SBA) Paycheck Protection Program (PPP). The Foundation received a PPP loan in the amount of \$64,172 that was used to cover payroll that occurred during the Coronavirus -19 Pandemic. The PPP Loan was received by the Foundation under the assumption that if the proceeds were expended within the SBA's guidelines, the loan would be forgiven by the federal government. As of October 20, 2020, the day the financial statements were available for distribution, the Foundation had not applied for forgiveness, but intends to do so.

NOTE 14. LEASE OBLIGATIONS

As of June 30, 2020, the Foundation entered into a lease renewal agreement from their landlord that extended their previous lease until July 31, 2021 with annual rents of \$30,379. Rent expense for the years ended June 30, 2020 and 2019 amounted to \$30,878 and \$24,390, respectively.

The Foundation leases a copier for its operations. The lease agreement calls for the Foundation to pay \$379.60 per month for 60 months. Rent expense for the year ended June 30, 2020 and 2019 amounted to \$4,555 and \$4,548, respectively.

Future minimum annual lease payments at June 30, 2020 are as follows:

Year Ending June 30,	
2021	\$ 35,339
2022	7,137
2023	4,555
2024	<u>3,037</u>
	<u>\$ 50,068</u>

NOTE 15. 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, 2020 and 2019, event expense paid to this venue, at fair market value, was \$30,703 and \$25,158, respectively.

NOTE 16. 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, 2020 and 2019 amounted to \$11,260 and \$11,387, respectively.

COMMUNITY FOUNDATION OF ORANGE AND SULLIVAN
NOTES TO FINANCIAL STATEMENTS

NOTE 17. SUBSEQUENT EVENTS.

Management has evaluated subsequent events through November 17, 2020, 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, 2020, 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 17, 2020