

COMMUNITY FOUNDATION OF ORANGE AND SULLIVAN

AUDITED FINANCIAL STATEMENTS

As of and for the year ended June 30, 2021

COMMUNITY FOUNDATION OF ORANGE AND SULLIVAN

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of the
Community Foundation of Orange and Sullivan

We have audited the accompanying financial statements of the Community Foundation of Orange and Sullivan (the "Foundation") (a non-profit Foundation), which comprise the statement of financial position as of June 30, 2021, 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, 2021 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.

Emphasis of Matter

As discussed in Note 2 to the financial statements, the financial statements for the year ended June 30, 2020, have been restated to reclassify \$6,240,401 to net assets without donor restrictions from net assets with donor restrictions to properly reflect its donor advised funds. Our opinion is not modified with respect to this matter.

UHY LLP

Hudson, New York
April 14, 2021

COMMUNITY FOUNDATION OF ORANGE AND SULLIVAN
STATEMENT OF FINANCIAL POSITION
June 30, 2021

ASSETS

| | |
|--|----------------------|
| Cash and cash equivalents | \$ 3,335,227 |
| Prepaid expenses | 500 |
| Investments | 41,364,332 |
| Student loans receivable, less allowance of \$35,284 | 19,082 |
| Furniture and equipment, net | 4,323 |
| Total assets | <u>\$ 44,723,464</u> |

LIABILITIES AND NET ASSETS

LIABILITIES

| | |
|---|-------------------|
| Accounts payable and accrued expenses | \$ 20,642 |
| Due to the Rockland Community Foundation | 2,634,467 |
| Agency endowments | 7,279,082 |
| Loans payable | 140,374 |
| Obligation under split-interest agreement | 33,234 |
| Total liabilities | <u>10,107,799</u> |

NET ASSETS

| | |
|----------------------------------|----------------------|
| Without donor restrictions | 11,640,176 |
| With donor restrictions | 22,975,489 |
| Total net assets | <u>34,615,665</u> |
| Total liabilities and net assets | <u>\$ 44,723,464</u> |

COMMUNITY FOUNDATION OF ORANGE AND SULLIVAN
STATEMENT OF ACTIVITIES
For the year ended June 30, 2021

| | Without Donor Restrictions | With Donor Restrictions | Total |
|---|---------------------------------------|------------------------------------|----------------------|
| REVENUE AND SUPPORT | | | |
| Contributions | \$ 3,205,468 | \$ 2,355,683 | \$ 5,561,151 |
| Pledges | 73,794 | - | 73,794 |
| Donor initiated events | - | 347,356 | 347,356 |
| Annual reception | 119,999 | - | 119,999 |
| Membership dues | - | 3,625 | 3,625 |
| Management fee income | 88,095 | - | 88,095 |
| Investment return, net | 2,146,705 | 4,372,054 | 6,518,759 |
| Releases from restrictions | 2,810,977 | (2,810,977) | - |
| Total revenue and support | <u>8,445,038</u> | <u>4,267,741</u> | <u>12,712,779</u> |
| EXPENSES | | | |
| Program | 3,761,247 | - | 3,761,247 |
| Management and general | 209,177 | - | 209,177 |
| Fundraising | 220,317 | - | 220,317 |
| Total expenses | <u>4,190,741</u> | <u>-</u> | <u>4,190,741</u> |
| CHANGE IN NET ASSETS | 4,254,297 | 4,267,741 | 8,522,038 |
| NET ASSETS, Beginning of year, as adjusted | <u>7,385,879</u> | <u>18,707,748</u> | <u>26,093,627</u> |
| NET ASSETS, End of year | <u>\$ 11,640,176</u> | <u>\$ 22,975,489</u> | <u>\$ 34,615,665</u> |

See notes to financial statements.

COMMUNITY FOUNDATION OF ORANGE AND SULLIVAN
STATEMENT OF FUNCTIONAL EXPENSES
For the year ended June 30, 2021

| | Program | Management and General | Fundraising | Total |
|-----------------------------------|---------------------|---------------------------|-------------------|---------------------|
| Salaries and wages | \$ 95,636 | \$ 117,706 | \$ 154,488 | \$ 367,830 |
| Employee benefits | 8,140 | 8,966 | 11,257 | 28,363 |
| Payroll taxes | 7,746 | 9,534 | 12,514 | 29,794 |
| Retirement contributions and fees | 3,342 | 4,046 | 5,278 | 12,666 |
| Professional fees | 441 | 13,996 | 713 | 15,150 |
| Occupancy | 12,152 | 9,114 | 9,113 | 30,379 |
| Office | 31,171 | 16,345 | 5,097 | 52,613 |
| Computer software | 20,565 | 7,473 | 4,299 | 32,337 |
| Printing & publications | 7,150 | 7,150 | 3,576 | 17,876 |
| Conferences & meetings | 375 | 335 | 762 | 1,472 |
| Telephone | 3,442 | 3,060 | 1,148 | 7,650 |
| Insurance | 7,394 | 2,464 | - | 9,858 |
| Travel | 316 | 570 | 380 | 1,266 |
| Professional development | - | 996 | 747 | 1,743 |
| Advertising | 6,750 | 6,000 | 2,250 | 15,000 |
| Depreciation | 728 | 647 | 243 | 1,618 |
| Filing fees | - | 775 | - | 775 |
| Grants and scholarships | 3,484,456 | - | - | 3,484,456 |
| Annual event | - | - | 4,904 | 4,904 |
| Donor initiated events | 71,443 | - | 3,548 | 74,991 |
| | <u>\$ 3,761,247</u> | <u>\$ 209,177</u> | <u>\$ 220,317</u> | <u>\$ 4,190,741</u> |

See notes to financial statements.

**COMMUNITY FOUNDATION OF ORANGE AND SULLIVAN
STATEMENT OF CASH FLOWS
For the year ended June 30, 2021**

CASH FLOWS FROM OPERATING ACTIVITIES

| | |
|---|------------------|
| Change in net assets | \$ 8,522,038 |
| Adjustments to reconcile change in net assets to net cash from operating activities: | |
| Depreciation expense | 1,618 |
| Realized gains on investments | (2,311,879) |
| Unrealized gains on investments | (3,762,367) |
| Restricted contributions for endowment | (650,790) |
| Decrease in accounts receivable | 500 |
| Decrease in student loans receivable | 6,730 |
| Decrease in accounts payable | (18,147) |
| Decrease in accrued expenses | (2,208) |
| Increase in due to Rockland Community Foundation | 238,489 |
| Decrease in deferred revenue | (2,000) |
| Increase in agency endowments | 1,745,020 |
| Net cash provided by operating activities | <u>3,767,004</u> |

CASH FLOWS FROM INVESTING ACTIVITIES

| | |
|--|--------------------|
| Purchases of property and equipment | (4,843) |
| Purchase of investments | (16,337,566) |
| Proceeds from sale of investments | 11,624,668 |
| Net cash used for investing activities | <u>(4,717,741)</u> |

CASH FLOWS FROM FINANCING ACTIVITIES

| | |
|---|----------------|
| Restricted contributions for endowment | 650,790 |
| Proceeds from loan | 76,202 |
| Net cash provided by financing activities | <u>726,992</u> |

NET DECREASE IN CASH AND CASH EQUIVALENTS (223,745)

CASH AND CASH EQUIVALENTS, Beginning of year 3,558,972

CASH AND CASH EQUIVALENTS, End of year \$ 3,335,227

SUPPLEMENTAL CASH FLOW INFORMATION

| | |
|-------------------------|---------------------|
| Non-cash contributions: | |
| Donated stock | <u>\$ 2,826,916</u> |

See notes to financial statements.

COMMUNITY FOUNDATION OF ORANGE AND SULLIVAN
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

NOTE 1 – NATURE OF OPERATIONS

The Community Foundation of Orange County, Inc. (the “Foundation”) was established in 1999 as a 501(c)(3) public nonprofit organization with the purpose of administering and investing charitable funds while matching community resources with the needs of the communities it serves. Now doing business as the Community Foundation of Orange and Sullivan, the Foundation partners with individuals, families, businesses and other nonprofit organizations to manage and facilitate charitable giving and philanthropy. The Foundation also supports capacity building initiatives and activities for the benefit of area organizations in order to build stronger leadership, organizational structure and fundraising practices.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The financial statements of the Foundation have been prepared on the accrual basis of accounting, in accordance with generally accepted accounting principles in the United States of America (GAAP). Under this method of accounting, revenue is recognized when earned and when the amounts and timing of the revenue can be reasonably estimated. Expenses are recognized when they are incurred.

Financial Statement Presentation

The financial statements are presented in accordance with the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 958.

Under the provisions of ASC 958, net assets and revenues, and gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of the Foundation and changes therein are classified as follows:

- Net assets without donor restrictions: Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Foundation. The Foundation’s board may designate assets without restrictions for specific operational purposes from time to time.
- Net assets with donor restrictions: Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by the actions of the Foundation or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

Revenues are reported as increases in net assets with or without restriction. Expenses are reported as decreases in net assets without donor restrictions.

Cash and Cash Equivalents

For purposes of the statement 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.

Contributions

Unconditional contributions are recognized when pledged and recorded as net assets without donor restrictions or net assets with donor restrictions, depending on the existence and/or nature of any donor-imposed restrictions. Conditional promises to give are recognized when the conditions on which they depend are substantially met. Gifts of cash and other assets are reported with donor restricted support if they are received with donor stipulations that limit the use of the donated assets.

COMMUNITY FOUNDATION OF ORANGE AND SULLIVAN
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Contributions (Continued)

When a restriction expires, that is, when a stipulated time restriction ends, or a purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions. Donations of property and equipment are recorded as support at their estimated fair value at the date of donation. Contributions restricted for the acquisition of land, buildings, and equipment are reported as net assets without donor restriction upon acquisition of the assets and the assets are placed in service.

No amounts have been reflected in the financial statements for donated services because the criteria for recognition under FASB Accounting Standards Codification (ASC) 958-605 have not been satisfied. The Foundation pays for services requiring specific expertise.

Donated securities received by the Foundation are recorded as contributions at fair market value on the date of donation.

Donor initiated events are conducted by individuals or organizations through community events, without the involvement of the Foundation, for the purpose of raising contributions to be invested in one of the various Foundation's charitable funds.

Deferred Revenue

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

Use of Estimates

The preparation of financial statements in conformity with GAAP 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 expenses during the reporting period. Management, on an ongoing basis, evaluates the estimates and assumptions based on new information. Management believes the estimates and assumptions are reasonable in the circumstances, however, actual results could differ from those estimates.

Concentrations of Credit Risk

Financial instruments that potentially expose the Foundation to concentrations of credit and market risk consist primarily of cash equivalents. Cash and cash equivalents as of June 30, 2021 consists of cash maintained at FDIC-insured financial institutions, cash on hand, and petty cash. Cash and cash equivalents exceeded FDIC insurance limits by approximately \$110,000 as of June 30, 2021.

Contribution revenue includes contributions from one foundation which accounts for 41% of total contribution revenue for the year ended June 30, 2021.

COMMUNITY FOUNDATION OF ORANGE AND SULLIVAN
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Advertising

The Foundation expenses advertising when incurred. The total cost of advertising expense for the year ended June 30, 2021 was \$15,000.

Furniture and Equipment

Furniture and equipment are recorded at cost or fair 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 year.

Depreciation

Depreciation for financial reporting purposes is provided for on the straight-line method over the estimated useful lives of the related assets. Equipment is generally depreciated using a useful life of 5 years and furniture is generally depreciated using a useful life of 7 years.

Investments

In accordance with FASB ASC 958-320, "Accounting for Certain Investments Held by Not-for-Profit Organizations" investments in equity securities with readily determinable fair values and all investments in debt securities are measured at fair value in the statement of financial position. Investment income (including realized and unrealized gains and losses on investments, interest and dividends) is included in the statement of activities as increases or decreases in net assets without donor restrictions unless donor or law restricts the income or loss. Investment return is presented net of investment fees. The average cost method is primarily used to determine the basis for computing realized gains or losses.

The Foundation maintains master investment accounts for its agency endowments, 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 following is a description of the valuation methodology used for investments measured at fair value:

- Certificate of deposits are recorded based on their carrying value, which approximates fair value.
- Equities and preferred stock are valued based on daily reporting closing prices.
- Real assets, hedge funds and private markets are valued based on the net asset value per share of the investments.
- Fixed income securities are stated at current quoted fair market value.

The Foundation believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

COMMUNITY FOUNDATION OF ORANGE AND SULLIVAN
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments (Continued)

Investments are exposed to various risks, such as interest rate market and credit. Due to the level of risk associated with these securities and the level of uncertainty related to changes in their value, it is at least reasonably possible that changes in risks in the near term could materially affect account balances and the amounts reported in the statements of financial position and the statement of activities.

Investments are measured at fair value on a recurring basis. In accordance with FASB ASC 820-10, fair value measurements are identified as Level 1, Level 2, or Level 3. Level 1 fair value is based on quoted prices in active markets for identical assets/liabilities. Level 2 fair value is based on significant other observable inputs. Level 3 fair value is based on significant unobservable inputs.

Donor Advised Funds

The Foundation maintains certain donor advised funds which are funds that are separately identified on the books and records of the Foundation by reference to contributions by a donor or donors. These funds are owned and controlled by the Foundation, with respect to which such donor (or other persons appointed or designated by such donor) has, or reasonably expects to have, advisory privileges with respect to the distribution or investment of amounts held in such funds.

Agency Endowments

Accounting for receipts in which the donor specifies itself or an affiliate as a beneficiary conforms to the FASB ASC 958-605, *Transfers of Assets to a Not-for-Profit Entity or Charitable Trust that Raises or Holds Contributions for Others*. The net assets of the funds created with such receipts are recognized as a liability 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 (\$1,745,020 gain in 2021) are reported through the change in the liability account. The resulting ending balance of \$7,279,082 represents the fair market value of the Agency Endowments.

Income Taxes

The Foundation is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code (IRC).

The Foundation has evaluated any uncertain tax positions and related income tax contingencies and determined uncertain positions, if any, are not material to the financial statements, according to FASB ASC 740-10. Penalties and interest assessed by income taxing authorities are included in operating expenses, if incurred. None of the Foundation's returns are currently under examination.

Functional Expenses

The costs of providing program and other activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among program services and supporting services benefited. Such allocations are determined by management on an equitable basis.

Risks and Uncertainties

On March 11, 2020, the World Health Foundation declared COVID-19 a pandemic.

In April 2020, the Foundation applied for and received a loan of \$64,172 from its bank through the Small Business Administration's ("SBA") Paycheck Protection Program ("PPP"). This loan has allowed the Foundation to retain a full workforce to date. In July 2021, the loan, including principal and interest, was forgiven and considered repaid in full. This balance is recorded in the Statement of Financial Position as a liability as of June 30, 2021.

COMMUNITY FOUNDATION OF ORANGE AND SULLIVAN
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Risks and Uncertainties (Continued)

In February 2021, the Foundation applied for and received a second PPP loan of \$76,202 to further mitigate the financial impact of the pandemic. This loan has allowed the Foundation to retain a full workforce to date. In July 2021, the loan, including principal and interest, was forgiven and considered repaid in full. The balance is recorded in the Statement of Financial Position as a liability as of June 30, 2021.

According to the rules of the SBA, the Foundation is required to retain PPP loan documentation for six years after the date the loan was forgiven in full, and permit authorized representatives of the SBA, including representatives of its Office of Inspector General, to access such files upon request. Should the SBA conduct such a review and reject all or some of the Foundation's judgments pertaining to satisfying PPP loan eligibility or forgiveness conditions, the Foundation may be required to adjust previously reported amounts and disclosures in the financial statements.

As the pandemic continues to endure, the disease could have an adverse material effect on the Foundation's activities, results of operations, financial condition, and cash flow.

Net Asset Reclassification

Historically, the Foundation classified certain donor advised funds as being restricted by the donors for an intended purpose. During the year ended June 30, 2021, management determined that donors may advise and recommend as to the use of the donor advised funds however the Foundation is not bound by the donor's request. As a result, certain donor restricted funds have been reclassified to net assets without donor restrictions, as follows:

| | Without Donor Restrictions | With Donor Restrictions | Total Net Assets |
|---|-------------------------------|----------------------------|----------------------|
| As of June 30, 2020, unadjusted | \$ 1,145,478 | \$ 24,948,149 | \$ 26,093,627 |
| Reclassification of donor advised funds | 6,240,401 | (6,240,401) | - |
| As of June 30, 2021, adjusted | <u>\$ 7,385,879</u> | <u>\$ 18,707,748</u> | <u>\$ 26,093,627</u> |

There was no net effect on the change in net assets as of June 30, 2021.

Subsequent Events

Subsequent events have been evaluated through April 14, 2021, which is the date the financial statements were available to be issued.

COMMUNITY FOUNDATION OF ORANGE AND SULLIVAN
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

NOTE 3 – INVESTMENTS

Market value and net appreciation of investments are summarized as follows at June 30, 2021:

| | Cost | Unrealized Gain | Market Value | FASB ASC 820 Measurements |
|-------------------------|----------------------|----------------------|----------------------|------------------------------|
| Certificates of deposit | \$ 114,489 | \$ 695 | \$ 115,184 | Level 1 |
| Equities | 16,459,719 | 9,361,296 | 25,821,015 | Level 1 |
| Preferred stock | 674,020 | 24,176 | 698,196 | Level 1 |
| Real assets | 818,346 | 129,233 | 947,579 | Level 2 |
| Real assets | 435,637 | 41,353 | 476,990 | Level 1 |
| Hedge funds | 2,653,605 | 212,518 | 2,866,123 | Level 2 |
| Private markets | 26,867 | - | 26,867 | Level 2 |
| Fixed income | 10,060,858 | 321,405 | 10,382,263 | Level 2 |
| Accrued interest | 30,115 | - | 30,115 | N/A |
| | <u>\$ 31,273,656</u> | <u>\$ 10,090,676</u> | <u>\$ 41,364,332</u> | |

NOTE 4 – OPERATING LEASES

The Foundation had an office lease agreement through July 31, 2021 requiring monthly rental payments of \$2,532. The lease was renewed through July 31, 2023 requiring monthly rental payments of \$2,634 in the first year and \$2,687 in the second year of the agreement.

The Foundation leases a copier for its operations. The lease agreement calls for monthly payments of \$380 through February 2024.

The Foundation also leases a postage meter for its operations. The lease agreement calls for quarterly payments of \$180 through January 2023.

Rental expenses for all leases consisted of \$35,654 for the year ended June 30, 2021.

Future minimum lease payments under operating leases that have remaining terms in excess of one year as of June 30, 2021, are:

Fiscal year:

| | | |
|------|-----------|---------------|
| 2022 | \$ | 36,780 |
| 2023 | | 37,101 |
| 2024 | | 5,723 |
| | <u>\$</u> | <u>79,604</u> |

COMMUNITY FOUNDATION OF ORANGE AND SULLIVAN
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

NOTE 5 – ENDOWMENT FUNDS

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 certain funds held by the Foundation as endowment funds designated for long-term purposes. The Foundation's endowment funds consist of over 300 individual funds established for a variety of purposes. Furthermore the Board of Directors 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 the 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 the funds and to apply the whole or any part of the principal or income of funds as in its judgement 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 does so in extreme circumstances.

Most of the Foundation's fund agreements require a principal balance of at least \$25,000 before they are considered an endowment fund. Funds that are in the process of reaching the \$25,000 goal are classified as "Net Assets with Donor Restrictions for Purpose". Upon reaching the goal of \$25,000, the fund is reclassified to "Net Assets with Donor Restrictions – Endowment".

COMMUNITY FOUNDATION OF ORANGE AND SULLIVAN
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

NOTE 5 – ENDOWMENT FUNDS (Continued)

Endowment Contributions

Donor restricted endowment fund assets total \$19,352,552 at June 30, 2021. These assets are comprised of the following types:

- *Designated funds*: established to benefit one or more specific foundations or organizations
- *Field of interest funds*: established to support unspecified programs, organizations or foundations in a general field of interest, such as education, historic preservation, children, or the elderly
- *Scholarship funds*: used to provide grants for educational purposes to assist individuals within an identified class, such as residents of a particular region, students attending a specific university, or undertaking a selected course of study

Endowment composition by type of fund as of June 30, 2021 is:

| | Without Donor Restrictions | With Donor Restrictions | Total |
|---|-------------------------------|----------------------------|----------------------|
| Donor-Restricted Endowment Funds: | | | |
| Original donor-restricted gift amounts and amounts required to be maintained in perpetuity by donor | \$ - | \$ 15,003,530 | \$ 15,003,530 |
| Accumulated investment gains | - | 4,349,022 | 4,349,022 |
| Board designated funds ("invested net assets") | 1,348,128 | - | 1,348,128 |
| Total donor-restricted endowment funds | <u>\$ 1,348,128</u> | <u>\$ 19,352,552</u> | <u>\$ 20,700,680</u> |

Changes in endowment net assets for the year ended June 30, 2021 are as follows:

| | Without Donor Restrictions | With Donor Restrictions | Total |
|--|-------------------------------|----------------------------|----------------------|
| Endowment and invested net assets, beginning of year | \$ 1,046,828 | \$ 15,511,875 | \$ 16,558,703 |
| Contributions | 53,483 | 650,790 | 704,273 |
| Investment return, net | 262,817 | 3,835,822 | 4,098,639 |
| Amounts appropriated for expenditures | (15,000) | (645,935) | (660,935) |
| Endowment and invested net assets, end of year | <u>\$ 1,348,128</u> | <u>\$ 19,352,552</u> | <u>\$ 20,700,680</u> |

The endowment fund is comprised of the following as of June 30, 2021:

| | |
|---------------------------|----------------------|
| Cash and cash equivalents | \$ 1,406,315 |
| Investments | 19,294,365 |
| Total | <u>\$ 20,700,680</u> |

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires the Foundation to retain as a fund of perpetual duration. The Foundation allows spending from underwater endowments in accordance with the spending policy. The following were the deficiencies of underwater endowment funds as of June 30, 2021:

| | |
|--|---------------------|
| Fair value of underwater endowment funds | \$ 757,582 |
| Original endowment gift amount | 1,416,674 |
| Deficiencies of underwater endowment funds | <u>\$ (659,092)</u> |

**COMMUNITY FOUNDATION OF ORANGE AND SULLIVAN
NOTES TO FINANCIAL STATEMENTS
June 30, 2021**

NOTE 6 – NET ASSETS WITH DONOR RESTRICTIONS

Donor restricted net assets at June 30, 2021 are as follows:

Subject to expenditure for specified purpose:

| | |
|--------------------|------------------|
| Designated funds | \$ 324,414 |
| Field of interest | 913,353 |
| Fiscal sponsorship | 243,862 |
| Project funds | 968,319 |
| Scholarship | 1,172,989 |
| | <u>3,622,937</u> |

Subject to the Foundation's spending policy and appropriation:

| | |
|-------------------|-------------------|
| Designated funds | 1,859,344 |
| Field of interest | 3,489,859 |
| Scholarship | 14,003,349 |
| | <u>19,352,552</u> |

| | |
|--|----------------------|
| Total net assets with donor restrictions | <u>\$ 22,975,489</u> |
|--|----------------------|

Investment return, net, earned on the Foundation's master investment accounts was allocated as follows during the year ended June 30, 2021:

| | |
|--|---------------------|
| Endowment | \$ 3,835,822 |
| Net assets subject to expenditure for a specific purpose | 536,232 |
| Donor advised funds | 1,883,888 |
| Board designated funds | 262,817 |
| Total investment return, net | <u>\$ 6,518,759</u> |

Releases from donor restricted net assets for the year ended June 30, 2021 are as follows:

Subject to expenditure for specified purpose:

| | |
|--------------------|------------------|
| Designated funds | \$ 213,165 |
| Field of interest | 595,704 |
| Fiscal sponsorship | 141,029 |
| Project funds | 1,111,707 |
| Scholarship | 103,437 |
| | <u>2,165,042</u> |

Subject to the Foundation's spending policy and appropriation:

| | |
|-------------------|----------------|
| Designated funds | 51,849 |
| Field of interest | 84,867 |
| Scholarship | 509,219 |
| | <u>645,935</u> |

| | |
|---|---------------------|
| Total releases from donor restricted net assets | <u>\$ 2,810,977</u> |
|---|---------------------|

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NOTE 7 – SCHOLARSHIP COMMITMENTS

The Foundation provides scholarships to assist individuals within an identified class, such as residents of a particular region, students attending a specific university, or undertaking a selected course of study. The recipients must comply with the requirements of the scholarship award in order to receive full funding for these commitments. These requirements of the recipients are considered contingencies; therefore, no liability is recorded until the requirements have been met. The following table includes scholarships committed by the Foundation to be paid subsequent to the year ended June 30, 2021:

| | | |
|------|----|----------------|
| 2022 | \$ | 273,500 |
| 2023 | | 211,250 |
| 2024 | | 131,750 |
| 2025 | | 71,750 |
| | \$ | <u>688,250</u> |

NOTE 8 – RETIREMENT PLAN

The Foundation offers a 403(b) to all eligible full-time employees. The Foundation contributes 4% of each employee's compensation as an employer contribution to individual employee retirement accounts. During the year ended June 30, 2021, the Foundation contributed \$11,126 to employee retirement accounts.

NOTE 9 – 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 netted against the amounts, and the net amounts are reported through the change in due to the Rockland Community Foundation liability account on the statement of financial position. The resulting balance due to Rockland Community Foundation as of June 30, 2021 was \$2,634,467. During the year ended June 30, 2021, the Foundation charged \$24,000 in administrative fees to the Rockland Community Foundation.

NOTE 10 – SPLIT-INTEREST AGREEMENT

The Foundation serves as a trustee for a charitable lead annuity trust. Assets held under this agreement totaled \$56,136 as of June 30, 2021 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 the beneficiaries designated by the donor. Based on the donor's 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 as of June 30, 2021.

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NOTE 11 – LIQUIDITY

The Foundation's financial assets available within one year of June 30, 2021 for general expenditure are as follows:

Current financial assets:

| | |
|---------------------------|-------------------|
| Cash and cash equivalents | \$ 3,335,227 |
| Investments | <u>41,364,332</u> |
| Total financial assets | <u>44,699,559</u> |

Less amounts unavailable for general expenditures within one year, due to:

| | |
|--|-----------------|
| Perpetual and term endowments and accumulated earnings beyond one year | (19,352,552) |
| Board designated funds | (1,348,128) |
| Donor restricted net assets, restricted for purpose | (3,622,937) |
| Due to Rockland Community Foundation | (2,634,467) |
| Agency endowments | (7,279,082) |
| Obligation under split-interest agreement | <u>(33,234)</u> |

| | |
|--|-----------------------------|
| Financial assets available to meet cash needs for general expenditures within one year | <u><u>\$ 10,429,159</u></u> |
|--|-----------------------------|