

COMMUNITY FOUNDATION OF ORANGE AND SULLIVAN

AUDITED FINANCIAL STATEMENTS

As of and for the year ended June 30, 2023
(with memorandum totals for the year ended June 30, 2022)

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:

Opinion

We have audited the 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, 2023, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Community Foundation of Orange and Sullivan as of June 30, 2023, 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.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Community Foundation of Orange and Sullivan and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management 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, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Community Foundation of Orange and Sullivan's ability to continue as a going concern for one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the

aggregate, they would influence the judgement made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgement and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts of disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Community Foundation of Orange and Sullivan's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Community Foundation of Orange and Sullivan's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Report on the Summarized Comparative Information

We have previously audited Community Foundation of Orange and Sullivan's June 30, 2022 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated April 14, 2023. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2022 is consistent, in all material respects, with the audited financial statements from which it has been derived.

The image shows a handwritten signature in black ink that reads "UHY LLP". The letters are stylized and cursive.

Hudson, New York
November 10, 2023

COMMUNITY FOUNDATION OF ORANGE AND SULLIVAN
STATEMENT OF FINANCIAL POSITION
June 30, 2023
(with memorandum totals as of June 30, 2022)

	<u>2023</u>	<u>2022</u> (memorandum only)
ASSETS		
Cash and cash equivalents	\$ 3,215,887	\$ 2,302,787
Prepaid expenses	1,034	2,507
Investments	42,923,055	39,611,008
Employee retention tax credit receivable	25,000	-
Furniture and equipment, net	2,059	3,027
Total assets	<u>\$ 46,167,035</u>	<u>\$ 41,919,329</u>
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable and accrued expenses	\$ 14,728	\$ 38,324
Deferred revenue	6,400	48,535
Due to the Rockland Community Foundation	6,485,252	5,733,592
Agency endowments	6,893,561	6,442,698
Obligation under split-interest agreement	33,234	33,234
Total liabilities	<u>13,433,175</u>	<u>12,296,383</u>
NET ASSETS		
Without donor restrictions	10,251,428	9,631,930
With donor restrictions	22,482,432	19,991,016
Total net assets	<u>32,733,860</u>	<u>29,622,946</u>
Total liabilities and net assets	<u>\$ 46,167,035</u>	<u>\$ 41,919,329</u>

See notes to financial statements.

COMMUNITY FOUNDATION OF ORANGE AND SULLIVAN
STATEMENT OF ACTIVITIES
For the year ended June 30, 2023
(with memorandum totals for the year ended June 30, 2022)

	2023			2022
	Without Donor Restrictions	With Donor Restrictions	Total	(memorandum only)
REVENUE AND SUPPORT				
Contributions	\$ 931,987	\$ 2,975,336	\$ 3,907,323	\$ 2,920,673
Pledges	59,724	-	59,724	63,466
Donor initiated events	-	704,702	704,702	672,439
Annual reception	197,828	-	197,828	133,128
Membership dues	-	8,024	8,024	9,650
Management fee income	87,214	-	87,214	94,129
Investment income (loss), net	849,702	1,653,702	2,503,404	(4,291,435)
Employee retention tax credit	25,000	-	25,000	-
Forgiveness of paycheck protection program (PPP) loans	-	-	-	140,374
Bad debt recovery	11,240	-	11,240	-
Releases from restrictions	2,850,348	(2,850,348)	-	-
Total revenue and support	<u>5,013,043</u>	<u>2,491,416</u>	<u>7,504,459</u>	<u>(257,576)</u>
EXPENSES				
Program	3,839,149	-	3,839,149	4,256,124
Management and general	250,092	-	250,092	225,471
Fundraising	304,304	-	304,304	253,548
Total expenses	<u>4,393,545</u>	<u>-</u>	<u>4,393,545</u>	<u>4,735,143</u>
CHANGE IN NET ASSETS	619,498	2,491,416	3,110,914	(4,992,719)
NET ASSETS, Beginning of year	<u>9,631,930</u>	<u>19,991,016</u>	<u>29,622,946</u>	<u>34,615,665</u>
NET ASSETS, End of year	<u>\$ 10,251,428</u>	<u>\$ 22,482,432</u>	<u>\$ 32,733,860</u>	<u>\$ 29,622,946</u>

See notes to financial statements.

COMMUNITY FOUNDATION OF ORANGE AND SULLIVAN
STATEMENT OF FUNCTIONAL EXPENSES
For the year ended June 30, 2023
(with memorandum totals for the year ended June 30, 2022)

	2023				2022 (memorandum only)
	Program	Management and General	Fundraising	Total	
Salaries and wages	\$ 101,686	\$ 125,152	\$ 164,262	\$ 391,100	\$ 387,065
Employee benefits	9,526	11,226	14,491	35,243	32,326
Payroll taxes	7,842	9,652	12,668	30,162	30,622
Retirement contributions and fees	3,070	3,711	4,838	11,619	15,114
Professional fees	1,416	32,012	2,287	35,715	28,705
Occupancy	12,895	9,672	9,672	32,239	31,607
Office	29,910	23,928	5,982	59,820	51,151
Computer software	26,609	10,305	6,138	43,052	34,230
Printing and publications	4,970	4,970	2,485	12,425	11,190
Conferences and meetings	572	510	5,202	6,284	4,029
Telephone	3,902	3,468	1,301	8,671	8,171
Insurance	7,639	2,546	-	10,185	9,466
Travel	987	1,777	1,184	3,948	1,744
Professional development	-	2,002	661	2,663	3,899
Advertising	8,345	7,418	2,782	18,545	15,711
Depreciation	-	968	-	968	1,296
Filing fees	-	775	-	775	775
Bad debt	-	-	-	-	11,089
Grants and scholarships	3,345,470	-	-	3,345,470	3,829,538
Annual event	-	-	55,127	55,127	23,506
Donor initiated events	274,310	-	15,224	289,534	197,989
Miscellaneous	-	-	-	-	5,920
	<u>\$ 3,839,149</u>	<u>\$ 250,092</u>	<u>\$ 304,304</u>	<u>\$ 4,393,545</u>	<u>\$ 4,735,143</u>

See notes to financial statements.

COMMUNITY FOUNDATION OF ORANGE AND SULLIVAN
STATEMENT OF CASH FLOWS
For the year ended June 30, 2023
(with memorandum totals for the year ended June 30, 2022)

	2023	2022 (memorandum only)
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 3,110,914	\$ (4,992,719)
Adjustments to reconcile change in net assets to net cash from operating activities:		
Depreciation expense	968	1,296
Forgiveness of PPP loans	-	(140,374)
Bad debt	-	11,089
Realized gains on investments	(291,544)	(1,720,186)
Unrealized (gains) losses on investments	(1,536,427)	6,785,274
Restricted contributions for endowment	(694,692)	(515,133)
Decrease (increase) in prepaid expenses	1,473	(2,007)
Increase in employee retention tax credit receivable	(25,000)	
Decrease in student loans receivable	-	7,993
(Decrease) increase in accounts payable and accrued expenses	(23,596)	17,682
Increase in due to Rockland Community Foundation	751,660	3,099,125
(Decrease) increase in deferred revenue	(42,135)	48,535
Increase (decrease) in agency endowments	450,863	(836,384)
Net cash provided by operating activities	<u>1,702,484</u>	<u>1,764,191</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investments	(7,582,118)	(9,527,761)
Proceeds from sale of investments	6,098,042	6,215,997
Net cash used for investing activities	<u>(1,484,076)</u>	<u>(3,311,764)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Restricted contributions for endowment	694,692	515,133
Net cash provided by financing activities	<u>694,692</u>	<u>515,133</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	913,100	(1,032,440)
CASH AND CASH EQUIVALENTS, Beginning of year	<u>2,302,787</u>	<u>3,335,227</u>
CASH AND CASH EQUIVALENTS, End of year	<u>\$ 3,215,887</u>	<u>\$ 2,302,787</u>
SUPPLEMENTAL CASH FLOW INFORMATION		
Non-cash contributions:		
Donated stock	<u>\$ 734,627</u>	<u>\$ 192,670</u>

See notes to financial statements.

COMMUNITY FOUNDATION OF ORANGE AND SULLIVAN
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

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, “*Not-for-Profit Entities*”.

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.

Prior Year Amounts

The amounts shown for the prior year in the accompanying financial statements present summarized totals and only are included to provide a basis for comparison with the current year. Accordingly, the prior year amounts are not intended to present all information necessary for a fair presentation in accordance with accounting principles generally accepted in the United States of America.

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. Included in cash and cash equivalents as of June 30, 2023 is \$1,500,000 of cash in a money market fund considered a Level 1 investment.

COMMUNITY FOUNDATION OF ORANGE AND SULLIVAN
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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, *Presentation and Disclosures Not-for-Profit Entities for Contributed Nonfinancial Assets*, 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, 2023 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 \$520,000 as of June 30, 2023.

In March 2023, the Foundation became aware of certain bank failures. The Foundation does not have banking relationships with those banks and has continued to assess its banking relationships as well as its uninsured cash balances.

COMMUNITY FOUNDATION OF ORANGE AND SULLIVAN
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

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, 2023 was \$18,545.

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, preferred stock, real assets and hedge funds are valued based on daily reporting closing prices.
- 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, 2023

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 and Disclosures"*, 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 (\$450,863 gain in fiscal 2023) are reported through the change in the liability account. The resulting ending balance of \$6,893,561 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, *"Income Taxes"*. 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

In April 2020 and February 2021, the Foundation obtained Paycheck Protection Program (PPP) loans of \$64,172 and \$76,202, respectively from its bank through the Small Business Administration's ("SBA") Paycheck Protection Program ("PPP"). In July 2021, the loans, including principal and interest, were forgiven and considered repaid in full.

COMMUNITY FOUNDATION OF ORANGE AND SULLIVAN
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Risks and Uncertainties (Continued)

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.

Subsequent Events

Subsequent events have been evaluated through November 10, 2023, which is the date the financial statements were available to be issued.

NOTE 3 – INVESTMENTS

Market value and net appreciation of investments are summarized as follows at June 30, 2023:

	Cost	Unrealized Gain/(Loss)	Market Value	FASB ASC 820 Measurements
Cash and cash equivalents	\$ 1,427,348	\$ -	\$ 1,427,348	N/A
Certificates of deposit	116,980	-	116,980	Level 1
Equities	20,379,252	4,988,335	25,367,587	Level 1
Real assets	1,237,417	(157,062)	1,080,355	Level 1
Hedge funds	2,660,451	109,407	2,769,858	Level 1
Private markets	890,839	(58,617)	832,222	Level 2
Fixed income	12,317,138	(1,011,649)	11,305,489	Level 2
Accrued interest	23,216	-	23,216	N/A
	<u>\$ 39,052,641</u>	<u>\$ 3,870,414</u>	<u>\$ 42,923,055</u>	

NOTE 4 – OPERATING LEASES

On July 1, 2022, the Organization adopted Accounting Standards Update 2016-02, “Leases” (ASC 842”). There was no impact as a result of adopting this standard for the year ended June 30, 2023.

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. Subsequent to year-end, the lease was extended through July 31, 2025 with monthly payments of \$2,740.

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 \$38,837 for the year ended June 30, 2023.

COMMUNITY FOUNDATION OF ORANGE AND SULLIVAN
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

NOTE 4 – OPERATING LEASES (Continued)

Future minimum lease payments under operating leases that have remaining terms in excess of one year as of June 30, 2023, are:

2024	\$	5,079
2025		2,043
2026		2,043
2027		2,043
2028		511
	\$	<u>11,719</u>

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.

COMMUNITY FOUNDATION OF ORANGE AND SULLIVAN
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

NOTE 5 – ENDOWMENT FUNDS (Continued)

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".

Endowment Contributions

Donor restricted endowment fund assets total \$16,723,557 at June 30, 2023. 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, 2023 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	\$ -	\$ 14,662,031	\$ 14,662,031
Accumulated investment gains	-	2,061,526	2,061,526
Board designated funds ("invested net assets")	1,423,850	-	1,423,850
Total donor-restricted endowment funds	<u>\$ 1,423,850</u>	<u>\$ 16,723,557</u>	<u>\$ 18,147,407</u>

Changes in endowment net assets for the year ended June 30, 2023 are as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment and invested net assets, beginning of year	\$ 1,319,411	\$ 15,323,301	\$ 16,642,712
Contributions	23,389	694,692	718,081
Investment income, net	101,556	1,343,101	1,444,657
Amounts appropriated for expenditures	(20,506)	(637,537)	(658,043)
Endowment and invested net assets, end of year	<u>\$ 1,423,850</u>	<u>\$ 16,723,557</u>	<u>\$ 18,147,407</u>

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NOTE 5 – ENDOWMENT FUNDS (Continued)

The endowment fund is comprised of cash and cash equivalents and investments as of June 30, 2023.

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, 2023:

Fair value of underwater endowment funds	\$ 2,342,824
Original endowment gift amount	2,733,387
Deficiencies of underwater endowment funds	<u>\$ (390,563)</u>

NOTE 6 – NET ASSETS WITH DONOR RESTRICTIONS

Donor restricted net assets at June 30, 2023 are as follows:

Subject to expenditure for specified purpose:

Designated funds	\$ 471,827
Field of interest	1,782,319
Fiscal sponsorship	379,420
Project funds	1,180,937
Scholarship	1,944,372
	<u>5,758,875</u>

Subject to the Foundation's spending policy and appropriation:

Designated funds	1,565,180
Field of interest	3,237,778
Scholarship	11,920,599
	<u>16,723,557</u>

Total net assets with donor restrictions	<u>\$ 22,482,432</u>
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Releases from donor restricted net assets for the year ended June 30, 2023 are as follows:

Subject to expenditure for specified purpose:

Designated funds	\$ 5,594
Field of interest	878,627
Fiscal sponsorship	193,600
Project funds	1,015,205
Scholarship	119,785
	<u>2,212,811</u>

Subject to the Foundation's spending policy and appropriation:

Designated funds	44,629
Field of interest	123,929
Scholarship	468,979
	<u>637,537</u>

Total releases from donor restrictions	<u>\$ 2,850,348</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, 2023:

2024	\$	210,250
2025		151,500
2026		84,250
		<u> </u>
	\$	<u>446,000</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, 2023, the Foundation contributed \$10,100 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, 2023 was \$6,485,252. During the year ended June 30, 2023, 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 \$45,426 as of June 30, 2023 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, 2023.

NOTE 11 – RELATED PARTY TRANSACTIONS

A company owned by one of the Foundation's board members owns facilities utilized by the Foundation for special events, typically at discounted prices. Event expense paid to this company for the year ended June 30, 2023, was \$28,634.

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NOTE 12 – LIQUIDITY

The Foundation's financial assets available within one year of June 30, 2023 for general expenditure are as follows:

Current financial assets:

Cash and cash equivalents	\$	3,215,887
Investments		42,923,055
Employee retention tax credit receivable		25,000
Total financial assets		<u>46,163,942</u>

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

Perpetual and term endowments and accumulated earnings beyond one year	(16,723,557)
Board designated funds	(1,423,850)
Donor restricted net assets, restricted for purpose	(5,758,875)
Due to Rockland Community Foundation	(6,485,252)
Agency endowments	(6,893,561)
Obligation under split-interest agreement	<u>(33,234)</u>

Financial assets available to meet cash needs for general expenditures within one year

\$ 8,845,613