

**HUDSON VALLEY
COMMUNITY COLLEGE
FOUNDATION**

AUDITED FINANCIAL STATEMENTS

Years ended June 30, 2022 and 2021

HUDSON VALLEY COMMUNITY COLLEGE FOUNDATION

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Hudson Valley Community College Foundation

Opinion

We have audited the accompanying financial statements of Hudson Valley Community College Foundation (a nonprofit organization), which comprise the statements of financial position as of June 30, 2022 and 2021, and the related statements of activities and changes in net assets, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Hudson Valley Community College Foundation as of June 30, 2022 and 2021, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. 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 Hudson Valley Community College Foundation and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. 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 the 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 Hudson Valley Community College Foundation's ability to continue as a going concern within 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 generally accepted auditing standards 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 judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment 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 and 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 Hudson Valley Community College Foundation'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 Hudson Valley Community College Foundation'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.

UHY LLP

Albany, New York
January 18, 2023

HUDSON VALLEY COMMUNITY COLLEGE FOUNDATION
STATEMENTS OF FINANCIAL POSITION
June 30, 2022 and 2021

	<u>2022</u>	<u>2021</u>
ASSETS		
CURRENT ASSETS		
Cash	\$ 1,815,523	\$ 782,701
Prepaid expenses	14,148	15,640
Pledges receivable, current portion	112,673	35,100
Due from College	<u>33,616</u>	<u>25,729</u>
Total current assets	1,975,960	859,170
Pledges receivable, due after one year	282,435	319,282
Fixed assets	664,869	-
Investments	6,592,954	7,675,973
Cash surrender value of life insurance	<u>59,903</u>	<u>103,874</u>
Total assets	<u><u>\$ 9,576,121</u></u>	<u><u>\$ 8,958,299</u></u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable and accrued expenses	\$ 14,954	\$ 15,184
Deferred revenue	61,250	34,000
Margin loan	65,452	-
Notes payable, current portion	<u>8,025</u>	<u>-</u>
Total current liabilities	<u>149,681</u>	<u>49,184</u>
Notes payable, net of unamortized financing fees and current portion	<u>476,239</u>	<u>-</u>
Total liabilities	<u>625,920</u>	<u>49,184</u>
NET ASSETS		
Without donor restrictions	394,253	215,816
With donor restrictions	<u>8,555,948</u>	<u>8,693,299</u>
Total net assets	<u>8,950,201</u>	<u>8,909,115</u>
Total liabilities and net assets	<u><u>\$ 9,576,121</u></u>	<u><u>\$ 8,958,299</u></u>

See notes to financial statements.

HUDSON VALLEY COMMUNITY COLLEGE FOUNDATION
STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
For the Years Ended June 30, 2022 and 2021

	2022			2021		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Revenue, gains and other support:						
Direct public support:						
Scholarship funds	\$ -	\$ 310,118	\$ 310,118	\$ -	\$ 464,091	\$ 464,091
Annual fund	61,966	-	61,966	67,126	-	67,126
Support for college programs	-	867,577	867,577	-	388,935	388,935
Contributions of nonfinancial assets	506,288	-	506,288	521,646	-	521,646
Total direct public support	568,254	1,177,695	1,745,949	588,772	853,026	1,441,798
Fund-raising events	84,540	61,390	145,930	59,600	-	59,600
Interest and other income	13,372	85,963	99,335	18,022	87,870	105,892
Realized, unrealized and other (losses) gains on investments	(61,422)	(813,558)	(874,980)	68,558	1,385,883	1,454,441
Net assets released from restrictions	648,841	(648,841)	-	729,410	(729,410)	-
Total revenue, gains and other support	1,253,585	(137,351)	1,116,234	1,464,362	1,597,369	3,061,731
Expenses:						
Program services:						
Scholarships	340,979	-	340,979	524,120	-	524,120
Support for college programs	68,172	-	68,172	561,347	-	561,347
Alumni relations	65,127	-	65,127	55,934	-	55,934
Management and general	349,067	-	349,067	305,950	-	305,950
Fund-raising:						
Fund-raising events	99,850	-	99,850	35,374	-	35,374
Annual fund	27,979	-	27,979	48,946	-	48,946
Support for college programs	123,974	-	123,974	159,902	-	159,902
Total expenses	1,075,148	-	1,075,148	1,691,573	-	1,691,573
Change in net assets	178,437	(137,351)	41,086	(227,211)	1,597,369	1,370,158
Net assets beginning of year	215,816	8,693,299	8,909,115	443,027	7,095,930	7,538,957
Net assets, end of year	\$ 394,253	\$ 8,555,948	\$ 8,950,201	\$ 215,816	\$ 8,693,299	\$ 8,909,115

See notes to financial statements.

HUDSON VALLEY COMMUNITY COLLEGE FOUNDATION
STATEMENTS OF CASH FLOWS
For the Years Ended June 30, 2022 and 2021

	<u>2022</u>	<u>2021</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 41,086	\$ 1,370,158
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Realized and unrealized losses (gains) on investments	831,009	(1,510,588)
Cash surrender value of life insurance	43,971	56,147
Changes in:		
Prepaid expenses and other assets	1,492	(6,567)
Pledges receivable	(40,726)	(295,813)
Due from College	(7,887)	(25,729)
Accounts payable and accrued expenses	(230)	(53,024)
Deferred revenue	27,250	31,000
Net cash provided by (used in) operating activities	<u>895,965</u>	<u>(434,416)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of investments	2,205,294	1,106,943
Purchase of investments	(1,953,284)	(653,075)
Purchase of fixed assets	<u>(664,869)</u>	<u>-</u>
Net cash (used in) provided by investing activities	<u>(412,859)</u>	<u>453,868</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from margin loan	475,000	-
Repayments on margin loan	(409,548)	-
Proceeds from notes payable	514,841	-
Payment of financing fees	<u>(30,577)</u>	<u>-</u>
Net cash provided by financing activities	<u>549,716</u>	<u>-</u>
Change in cash	1,032,822	19,452
Cash:		
Beginning balance	<u>782,701</u>	<u>763,249</u>
Ending balance	<u>\$ 1,815,523</u>	<u>\$ 782,701</u>
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION		
Cash paid for interest	<u>\$ 20,107</u>	<u>\$ -</u>

See notes to financial statements.

HUDSON VALLEY COMMUNITY COLLEGE FOUNDATION
NOTES TO FINANCIAL STATEMENTS
June 30, 2022 and 2021

NOTE 1 — NATURE OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

Nature of Organization

Hudson Valley Community College Foundation (the "Foundation") is a tax exempt (under Internal Revenue Code Section 501(c)(3)) foundation established to receive and maintain funds to aid and advance the welfare, development, purposes and programs of Hudson Valley Community College (the "College"), its students and alumni.

A summary of the Foundation's significant accounting policies follows:

Financial Statement Presentation

The accompanying financial statements have been prepared using the accrual basis of accounting in accordance with generally accepted accounting principles.

Net assets, revenues, gains and other support, expenses, and non-operating items are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Foundation and changes therein are classified and reported as follows:

- *Without donor restrictions* – Net assets that are not subject to donor-imposed stipulations.
- *With donor restrictions* – Net assets subject to outside parties-imposed stipulations that may or will be satisfied either by actions of the Foundation or by passage of time.

Subsequent Events

For purposes of preparing the financial statements, the Foundation considered events through January 18, 2023, the date the financial statements were available for issuance.

Tax Exempt Status

The Foundation is generally exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. It is, however, required to file an informational return (Federal Form 990). The Foundation believes that there are no uncertain tax positions that are material to the financial statements.

Revenue Recognition

Direct public support and donations are recognized when the donor makes a promise to give that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in net assets without donor restrictions if the restrictions are met in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions. When a restriction is met, net assets with donor restrictions are reclassified to net assets without donor restrictions. Revenue from fund-raising events is recognized when earned.

Cash

The Foundation places its cash with high-credit-quality institutions. At times, such amounts may be in excess of the Federal Deposit Insurance Corporation insurance limit.

HUDSON VALLEY COMMUNITY COLLEGE FOUNDATION
NOTES TO FINANCIAL STATEMENTS
June 30, 2022 and 2021

NOTE 1 — NATURE OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES
(Continued)

Pledges Receivable

Unconditional promises to give (pledges receivable) are recognized as support and revenue in the year made. Pledges receivable are reported at fair value, which is the discounted present value of estimated future cash flows. An allowance has been recorded for estimated uncollectible pledges.

Fixed Assets

Property and equipment are stated at cost, net of accumulated depreciation. Depreciation is calculated using the straight-line method over the estimated useful lives of the related assets.

Investments

Investments are reported at fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Realized and unrealized gains and losses include gains and losses from purchases and sales of investments as well as changes in the value of assets held during the year and are recognized in the accompanying statements of activities and changes in net assets. Gains or losses on investments are recognized as an increase or decrease in net assets without donor restrictions unless their use is restricted by explicit donor stipulations or by law, in which case they are recognized as an increase or decrease in net assets with donor restrictions.

Investment securities are exposed to various risks, such as interest rate, market and credit. Due to the level of risk associated with certain investment securities and the level of uncertainty related to changes in the value of investment securities, it is at least reasonably possible that changes in investments in the near term would materially affect the amounts reported in these financial statements.

The Foundation has a policy of pooling its funds for investment purposes. Investment income is allocated to the individual donor fund balances comprising net assets without donor restrictions and net assets with donor restrictions based upon each respective fund's share of the investment pool.

Cash Surrender Value of Life Insurance

The Foundation is the owner and beneficiary of two life insurance policies donated in 2006. The Foundation's interest in insurance policies, reported at the policies' cash surrender value at year-end, is included in the statement of financial position.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles 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. Estimates also affect the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

HUDSON VALLEY COMMUNITY COLLEGE FOUNDATION
NOTES TO FINANCIAL STATEMENTS
June 30, 2022 and 2021

NOTE 1 — NATURE OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES
(Continued)

Endowment Investment Policy

Endowment assets include those assets of donor-restricted funds that the Foundation must hold in perpetuity or for a donor-specified period(s). Under this policy, as approved by the Board of Directors, the endowment assets are invested in a manner that is intended to provide support for the Foundation's mission over the long-term. Accordingly, the primary investment objectives are to preserve the real purchasing power of the principal, and provide a stable source of perpetual financial support to beneficiaries in accordance with the Foundation's endowment spending policy.

Endowment Spending Policy

The Foundation has an endowment spending policy which is applied to the Foundation's investments restricted in perpetuity. It is intended to preserve the purchasing power of the corpus and insulate program spending from fluctuations in capital markets. The amount of investments with donor restrictions that are perpetual in nature made available annually to support scholarship and program activities is based on various economic factors specified in the endowment spending policy. The spending policy permits annual disbursements from perpetual funds to be no more than 4% of the average market value of the prior five years.

Recent Accounting Pronouncements

In September 2020, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. ASU 2020-07 requires the Foundation to present contributed nonfinancial assets as a separate line item in the statement of activities and changes in net assets, apart from contributions of cash and other financial assets and provides for enhanced disclosures regarding contributions of nonfinancial assets. ASU 2020-07 was effective for the Foundation beginning July 1, 2021.

The Foundation adopted ASU 2020-07 on a retrospective basis as of July 1, 2021. The adoption of ASU 2020-07 resulted in presenting contributions of nonfinancial assets as a separate line item in the statements of activities and changes in net assets and additional disclosures in Note 8.

In February 2016, the FASB issued ASU 2016-02, *Leases*, which requires the Foundation, as the lessee, to recognize most leases on the statement of financial position, thereby resulting in the recognition of lease assets and liabilities for those leases currently classified as operating leases. ASU 2016-02 is effective for the Foundation beginning July 1, 2022.

The Foundation adopted ASU 2016-02 as of July 1, 2022. The adoption of ASU 2016-02 is not expected to have a material impact on the Foundation's financial statements.

HUDSON VALLEY COMMUNITY COLLEGE FOUNDATION
NOTES TO FINANCIAL STATEMENTS
June 30, 2022 and 2021

NOTE 2 — PLEDGES RECEIVABLE

Pledges receivable consist of pledges to support the Foundation's various programs. Pledges receivable reported in the statement of financial position consist of the following:

	June 30, 2022	June 30, 2021
Pledges receivable due in one year	\$ 142,192	\$ 56,000
Pledges receivable due in two to three years	317,000	363,000
Gross pledges receivable	459,192	419,000
Less allowance for uncollectible pledges	(54,619)	(57,200)
Less discount to present value (2.09% - 2.93%)	(9,465)	(7,418)
Pledges receivable	395,108	354,382
Less current portion	112,673	35,100
Long-term pledges receivable	<u>\$ 282,435</u>	<u>\$ 319,282</u>

The pledges are due to be paid under various payment arrangements through 2026.

NOTE 3 — FIXED ASSETS

Fixed assets are comprised entirely of construction in progress related to the purchase and improvements of the Gordon N. '62 and Linda S. Zuckerman Alumni House (the "Alumni House") to be utilized for initiatives of the Foundation and the College at June 30, 2022. There were no fixed assets at June 30, 2021.

During the year ended June 30, 2022, the Foundation entered into an agreement with the College for the use of the Alumni House as the residence of the College President beginning in August 2022.

NOTE 4 — INVESTMENTS

Investments are stated at fair value and consist of the following:

	June 30, 2022			June 30, 2021		
	Fair Value	Cost	Unrealized Gain (Loss)	Fair Value	Cost	Unrealized Gain (Loss)
Money market funds	\$ 67,314	\$ 67,314	\$ -	\$ 289,366	\$ 289,068	\$ 298
Equity mutual funds	4,369,609	2,676,419	1,693,190	5,396,183	2,618,980	2,777,203
Fixed income mutual funds	2,156,031	2,255,386	(99,355)	1,990,424	1,952,840	37,584
	<u>\$ 6,592,954</u>	<u>\$ 4,999,119</u>	<u>\$ 1,593,835</u>	<u>\$ 7,675,973</u>	<u>\$ 4,860,888</u>	<u>\$ 2,815,085</u>

Changes in unrealized (losses) gains of approximately (\$1,228,000) and \$1,416,000 were recorded to adjust the basis of investments to fair value at June 30, 2022 and 2021, respectively.

Investment management and custodial fees are netted against investment income or reflected as a reduction in net asset value of the investment, and were approximately \$52,500 and \$47,500 for the years ended June 30, 2022 and 2021, respectively.

HUDSON VALLEY COMMUNITY COLLEGE FOUNDATION
NOTES TO FINANCIAL STATEMENTS
June 30, 2022 and 2021

NOTE 5 — FAIR VALUE MEASUREMENTS

The FASB Accounting Standards Codification provides the framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy are described as follows:

Level 1 Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Foundation has the ability to access.

Level 2 Inputs to the valuation methodology include:

- quoted prices for similar assets or liabilities in active markets;
- quoted prices for identical or similar assets or liabilities in inactive markets;
- inputs other than quoted prices that are observable for the asset or liability;
- inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at June 30, 2022 and 2021.

Money market funds: Valued at cost which approximates fair value.

Mutual funds: Valued at the net asset value of shares held.

Cash Surrender Value ("CSV") of life insurance: Valued based on the face amount of the contract discounted at a specific rate of interest according to the insured's life expectancy.

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although 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.

HUDSON VALLEY COMMUNITY COLLEGE FOUNDATION
NOTES TO FINANCIAL STATEMENTS
June 30, 2022 and 2021

NOTE 5 — FAIR VALUE MEASUREMENTS

The following presents the Foundation's investments and other financial assets by fair value hierarchy and investment type at June 30, 2022:

Investments	Assets at Fair Value			Total
	Level 1	Level 2	Level 3	
Money market funds	\$ 67,314	\$ -	\$ -	\$ 67,314
Equity mutual funds	4,369,609	-	-	4,369,609
Fixed income mutual funds	2,156,031	-	-	2,156,031
Total investments	<u>\$ 6,592,954</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6,592,954</u>
CSV of life insurance				
	Level 1	Level 2	Level 3	Total
CSV of life insurance	\$ -	\$ -	\$ 59,903	\$ 59,903
Total CSV of life insurance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 59,903</u>	<u>\$ 59,903</u>
Total assets at fair value	<u>\$ 6,592,954</u>	<u>\$ -</u>	<u>\$ 59,903</u>	<u>\$ 6,652,857</u>

The following presents the Foundation's investments and other financial assets by fair value hierarchy and investment type at June 30, 2021:

Investments	Assets at Fair Value			Total
	Level 1	Level 2	Level 3	
Money market funds	\$ 289,366	\$ -	\$ -	\$ 289,366
Equity mutual funds	5,396,183	-	-	5,396,183
Fixed income mutual funds	1,990,424	-	-	1,990,424
Total investments	<u>\$ 7,675,973</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 7,675,973</u>
CSV of life insurance				
	Level 1	Level 2	Level 3	Total
CSV of life insurance	\$ -	\$ -	\$ 103,874	\$ 103,874
Total CSV of life insurance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 103,874</u>	<u>\$ 103,874</u>
Total assets at fair value	<u>\$ 7,675,973</u>	<u>\$ -</u>	<u>\$ 103,874</u>	<u>\$ 7,779,847</u>

Level 3 Gains and Losses

The following table sets forth a summary of changes in the fair value of the Foundation's level 3 assets for the year ended June 30, 2022:

	CSV of life insurance
Balance at July 1, 2021	\$ 103,874
Total net losses (realized and unrealized)	<u>(43,971)</u>
Balance at June 30, 2022	<u>\$ 59,903</u>

HUDSON VALLEY COMMUNITY COLLEGE FOUNDATION
NOTES TO FINANCIAL STATEMENTS
June 30, 2022 and 2021

NOTE 5 — FAIR VALUE MEASUREMENTS

The following table sets forth a summary of changes in the fair value of the Foundation’s level 3 assets for the year ended June 30, 2021:

	<u>CSV of life insurance</u>
Balance at July 1, 2020	\$ 160,021
Total net losses (realized and unrealized)	<u>(56,147)</u>
Balance at June 30, 2021	<u><u>\$ 103,874</u></u>

Quantitative and Qualitative Information Regarding Level 3 Fair Value Measurements

The following table presents information about significant unobservable inputs related to the Foundation’s investment in assets categorized as Level 3 in the fair value hierarchy at June 30, 2022:

Type	Fair Value	Valuation Technique	Significant Unobservable Inputs	Range
CSV of life insurance	\$ 59,903	The value was determined by the underwriting insurance companies' valuation models and represents the guaranteed value the Foundation would receive upon surrender of these policies as of June 30, 2022.		

NOTE 6 — ENDOWMENT

FASB Accounting Standards Codification provides guidance regarding Endowments of Not-for-Profit Organizations: Net Asset Classification of Funds Subject to an Enacted Version of the Uniform Prudent Management of Institutional Funds Act, and Enhanced Disclosures for All Endowment Funds.

The State of New York has adopted a version of the Uniform Prudent Management of Institutional Funds Act (“NYPMIFA”). The Foundation has interpreted NYPMIFA as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor instructions to the contrary. As a result of this interpretation, the Foundation classifies as net assets with donor restrictions that are perpetual in nature (a) the original value of the gifts donated in perpetuity to the endowment, (b) the original value of subsequent gifts to the endowment, and (c) accumulations to the endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in net assets with donor restrictions that are perpetual in nature is classified as net assets with donor time and purpose restrictions until those amounts are appropriately used by the Board of Directors in a manner consistent with the standard of prudence prescribed by NYPMIFA.

HUDSON VALLEY COMMUNITY COLLEGE FOUNDATION
NOTES TO FINANCIAL STATEMENTS
June 30, 2022 and 2021

NOTE 6 — ENDOWMENT (Continued)

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 NYPMIFA requires the Foundation to retain as a fund of perpetual duration. Deficiencies would result from unfavorable market fluctuations that occur after the investment of restricted contributions and continued appropriation as deemed prudent by the Foundation. There were no deficiencies in any individual donor restricted endowment funds at June 30, 2022 or 2021.

During the years ended June 30, 2022 and 2021, the Foundation reclassified amounts from endowment assets with donor restrictions (both time and purpose and perpetual) to non-endowed net assets with donor time and purpose restrictions totaling approximately \$64,000 and \$43,000, respectively as a result of the Foundation's review of the detailed components of net assets and/or donors' revised instructions.

Endowment net asset composition by type of fund as of June 30, 2022 is as follows:

	<u>Time and Purpose</u>	<u>Perpetual</u>	<u>Total</u>
Donor-restricted funds	<u>\$ 1,576,754</u>	<u>\$ 4,382,839</u>	<u>\$ 5,959,593</u>
Total funds	<u>\$ 1,576,754</u>	<u>\$ 4,382,839</u>	<u>\$ 5,959,593</u>

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

	<u>Time and Purpose</u>	<u>Perpetual</u>	<u>Total</u>
Donor-restricted funds	<u>\$ 2,668,294</u>	<u>\$ 4,243,965</u>	<u>\$ 6,912,259</u>
Total funds	<u>\$ 2,668,294</u>	<u>\$ 4,243,965</u>	<u>\$ 6,912,259</u>

Changes in endowment net assets for year ended June 30, 2022 are as follows:

	<u>Time and Purpose</u>	<u>Perpetual</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ 2,668,294	\$ 4,243,965	\$ 6,912,259
Net asset reclassification	<u>(24,234)</u>	<u>(40,000)</u>	<u>(64,234)</u>
Endowment net assets after reclassification	2,644,060	4,203,965	6,848,025
Contributions received	-	178,874	178,874
Investment income and net depreciation	(732,712)	-	(732,712)
Amounts appropriated for expenditure	<u>(334,594)</u>	<u>-</u>	<u>(334,594)</u>
Endowment net assets, end of year	<u>\$ 1,576,754</u>	<u>\$ 4,382,839</u>	<u>\$ 5,959,593</u>

HUDSON VALLEY COMMUNITY COLLEGE FOUNDATION
NOTES TO FINANCIAL STATEMENTS
June 30, 2022 and 2021

NOTE 6 — ENDOWMENT (Continued)

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

	<u>Time and Purpose</u>	<u>Perpetual</u>	<u>Total</u>
Endowment net assets, beginning of period	\$ 1,451,662	\$ 4,166,379	\$ 5,618,041
Net asset reclassification	<u>(14,645)</u>	<u>(28,554)</u>	<u>(43,199)</u>
Endowment net assets after reclassification	1,437,017	4,137,825	5,574,842
Contributions/transfers received	-	106,140	106,140
Investment income and net appreciation	1,485,608	-	1,485,608
Amounts appropriated for expenditure	<u>(254,331)</u>	<u>-</u>	<u>(254,331)</u>
Endowment net assets, end of period	<u>\$ 2,668,294</u>	<u>\$ 4,243,965</u>	<u>\$ 6,912,259</u>

NOTE 7 — DEBT

Margin Loan

In November 2021, the Foundation received proceeds of \$475,000 on a margin loan with Fidelity Brokerage Services. The Foundation utilized the proceeds of the margin loan to finance the purchase of the Alumni House. The margin loan bears interest at a rate equal to 0.50% plus the base lending rate for balances ranging from \$250,000 to \$999,999 and 0.75% plus the base lending rate for balances ranging from \$50,000 to \$249,999. The base lending rate is set at the discretion of Fidelity Brokerage Services with reference to commercially recognized interest rates and industry conditions (8.2% at June 30, 2022). The margin loan is collateralized by investments of the Foundation. The margin loan is payable on demand. The balance of the margin loan was \$65,452 at June 30, 2022.

Notes Payable

In April 2022, the Foundation obtained a building loan promissory note (the "note") from Pioneer Bank to finance renovations and improvements to the Alumni House. The note provides for financing in an amount not to exceed \$604,416. The note provides for monthly payments of interest only during the construction phase from June 1, 2022 through November 1, 2022 and monthly payments of principal and interest based on a 25-year amortization schedule beginning December 1, 2022. The entire unpaid principal balance of the note is due upon maturity on May 1, 2032. The interest rate on the note is fixed at 4.25%. As of June 30, 2022, the Foundation received proceeds of \$514,841 under the note. The note is presented as follows in the statement of financial position at June 30, 2022:

Notes payable	\$ 514,841
Less: unamortized financing fees	(30,577)
Less: current portion	<u>(8,025)</u>
Notes payable, net of unamortized financing fees and current portion	<u>\$ 476,239</u>

HUDSON VALLEY COMMUNITY COLLEGE FOUNDATION
NOTES TO FINANCIAL STATEMENTS
June 30, 2022 and 2021

NOTE 7 — DEBT (Continued)

Notes Payable (Continued)

Under the note, the Foundation must comply with certain debt covenants. The Foundation is in compliance with all debt covenants as of June 30, 2022.

The note is collateralized by substantially all fixed assets of the Foundation.

Subsequent to June 30, 2022, the Foundation drew down additional amounts on the note totaling \$89,575, bringing the total balance on the note to \$604,416. The schedule of future payments on the note for the next five years and thereafter was then finalized as follows:

2023	\$ 8,025
2024	14,049
2025	14,736
2026	15,384
2027	16,060
Thereafter	<u>536,162</u>
Total	<u>\$604,416</u>

Interest expense on both the margin loan and the note totaled \$20,107 for the year ended June 30, 2022 (none for the year ended June 30, 2021).

NOTE 8 — CONTRIBUTIONS OF NONFINANCIAL ASSETS

The following presents a disaggregation of contributions of nonfinancial assets for the years ended June 30:

	<u>2022</u>	<u>2021</u>
HVCC in-kind contribution:		
Salaries and benefits	\$ 440,222	\$ 488,249
Travel	1,695	1,193
Printing and postage	14,851	7,060
Professional services	15,840	-
Occupancy	12,968	19,793
Other	<u>7,707</u>	<u>5,351</u>
Total HVCC in-kind contribution	493,283	521,646
Fixed assets	<u>13,005</u>	<u>-</u>
Total contributions of nonfinancial assets	<u>\$ 506,288</u>	<u>\$ 521,646</u>

The Foundation recognizes revenue for in-kind contributions received from the College at the fair value of those contributions based on their actual cost to the College. HVCC in-kind contributions consist primarily of salaries and benefits, postage, and professional services paid by the College on behalf of the Foundation. All contributed nonfinancial assets were without donor restrictions for the years ended June 30, 2022 and 2021.

HUDSON VALLEY COMMUNITY COLLEGE FOUNDATION
NOTES TO FINANCIAL STATEMENTS
June 30, 2022 and 2021

NOTE 8 — CONTRIBUTIONS OF NONFINANCIAL ASSETS (Continued)

The fair value of the in-kind contributions utilized by the Foundation are included in expenses in the following functional categories for the year ended June 30:

	<u>2022</u>	<u>2021</u>
Program services		
Scholarships and support for college programs	\$ 48,915	\$ 54,599
Alumni relations	62,118	53,965
Total program services	<u>111,033</u>	<u>108,564</u>
Management and general	<u>208,091</u>	<u>193,928</u>
Fund-raising		
Fund-raising events	28,197	18,455
Annual fund	26,951	48,946
Support for college programs	119,011	151,753
Total fund-raising	<u>174,159</u>	<u>219,154</u>
Total expenses	<u>\$ 493,283</u>	<u>\$ 521,646</u>

NOTE 9 — NET ASSETS WITH DONOR RESTRICTIONS

Net assets restricted by time and purpose are available for scholarships and college programs and are fully expendable in accordance with donor-imposed restrictions.

Net assets restricted in perpetuity are subject to donor-imposed stipulations that require the principal to be invested in perpetuity. Investment returns are expendable to support scholarships and college programs, subject to the provisions of the Foundation's endowment spending policy. Transfers, net in the statements of activities and changes in net assets represent the reclassifications of funds based on donors' revised instructions and the Foundation's review of the detailed components of net assets.

Net assets with donor restrictions consisted of the following as of June 30:

	<u>2022</u>	<u>2021</u>
Net assets restricted by time and purpose		
Investments	\$ 678,037	\$ 685,986
Endowment	1,576,754	2,668,294
Cash	1,463,307	636,800
Pledges receivable and other	389,708	343,795
	<u>4,107,806</u>	<u>4,334,875</u>
Net assets restricted in perpetuity		
Endowment	4,382,839	4,243,965
Cash surrender value of life insurance	59,903	103,874
Pledges receivable and other	5,400	10,585
	<u>4,448,142</u>	<u>4,358,424</u>
Total net assets with donor restrictions	<u>\$8,555,948</u>	<u>\$8,693,299</u>

HUDSON VALLEY COMMUNITY COLLEGE FOUNDATION
NOTES TO FINANCIAL STATEMENTS
June 30, 2022 and 2021

NOTE 10 — LIQUIDITY AND AVAILABILITY

As part of the normal operations, the Foundation received and expensed the HVCC in-kind contribution of approximately \$493,300 and \$521,600 for the years ended June 30, 2022 and 2021, respectively. The nature of the Foundation's operations is such that there is no reason to believe similar results will not occur in 2023.

NOTE 11 — SCHEDULE OF FUNCTIONAL EXPENSES

The Foundation's schedule of functional expenses is as follows:

Functional Expense	Management and			2022 Total	Management and			2021 Total
	Program	General	Fundraising		Program	General	Fundraising	
Scholarships and awards	\$ 292,064	\$ -	\$ -	\$ 292,064	\$ 469,521	\$ -	\$ -	\$ 469,521
Support for College programs	71,172	-	-	71,172	563,316	-	-	563,316
Salaries and wages	80,856	178,110	130,400	389,366	80,147	171,929	172,628	424,704
Benefits and payroll taxes	12,208	37,577	23,456	73,241	21,041	35,133	34,870	91,044
Fees for services	11,088	72,995	77,109	161,192	-	62,573	24,921	87,494
Printing and postage	2,700	5,509	12,241	20,450	1,273	333	5,454	7,060
Office expenses	9	2,706	842	3,557	-	4,302	-	4,302
Information technology	-	8,040	-	8,040	-	14,512	-	14,512
Occupancy	3,842	14,926	3,829	22,597	5,865	8,084	5,844	19,793
Interest	-	20,107	-	20,107	-	-	-	-
Travel	339	1,552	508	2,399	238	1,226	358	1,822
Meetings	-	1,855	3,418	5,273	-	722	147	869
Insurance	-	2,685	-	2,685	-	2,102	-	2,102
Other expenses	-	3,005	-	3,005	-	5,034	-	5,034
	<u>\$ 474,278</u>	<u>\$ 349,067</u>	<u>\$ 251,803</u>	<u>\$ 1,075,148</u>	<u>\$ 1,141,401</u>	<u>\$ 305,950</u>	<u>\$ 244,222</u>	<u>\$ 1,691,573</u>

Certain functional expenses, including salaries and wages, benefits and payroll taxes, and pension and contributions are allocated by management utilizing an allocation methodology based on estimated time worked by personnel in each category. Certain other expenses are allocated based on estimated percentages resulting from management's analysis. Management believes these allocations have been made on a reasonable basis. All other expenses are reported to each program and support function based on actual expense incurred.

NOTE 12 — RISKS AND UNCERTAINTIES

Global and domestic responses to COVID-19 continue to rapidly evolve. The initial effect, which centered around global financial markets, has since spread to both global and domestic businesses, including Hudson Valley Community College and the Foundation. Given the fluid nature of COVID-19 and the ongoing response to the outbreak, management is unable to determine the financial impact on the Foundation at this time. Management acknowledges, however, that COVID-19 could be disruptive and have a material impact on the Foundation.