

**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

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

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

	2022	2021
ASSETS		
CURRENT ASSETS		
Cash	\$1,815,523	\$ 782,701
Prepaid expenses	14,148	15,640

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 computed i2.00. T the

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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, *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

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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

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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: ~~on (as with 5) 98.0-1.D [(catioTc .0026 Tw (de~~

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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	Assets at Fair Value			Total
	Level 1	Level 2	Level 3	
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	Assets at Fair Value			Total
	Level 1	Level 2	Level 3	
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>

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, 202	\$ 103,874
Total net losses (realized and unrealized)	<u>(43,971)</u>
Balance at June 30, 2022	<u>\$ 59,903</u>

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NOTES TO FINANCIAL STATEMENTS**

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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:

	2022	2021
HVCC in-kind contribution:		
Salaries and benefits	\$ 440,222	\$ 488,249
Travel	1,695	1,193

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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

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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	2022			2021			2021 Total
	Program	Management and General	Fundraising	Program	Management and 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	424,704
Benefits and payroll taxes	12,208	37,577	23,456	73,241	21,041	35,133	91,044
Fees for services	11,088	72,995	77,109	161,192	-	62,573	87,494
Printing and postage	2,700	5,509	12,241	20,450	1,273	333	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	19,793
Interest	-	20,107	-	20,107	-	-	-
Travel	339	1,552	508	2,399	238	1,226	1,822
Meetings	-	1,855	3,418	5,273	-	722	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>\$ 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 incur costs.