

**Community Foundations of
the Hudson Valley**

Financial Statements

June 30, 2022 and 2021



Independent Auditors' Report

Board of Trustees Community Foundations of the Hudson Valley

Opinion

We have audited the accompanying financial statements of the Community Foundations of the Hudson Valley (the "Foundations") (a nonprofit organization), which comprise the statements of financial position as of June 30, 2022 and 2021, and the related statements of activities, functional expenses 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 the Foundations 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 Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Foundations 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 the Foundations' ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditors' 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 auditors' 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.

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Auditors' Responsibilities for the Audit of the Financial Statements (continued)

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 the Foundations' 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 the Foundations' 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.

PKF O'Connor Davies, LLP

Newburgh, New York
November 17, 2022

Community Foundations of the Hudson Valley

Statements of Financial Position

	June 30,	
	2022	2021
ASSETS		
Cash and cash equivalents	\$ 2,735,183	\$ 7,200,549
Investments	92,746,702	100,386,160
Accounts and interest receivable	160,078	122,522
Prepaid expenses and other assets	175,644	124,915
Beneficial interest - life insurance policy	257,442	258,556
Property and equipment, net	29,177	7,883
	\$ 96,104,226	\$ 108,100,585
 LIABILITIES AND NET ASSETS		
Liabilities		
Agency funds	\$ 9,361,546	\$ 10,302,336
Grants payable	746,356	1,858,984
Accounts payable and other liabilities	118,293	36,295
Deferred revenue	-	500
Total Liabilities	10,226,195	12,198,115
Net Assets		
Without donor restrictions		
Donor advised	36,069,505	44,138,132
Donor designated	20,777,001	21,349,068
Field of interest	11,795,058	13,378,839
Board designated	8,219,556	8,208,768
Scholarship	6,685,448	6,925,777
Project	1,981,312	1,275,603
Pass through	92,709	367,727
Total without donor restrictions	85,620,589	95,643,914
With donor restrictions	257,442	258,556
Total Net Assets	85,878,031	95,902,470
	\$ 96,104,226	\$ 108,100,585

See notes to financial statements

Community Foundations of the Hudson Valley

Statement of Activities Year Ended June 30, 2022

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
REVENUE AND SUPPORT			
Contributions and grants	\$ 15,880,277	\$ 28,525	15,908,802
Management fees	90,632	-	90,632
Contributed nonfinancial assets	142,852	-	142,852
Special events	38,185	-	38,185
Investment loss, net	(8,062,315)	-	(8,062,315)
Net assets released from restriction	<u>28,525</u>	<u>(28,525)</u>	<u>-</u>
Total Revenue and Support	<u>8,118,156</u>	<u>-</u>	<u>8,118,156</u>
EXPENSES			
Program services	17,406,130	-	17,406,130
Special events	13,441	-	13,441
Management and general	700,686	-	700,686
Fundraising	<u>21,224</u>	<u>-</u>	<u>21,224</u>
Total Expenses	<u>18,141,481</u>	<u>-</u>	<u>18,141,481</u>
Excess of Revenue and Support Over Expenses	(10,023,325)	-	(10,023,325)
Change in value of beneficial interest - life insurance policy	<u>-</u>	<u>(1,114)</u>	<u>(1,114)</u>
Change in Net Assets	(10,023,325)	(1,114)	(10,024,439)
NET ASSETS			
Beginning of year	<u>95,643,914</u>	<u>258,556</u>	<u>95,902,470</u>
End of year	<u>\$ 85,620,589</u>	<u>\$ 257,442</u>	<u>\$ 85,878,031</u>

Community Foundations of the Hudson Valley

Statement of Activities Year Ended June 30, 2021

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
REVENUE AND SUPPORT			
Contributions and grants	\$ 26,911,900	\$ 28,525	\$ 26,940,425
Management fees	78,825	-	78,825
Contributed nonfinancial assets	112,552	-	112,552
Investment income, net	17,215,456	-	17,215,456
Net assets released from restriction	<u>28,525</u>	<u>(28,525)</u>	<u>-</u>
Total Revenue and Support	<u>44,347,258</u>	<u>-</u>	<u>44,347,258</u>
EXPENSES			
Program services	11,753,170	-	11,753,170
Special events	42,043	-	42,043
Management and general	666,084	-	666,084
Fundraising	<u>294</u>	<u>-</u>	<u>294</u>
Total Expenses	<u>12,461,591</u>	<u>-</u>	<u>12,461,591</u>
Excess of Revenue and Support Over Expenses	31,885,667	-	31,885,667
Change in value of beneficial interest - life insurance policy	<u>-</u>	<u>1,749</u>	<u>1,749</u>
Change in Net Assets	31,885,667	1,749	31,887,416
NET ASSETS			
Beginning of year	<u>63,758,247</u>	<u>256,807</u>	<u>64,015,054</u>
End of year	<u>\$ 95,643,914</u>	<u>\$ 258,556</u>	<u>\$ 95,902,470</u>

Community Foundations of the Hudson Valley

Statement of Functional Expenses Year Ended June 30, 2022

	Program Services	Special Events	Management and General	Fundraising	Total
Grants and scholarships	\$ 16,548,932	-	-	-	\$ 16,548,932
Salaries	422,573	6,927	249,388	13,855	692,743
Payroll taxes	36,945	606	21,804	1,211	60,566
Employee benefits	62,403	1,023	36,828	2,046	102,300
Special events expense	-	4,665	-	-	4,665
Public relations	61,637	220	744	-	62,601
Occupancy	62,504	-	36,293	2,016	100,813
Office expense	62,170	-	64,228	2,005	128,403
Professional fees	131,500	-	99,081	-	230,581
Dues and conferences	14,657	-	967	-	15,624
Depreciation	2,809	-	1,631	91	4,531
Insurance	-	-	12,066	-	12,066
Contributed nonfinancial assets	-	-	-	-	-
Investment fees	-	-	121,550	-	121,550
Legal fees	-	-	20,750	-	20,750
Maintenance	-	-	552	-	552
Other	-	-	34,804	-	34,804
Total Expenses	\$ 17,406,130	\$ 13,441	\$ 700,686	\$ 21,224	\$ 18,141,481

See notes to financial statements

Community Foundations of the Hudson Valley

Statement of Functional Expenses Year Ended June 30, 2021

	Program Services	Special Events	Management and General	Fundraising	Total
Grants and scholarships	\$ 11,067,277	-	-	-	\$ 11,067,277
Salaries	431,534	24,010	241,261	-	696,805
Payroll taxes	37,539	2,089	20,986	-	60,614
Employee benefits	64,947	3,614	36,749	-	105,310
Special events expense	-	12,330	-	-	12,330
Public relations	39,471	-	465	294	40,230
Occupancy	35,409	-	19,918	-	55,327
Office expense	56,579	-	31,825	-	88,404
Professional fees	-	-	70,506	-	70,506
Dues and conferences	18,219	-	525	-	18,744
Depreciation	2,195	-	1,235	-	3,430
Insurance	-	-	4,992	-	4,992
Contributed nonfinancial assets	-	-	-	-	-
Investment fees	-	-	111,172	-	111,172
Maintenance	-	-	552	-	552
Storage	-	-	828	-	828
Forgiveness of note receivable	-	-	113,615	-	113,615
Other	-	-	11,455	-	11,455
Total Expenses	\$ 11,753,170	\$ 42,043	\$ 666,084	\$ 294	\$ 12,461,591

See notes to financial statements

Community Foundations of the Hudson Valley

Statements of Cash Flows

	Year Ended June 30,	
	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (10,024,439)	\$ 31,887,416
Adjustments to reconcile change in net assets to net cash from operating activities		
Depreciation	4,531	3,430
Loss on disposal of property and equipment	828	-
Realized and unrealized losses/(gains) on investments	11,677,050	(15,667,786)
Forgiveness of note receivable	-	113,615
Change in fair value of beneficial interest - life insurance policies	1,114	(1,749)
Change in operating assets and liabilities		
Accounts and interest receivable	(37,556)	(11,073)
Prepaid expenses and other assets	(50,729)	(17,899)
Agency funds	(940,790)	2,112,412
Grants payable	(1,112,628)	(2,493,929)
Accounts payable and other liabilities	81,998	(226,451)
Deferred revenue	(500)	(27,110)
Net Cash from Operating Activities	(401,121)	15,670,876
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of property and equipment	(26,653)	-
Repayment of note receivable	-	2,089,386
Purchase of investments	(18,348,470)	(31,346,827)
Proceeds from sale of investments	14,310,878	16,313,916
Net Cash from Investing Activities	(4,064,245)	(12,943,525)
Net Change in Cash and Cash Equivalents	(4,465,366)	2,727,351
CASH AND CASH EQUIVALENTS		
Beginning of year	7,200,549	4,473,198
End of year	\$ 2,735,183	\$ 7,200,549

See notes to financial statements

Community Foundations of the Hudson Valley

Notes to Financial Statements
June 30, 2022 and 2021

1. Organization and Income Tax Status

Community Foundations of the Hudson Valley, (the “Foundations”), formerly the Area Fund, was established in 1969 as a Community Foundation in Dutchess County, New York, to administer and invest charitable funds and to assist in matching community resources with community needs. Community Foundations of the Hudson Valley secured a d/b/a and on July 1, 1997, officially began using Community Foundation of Dutchess County as its business name. During 2005, Community Foundations of the Hudson Valley increased its donor services into Ulster County by securing the d/b/a Ulster County Community Foundation, and during 2008, Community Foundations of the Hudson Valley increased its donor services into Putnam County securing the d/b/a Community Foundation of Putnam County. The legal name of the Foundations changed in 2010 from The Area Fund to Community Foundations of the Hudson Valley.

The Foundations has been granted tax-exempt status under Internal Revenue Code Section 501(c)(3). Accordingly, no provision for federal and state income taxes has been recognized in the accompanying financial statements. The Foundations has been classified as an organization that is not a private foundation under Section 509(a) and has been designated as a publicly supported organization under Section 170(b)(1)(A)(vi). Contributions to the Foundations are tax-deductible within the limitations prescribed by the Internal Revenue Code.

2. Summary of Significant Accounting Policies

Endowment Fund Management and Variance Power

To ensure observation of limitations and restrictions placed on the use of resources available to the Foundations, the funds are managed as individual charitable funds, according to their nature and purpose. Endowment funds are subject to the restriction of the gift instruments. The bylaws of the Foundations include a variance provision giving the Board of Trustees the power, whenever any restriction or condition on the distribution of funds becomes, in effect, unnecessary or incapable of fulfillment, to modify any restriction or condition placed on the distribution of funds and to apply the whole or any part of the principal or income of funds as in its judgment is necessary to serve more effectively the charitable and educational purposes of the Foundations in line with the original donor’s intent.

Basis of Presentation

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (“U.S. GAAP”). The Foundations are required to report information regarding its financial position and activities into net asset categories established according to nature and purpose. Accordingly, the Foundations’ net assets and changes therein are classified and reported as follows:

Community Foundations of the Hudson Valley

Notes to Financial Statements
June 30, 2022 and 2021

2. Summary of Significant Accounting Policies *(continued)*

Basis of Presentation (continued)

Without donor restrictions – These net assets are defined as assets that are free of donor-imposed restrictions or are subject to the Foundations' variance power and the power to invade corpus and includes all investment income and appreciation not subject to donor-imposed restrictions. Included in net assets without donor restrictions are the following:

Donor Advised – funds which allow the donor advisors to make recommendations to the Board of Trustees regarding grants to charities.

Donor Designated – funds which allow donors to support specific organizations they identify in their fund agreements.

Field of Interest – funds which support a specific charitable interest or geographic region.

Board Designated – funds which allow the Foundations' Board of Trustees to use its discretion to authorize an amount for operating expenditures and award grants that respond to either critical community needs or needs within a particular area of charitable interest.

Scholarship – funds that provide financial assistance to support students' educational needs.

Project – funds which support short-term charitable purpose projects, often led by non-charitable entities.

Pass through – funds that are used for one time grants for specific charitable purposes.

With donor restrictions – These net assets include contributions, unconditional promises to give and other inflows of assets whose use by the Foundations is limited by donor imposed stipulations that either expire by the passage of time or can be fulfilled by actions of the Foundations. This classification includes investment income and appreciation/ (depreciation), which can be expended when the applicable restrictions are met. Included in net assets with donor restrictions is the cash surrender value of one life insurance policy and contributions that are restricted for time and purpose. This classification also includes accumulated investment income and gains/(losses) on donor-restricted endowment assets that have not been appropriated for expenditure.

Due to its variance power, the Foundations do not have any net assets to be maintained in perpetuity as a result of donor restrictions.

Community Foundations of the Hudson Valley

Notes to Financial Statements
June 30, 2022 and 2021

2. Summary of Significant Accounting Policies (*continued*)

Adoption of New Accounting Guidance

In September 2020, the FASB issued ASU No. 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. The new guidance requires organizations that receive contributed nonfinancial assets to present them on a separate line in the statement of activities. The guidance also requires new disclosures to help financial statement users better understand what type of nonfinancial assets were received and how they were used and recognized by the organization.

The Foundations adopted the requirements of the new standard effective July 1, 2021 and is applied retrospectively to all periods presented. The new disclosure requirements include:

- A disaggregation of the amount of contributed nonfinancial assets by category that details the type of contributed nonfinancial assets reported in the statement of activities;
- Qualitative information about whether the contributed nonfinancial assets were monetized or utilized and, if utilized, a description of the specific programs or other activities in which those contributed nonfinancial assets were used;
- A description of any donor-imposed restrictions on the contributed nonfinancial assets;
- A description of the valuation techniques and inputs used to arrive at a fair value measure, in accordance with the requirements in Topic 820, Fair Value Measurement, at initial recognition; and
- The principal market (or most advantageous market) used to arrive at a fair value measure if it is a market in which the recipient NFP is prohibited by a donor-imposed restriction from selling or using the contributed nonfinancial assets.

Adoption of this standard did not have any impact on the operations or net assets of the Foundations.

Use of Estimates

The preparation of financial statements 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. Accordingly, actual results could differ from those estimates.

Cash and Cash Equivalents

Cash and cash equivalents include cash balances held in bank accounts and highly liquid debt instruments with maturities of three months or less at the time of purchase, except for those cash equivalents which are included in the Foundations' investment portfolio which are held for investment purposes.

Community Foundations of the Hudson Valley

Notes to Financial Statements
June 30, 2022 and 2021

2. Summary of Significant Accounting Policies (*continued*)

Accounts Receivable

Accounts receivable are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through a provision for bad debt expense and an adjustment to a valuation allowance based on its assessment of the current status of individual accounts. Balances that remain outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a reduction in receivables. As of June 30, 2022 and 2021, no allowance for doubtful accounts has been deemed necessary.

Fair Value Measurements

The Foundations follows U.S. GAAP guidance on *Fair Value Measurements* which defines fair value and establishes a fair value hierarchy organized into three levels based upon the input assumptions used in pricing assets. Level 1 inputs have the highest reliability and are related to assets with unadjusted quoted prices in active markets. Level 2 inputs relate to assets with other than quoted prices in active markets which may include quoted prices for similar assets or liabilities or other inputs which can be corroborated by observable market data. Level 3 inputs are unobservable inputs and are used to the extent that observable inputs do not exist.

Investments Valuation

Investments are carried at fair value.

Investment Income Recognition

Purchases and sales of securities are recorded on a trade-date basis. Interest income is recorded on the accrual basis and dividends are recorded on the ex-dividend date. Investment gains and losses, both realized and unrealized, are reported in the statements of activities as increases or decreases in net assets without donor restrictions.

Property and Equipment

Property and equipment is stated at cost when purchased and at fair value when donated. Depreciation is provided on the straight-line method over estimated useful lives of the assets which range from three to seven years. The Foundations capitalizes property and equipment with a cost in excess of \$2,000 and a useful life longer than one year.

Deferred Revenue

Revenue received for specific activities, programs or events that have not yet occurred are reported as deferred revenue.

Community Foundations of the Hudson Valley

Notes to Financial Statements
June 30, 2022 and 2021

2. Summary of Significant Accounting Policies (*continued*)

Agency Funds

Agency funds represent assets held for investments on behalf of other unrelated organizations. Because the funds are custodial and pooled and invested along with the Foundations' investments on behalf of such organizations, a liability is recorded equal to the underlying assets. The additions, expenses, gains, and losses are not reported in the statements of activities.

Grants Payable

Unconditional promises to give to others ("grants payable"), are reported as expenses and as a liability in the period the promise is made. Grants to be paid in more than one year are discounted to reflect present value. Amortization of discounts on grants payable is reported in the statements of activities in the same program service functional expense classification in which the promise to give was initially reported.

Contributions

Contributions, including unconditional promises to give, are reported as revenues in the period received. Unconditional promises to give that are due beyond one year are reflected at fair value discounted to the present value of future cash flows using a risk adjusted discount rate assigned in the year the respective pledge originates. Amortization of the discount is recorded as additional contribution revenue in accordance with donor-imposed restrictions, if any. Conditional promises to give are recognized when the conditions upon which they depend have been substantially met.

Contributions are recorded as net assets with donor restrictions and revenue and support if they are received with donor imposed restrictions that limit their use. Donor restrictions expire by either the passage of stipulated time or the accomplishment of the stated purpose. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions.

Grants

All grants made are in accordance with the terms of the various governing instruments and are subject to the approval of the Board of Trustees and are recorded when approved.

Community Foundations of the Hudson Valley

Notes to Financial Statements
June 30, 2022 and 2021

2. Summary of Significant Accounting Policies *(continued)*

Contributed Nonfinancial Assets and Services

A number of the members of the Board of Trustees of the Foundations have contributed significant amounts of their time to the affairs of the Foundations; however, these services, if not professional in nature, have not been reflected in the financial statements unless the services provided represent the value of services provided by an otherwise salaried employee.

Contributed nonfinancial assets and services used in operations are reflected in the statements of activities at their estimated fair value on the date of receipt.

Rent Expense

Rent expense under an operating lease is recognized on a straight-line basis over the life of the underlying lease.

Functional Expense Allocation

The costs of providing various program and supporting activities have been summarized on a functional basis in the statements of activities and in detail on the statements of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services. Salaries, payroll taxes, employee benefits, occupancy, office expense, and depreciation expense are allocated based on a time and effort study. All other expenses are specifically identified by function.

Accounting for Uncertainty in Income Taxes

The Foundations recognizes the effect of income tax positions only when they are more likely than not to be sustained. Management has determined that the Foundations had no uncertain tax positions that would require financial statement recognition and/or disclosure. The Foundations is no longer subject to examinations by the applicable taxing jurisdictions for periods prior to June 30, 2019.

Reclassifications

Certain amounts in the 2021 financial statements have been reclassified to conform to the 2022 presentation. These reclassifications have had no effect on net assets.

Subsequent Events Evaluation by Management

Management has evaluated subsequent events for disclosure and/or recognition in the financial statements through the date these financial statements were available to be issued, which date is November 17, 2022.

Community Foundations of the Hudson Valley

Notes to Financial Statements June 30, 2022 and 2021

3. Concentrations of Credit Risk

Financial instruments that potentially subject the Foundations to significant concentrations of credit risk consist principally of cash and cash equivalents, receivables and investments. Infrequently, cash balances held at financial institutions are in excess of federally insured limits. Management has reduced the concentration of credit risk with respect to cash and cash equivalents through use of IntraFi Network Deposits, which allows a business to invest in certificates of deposits held by many different Federal Deposit Insurance Corporation ("FDIC") insured banking institutions so it can achieve full FDIC coverage for the total sum. The Foundations believes that no significant concentration of credit risk exists with respect to receivables. Concentration of credit risk with respect to investments is reduced by diversification, professional management, and limited exposure to any single investment.

For the years ended June 30, 2022 and 2021, approximately 49% and 34% of contributions and grants were provided from one foundation.

4. Note Receivable

The Foundations had a financing receivable which consisted of a note receivable. During the year ended June 30, 2020, a donor assigned the Foundations the balance of a promissory note receivable totaling \$3,203,001 at the time of contribution. The principal balance of the note was to be repaid over a period of four years ending November 20, 2023. Interest was to accrue on the outstanding balance at a rate of 2.4% per annum. This note was stated at the unpaid principal balance, less an allowance for losses, if any.

During the year ended June 30, 2021, the Foundations received payments totaling \$2,156,521 in payment for full satisfaction of the remainder of the note receivable and accrued interest, of which \$2,089,386 was applied to the principal balance and \$67,135 was applied to interest that had been accrued. The remaining principal balance of \$113,615 was forgiven as a result of the early payment and has been included in management and general expenses in the statement of activities for the year ended June 30, 2021.

During the year ended June 30, 2021, the Foundations recognized interest income of \$34,832.

Community Foundations of the Hudson Valley

Notes to Financial Statements
June 30, 2022 and 2021

5. Liquidity and Availability

The following table reflects the Foundations' financial assets as of June 30, reduced by amounts not available for general expenditure within one year. Financial assets are considered unavailable for general expenditure when not liquid or not convertible to cash within one year, when approved for grant payments, assets held for others, net assets without donor restrictions and board designated assets for community projects and charitable interests. The Foundations' board designated net assets include approximately 50 unrestricted funds. These funds annually payout approximately 11% of the annual operating budget. Additional support from these board designated net assets could be drawn through a board resolution should the Board of Trustees deem that necessary.

	2022	2021
Financial assets:		
Cash and cash equivalents	\$ 2,735,183	\$ 7,200,549
Investments	92,746,702	100,386,160
Accounts and interest receivable	160,078	122,522
Total financial assets	95,641,963	107,709,231
Less those unavailable for general expenditure within one year:		
Agency funds	9,361,546	10,302,336
Grants payable	746,356	1,858,984
Net assets without donor restrictions, excluding Board designated net assets	77,401,033	87,435,146
Board designated net assets for community projects and charitable interest	7,037,460	6,836,968
Spending policy payout from net assets without donor restrictions	(162,304)	(162,000)
	94,384,091	106,271,434
	\$ 1,257,872	\$ 1,437,797

As part of the Foundations' liquidity management, it structures its financial assets to be available as its general expenditures, liabilities and other obligations come due. In addition, the Foundations invests cash in excess of daily requirements in cash and cash equivalents. Net assets without donor restrictions, excluding board designated net assets, are not classified as net assets with donor restrictions based on a variance provision in the bylaws of the Foundations. This variance provision permits changes to a fund to carry out the donor's intent, rather than to make the assets available for general expenditures.

Community Foundations of the Hudson Valley

Notes to Financial Statements
June 30, 2022 and 2021

6. Investments and Investment Return

The following are the major categories of investments measured at fair value on a recurring basis categorized by the fair value hierarchy at June 30, 2022:

	<u>Level 1</u>	<u>Level 2</u>	<u>Total</u>
Equities			
Mutual funds	\$ 54,490,919	\$ -	\$ 54,490,919
Indexed funds	1,819,710	-	1,819,710
Common stock	1,541,556	-	1,541,556
Preferred	-	409,863	409,863
Fixed income			
Corporate bonds	-	16,388,023	16,388,023
Government bonds	<u>5,759,471</u>	<u>-</u>	<u>5,759,471</u>
Total investments at fair value	<u>\$ 63,611,656</u>	<u>\$ 16,797,886</u>	80,409,542
Cash and cash equivalents			12,201,440
Certificates of deposit, at cost			<u>135,720</u>
Total investments			<u>\$ 92,746,702</u>

The following are the major categories of investments measured at fair value on a recurring basis categorized by the fair value hierarchy at June 30, 2021:

	<u>Level 1</u>	<u>Level 2</u>	<u>Total</u>
Equities			
Mutual funds	\$ 61,395,405	\$ -	\$ 61,395,405
Preferred	-	627,723	627,723
Fixed income			
Corporate bonds	-	16,047,525	16,047,525
Government bonds	<u>5,471,018</u>	<u>-</u>	<u>5,471,018</u>
Total investments at fair value	<u>\$ 66,866,423</u>	<u>\$ 16,675,248</u>	83,541,671
Cash and cash equivalents			16,607,219
Certificates of deposit, at cost			<u>237,270</u>
Total investments			<u>\$ 100,386,160</u>

Community Foundations of the Hudson Valley

Notes to Financial Statements
June 30, 2022 and 2021

6. Investments and Investment Return *(continued)*

Investments consists of the following at June 30:

	2022	2021
Endowment funds	\$ 46,831,095	\$ 52,974,413
General investments	36,554,061	37,109,411
Agency funds	9,361,546	10,302,336
	\$ 92,746,702	\$ 100,386,160

The investments in corporate bonds are valued using a market approach using pricing models maximizing the use of observable inputs for similar securities, this includes basing value on yields currently available on comparable securities of issues with similar credit ratings. There has been no change in this methodology used at June 30, 2022 and 2021.

The Foundations utilizes a total return investment approach with its asset allocation diversified over multiple asset classes. Investments are managed by independent fund managers under guidelines established by the Board of Trustees and executed by the Foundations' Investment Committee.

At June 30, 2022 and 2021, concentration of the Foundations' investments included one and two publicly traded mutual funds representing approximately 11% of the Foundations' investments.

Investment (loss)/income consists of the following for the years ended June 30:

	2022	2021
Realized gains	\$ 794,488	\$ 3,591,042
Unrealized (losses)/gains	(12,471,538)	12,076,744
Interest and dividends	1,770,035	1,394,575
Capital gain distributions	2,015,240	226,987
Investment fees	(170,540)	(73,892)
	\$ (8,062,315)	\$ 17,215,456

Community Foundations of the Hudson Valley

Notes to Financial Statements
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7. Beneficial Interest - Life Insurance Policy

The Foundations is the beneficiary of one life insurance policy as of June 30, 2022 and 2021. The donor has been making annual gifts to cover the amount of the annual premiums due on this policy which is recorded at the current cash surrender value. The policy is recorded as an asset and contribution revenue in the year the policy transferred to the Foundations. The recorded value of this policy is subsequently revalued at the end of each fiscal year.

In addition to the life insurance policy mentioned above, the Foundation was the beneficiary of another life insurance policy. During the year ended June 30, 2021, the Foundations received the proceeds of this life insurance policy upon the death of the donor. The policy proceeds totaled \$1,001,610 which was recorded as contributions and grants in the statement of activities for the year ended June 30, 2021.

8. Property and Equipment, net

Property and equipment, net consists of the following at June 30:

	2022	2021
Furniture	\$ 22,940	\$ 20,075
Equipment	55,510	38,907
	78,450	58,982
Accumulated depreciation	(49,273)	(51,099)
	\$ 29,177	\$ 7,883

9. Agency Funds

The following is a reconciliation of the activity in the agency funds for the years ended June 30:

	2022	2021
Agency funds, beginning of year	\$ 10,302,336	\$ 8,188,357
Additions to funds	1,265,555	159,525
Net investment (losses)/gains	(1,032,957)	2,487,650
Grant expense	(1,069,810)	(442,955)
Fees	(103,578)	(90,241)
Agency funds, end of year	\$ 9,361,546	\$ 10,302,336

Community Foundations of the Hudson Valley

Notes to Financial Statements
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10. Grants Payable

Grants payable consist of the following at June 30:

	<u>2022</u>	<u>2021</u>
Donor advised funds	\$ 391,625	\$ 1,214,604
Scholarships	325,448	462,375
Project	-	80,000
Designated funds	4,200	36,200
Field of interest	4,580	6,000
Agency	14,750	15,000
Pass-through	4,753	-
Unrestricted	<u>1,000</u>	<u>44,805</u>
	<u>\$ 746,356</u>	<u>\$ 1,858,984</u>

Grants payable are summarized as follows as of June 30:

	<u>2022</u>	<u>2021</u>
To be paid in one year	\$ 662,856	\$ 1,727,629
To be paid in two years	58,000	89,855
To be paid in three years	25,500	40,000
To be paid in four years	<u>-</u>	<u>1,500</u>
	<u>\$ 746,356</u>	<u>\$ 1,858,984</u>

For the years ended June 30, 2022 and 2021, a discount was not recorded because management determined that it was not material to the financial statements.

11. Lease Commitments

The Foundations leases office space under a lease agreement that commenced September 2021 and expires August 2031. The Foundations also leased additional office space under an operating lease that commenced May 2021 and expired April 2022. Prior to May 2021, the lease was on a month-to-month arrangement. The Rent expense for the years ended June 30, 2022 and 2021 amounted to \$93,976 and \$55,327.

Community Foundations of the Hudson Valley

Notes to Financial Statements
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11. Lease Commitments *(continued)*

Future minimum payments required under the agreements at June 30, 2022 are as follows:

2023	\$	113,025
2024		113,025
2025		113,025
2026		113,025
2027		122,444
Thereafter		518,034
	\$	1,092,578

12. Endowment

The Foundations maintains various unrestricted funds functioning as endowment funds and donor-restricted endowment funds whose purpose is to provide long-term support for its charitable programs and operations. As required by U.S. GAAP, net assets associated with endowment funds, including funds designated by the Board of Trustees to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of Law

The Board of Trustees has interpreted the New York State Uniform Prudent Management of Institutional Funds Act (“NYPMIFA”) as allowing the Foundations to appropriate for expenditures or accumulate so much of the various unrestricted funds functioning as endowment funds and donor-restricted endowment funds as the Foundations determines is prudent for the uses, benefits, purposes, and duration for which the endowment fund was established, subject to the intent of the donors as expressed in their gift instruments. The assets in the endowment funds are classified as net assets without donor restrictions until appropriated for expenditure by the Board of Trustees. Net assets associated with endowment funds designated by the Board of Trustees to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

In accordance with U.S. GAAP guidance, various unrestricted funds functioning as endowment funds and donor-restricted endowment funds subject to the limited invasion of corpus over time may be an endowment fund within the meaning of NYPMIFA, but are not a permanent endowment fund subject to classification within net assets to be held in perpetuity. A significant portion of the Foundations’ endowment funds, as authorized under the Foundations’ governing documents and gift instruments, are held subject to both variance power and limited invasion of corpus power and, as such, are classified as net assets without donor or board restrictions.

Community Foundations of the Hudson Valley

Notes to Financial Statements
June 30, 2022 and 2021

12. Endowment (continued)

Return Objectives and Risk Parameters

The Foundations has adopted investment and spending policies that provide a predictable stream of funding for its programs while seeking to maintain the purchasing power of the endowment assets. The long term management goal is to maintain the purchasing power of the portfolio so that support for the operating budget remains consistent in real terms over time (i.e. inflation-adjusted). The primary goal of the portfolio is to preserve and increase its value by earning a rate of return, net of fees, equal to at least the annual Consumer Price index (CPI) plus 5%. The secondary objective is to provide current income to support the Foundations' mission. Asset allocation between equities and fixed income instruments is one method of diversification of investments of endowment funds. The Investment Committee will review the allocation policy from time to time. and the investment manager will suggest ranges, target averages, and benchmarks for each asset class. Currently, the managed funds asset allocation is set at 70% equities and 30% fixed income. The portfolio is subject to various risks, including volatility of asset prices, liquidity risk, and risk of failing to meet return thresholds.

Spending Rate Methods

Endowment appropriations and distributions on endowment funds are governed by a gift instrument and are based on pre-determined percentages (spending rates) of the market value of the endowment, using the average market value over the prior twenty-quarter period ended March 31st of the prior fiscal year. Spending rates are limited to 4% of such market value of the endowment. Specific rates are recommended annually by the Investment Committee of the Board of Trustees, and final rates are approved each fiscal year by the Board of Trustees.

The following is a reconciliation of the activity in the endowment funds for the year ended June 30, 2022:

	Without Donor Restictions	With Donor Restictions	Total
Balance June 30, 2021	\$ 52,715,857	\$ 258,556	\$ 52,974,413
Contributions	1,398,404	-	1,398,404
Investment income, net	3,074,887	-	3,074,887
Capital depreciation	(8,284,047)	-	(8,284,047)
Appropriation for expenditures	(2,331,448)	-	(2,331,448)
Change in value of:			
Life insurance policy	-	(1,114)	(1,114)
Balance June 30, 2022	<u>\$ 46,573,653</u>	<u>\$ 257,442</u>	<u>\$ 46,831,095</u>

Community Foundations of the Hudson Valley

Notes to Financial Statements
June 30, 2022 and 2021

12. Endowment (continued)

The following is a reconciliation of the activity in the endowment funds for the year ended June 30, 2021:

	Without Donor Restrictions	With Donor Restrictions	Total
Balance June 30, 2020	\$ 41,067,903	\$ 256,807	\$ 41,324,710
Contributions	1,328,870	-	1,328,870
Investment income, net	3,782,626	-	3,782,626
Capital appreciation	8,721,860	-	8,721,860
Appropriation for expenditures	(2,185,402)	-	(2,185,402)
Change in value of:			
Life insurance policy	-	1,749	1,749
Balance June 30, 2021	\$ 52,715,857	\$ 258,556	\$ 52,974,413

13. Net Assets

Net assets with donor restrictions are as follows at June 30:

	2022	2021
Beneficial interest-life insurance policy	\$ 257,442	\$ 258,556

Board designated net assets are as follows at June 30:

	2022	2021
Board authorized for operating expenditures	\$ 1,182,096	\$ 1,371,800
Board designated for community projects and charitable interest	7,037,460	6,836,968
	\$ 8,219,556	\$ 8,208,768

Net assets were released from donor restrictions as follows for the year ended June 30:

	2022	2021
Premiums paid:		
Beneficial interest-life insurance policy	\$ 28,525	\$ 28,525

Community Foundations of the Hudson Valley

Notes to Financial Statements
June 30, 2022 and 2021

14. Contributed Nonfinancial Assets and Services

The Foundations' policy related to contributed nonfinancial assets and services is to utilize the assets received to carry out the mission of the Foundations. If an asset is received that does not allow the Foundations to utilize it in its normal course of business, the asset will be sold at its fair market value as determined by appraisal or specialist depending on the type of asset.

Contributed nonfinancial assets and services are included in management and general in the statements of activities for the years ended June 30, 2022 and 2021. Contributed nonfinancial assets and services consisted of the following for the years ended June 30:

	2022	2021
Investment fees	\$ 121,550	\$ 111,172
Legal fees	20,750	-
Maintenance	552	552
Storage	-	828
	\$ 142,852	\$ 112,552

The Foundations were provided investment management at no cost for the general management of its investment portfolio in accordance with its mission. Based on current market rates for investment fees, the Foundations would have paid \$121,550 and 111,172 during the years ended June 30, 2022 and 2021.

The Foundations were provided legal services related to general operations at no cost. Based on current market rates for legal services the Foundation would have paid \$20,720 during the year ended June 30, 2022. None was provided during the year ended June 30, 2021.

The Foundations received donated maintenance related to general operations with an estimated fair market value of \$552 for both the years ended June 30, 2022 and 2021. The estimated fair market value is based current market rates for maintenance services.

The Foundations received free rent on a storage locker used to store general supplies for operations at no cost during the year ended June 30, 2021. Based on current market rates for storage lockers the Foundation would have paid \$828 during the year ended June 30, 2021. There was none during the year ended June 30, 2022.

All contributed nonfinancial assets received by the Foundations for the years ended June 30, 2022 and 2021 were considered without donor restrictions and are able to be used by the Foundations as determined by the Board of Trustees and management.

Community Foundations of the Hudson Valley

Notes to Financial Statements
June 30, 2022 and 2021

15. Related Parties

In 2015, the Foundations formed Community Foundation Real Estate, LLC (“CFRE”) a wholly-owned subsidiary, for the purpose of receiving real estate gifts. U.S. GAAP guidance requires the accounts of CFRE to be consolidated with those of the Foundations and material intercompany transactions eliminated. There have been no transactions executed by CFRE through June 30, 2022. Accordingly, consolidated financial statements have not been presented because there are no assets, liabilities, equity, revenue, or expenses for CFRE for the years ended June 30, 2022 and 2021.

The Foundations is a member of the Foundation for Community Health, Inc. (“FCH”), a type I supporting organization of the Foundations and two other local community foundations. FCH maintains a donor advised fund with the Foundations approximating \$1,182,000 and \$1,384,000 at June 30, 2022 and 2021. FCH is a separate, independent corporation governed by its own board of directors.

16. Retirement Plan

The Foundations has a 401(k) retirement plan (the “Plan”) for all eligible employees. Under the terms of the Plan, employees may contribute any percentage of their salary up to the maximum allowed by Internal Revenue Service guidelines. The Foundations are obligated to make a contribution of 3% of an eligible employee’s salary. Retirement expense for the years ended June 30, 2022 and 2021 amounted to \$16,326 and \$12,172.

17. Risks and Uncertainties

There has been substantial volatility in the global financial markets. As a result, the Foundations’ investment portfolio incurred a significant decrease in its fair value during the year ended June 30, 2022 while it experienced a significant increase during the year ended June 30, 2021. Because the value of the Foundations’ individual investments have and will fluctuate in response to changing market conditions, the amount of losses, if any, that will be recognized in subsequent periods, cannot be determined.

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