

**Community Foundations of
the Hudson Valley**

Financial Statements

June 30, 2020 and 2019

Independent Auditors' Report

Board of Trustees Community Foundations of the Hudson Valley

We have audited the accompanying financial statements of the Community Foundations of the Hudson Valley (the "Foundations"), which comprise the statements of financial position as of June 30, 2020 and 2019, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Community Foundations of the Hudson Valley as of June 30, 2020 and 2019, 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.

PKF O'Connor Davies, LLP

Newburgh, New York
November 19, 2020

Community Foundations of the Hudson Valley

Statements of Financial Position

	June 30,	
	2020	2019
ASSETS		
Cash and cash equivalents	\$ 4,473,198	\$ 8,109,412
Investments	69,685,463	73,973,034
Accounts and interest receivable	111,449	105,901
Pledges receivable	-	750,000
Note receivable	2,203,001	-
Prepaid expenses and other assets	107,016	97,999
Beneficial interest - charitable remainder uni-trust	-	332,874
Beneficial interest - life insurance policies	256,807	297,718
Property and equipment, net	11,313	10,963
	\$ 76,848,247	\$ 83,677,901
LIABILITIES AND NET ASSETS		
Liabilities		
Agency funds	\$ 8,188,357	\$ 9,438,148
Grants payable, net	4,352,913	11,333,105
Accounts payable and other liabilities	262,746	57,042
Deferred revenue	29,177	58,218
Total Liabilities	12,833,193	20,886,513
Net Assets		
Without donor restrictions		
Donor advised	23,381,758	23,610,526
Donor designated	16,740,279	14,159,108
Field of interest	9,719,464	10,077,142
Board designated	7,262,145	7,562,684
Scholarship	5,411,972	5,694,140
Project	993,815	255,558
Pass through	248,814	51,638
Total without donor restrictions	63,758,247	61,410,796
With donor restrictions	256,807	1,380,592
Total Net Assets	64,015,054	62,791,388
	\$ 76,848,247	\$ 83,677,901

See notes to financial statements

Community Foundations of the Hudson Valley

Statement of Activities
Year Ended June 30, 2020

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
REVENUE AND SUPPORT			
Contributions, grants and pledges	\$ 13,738,795	\$ 60,145	\$ 13,798,940
Management fees	68,412	-	68,412
Special events, net of direct donor benefits of \$72,529	249,234	-	249,234
Investment loss, net	(1,490,632)	-	(1,490,632)
Net assets released from restriction	<u>1,143,019</u>	<u>(1,143,019)</u>	<u>-</u>
Total Revenue and Support	<u>13,708,828</u>	<u>(1,082,874)</u>	<u>12,625,954</u>
EXPENSES			
Program services	10,656,514	-	10,656,514
Special events	55,152	-	55,152
Management and general	562,084	-	562,084
Fundraising	<u>87,627</u>	<u>-</u>	<u>87,627</u>
Total Expenses	<u>11,361,377</u>	<u>-</u>	<u>11,361,377</u>
Excess of Revenue and Support Over Expenses	2,347,451	(1,082,874)	1,264,577
Change in value of beneficial interest - life insurance policies	<u>-</u>	<u>(40,911)</u>	<u>(40,911)</u>
Change in Net Assets	2,347,451	(1,123,785)	1,223,666
NET ASSETS			
Beginning of year	<u>61,410,796</u>	<u>1,380,592</u>	<u>62,791,388</u>
End of year	<u>\$ 63,758,247</u>	<u>\$ 256,807</u>	<u>\$ 64,015,054</u>

See notes to financial statements

Community Foundations of the Hudson Valley

Statement of Activities Year Ended June 30, 2019

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
REVENUE AND SUPPORT			
Contributions, grants and pledges	\$ 30,203,732	\$ 60,145	\$ 30,263,877
Management fees	81,945	-	81,945
Special events, net of direct donor benefits of \$60,293	286,132	-	286,132
Investment income, net	1,326,089	-	1,326,089
Net assets released from restriction	<u>1,049,006</u>	<u>(1,049,006)</u>	<u>-</u>
Total Revenue and Support	<u>32,946,904</u>	<u>(988,861)</u>	<u>31,958,043</u>
EXPENSES			
Program services	28,342,412	-	28,342,412
Special events	61,200	-	61,200
Management and general	517,224	-	517,224
Fundraising	<u>109,667</u>	<u>-</u>	<u>109,667</u>
Total Expenses	<u>29,030,503</u>	<u>-</u>	<u>29,030,503</u>
Excess of Revenue and Support Over Expenses	3,916,401	(988,861)	2,927,540
Change in value of beneficial interest - charitable remainder uni-trust	-	69,860	69,860
Change in value of beneficial interest - life insurance policies	<u>-</u>	<u>(79,963)</u>	<u>(79,963)</u>
Change in Net Assets	3,916,401	(998,964)	2,917,437
NET ASSETS			
Beginning of year	<u>57,494,395</u>	<u>2,379,556</u>	<u>59,873,951</u>
End of year	<u>\$ 61,410,796</u>	<u>\$ 1,380,592</u>	<u>\$ 62,791,388</u>

See notes to financial statements

Community Foundations of the Hudson Valley

Statement of Functional Expenses Year Ended June 30, 2020

	Program Services	Special Events	Management and General	Fund Raising	Total
Grants and program expense	\$ 9,866,066	\$ -	\$ -	\$ -	\$ 9,866,066
Salaries	454,648	-	202,843	41,968	699,459
Payroll taxes	39,185	-	17,483	3,617	60,285
Special events expense	-	118,381	-	-	118,381
Public relations	70,756	-	5,654	23,414	99,824
Occupancy	36,425	-	16,251	3,362	56,038
Office expense	89,192	-	39,793	8,233	137,218
Employee benefits	72,637	-	32,407	6,705	111,749
Professional fees	-	-	63,474	-	63,474
Dues and conferences	24,051	-	2,814	-	26,865
Depreciation	3,554	-	1,585	328	5,467
Insurance	-	-	7,662	-	7,662
Search expense	-	-	79,815	-	79,815
In-kind donations					
Investment fees	-	-	89,292	-	89,292
Special events	-	9,300	-	-	9,300
Other	-	-	3,011	-	3,011
Total Expenses before Direct Donor Benefits	10,656,514	127,681	562,084	87,627	11,433,906
Direct donor benefits	-	(72,529)	-	-	(72,529)
Total Expenses	\$ 10,656,514	\$ 55,152	\$ 562,084	\$ 87,627	\$ 11,361,377

See notes to financial statements

Community Foundations of the Hudson Valley

Statement of Functional Expenses
Year Ended June 30, 2019

	<u>Program Services</u>	<u>Special Events</u>	<u>Management and General</u>	<u>Fund Raising</u>	<u>Total</u>
Grants and program expense	\$ 27,608,776	\$ -	\$ -	\$ -	\$ 27,608,776
Salaries	472,815	-	173,829	48,672	695,316
Payroll taxes	35,347	-	12,996	3,639	51,982
Special events expense	-	116,128	-	-	116,128
Public relations	-	-	66,278	40,764	107,042
Occupancy	37,079	-	13,632	3,817	54,528
Office expense	58,742	-	21,596	6,047	86,385
Employee benefits	60,980	-	22,419	6,277	89,676
Professional fees	-	-	64,465	-	64,465
Dues and conferences	4,692	-	32,179	-	36,871
Depreciation	4,386	-	1,612	451	6,449
Insurance	-	-	6,879	-	6,879
In-kind donations					
Investment fees	-	-	89,076	-	89,076
Professional fees	59,595	-	8,000	-	67,595
Special events	-	5,365	-	-	5,365
Other	-	-	1,380	-	1,380
Other	-	-	2,883	-	2,883
Total Expenses before Direct Donor Benefits	28,342,412	121,493	517,224	109,667	29,090,796
Direct donor benefits	-	(60,293)	-	-	(60,293)
Total Expenses	<u>\$ 28,342,412</u>	<u>\$ 61,200</u>	<u>\$ 517,224</u>	<u>\$ 109,667</u>	<u>\$ 29,030,503</u>

See notes to financial statements

Community Foundations of the Hudson Valley

Statements of Cash Flows

	Year Ended June 30,	
	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 1,223,666	\$ 2,917,437
Adjustments to reconcile change in net assets to net cash from operating activities		
Depreciation	5,467	6,449
Realized and unrealized losses on investments	3,416,548	880,503
Non-cash donated note receivable	(3,203,001)	-
Change in fair value of beneficial interest - charitable remainder uni-trust	-	(69,860)
Change in fair value of beneficial interest - life insurance policies	40,911	79,963
Change in operating assets and liabilities		
Accounts and interest receivable	(5,548)	(5,415)
Pledges receivable	750,000	988,861
Prepaid expenses and other assets	(9,017)	(65,022)
Beneficial interest - charitable remainder uni-trust	332,874	-
Agency funds	(1,249,791)	352,368
Grants payable	(6,980,192)	5,931,781
Accounts payable and other liabilities	205,704	29,974
Deferred revenue	(29,041)	(1,124)
Net Cash from Operating Activities	(5,501,420)	11,045,915
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of property and equipment	(5,817)	(5,996)
Repayment of note receivable	1,000,000	-
Purchase of investments	(11,890,144)	(16,970,163)
Proceeds from sale of investments	12,761,167	8,065,036
Net Cash from Investing Activities	1,865,206	(8,911,123)
Net Change in Cash and Cash Equivalents	(3,636,214)	2,134,792
CASH AND CASH EQUIVALENTS		
Beginning of year	8,109,412	5,974,620
End of year	\$ 4,473,198	\$ 8,109,412

See notes to financial statements

Community Foundations of the Hudson Valley

Notes to Financial Statements
June 30, 2020 and 2019

1. Organization and Taxation

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 Community 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 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:

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:

Community Foundations of the Hudson Valley

Notes to Financial Statements
June 30, 2020 and 2019

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

Basis of presentation (continued)

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, which can be expended when the applicable restrictions are met. Included in the net assets with donor restrictions are one charitable remainder uni-trust (as of June 30, 2019), the cash surrender value of two life insurance policies, and contributions that are restricted for time and purpose. This classification also includes accumulated investment income and gains on donor-restricted endowment assets that have not been appropriated for expenditure.

The Foundations does not have any net assets to be maintained in perpetuity.

Recently Adopted Accounting Pronouncements

Revenue from Contracts with Customers

Effective July 1, 2019, the Foundations adopted ASU No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*, which provides a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers and supersedes most current revenue recognition guidance. The new revenue recognition guidance does not apply to how contributions and promises to give are recognized, as they are specifically scoped out of the new guidance.

The core principle of the new guidance is that an entity should recognize revenue from the transfer of promised goods or services to customers in an amount that reflects the consideration the entity expects to receive for those promised goods or services to customers.

Community Foundations of the Hudson Valley

Notes to Financial Statements
June 30, 2020 and 2019

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

Recently Adopted Accounting Pronouncements (continued)

Revenue from Contracts with Customers (continued)

The guidance includes a five-step framework to determine the timing and amount of revenue to recognize related to contracts with customers. In addition, this guidance requires new or expanded disclosures related to judgments made by entities when following this framework. Analysis of various provisions of this standard resulted in no significant changes in the way the Foundations recognizes revenue, and therefore no changes to the previously issued audited financial statements were required on a retrospective basis.

Recognition of Contributions

Effective July 1, 2019, the Foundations adopted Accounting Standards Update 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. This guidance provides a framework for evaluating whether grants and contributions should be accounted for as exchange transactions or as nonexchange transactions. Analysis of various provisions of this standard resulted in no significant changes in the way the Foundations recognizes contributions, and therefore no changes to previously issued audited financial statements were required on a retrospective basis.

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.

Accounts and Pledges Receivable

Accounts and pledges 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, 2020 and 2019, no allowance for doubtful accounts has been deemed necessary.

Community Foundations of the Hudson Valley

Notes to Financial Statements
June 30, 2020 and 2019

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

Note Receivable

The Foundations has a financing receivable which consists of a note receivable. This note is stated at the unpaid principal balance, less an allowance for losses, if any. The Foundations evaluates the likelihood of collection based on the payment status, payment history, and expectations of future payments from the debtor.

This evaluation is done on an individual basis. When the Foundations determines that a loan is impaired an allowance for loan losses is established through a charge to the statement of activities. When the Foundations has exhausted all reasonable collection efforts the loans are written off against the allowance. Loans are placed on nonaccrual status when management believes, after considering economic conditions, business conditions, and collection efforts, that the loans are impaired or collection of interest is doubtful. Management resumes accruing interest once evidence exists that collection is likely. As of June 30, 2020, the Foundations has determined that an allowance for the note receivable is not 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.

Beneficial Interest - Charitable Remainder Uni-trust

The Foundations was the beneficiary of an irrevocable charitable remainder uni-trust. The assets are placed in a trust held by an unrelated third party for the benefit of the Foundations and another beneficiary. In the year the agreement was formed the present value of the future payments to be received by the Foundations was recorded as an asset and contribution revenue. The recorded value of the trust was subsequently revalued at the end of each fiscal year. Upon the death of the donor, the Foundations received the principal balance of the trust during the year ended June 30, 2020.

Community Foundations of the Hudson Valley

Notes to Financial Statements
June 30, 2020 and 2019

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

Beneficial Interest - Life Insurance Policies

At June 30, 2019, the Foundations recorded the value of the trust based upon the fair value of the trust's assets as reported by the trustee. The annual adjustment is reported in the statement of activities for the year ended June 30, 2019 as the change in value of beneficial interest – charitable remainder uni-trust. The charitable remainder uni-trust is valued at fair value using Level 1 inputs as of June 30, 2019.

The Foundations is the beneficiary of two life insurance policies. The donors have been making annual gifts to cover the amount of the annual premiums due on these policies. These policies are recorded at their current cash surrender value. The policies are recorded as an asset and contribution revenue in the year the policies have been transferred to the Foundations. The recorded value of these policies is subsequently revalued at the end of each fiscal year.

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 \$500 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.

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 discounted to reflect 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.

Community Foundations of the Hudson Valley

Notes to Financial Statements
June 30, 2020 and 2019

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

Contributions (continued)

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.

In-Kind Support

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.

Donated goods and other 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 benefited. Salaries and benefits, payroll taxes, occupancy, office and depreciation expenses 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 November 19, 2020.

Reclassifications

Certain amounts in the 2019 financial statements have been reclassified to conform to the 2020 presentation. These reclassifications have had no effect on net assets.

Community Foundations of the Hudson Valley

Notes to Financial Statements
June 30, 2020 and 2019

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

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 19, 2020.

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 the Certificate of Deposit Account Registry Services. 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.

During the years ended June 30, 2020 and 2019, approximately 33% and 77% of contributions, grants and pledges revenue and 100% of pledges receivable at June 30, 2019 were provided from one foundation.

4. Pledges Receivable

Pledges receivable are summarized as follows at June 30:

	<u>2020</u>	<u>2019</u>
Due in one year	<u>\$ -</u>	<u>\$ 750,000</u>

5. 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 is to be repaid over a period of four years ending November 20, 2023. Interest will accrue on the outstanding balance at a rate of 2.4% per annum. As of June 30, 2020, the balance of the note receivable was \$2,203,001.

Future principal payments on the note receivable are scheduled as follows for the years ending June 30:

2021	\$ 547,128
2022	560,259
2023	573,705
2024	<u>521,909</u>
	<u>\$ 2,203,001</u>

Community Foundations of the Hudson Valley

Notes to Financial Statements
June 30, 2020 and 2019

6. 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 nearly 50 unrestricted funds. These funds annually payout approximately 14% of the annual operating budget. Additional support from these board designated net assets could be drawn through a board resolution should the trustees deem that necessary.

	2020	2019
Financial assets:		
Cash and cash equivalents	\$ 4,473,198	\$ 8,109,412
Investments	69,685,463	73,973,034
Accounts and interest receivable	111,449	105,901
Pledges receivable	-	750,000
Note receivable	2,203,001	-
Total financial assets	76,473,111	82,938,347
Less those unavailable for general expenditure within one year:		
Pledges collectible beyond one year and pledges receivable within one year for non-operating expenditures	-	500,000
Note receivable due beyond one year	1,655,873	-
Agency funds	8,188,357	9,438,148
Grants payable, net	4,352,913	11,333,105
Net assets without donor restrictions, excluding Board designated net assets	56,496,102	53,848,112
Board designated net assets for community projects and charitable interest	6,147,157	6,253,816
Spending policy payout from net assets without donor restrictions	(135,000)	(156,099)
	76,705,402	81,217,082
	<u>\$ (232,291)</u>	<u>\$ 1,721,265</u>

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, 2020 and 2019

7. 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, 2020:

	Level 1	Level 2	Total
Equities			
Mutual funds	\$ 42,925,144	\$ -	\$ 42,925,144
Preferred	345,660	-	345,660
Fixed Income			
Corporate bonds	-	13,765,700	13,765,700
Government bonds	4,729,976	-	4,729,976
Total Investments at Fair Value	<u>\$ 48,000,780</u>	<u>\$ 13,765,700</u>	61,766,480
Cash and Cash Equivalents			6,433,388
Certificates of Deposit, at cost			1,485,595
Total Investments			<u>\$ 69,685,463</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, 2019:

	Level 1	Level 2	Total
Equities			
Mutual funds	\$ 45,872,702	\$ -	\$ 45,872,702
Preferred	418,810	-	418,810
Fixed Income			
Corporate bonds	-	12,647,548	12,647,548
Government bonds	5,666,714	-	5,666,714
Total Investments at Fair Value	<u>\$ 51,958,226</u>	<u>\$ 12,647,548</u>	64,605,774
Cash and Cash Equivalents			6,120,992
Certificates of Deposit, at cost			3,246,268
Total Investments			<u>\$ 73,973,034</u>

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, 2020 and 2019.

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.

Community Foundations of the Hudson Valley

Notes to Financial Statements
June 30, 2020 and 2019

7. Investments and Investment Return *(continued)*

At June 30, 2020 and 2019, concentration of the Foundations' investments included two publicly traded mutual funds representing approximately 24% and 26% of the Foundations' investments.

Investment return consists of the following for the years ended June 30:

	2020	2019
Realized and unrealized losses	\$ (3,416,548)	\$ (880,503)
Interest and dividends	1,415,429	1,327,305
Capital gain distributions	582,303	945,020
Investment fees	(71,816)	(65,733)
	\$ (1,490,632)	\$ 1,326,089

8. Property and Equipment, net

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

	2020	2019
Furniture	\$ 20,075	\$ 19,277
Equipment	41,768	36,749
	61,843	56,026
Accumulated depreciation	(50,530)	(45,063)
	\$ 11,313	\$ 10,963

9. Agency Funds

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

	2020	2019
Agency funds, beginning of year	\$ 9,438,148	\$ 9,085,780
Additions to funds	476,952	620,669
Net investment (losses)/gains	(295,228)	227,377
Grant expense	(1,354,490)	(402,286)
Fees	(77,025)	(93,392)
Agency funds, end of year	\$ 8,188,357	\$ 9,438,148

Community Foundations of the Hudson Valley

Notes to Financial Statements
June 30, 2020 and 2019

10. Grants Payable

Grants payable consist of the following at June 30:

	2020	2019
Donor advised funds	\$ 3,792,389	\$ 9,396,221
Scholarships	465,861	416,469
Project	-	360,774
Designated funds	47,700	82,200
Field of interest	-	1,060,721
Board designated	2,000	-
Agency	22,500	8,000
Pass-through	22,463	8,720
	\$ 4,352,913	\$ 11,333,105

Grants payable are summarized as follows at June 30:

	2020	2019
Payable in one year	\$ 4,352,913	\$ 9,014,590
Payable in two to three years	-	2,400,000
	4,352,913	11,414,590
Discount to net present value	-	(81,485)
	\$ 4,352,913	\$ 11,333,105

A discount rate of 2.50% was used to determine the net present value of grants to be paid in more than one year at June 30, 2019.

11. Lease Commitment

The Foundations leases office space under an operating lease expiring through June 2020. Upon expiration, the lease agreement was extended one year through June 2021. The Foundations leases additional office space under a month-to-month arrangement. Rent expense for the years ended June 30, 2020 and 2019 amounted to \$54,739 and \$53,241.

Future minimum payments required under the agreement at June 30, 2020 are as follows:

2021	\$ 51,439
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12. Endowment

The Foundations maintains various donor-designated endowment funds and Board designated 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.

Community Foundations of the Hudson Valley

Notes to Financial Statements
June 30, 2020 and 2019

12. Endowment (*continued*)

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 donor-designated endowment fund 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 donor designated assets until appropriated for expenditure by the Board of Trustees.

In accordance with U.S. GAAP guidance, donor-designated 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 restrictions.

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 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.

Community Foundations of the Hudson Valley

Notes to Financial Statements
June 30, 2020 and 2019

12. Endowment (continued)

The following is a reconciliation of the activity in the endowment funds for the year ended June 30, 2020:

	Without Donor Restrictions	With Donor Restrictions	Total
Balance June 30, 2019	\$ 41,572,968	\$ 583,908	\$ 42,156,876
Contributions	4,086,210	-	4,086,210
Investment income, net	1,916,998	-	1,916,998
Capital depreciation	(3,197,884)	-	(3,197,884)
Appropriation for expenditures	(1,900,023)	(332,874)	(2,232,897)
Change in value of:			
Life insurance policy	-	5,773	5,773
Balance June 30, 2020	<u>\$ 42,478,269</u>	<u>\$ 256,807</u>	<u>\$ 42,735,076</u>

The following is a reconciliation of the activity in the endowment funds for the year ended June 30, 2019:

	Without Donor Restrictions	With Donor Restrictions	Total
Balance June 30, 2018	\$ 41,393,079	\$ 506,325	\$ 41,899,404
Contributions	1,130,735	-	1,130,735
Investment income, net	1,984,047	-	1,984,047
Capital depreciation	(1,034,727)	-	(1,034,727)
Appropriation for expenditures	(1,900,166)	-	(1,900,166)
Change in value of:			
Charitable remainder uni-trust	-	69,860	69,860
Life insurance policy	-	7,723	7,723
Balance June 30, 2019	<u>\$ 41,572,968</u>	<u>\$ 583,908</u>	<u>\$ 42,156,876</u>

Community Foundations of the Hudson Valley

Notes to Financial Statements
June 30, 2020 and 2019

13. Net Assets

Net assets with donor restrictions are restricted for the following purposes at June 30:

	2020	2019
Time restricted for programs and operations	\$ -	\$ 750,000
Beneficial interest-charitable remainder unitrust	-	332,874
Beneficial interest-life insurance policies	256,807	297,718
	\$ 256,807	\$ 1,380,592

Board designated net assets are as follows at June 30:

	2020	2019
Board authorized for operating expenditures	\$ 1,114,988	\$ 1,308,868
Board designated for community projects and charitable interest	6,147,157	6,253,816
	\$ 7,262,145	\$ 7,562,684

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

	2020	2019
Expiration of time restrictions	\$ 750,000	\$ 988,861
Beneficial interest-charitable remainder unitrust	332,874	-
Premiums paid:		
Beneficial interest-life insurance policies	60,145	60,145
	\$ 1,143,019	\$ 1,049,006

14. 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 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, 2020. 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, 2020 and 2019.

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 \$1,093,000 and \$1,177,000 at June 30, 2020 and 2019. FCH is a separate, independent corporation governed by its own board of directors.

Community Foundations of the Hudson Valley

Notes to Financial Statements
June 30, 2020 and 2019

15. Retirement Plan

The Foundations has a “SIMPLE IRA” 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 IRS guidelines. The Foundations are obligated to make a contribution of 2% of an eligible employee’s salary. Retirement expense for the years ended June 30, 2020 and 2019 amounted to \$11,689 and \$12,591.

16. COVID-19

The Foundations operations have been affected by the recent and ongoing outbreak of the coronavirus disease (“COVID-19”), which was declared a pandemic by the World Health Organization in March 2020. Many countries around the world, including the United States, have significant governmental measures being implemented to control the spread of COVID-19, including temporary closures of businesses, severe restrictions on travel and the movement of people and other material limitations on the conduct of business.

While COVID-19 has affected operations, the Foundations board designated net assets for community projects and charitable interest totaling \$6,147,157 could be made available for release if needed to offset any lost revenue that arise as a result of the pandemic. Also, the Foundations, in partnership with local funders and government, created an emergency response fund investing more than \$1,800,000 in emergency grants. This initial emergency effort was followed by the “Pivoting to Respond” grants initiative, which invested more than \$200,000 in general operating support grants to help sustain organizations as they address the impact of COVID-19. In partnership with other grant makers, the Foundations is prioritizing the long-term sustainability of missions and programs that are critical to the local community’s health.

COVID-19 has also resulted in substantial volatility in the global financial markets. As a result, the Foundations’ investment portfolio incurred a significant decline in its fair value since the pandemic was declared in March 2020. 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.

The full duration and extent of the COVID-19 pandemic, related business and travel restrictions and changes to behavior intended to reduce its spread are uncertain as of the date of these financial statements were available for issuance, as the pandemic continues to evolve globally. Therefore, the full extent of any adverse impact on the results of operations, financial position and cash flows in 2020 cannot be reasonably estimated at this time.

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