

**Community Foundations of
the Hudson Valley**

Financial Statements

June 30, 2023 and 2022

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, 2023 and 2022, 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, 2023 and 2022, 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.

Emphasis of Matter

Adoption of New Accounting Standard

As discussed in Note 2 to the financial statements, the Foundations adopted the Financial Accounting Standards Board ("FASB") Topic 842, *Leases*, using the effective date method with July 1, 2022, as the date of initial adoption, with certain practical expedients available. Our opinion is not modified with respect to that matter.

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.

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 16, 2023

Community Foundations of the Hudson Valley

Statements of Financial Position

| | June 30, | |
|---------------------------------------------|----------------|---------------|
| | 2023 | 2022 |
| ASSETS | | |
| Cash and cash equivalents | \$ 2,548,485 | \$ 2,735,183 |
| Investments | 100,276,295 | 92,746,702 |
| Accounts and interest receivable | 171,351 | 160,078 |
| Pledges receivable | 35,500 | - |
| Prepaid expenses and other assets | 140,081 | 175,644 |
| Beneficial interest - life insurance policy | 251,165 | 257,442 |
| Property and equipment, net | 48,074 | 29,177 |
| Right-of-use asset - operating lease | 865,223 | - |
| | \$ 104,336,174 | \$ 96,104,226 |
| LIABILITIES AND NET ASSETS | | |
| Liabilities | | |
| Agency funds | \$ 9,989,158 | \$ 9,361,546 |
| Grants payable | 524,116 | 746,356 |
| Accounts payable and other liabilities | 73,797 | 118,293 |
| Deferred revenue | 64,583 | - |
| Operating lease liability | 871,388 | - |
| Total Liabilities | 11,523,042 | 10,226,195 |
| Net Assets | | |
| Without donor restrictions | | |
| Donor advised | 38,971,123 | 36,069,505 |
| Donor designated | 22,318,403 | 20,777,001 |
| Field of interest | 12,404,939 | 11,795,058 |
| Board designated | 9,328,766 | 8,219,556 |
| Scholarship | 7,933,275 | 6,685,448 |
| Project | 1,139,247 | 1,981,312 |
| Pass through | 466,214 | 92,709 |
| Total without donor restrictions | 92,561,967 | 85,620,589 |
| With donor restrictions | 251,165 | 257,442 |
| Total Net Assets | 92,813,132 | 85,878,031 |
| | \$ 104,336,174 | \$ 96,104,226 |

See notes to financial statements

Community Foundations of the Hudson Valley

Statement of Activities Year Ended June 30, 2023

| | <u>Without Donor Restrictions</u> | <u>With Donor Restrictions</u> | <u>Total</u> |
|-------------------------------------------------------------------|-------------------------------------------|------------------------------------|----------------------|
| REVENUE AND SUPPORT | | | |
| Contributions and grants | \$ 11,850,395 | \$ 28,525 | \$ 11,878,920 |
| Management fees | 103,883 | - | 103,883 |
| Contributed nonfinancial assets and services | 119,897 | - | 119,897 |
| Special events, net of direct donor benefits of \$88,852 | 98,109 | - | 98,109 |
| Investment income, net | 7,327,806 | - | 7,327,806 |
| Net assets released from restriction | <u>28,525</u> | <u>(28,525)</u> | <u>-</u> |
| Total Revenue and Support | <u>19,528,615</u> | <u>-</u> | <u>19,528,615</u> |
| EXPENSES | | | |
| Program services | 11,788,201 | - | 11,788,201 |
| Special events | 41,105 | - | 41,105 |
| Management and general | 741,521 | - | 741,521 |
| Fundraising | <u>16,410</u> | <u>-</u> | <u>16,410</u> |
| Total Expenses | <u>12,587,237</u> | <u>-</u> | <u>12,587,237</u> |
| Excess of Revenue and Support Over Expenses | 6,941,378 | - | 6,941,378 |
| Change in value of beneficial interest - life insurance policy | <u>-</u> | <u>(6,277)</u> | <u>(6,277)</u> |
| Change in Net Assets | 6,941,378 | (6,277) | 6,935,101 |
| NET ASSETS | | | |
| Beginning of year | <u>85,620,589</u> | <u>257,442</u> | <u>85,878,031</u> |
| End of year | <u>\$ 92,561,967</u> | <u>\$ 251,165</u> | <u>\$ 92,813,132</u> |

Community Foundations of the Hudson Valley

Statement of Activities Year Ended June 30, 2022

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

Community Foundations of the Hudson Valley

Statement of Functional Expenses Year Ended June 30, 2023

| | Program Services | Special Events | Management and General | Fundraising | Total |
|-------------------------------------------------------|---------------------|-------------------|---------------------------|-------------|---------------|
| Grants and scholarships | \$ 10,764,334 | \$ - | \$ - | \$ - | \$ 10,764,334 |
| Salaries | 442,200 | 36,713 | 294,660 | 10,519 | 784,092 |
| Payroll taxes | 39,156 | 3,251 | 26,091 | 931 | 69,429 |
| Employee benefits | 64,092 | 5,321 | 42,706 | 1,525 | 113,644 |
| Public relations and donor cultivation | 89,264 | 6,423 | 2,319 | - | 98,006 |
| Occupancy | 77,002 | - | 51,309 | 1,832 | 130,143 |
| Office expense | 60,535 | 1,595 | 74,568 | 1,440 | 138,138 |
| Professional fees | 221,300 | - | 77,205 | - | 298,505 |
| Dues and conferences | 23,487 | - | 2,873 | - | 26,360 |
| Depreciation | 6,831 | - | 4,552 | 163 | 11,546 |
| Insurance | - | - | 16,541 | - | 16,541 |
| Event food, beverage, and entertainment | - | 48,826 | - | - | 48,826 |
| Event venue rent | - | 23,828 | - | - | 23,828 |
| Contributed nonfinancial assets | | | | | |
| Investment fees | - | - | 106,845 | - | 106,845 |
| Legal fees | - | - | 8,500 | - | 8,500 |
| Maintenance | - | - | 552 | - | 552 |
| Event venue rent, gift bags, and honoree paintings | - | 4,000 | - | - | 4,000 |
| Other | - | - | 32,800 | - | 32,800 |
| | 11,788,201 | 129,957 | 741,521 | 16,410 | 12,676,089 |
| Total Expenses Before Direct Donor Benefits | | | | | |
| Direct Donor Benefits | - | (88,852) | - | - | (88,852) |
| Total Expenses | \$ 11,788,201 | \$ 41,105 | \$ 741,521 | \$ 16,410 | \$ 12,587,237 |

See notes to financial statements

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 |
| Public relations and donor cultivation | 61,637 | 4,885 | 744 | - | 67,266 |
| 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 | <u>\$ 17,406,130</u> | <u>\$ 13,441</u> | <u>\$ 700,686</u> | <u>\$ 21,224</u> | <u>\$ 18,141,481</u> |

See notes to financial statements

Community Foundations of the Hudson Valley

Statements of Cash Flows

| | Year Ended June 30, | |
|----------------------------------------------------------------------------------------|---------------------|-----------------|
| | 2023 | 2022 |
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Change in net assets | \$ 6,935,101 | \$ (10,024,439) |
| Adjustments to reconcile change in net assets to net cash from operating activities | | |
| Depreciation | 11,546 | 4,531 |
| Amortization of right-of-use asset - operating lease | 92,916 | - |
| Loss on disposal of property and equipment | - | 828 |
| Realized and unrealized (gains)/losses on investments | (4,136,285) | 11,677,050 |
| Change in fair value of beneficial interest - life insurance policies | 6,277 | 1,114 |
| Change in operating assets and liabilities | | |
| Accounts and interest receivable | (11,273) | (37,556) |
| Pledges receivable | (35,500) | - |
| Prepaid expenses and other assets | 35,563 | (50,729) |
| Agency funds | 627,612 | (940,790) |
| Grants payable | (222,240) | (1,112,628) |
| Accounts payable and other liability | (44,496) | 81,998 |
| Deferred revenue | 64,583 | (500) |
| Operating lease liability | (86,751) | - |
| Net Cash from Operating Activities | 3,237,053 | (401,121) |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Acquisition of property and equipment | (30,443) | (26,653) |
| Purchase of investments | (29,336,171) | (18,348,470) |
| Proceeds from sale of investments | 25,942,863 | 14,310,878 |
| Net Cash from Investing Activities | (3,423,751) | (4,064,245) |
| Net Change in Cash and Cash Equivalents | (186,698) | (4,465,366) |
| CASH AND CASH EQUIVALENTS | | |
| Beginning of year | 2,735,183 | 7,200,549 |
| End of year | \$ 2,548,485 | \$ 2,735,183 |

See notes to financial statements

Community Foundations of the Hudson Valley

Notes to Financial Statements
June 30, 2023 and 2022

1. Organization and Income Tax Status

Community Foundations of the Hudson Valley (the “Foundations”) delivers community leadership and strategic philanthropy to inspire and celebrate local charitable giving in the Mid-Hudson Valley region. Partnering with its generous donors, the Foundations address current and emerging community needs through effective grantmaking to improve the quality of life for all, and by offering technical assistance to help nonprofits operate more effectively. Since its origin as the Area Fund in 1969, the Foundations has expanded to include Dutchess, Ulster, and Putnam counties.

The Foundations have 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 have 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

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:

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.

Community Foundations of the Hudson Valley

Notes to Financial Statements
June 30, 2023 and 2022

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

Basis of Presentation (continued)

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.

Change in Accounting Policy

The Foundations adopted Financial Accounting Standards Board (“FASB”) Topic 842, *Leases*, using the effective date method with July 1, 2022, as the date of initial adoption, with certain practical expedients available.

The Foundations elected the available practical expedients to account for its existing operating lease as an operating lease, under the new guidance, without reassessing (a) whether the contract contains a lease under the new standard, (b) whether classification of operating lease would be different in accordance with the new guidance, or (c) whether the unamortized initial direct costs before transition adjustments would have met the definition of initial direct costs in the new guidance at lease commencement.

As a result of the adoption of the new lease accounting guidance, on July 1, 2022 the Foundations recognized a lease liability of \$958,139, that represents the present value of the remaining operating lease payments of \$1,092,579, discounted using the risk free interest rate using the treasury note rate for 9.08 years of 2.89% and a right-of-use asset (“ROU asset”) of \$958,139.

The standard had a material impact on the Foundations’ statement of financial position but did not have an impact on its statements of activities or cash flows. The most significant impact was the recognition of a ROU asset and a lease liability for the operating lease.

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.

Community Foundations of the Hudson Valley

Notes to Financial Statements
June 30, 2023 and 2022

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

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 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, 2023 and 2022, 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 the 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, 2023 and 2022

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 program services and as grants and scholarships in the statements of functional expenses.

Leases

As of July 1, 2022, the Foundations lease office space and determines if an arrangement is a lease at inception. The operating lease is included in right-of-use assets - operating lease and operating lease liability on the accompanying statement of financial position.

The ROU asset represents the right to use an underlying asset for the lease term and the lease liability represents the obligation to make lease payments arising from the lease. The operating lease ROU asset and related liability are recognized at the lease commencement date based on the present value of lease payments over the lease term. The lease does not provide an implicit borrowing rate. The Foundations use a risk-free rate based on the information available at the commencement date in determining the present value of lease payments. The ROU asset - operating lease includes any lease payments made and excludes lease incentives. The lease terms may include options to extend or terminate the lease when it is reasonably certain that the Foundations will exercise that option. Lease expense for lease payments is recognized on a straight-line basis over the lease term.

The Foundations' lease agreement does not contain any material residual value guarantees or material restrictive covenants.

The Foundations have a lease agreement with lease and non-lease components, which are generally accounted for separately. Variable lease components in the lease are real estate taxes and are recognized in operating expenses in the period in which the obligation is incurred.

For the year ended June 30, 2022, U.S. GAAP guidance stated rent shall be charged to expense over the lease term as it became payable. If rental payments are not made on a straight-line basis, rental expense shall be recognized on a straight-line basis unless another systematic and rational basis is more representative of the time pattern in which use benefit is derived from the leased property, in which case that basis shall be used.

Community Foundations of the Hudson Valley

Notes to Financial Statements
June 30, 2023 and 2022

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

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.

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.

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.

Community Foundations of the Hudson Valley

Notes to Financial Statements
June 30, 2023 and 2022

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

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 recognize 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 are no longer subject to examinations by the applicable taxing jurisdictions for periods prior to June 30, 2020.

Reclassifications

Certain amounts in the 2022 financial statements have been reclassified to conform to the 2023 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 16, 2023.

3. Concentrations of Credit Risk

Financial instruments that potentially subject the Foundations to concentrations of credit and market risk consist principally of cash and cash equivalents on deposit with financial institutions and investments held at financial institutions. Deposits held at financial institutions insured by the Federal Deposit Insurance Corporation ("FDIC") are insured up to \$250,000 for each depositor. Investment holdings at financial institutions insured by the Securities Investor Protection Corporation ("SIPC") are insured up to \$500,000 (\$250,000 for cash holdings). At times, cash balances may exceed the FDIC and/or the SIPC limit. Management has reduced the risk 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. In addition to SIPC insurance, certain brokerage firms that hold the Foundations' investments offer excess SIPC through private insurers. At June 30, 2023 and 2022, the Foundations uninsured investment holdings totaled approximately \$7,929,000 and \$7,819,000.

Community Foundations of the Hudson Valley

Notes to Financial Statements
June 30, 2023 and 2022

3. Concentrations of Credit Risk *(continued)*

Concentration of credit risk with respect to investments is reduced by the diversification, professional management, and limited exposure to any single investment.

For the years ended June 30, 2023 and 2022, approximately 40% and 49% of contributions and grants were provided from one foundation.

4. 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 53 unrestricted funds. The Foundations have chosen not to take a payout from these funds during the year ended June 30, 2023. The Foundations took an annual payout of approximately \$162,304 during the year ended June 30, 2022. Additional support from these board designated net assets could be drawn through a board resolution should the Board of Trustees deem that necessary.

| | 2023 | 2022 |
|---------------------------------------------------------------------------------|--------------|--------------|
| Financial assets: | | |
| Cash and cash equivalents | \$ 2,548,485 | \$ 2,735,183 |
| Investments | 100,276,295 | 92,746,702 |
| Accounts and interest receivable | 171,351 | 160,078 |
| Pledge receivable | 35,500 | - |
| Total financial assets | 103,031,631 | 95,641,963 |
| Less those unavailable for general expenditure within one year: | | |
| Agency funds | 9,989,158 | 9,361,546 |
| Grants payable | 524,116 | 746,356 |
| Net assets without donor restrictions, excluding Board designated net assets | 83,233,201 | 77,401,033 |
| Board designated net assets for community projects and charitable interest | 7,368,453 | 7,037,460 |
| | 101,114,928 | 94,546,395 |
| | \$ 1,916,703 | \$ 1,095,568 |

Community Foundations of the Hudson Valley

Notes to Financial Statements
June 30, 2023 and 2022

4. Liquidity and Availability *(continued)*

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 invest 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.

5. 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, 2023:

| Description | Level 1 | Level 2 | Total |
|---------------------------------|----------------------|----------------------|----------------------|
| Equities | | | |
| Mutual funds | \$ 55,508,503 | \$ - | \$ 55,508,503 |
| Indexed funds | 1,304,395 | - | 1,304,395 |
| Common stock | 7,674,044 | - | 7,674,044 |
| Preferred stock | - | 416,785 | 416,785 |
| REITs | 73,688 | - | 73,688 |
| Fixed income | | | |
| Corporate bonds | - | 16,202,496 | 16,202,496 |
| Government bonds | 9,341,438 | - | 9,341,438 |
| Total investments at fair value | <u>\$ 73,902,068</u> | <u>\$ 16,619,281</u> | 90,521,349 |
| Cash and cash equivalents | | | 9,606,194 |
| Certificates of deposit | | | <u>148,752</u> |
| Total investments | | | <u>\$100,276,295</u> |

Community Foundations of the Hudson Valley

Notes to Financial Statements
June 30, 2023 and 2022

5. Investments and Investment Return *(continued)*

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:

| Description | Level 1 | Level 2 | Total |
|---------------------------------|----------------------|----------------------|----------------------|
| 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 stock | - | 409,863 | 409,863 |
| Fixed income | | | |
| Corporate bonds | - | 16,388,023 | 16,388,023 |
| Government bonds | 5,759,471 | - | 5,759,471 |
| 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 | | | <u>135,720</u> |
| Total investments | | | <u>\$ 92,746,702</u> |

Investments consist of the following at June 30:

| | 2023 | 2022 |
|---------------------|----------------------|----------------------|
| Endowment funds | \$ 51,425,220 | \$ 46,831,095 |
| General investments | 38,861,917 | 36,554,061 |
| Agency funds | 9,989,158 | 9,361,546 |
| | <u>\$100,276,295</u> | <u>\$ 92,746,702</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, 2023 and 2022.

The Foundations utilize 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, 2023 and 2022

5. Investments and Investment Return *(continued)*

At June 30, 2022, concentration of the Foundations' investments included one publicly traded mutual fund representing approximately 11% of the Foundations' investments. No single investment represented 10% or more of the Foundations' investments at June 30, 2023.

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

| | <u>2023</u> | <u>2022</u> |
|----------------------------|---------------------|-----------------------|
| Realized gains | \$ 2,338,491 | \$ 794,488 |
| Unrealized gains/(losses) | 1,797,794 | (12,471,538) |
| Interest and dividends | 2,048,946 | 1,770,035 |
| Capital gain distributions | 1,302,142 | 2,015,240 |
| Investment fees | <u>(159,567)</u> | <u>(170,540)</u> |
| | <u>\$ 7,327,806</u> | <u>\$ (8,062,315)</u> |

6. Beneficial Interest - Life Insurance Policy

The Foundations are the beneficiary of one life insurance policy as of June 30, 2023 and 2022. 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.

7. Property and Equipment, net

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

| | <u>2023</u> | <u>2022</u> |
|--------------------------|------------------|------------------|
| Furniture | \$ 22,417 | \$ 22,940 |
| Equipment | <u>80,619</u> | <u>55,510</u> |
| | 103,036 | 78,450 |
| Accumulated depreciation | <u>(54,962)</u> | <u>(49,273)</u> |
| | <u>\$ 48,074</u> | <u>\$ 29,177</u> |

Community Foundations of the Hudson Valley

Notes to Financial Statements
June 30, 2023 and 2022

8. Agency Funds

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

| | 2023 | 2022 |
|---------------------------------|--------------|---------------|
| Agency funds, beginning of year | \$ 9,361,546 | \$ 10,302,336 |
| Additions to funds | 657,468 | 1,265,555 |
| Net investment gains/(losses) | 892,046 | (1,032,957) |
| Grant expense | (803,774) | (1,069,810) |
| Fees | (118,128) | (103,578) |
| Agency funds, end of year | \$ 9,989,158 | \$ 9,361,546 |

9. Grants Payable

Grants payable consists of the following at June 30:

| | 2023 | 2022 |
|---------------------|------------|------------|
| Donor advised funds | \$ 150,228 | \$ 391,625 |
| Scholarships | 246,210 | 325,448 |
| Project | 21,300 | - |
| Designated funds | 37,200 | 4,200 |
| Field of interest | 45,013 | 4,580 |
| Agency | 12,190 | 14,750 |
| Pass-through | 11,975 | 4,753 |
| Unrestricted | - | 1,000 |
| | \$ 524,116 | \$ 746,356 |

Grants payable are summarized as follows as of June 30:

| | 2023 | 2022 |
|---------------------------|------------|------------|
| To be paid in one year | \$ 466,266 | \$ 662,856 |
| To be paid in two years | 34,300 | 58,000 |
| To be paid in three years | 23,550 | 25,500 |
| | \$ 524,116 | \$ 746,356 |

For the years ended June 30, 2023 and 2022, a discount was not recorded because management determined that it was not material to the financial statements.

Community Foundations of the Hudson Valley

Notes to Financial Statements
June 30, 2023 and 2022

10. Lease Commitments

The Foundations have an operating lease for office space. The operating lease has a remaining lease term of 8 years and 2 months.

The components of lease cost were as follows for the year ended June 30, 2023:

| | |
|----------------------|-------------------|
| Lease expense | |
| Operating lease cost | <u>\$ 119,190</u> |

Information associated with the measurement of the Foundations' operating lease obligation as of June 30, 2023 is as follows:

| | |
|------------------------------------------------------------------------|-------|
| Weighted-average remaining lease term in years for the operating lease | 8.17 |
| Weighted-average discount rate for the operating lease | 2.89% |

As of June 30, 2023, maturities for the operating lease liability was as follows:

| | |
|-------------------------------------|-------------------|
| 2024 | \$ 113,025 |
| 2025 | 113,025 |
| 2026 | 113,025 |
| 2027 | 122,444 |
| 2028 | 124,328 |
| Thereafter | <u>393,707</u> |
| Total future minimum lease payments | 979,554 |
| Less imputed interest | <u>(108,166)</u> |
| Total operating lease liabilities | <u>\$ 871,388</u> |

Supplemental cash flow information related to operating leases was as follows for the year ended June 30, 2023:

| | |
|----------------------------------------------------------------------------------|-------------------|
| Cash paid for amounts included in the measurement of operating lease liabilities | <u>\$ 119,190</u> |
| ROU asset recognized upon adoption of new lease guidance | <u>\$ 958,139</u> |

Community Foundations of the Hudson Valley

Notes to Financial Statements
June 30, 2023 and 2022

10. Lease Commitments *(continued)*

The following disclosures are required under Financial Accounting Standards Board (“FASB”) ASC 840, *Leases*, and are presented as of and for the year ended June 30, 2022, as management of the Foundations elected to adopt FASB ASC 842 as of July 1, 2022, using the effective date method.

Rent expense for the year ended June 30, 2022 was \$93,976.

11. Endowment

The Foundations maintain 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 as much of the various unrestricted funds functioning as endowment funds and donor-restricted endowment funds as the Foundations determine 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.

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.

Return Objectives and Risk Parameters

The Foundations have 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

Community Foundations of the Hudson Valley

Notes to Financial Statements
June 30, 2023 and 2022

11. Endowment *(continued)*

Return Objectives and Risk Parameters (continued)

Foundations' mission. Asset allocation between equities and fixed income instruments is one method of diversification of investments of endowment funds. The Foundations' 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 Foundations' Investment Committee, 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, 2023:

| | Without Donor Restictions | With Donor Restictions | Total |
|--------------------------------|---------------------------------|------------------------------|----------------------|
| Balance June 30, 2022 | \$ 46,573,653 | \$ 257,442 | \$ 46,831,095 |
| Contributions | 2,205,528 | - | 2,205,528 |
| Investment income, net | 3,755,865 | - | 3,755,865 |
| Capital appreciation | 845,217 | - | 845,217 |
| Appropriation for expenditures | (2,206,208) | - | (2,206,208) |
| Change in value of: | | | |
| Life insurance policy | - | (6,277) | (6,277) |
| Balance June 30, 2023 | <u>\$ 51,174,055</u> | <u>\$ 251,165</u> | <u>\$ 51,425,220</u> |

Community Foundations of the Hudson Valley

Notes to Financial Statements
June 30, 2023 and 2022

11. Endowment (continued)

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

| | Without Donor Restrictions | With Donor Restrictions | 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 | \$ 46,573,653 | \$ 257,442 | \$ 46,831,095 |

12. Net Assets

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

| | 2023 | 2022 |
|-------------------------------------------|------------|------------|
| Beneficial interest-life insurance policy | \$ 251,165 | \$ 257,442 |

Board designated net assets are as follows at June 30:

| | 2023 | 2022 |
|--------------------------------------------------------------------|--------------|--------------|
| Board authorized for operating expenditures | \$ 1,960,313 | \$ 1,182,096 |
| Board designated for community projects and charitable interest | 7,368,453 | 7,037,460 |
| | \$ 9,328,766 | \$ 8,219,556 |

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

| | 2023 | 2022 |
|-------------------------------------------|-----------|-----------|
| Premiums paid: | | |
| Beneficial interest-life insurance policy | \$ 28,525 | \$ 28,525 |

Community Foundations of the Hudson Valley

Notes to Financial Statements
June 30, 2023 and 2022

13. 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, 2023 and 2022. Contributed nonfinancial assets and services consisted of the following for the years ended June 30:

| | <u>2023</u> | <u>2022</u> |
|----------------------------------------------------|-------------------|-------------------|
| Investment services | \$ 106,845 | \$ 121,550 |
| Legal services | 8,500 | 20,750 |
| Maintenance services | 552 | 552 |
| Event venue rent, gift bags, and honoree paintings | <u>4,000</u> | <u>-</u> |
| | <u>\$ 119,897</u> | <u>\$ 142,852</u> |

The Foundations were provided a portion of its investment management services at no cost for the general management of its investment portfolio in accordance with its mission. Contributed investment services are valued and reported at the estimated fair value in the financial statements based on current rates for similar investment services.

The Foundations were provided legal services related to general operations at no cost. Contributed legal services are valued and reported at the estimated fair value in the financial statements based on current rates for similar legal services.

The Foundations received donated maintenance services related to general operations. Contributed maintenance services are valued and reported at the estimated fair value in the financial statements based on current rates for maintenance services.

The Foundations received event venue rent, gift bags, and honoree paintings at no cost or reduced cost for the garden party that the Foundations hosted for the year ended June 30, 2023. These contributions are valued and reported at the estimated fair value in the financial statements based on current rates for the items received.

All contributed nonfinancial assets received by the Foundations for the years ended June 30, 2023 and 2022 were considered to be 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, 2023 and 2022

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 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, 2023. 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, 2023 and 2022.

The Foundations are 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 \$1,218,000 and \$1,182,000 at June 30, 2023 and 2022. FCH is a separate, independent corporation governed by its own board of directors.

A board member of the Foundations is a member of an entity that leases office space to the Foundations.

15. Retirement Plan

The Foundations have a 401(k) retirement plan (the “Plan”) for all eligible employees. Under the terms of the Plan, employees may contribute any percentage of their gross pay 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, 2023 and 2022 amounted to \$20,587 and \$16,326.

16. Risks and Uncertainties

There has been substantial volatility in the global financial markets. As a result, the Foundations’ investment portfolio incurred a significant increase in its fair value during the year ended June 30, 2023 while it experienced a significant decrease during the year ended June 30, 2022. 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.

17. Subsequent Events

Subsequent to June 30, 2023, the Foundations became trustees of two Charitable Remainder Annuity Trusts (“CRATs”) with \$1.3M received from a deceased donor’s estate. Under the CRAT agreements, the Foundations will pay out annual distributions to two annuitants. The Foundations have been named as the beneficiary and will receive any remaining funds upon the death of the annuitants.

Subsequent to June 30, 2023, the Foundations are in the process of creating CFHV Supporting Organization, Inc. (a Type I supporting organization) to benefit and support the Foundations grantmaking and non-grantmaking activities.

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