

**FREDONIA COLLEGE FOUNDATION
OF THE STATE UNIVERSITY OF NEW YORK, INC.**

FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2020 AND 2019

**FREDONIA COLLEGE FOUNDATION
OF THE STATE UNIVERSITY OF NEW YORK, INC.**

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Independent Auditors' Report

To the Board of Directors of Fredonia College
Foundation of the State University of New York, Inc.
Fredonia, New York

We have audited the accompanying financial statements of Fredonia College Foundation of the State University of New York, Inc., (a nonprofit organization) which comprise the statements of financial position as of December 31, 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 policies 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 auditors consider 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 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 Fredonia College Foundation of the State University of New York, Inc. as of December 31, 2020 and 2019, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Saxton Kocur and Associates, LLP

Saxton, Kocur and Associates, LLP

March 31, 2021

**FREDONIA COLLEGE FOUNDATION
OF THE STATE UNIVERSITY OF NEW YORK, INC.
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2020 AND 2019**

ASSETS

	2020	2019
Cash and cash equivalents (Note 1)	\$ 621,668	\$ 751,434
Cash portion of investments (Note 2)	578,907	778,051
Investments, at fair value (Note 2)	47,488,337	42,787,283
Receivables, net of allowance (Note 3)	183,447	169,871
Prepaid expenses and deposits	15,654	11,322
Unconditional promises to give (Note 4)	661,472	262,056
Other assets (Note 5)	79,960	72,676
Property and equipment (Note 6)	301,232	326,309
	<hr/>	<hr/>
TOTAL ASSETS	<u>\$ 49,930,677</u>	<u>\$ 45,159,002</u>

LIABILITIES AND NET ASSETS

LIABILITIES

Accounts payable and accrued expenses	\$ 155,582	\$ 72,758
Annuities payable (Note 8)	308,461	322,069
Total liabilities	<hr/> 464,043	<hr/> 394,827

NET ASSETS

Without donor restrictions (Note 9):		
Undesignated operations fund	1,321,321	1,242,774
Board designated endowment accumulated income	1,466,967	1,250,699
Annuities	50,665	32,958
Total net assets without donor restrictions	<hr/> 2,838,953	<hr/> 2,526,431

With donor restrictions (Notes 10 and 11):

Purpose restricted (Note 10)	16,778,468	13,494,061
Perpetual in nature (Note 11)	29,849,213	28,743,683
Total net assets with donor restrictions	<hr/> 46,627,681	<hr/> 42,237,744

Total net assets	<hr/> 49,466,634	<hr/> 44,764,175
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TOTAL LIABILITIES AND NET ASSETS	<u>\$ 49,930,677</u>	<u>\$ 45,159,002</u>
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See accompanying notes to financial statements.

**FREDONIA COLLEGE FOUNDATION
OF THE STATE UNIVERSITY OF NEW YORK, INC.
STATEMENTS OF ACTIVITIES
YEARS ENDED DECEMBER 31, 2020 AND 2019**

	2020		Total
	Without Donor Restrictions	With Donor Restrictions	
Support and Revenues:			
Gifts, grants and bequests	\$ 124,690	\$ 2,247,035	\$ 2,371,725
Events receipts	-	27,590	27,590
Investment return (loss)	46,482	4,366,730	4,413,212
Change in cash surrender value of life insurance	9,284	-	9,284
Actuarial gain (loss) - annuities	(23,554)	(14,151)	(37,705)
Donated services	731,247	-	731,247
In-kind donations	-	6,445	6,445
Rent	18,900	-	18,900
Net assets with donor restrictions released from restrictions (Note 10)	2,007,346	(2,007,346)	-
Transfer of investment return (loss) (Notes 9 and 10)	236,366	(236,366)	-
Total support and revenues	3,150,761	4,389,937	7,540,698
Expenses:			
Program service	1,740,862	-	1,740,862
Administrative	523,730	-	523,730
Fundraising	573,647	-	573,647
Total expenses	2,838,239	-	2,838,239
CHANGE IN NET ASSETS	312,522	4,389,937	4,702,459
NET ASSETS, beginning	2,526,431	42,237,744	44,764,175
NET ASSETS, ending	\$ 2,838,953	\$ 46,627,681	\$ 49,466,634

2019		
Without Donor Restrictions	With Donor Restrictions	Total
\$ 142,299	\$ 2,737,821	\$ 2,880,120
-	96,924	96,924
56,246	6,741,871	6,798,117
7,315	-	7,315
(2,748)	(14,841)	(17,589)
682,861	-	682,861
-	22,585	22,585
21,000	-	21,000
3,547,397	(3,547,397)	-
397,718	(397,718)	-
<u>4,852,088</u>	<u>5,639,245</u>	<u>10,491,333</u>
3,222,404	-	3,222,404
489,425	-	489,425
567,567	-	567,567
<u>4,279,396</u>	<u>-</u>	<u>4,279,396</u>
572,692	5,639,245	6,211,937
<u>1,953,739</u>	<u>36,598,499</u>	<u>38,552,238</u>
<u>\$ 2,526,431</u>	<u>\$ 42,237,744</u>	<u>\$ 44,764,175</u>

See accompanying notes to financial statements.

**FREDONIA COLLEGE FOUNDATION
OF THE STATE UNIVERSITY OF NEW YORK, INC.
STATEMENTS OF FUNCTIONAL EXPENSES
YEARS ENDED DECEMBER 31, 2020 AND 2019**

2020

	Program Service	Supporting Services		Total
		Administrative	Fundraising	
Grants and scholarships	\$ 1,095,437	-	-	\$ 1,095,437
Academic support	645,425	-	-	645,425
Payroll and employee benefits	-	206,861	-	206,861
Donated services	-	230,421	500,826	731,247
Auditing fees	-	7,606	-	7,606
Information technology	-	9,803	-	9,803
Professional fees	-	-	25,606	25,606
Travel expense	-	-	3,636	3,636
Insurance	-	7,254	-	7,254
Depreciation	-	12,539	12,538	25,077
Repairs and maintenance	-	16,587	-	16,587
Utilities	-	3,812	-	3,812
Capital campaign	-	-	4,921	4,921
Memberships and dues	-	1,234	7,099	8,333
Contracted services	-	19,625	-	19,625
Meetings, conferences, and seminars	-	472	-	472
Office expense	-	5,377	1,841	7,218
Donor and scholarship recipient recognition/cultivation	-	-	12,991	12,991
Miscellaneous	-	2,139	4,189	6,328
	<u>\$ 1,740,862</u>	<u>\$ 523,730</u>	<u>\$ 573,647</u>	<u>\$ 2,838,239</u>

2019

	Program Service	Supporting Services		Total
		Administrative	Fundraising	
Grants and scholarships	\$ 1,177,234	-	-	\$ 1,177,234
Academic support	2,045,170	-	-	2,045,170
Payroll and employee benefits	-	198,148	-	198,148
Donated services	-	211,830	471,031	682,861
Auditing fees	-	7,396	-	7,396
Information technology	-	10,101	-	10,101
Professional fees	-	-	25,176	25,176
Travel expense	-	-	12,938	12,938
Insurance	-	5,753	-	5,753
Depreciation	-	12,740	12,740	25,480
Repairs and maintenance	-	15,200	-	15,200
Utilities	-	4,266	-	4,266
Capital campaign	-	-	6,649	6,649
Memberships and dues	-	395	7,110	7,505
Contracted services	-	14,097	-	14,097
Meetings, conferences, and seminars	-	4,640	-	4,640
Office expense	-	2,442	1,552	3,994
Donor and scholarship recipient recognition/cultivation	-	-	29,068	29,068
Miscellaneous	-	2,417	1,303	3,720
	\$ 3,222,404	\$ 489,425	\$ 567,567	\$ 4,279,396

See accompanying notes to financial statements.

**FREDONIA COLLEGE FOUNDATION
OF THE STATE UNIVERSITY OF NEW YORK, INC.
STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2020 AND 2019**

	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 4,702,459	\$ 6,211,937
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	25,077	25,480
Change in allowance for doubtful accounts	-	210
Realized (gains) losses on sale of investments	(11,492)	(406,654)
Unrealized (gains) losses on investments	(3,542,487)	(5,343,637)
In-kind gifts and/or donated investments	(6,445)	(22,585)
(Increase) in cash surrender value of insurance	(9,284)	(7,315)
(Increase) decrease in:		
Receivables	(13,576)	2,144,759
Prepaid expenses	(4,332)	(2,322)
Unconditional promises to give	(399,416)	(85,080)
Increase (decrease) in:		
Accounts payable and accrued expenses	82,824	11,239
Annuities payable	(13,608)	(60,665)
NET CASH PROVIDED BY OPERATING ACTIVITIES	809,720	2,465,367
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of investments	10,426,555	1,875,191
Purchases of investments	(11,368,041)	(4,355,208)
Proceeds from maturity of REIT unit	2,000	-
Reimbursement for prior year property purchase	-	17,574
Purchases of property and equipment	-	(20,603)
NET CASH USED BY INVESTING ACTIVITIES	(939,486)	(2,483,046)
CHANGE IN CASH AND CASH EQUIVALENTS	(129,766)	(17,679)
CASH AND CASH EQUIVALENTS, beginning	751,434	769,113
CASH AND CASH EQUIVALENTS, ending	\$ 621,668	\$ 751,434

See accompanying notes to financial statements.

**FREDONIA COLLEGE FOUNDATION OF
THE STATE UNIVERSITY OF NEW YORK, INC.**

NOTES TO FINANCIAL STATEMENTS

ORGANIZATION AND PURPOSE

Fredonia College Foundation of the State of New York, Inc. (the Foundation), a not-for-profit corporation, was formed in 1964 to encourage and accept gifts and endowments in support of the priority needs of the State University of New York at Fredonia, its faculty and students.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

BASIS OF ACCOUNTING - These financial statements have been prepared on the accrual basis of accounting, and accordingly, reflect all significant receivables, payables, and other liabilities.

BASIS OF PRESENTATION - The Foundation has adopted FASB Accounting Standards Update (ASU) No. 2016-14, *Not-for-Profit Entities (Topic 958) - Presentation of Financial Statements of Not-for-Profit Entities*. As such the Foundation reports information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions.

It is the policy of the Board of Directors to plan for the future by designating funds for specific purposes. Such Board designated net assets without donor restrictions are indicated as *Board designated endowment accumulated income* in the financial statements and in other notes to the financial statements.

CONTRIBUTIONS, PROMISES TO GIVE, AND REVENUE RECOGNITION - Effective January 1, 2019, the Foundation adopted the provisions of FASB Accounting Standards Update (ASU) No. 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The ASU provides guidance in evaluating whether transactions should be accounted for as contributions or exchange transactions and determining whether a contribution is conditional. Unconditional contributions of cash, securities or other assets and unconditional promises to give, are recorded when received. Conditional contributions and promises to give (i.e. those with a measurable performance or other barrier and a right of return) are not recognized until the conditions are which they depend are substantially met or explicitly waived by the donor. The provisions of the ASU have been applied to contributions received in the accompanying financial statement under a modified prospective basis. Accordingly, there was no effect on net assets upon implementation.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

CONTRIBUTIONS, PROMISES TO GIVE, AND REVENUE RECOGNITION, continued
- Contributions and unconditional promises to give with donor restrictions are reported as increases in net assets without donor restrictions if the restrictions expire in the same year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions depending on the nature of the restrictions. In the year when restrictions expire, net assets with donor restrictions are reclassified to net assets without donor restrictions.

In-kind donations are recorded at estimated fair value at the date the donation. It is the policy of the Foundation to liquidate contributions of marketable securities as soon as possible after receipt.

The Foundation has established an allowance for doubtful promises to give of 10% of the total outstanding unconditional promises to give at year-end (Note 4).

CASH AND CASH EQUIVALENTS - For purposes of the statements of cash flows, the Foundation considers all highly liquid investments, including all certificates of deposit, to be cash equivalents. Cash held in investment accounts (Note 2) is not considered as cash and cash equivalents for purposes of the statements of cash flows.

	2020	2019
M&T Bank - Checking and Savings	\$ 369,962	\$ 499,852
Lake Shore Savings - Certificates of deposits	251,665	251,287
PayPal account	41	295
	<u>\$ 621,668</u>	<u>\$ 751,434</u>

The certificates of deposit (three) all have a term of six months with interest of 0.15%, with no material penalties for early withdrawal. A maturing certificate is automatically renewed for six months unless the bank is timely notified by the Foundation.

The Foundation adopted FASB Accounting Standard Updates (ASU) No. 2016-15, *Statement of Cash Flows (Topic 230) Classification of Certain Receipts and Cash Payments* and No. 2016-18, *Statement of Cash Flows (Topic 230) Restricted Cash*, effective with its 2019 year. Guidance under ASU No. 2016-15 is intended to reduce the diversity in practice in how certain transactions are classified in the statement of cash flows. ASU No. 2016-18 guidance includes: (1) how restricted cash should be presented in the statement; (2) showing the change in total cash and restricted cash in the statement; (3) no longer requiring the presentation of transfers between cash and restricted cash in the statement, and; (4) disclosure of the nature of restrictions on cash. Adoption of the ASUs by the Foundation did not result in any reporting changes for 2019.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

INVESTMENTS - Investments in marketable equity securities with readily determinable fair values and all investments in debt securities are stated at fair value as of the date of financial position. Gain and losses on investments are reported in the statements of activities as increases or decreases in net assets without donor restrictions unless their use is restricted by donor stipulation. Gains and losses on investments restricted for scholarships and grants are reported as increases or decreases in net assets with donor restrictions.

ESTIMATES – The preparation of financial statements in accordance with U.S. generally accepted accounting principles requires management to make estimates and assumptions that effect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

PROPERTY AND EQUIPMENT - Property and equipment are recorded at cost or if donated, at the fair market value at the date of the donation. Improvements are capitalized, while expenditures for maintenance and repairs are charged to expense as incurred. Depreciation is computed using the straight-line method over the estimated useful lives of the assets. Upon disposal of depreciable property, the appropriate property accounts are reduced by the related costs and accumulated depreciation. The resulting gains and losses are reflected in the statements of activities.

DONATED SERVICES - For 2020 and 2019, the value of donated services meeting the requirements for recognition in the financial statements amounted to \$731,247 and \$682,861, respectively. These services were provided by the State University of New York at Fredonia at no cost to the Foundation. The value of the use of donated facilities meeting the requirements for recognition in the financial statements was not material and has not been recorded.

ALLOCATION OF INCOME - Available endowment income is credited to the accumulated income account of each participating endowment fund on a quarterly basis at an established fixed rate of return (spending rate). The allocation of income is intended to cover the annual spending of each endowment fund. As such, the fixed rate of return is equal to the annual spending rate.

In the event actual yield and increase in market value for a period are in excess of the guaranteed spending rate authorized by the Board, the excess is transferred to an earnings reserve account. Conversely, any shortfalls for a given period will be charged against the earnings reserve account.

College Departments and Pass-through Funds - purpose restricted (Note 10) do not receive an allocation of investment income. For 2020 and 2019, the Foundation charged a fee of 3% against deposits into these funds.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

ALLOCATION OF INCOME, continued - A \$10,000 minimum balance is required in order to establish an endowment with the Foundation. All accounts created that do not meet this minimum are held and receive an allocation of investment income. No awards are made from these funds until the minimum endowment balance is attained through additional capital contributions. Endowed funds must earn at least four quarters of investment income before awards can be made.

ALLOCATION OF EXPENSES - Expenses in the statement of functional expenses are categorized by functional classifications. Expenses that are readily identifiable to a specific function are charged directly to that function. Expenses attributable to more than one function are allocated on a reasonable basis that is consistently applied. Donated service are allocated based on specific job functions of personnel. Depreciation is allocated on an equal basis between the administration and fundraising functions.

INCOME TAXES - The Foundation is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code and from New York State income tax under Article 7 and EPTL of the Executive Law. In addition, the Foundation qualifies for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified as an agency other than a private foundation under Section 509(a)(3).

The Foundation believes no material uncertain tax positions existed at December 31, 2020 and 2019, requiring recognition or disclosure in the financial statements. The Foundation's federal and state exempt organization returns for 2017 and later years are subject to possible examination, generally for three years after filing.

NOTE 2 - INVESTMENTS

Effective January 1, 2019, the Foundation adopted the provisions of FASB Accounting Standards Updates No. 2016-01, *Financial Instruments - Overall (Subtopic 805-10): Recognition and Measurement of Financial Assets and Financial Liabilities* and No. 2018-03, *Technical Corrections and Improvements to Financial Assets and Financial Liabilities - Overall (Subtopic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities*. ASU No. 2016-01 provides guidance for the recognition, measurement, presentation, and disclosure of financial instruments. ASU 2018-03 clarifies certain aspects of the guidance in ASU No. 2016-01. Adoption of the ASUs did not result in any cumulative effect adjustment as of January 1, 2019. The Foundation's assets are primarily invested with Fidelity Investments by consultant Alesco Advisors, LLC, of Pittsford, NY, in a number of exchange-traded products (ETPs) and equity and bond mutual funds.

The fair value of investments by type measured on a recurring basis at December 31 were as follows:

	2020	2019
Equities - ETPs	\$ 15,839,764	\$ 11,748,646
Common Stocks	-	7,063
Mutual Funds - Equities	14,678,465	14,969,971
Mutual Funds - Fixed Income	11,535,048	11,469,127
Fixed Income - ETPs	5,435,060	3,368,669
Mutual Funds - Commodities Broad Basket	-	1,223,807
	<u>47,488,337</u>	<u>42,787,283</u>
 Total cost of all investments at year-end	 <u>35,487,775</u>	 <u>34,526,061</u>
 Net unrealized gain (loss) at year-end	 <u>\$ 12,000,562</u>	 <u>\$ 8,261,222</u>
 Total cash investments held in all accounts at year-end	 \$ 578,907	 \$ 778,051

The fair values of the ETPs, common stocks, mutual funds, and cash investments at both December 31, 2020 and 2019, were based on Level I input data. Level I input data for determining fair value is based on quoted prices in active markets for identical assets.

Investment return (loss) consisted of the following:

	2020	2019
Dividends, interest and capital gain distributions	\$ 1,010,300	\$ 1,168,328
Realized gain (loss) of sales of investments	(11,492)	406,654
Unrealized gain (loss) on investments	3,542,487	5,343,637
Investment management fees - external	(128,083)	(120,502)
	<u>\$ 4,413,212</u>	<u>\$ 6,798,117</u>

NOTE 3 - RECEIVABLES

	2020	2019
State University of New York at Fredonia Alumni Association, Inc.	\$ 15,554	\$ 15,161
Contributions	168,393	155,210
	<u>183,947</u>	<u>170,371</u>
Less: allowance for doubtful accounts	(500)	(500)
	<u>\$ 183,447</u>	<u>\$ 169,871</u>

The amount due from the Alumni Association is for reimbursement of employment related costs and scholarship payments made by the Foundation on behalf of the Association.

Contributions at December 31 were for contributions received for 2020 and 2019 that were deposited in January of the subsequent calendar year.

NOTE 4 - UNCONDITIONAL PROMISES TO GIVE

Unconditional promises to give, primarily to provide for scholarships, are reported net of a 10% allowance for doubtful promises and at present value using a discount rate of 4.25% at December 31, 2020 and 5.75% at December 31, 2019, and consisted of the following at December 31:

	2020	2019
Due within one year	\$ 241,131	\$ 117,481
Due in one to five years	537,850	196,300
	<u>778,981</u>	<u>313,781</u>
Allowance for doubtful promises	(77,898)	(31,378)
Discount to net present value	(39,611)	(20,347)
	<u>\$ 661,472</u>	<u>\$ 262,056</u>

NOTE 5 - OTHER ASSETS

	2020	2019
REITs	\$ 18,000	\$ 20,000
Cash surrender value of life insurance policies	61,960	52,676
	<u>\$ 79,960</u>	<u>\$ 72,676</u>

NOTE 6 - PROPERTY AND EQUIPMENT

Property and equipment held by the Foundation for operational purposes, was as follows:

	2020	2019
Land	\$ 5,000	\$ 5,000
Building	349,940	349,940
Improvements	305,308	305,308
Furnishing and equipment	10,135	10,135
	<u>670,383</u>	<u>670,383</u>
Less accumulated depreciation	<u>(369,151)</u>	<u>(344,074)</u>
	<u>\$ 301,232</u>	<u>\$ 326,309</u>

Depreciation expense for 2020 and 2019 was \$25,077 and \$25,480, respectively.

NOTE 7 - ENDOWMENTS

The Foundation's endowment as of December 31, 2020 and 2019 consisted of 551 and 539 individual funds, respectively, established for a variety of purposes. The total endowment includes both donor-restricted endowment funds and funds designated by the Board of Directors to function as endowments. As required by U.S. GAAP, net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of Relevant Law

Prior to the New York Prudent Management of Institutional Funds Act (NYPMIFA) in September 2010, the Board of Directors of the Foundation had interpreted the New York State Not-For-Profit Corporation Law as allowing the appropriation for expenditure, for the uses and purposes for which an endowment fund is established, so much of the net appreciation, realized (with respect to all assets) and unrealized (with respect only to readily marketable assets), in the fair value of the assets of an endowment fund over the historic dollar value of the fund as is prudent.

In accordance with the provisions of NYPMIFA, the Foundation will make expenditures over the historic dollar value of the fund for such funds established prior to NYPMIFA only upon the express approval of the original donors (if such donors can be reasonably identified and reasonable attempts are made to contact them).

Funds With Deficiencies

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level the donor requires the Foundation to retain as a fund of perpetual duration. One fund had a deficit of \$2,142 and \$2,093 at December 31, 2020 and 2019, respectively.

NOTE 7 - ENDOWMENTS, continued

Funds With Deficiencies, continued

In order to provide for spending from funds with donor restrictions, it is the Foundation's practice to cover fund deficiencies with available net assets without donor restrictions. If the a fund is no longer deficient (whether due to additional gifts or market conditions) prior to the allocating of any future spending, net assets without donor restrictions used to cover prior deficiencies are to be transferred back. At December 31, 2020 and 2019, no net assets without donor restrictions had been transferred to cover deficient funds.

Return Objectives and Risk Parameters

The Foundation has adopted investment policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the underlying endowment assets. Endowment assets include those assets of donor-restricted funds that the Foundation must hold in perpetuity or for a donor-specified period, as well as board-designated funds. Taking into consideration the current and future needs of the Foundation, the overall investment strategy emphasizes total return, while also avoiding excessive investment risk.

Strategies Employed for Achieving Return Objectives

To satisfy its long-term rate-of-return objectives, the Foundation relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized gains and losses) and current yield (interest and dividends). The Foundation targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

Spending Policy

For 2020 and 2019, the Foundation spending policy called for distribution of 4.5% of the average fair value of its endowment funds over the prior 20 quarters through the fourth quarter of the fiscal year (July 1- June 30) preceding the fiscal year in which the distribution is planned. The Foundation will invest, reinvest, and account for the assets of the endowment funds in accordance with the standards established by the NYPMIFA and the general guidelines and polices adopted by the Foundation. The Foundation may expend so much of the endowment funds as it deems prudent after considering the factors and appropriate decisions as set forth in NYPMIFA.

NOTE 8 - ANNUITIES PAYABLE

The actuarially determined value of annuities payable totaled \$308,461 and \$322,069 December 31, 2020 and 2019, respectively. The balance represents the present value of the aggregate liability for gift annuity agreements, based on life expectancy tables. Payments made in 2020 and 2019 on existing agreements were \$51,313 and \$57,236, respectively.

NOTE 9 - NET ASSETS WITHOUT DONOR RESTRICTIONS

Changes in net assets without donor restrictions in 2019 and 2020, were as follows:

	Undesignated operations fund	Board designated endowment accumulated income	Annuities	Total
Balance at December 31, 2018	\$ 1,103,762	\$ 866,627	\$ (16,650)	\$ 1,953,739
2019 Additions:				
Gifts, grants, and bequests	138,998	-	-	138,998
Investment return (loss)	2,540	-	53,706	56,246
Adjustments for promises to give	3,301	-	-	3,301
Change in cash surrender value of life insurance	7,315	-	-	7,315
Gain (loss) on annuities	1,350	-	(4,098)	(2,748)
Donated in-kind services	682,861	-	-	682,861
Rent	21,000	-	-	21,000
Net assets with donor restrictions released from restrictions (Note 10)	3,547,397	-	-	3,547,397
Transfer of investment (loss) from net assets with donor restrictions (Note 10)	-	397,718	-	397,718
2019 Appropriations:				
Grants and scholarships	(1,165,588)	(11,646)	-	(1,177,234)
Academic support	(2,043,170)	(2,000)	-	(2,045,170)
Supporting services	(1,056,992)	-	-	(1,056,992)
Balance at December 31, 2019	1,242,774	1,250,699	32,958	2,526,431
2020 Additions:				
Gifts, grants, and bequests	125,404	-	-	125,404
Investment return (loss)	5,221	-	41,261	46,482
Adjustments for promises to give	(714)	-	-	(714)
Change in cash surrender value of life insurance	9,284	-	-	9,284
Gain (loss) on annuities	-	-	(23,554)	(23,554)
Donated in-kind services	731,247	-	-	731,247
Rent	18,900	-	-	18,900
Net assets with donor restrictions released from restrictions (Note 10)	2,007,346	-	-	2,007,346
Transfer of investment (loss) from net assets with donor restrictions (Note 10)	-	236,366	-	236,366
2020 Appropriations:				
Grants and scholarships	(1,077,850)	(17,587)	-	(1,095,437)
Academic support	(642,914)	(2,511)	-	(645,425)
Supporting services	(1,097,377)	-	-	(1,097,377)
Balance at December 31, 2020	<u>\$ 1,321,321</u>	<u>\$ 1,466,967</u>	<u>\$ 50,665</u>	<u>\$ 2,838,953</u>

Several Foundation endowments have been either board designated or donor-designated for unrestricted spending. The board designated endowment accumulated income amount represents the total accumulated income and the portion of the Foundation's endowment earning reserve that is attributed to these endowments.

NOTE 10 - NET ASSETS WITH DONOR RESTRICTIONS - PURPOSE RESTRICTED

	2020	2019
Endowed scholarships, grants, and program support	\$ 14,334,193	\$ 11,708,035
College departments and pass-through funds	2,444,275	1,786,026
	<u>\$ 16,778,468</u>	<u>\$ 13,494,061</u>

Changes in net assets with donor restrictions - purpose restricted:

	Endowed scholarships, grants, and program support	College departments and pass-through funds	Total
Balance at December 31, 2018	\$ 7,058,532	\$ 1,828,653	\$ 8,887,185
2019 Additions:			
Gifts, grants and bequests	-	1,741,967	1,741,967
In-kind donations	-	22,585	22,585
Event receipts	-	96,924	96,924
Adjustments for promises to give	-	-	-
Investment return (loss)	6,690,515	-	6,690,515
2019 Appropriations:			
Released from restrictions (Note 9)	(1,643,294)	(1,904,103)	(3,547,397)
Transfer of investment (return) loss to net assets without donor restrictions (Note 9)	(397,718)	-	(397,718)

Balance at December 31, 2019	11,708,035	1,786,026	13,494,061
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2020 Additions:

Gifts, grants and bequests	-	1,042,594	1,042,594
In-kind donations	-	6,445	6,445
Event receipts	-	27,590	27,590
Adjustments for promises to give	-	124,003	124,003
Investment return (loss)	4,327,487	-	4,327,487

2020 Appropriations:

Released from restrictions (Note 9)	(1,464,963)	(542,383)	(2,007,346)
Transfer of investment (return) loss to net assets without donor restrictions (Note 9)	(236,366)	-	(236,366)

Balance at December 31, 2020

\$ 14,334,193	\$ 2,444,275	\$ 16,778,468
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Net assets with donor restrictions released by incurring expenses in satisfaction of restrictions and transfer of a portion of investment return (loss) to net assets without donor restrictions in 2020 and 2019, were as follows:

	2020	2019
College departments, programs, and support services	\$ 556,352	\$ 2,007,630
Scholarships and student award	918,696	1,010,333
1.25% management fees	532,298	529,434
Total released from restrictions	2,007,346	3,547,397
Portion of investment return (loss) transferred to net assets without donor restrictions	236,366	397,718
Total net assets released from restrictions and transfer of investment return (loss)	\$ 2,243,712	\$ 3,945,115

NOTE 11 - NET ASSETS WITH DONOR RESTRICTIONS - PERPETUAL IN NATURE

Certain net assets with donor restrictions are to be invested in perpetuity, the income from which may be expended to support the following purposes at December 31:

	2020	2019
Endowment	\$ 28,949,717	\$ 28,174,538
Building towards endowment	207,152	178,020
Bequests and promises to give	534,876	258,749
Annuities	157,468	132,376
	<u>\$ 29,849,213</u>	<u>\$ 28,743,683</u>

Changes in net assets with donor restrictions - perpetual in nature:

	Endowment	Building towards endowment	Bequests and promises to give	Annuities	Total
Balance at December 31, 2018	\$ 27,254,552	\$ 183,925	\$ 176,976	\$ 95,861	\$ 27,711,314
2019 Activity and Changes:					
Gifts, grants and bequests	873,141	40,940	-	-	914,081
Adjustments for promises to give	-	-	81,773	-	81,773
Actuarial gain/(loss) on annuities	-	-	-	(14,841)	(14,841)
Investment return (loss)	-	-	-	51,356	51,356
Transfers	46,845	(46,845)	-	-	-
Balance at December 31, 2019	28,174,538	178,020	258,749	132,376	28,743,683
2020 Activity and Changes:					
Gifts, grants and bequests	769,259	35,052	-	-	804,311
Adjustments for promises to give	-	-	276,127	-	276,127
Actuarial gain/(loss) on annuities	-	-	-	(14,151)	(14,151)
Investment return (loss)	-	-	-	39,243	39,243
Transfers	5,920	(5,920)	-	-	-
Balance at December 31, 2020	<u>\$ 28,949,717</u>	<u>\$ 207,152</u>	<u>\$ 534,876</u>	<u>\$ 157,468</u>	<u>\$ 29,849,213</u>

NOTE 12 - AGREEMENTS WITH THE STATE UNIVERISTY OF NEW YORK AT FREDONIA

The Foundation utilizes certain office equipment and personnel of the State University of New York at Fredonia (Fredonia) at no cost. The current agreement is for the period March 1, 2020 through February 28, 2025. This agreement may be terminated in whole or part by Fredonia upon 45 days prior written notice. The value of donated services received from Fredonia under the terms of this agreement was \$731,247 for 2020 and \$682,861 for 2019.

NOTE 13 - LINE OF CREDIT

The Foundation has a \$250,000 line of credit with a local financial institution. There was no outstanding balance at December 31, 2020 or 2019. Interest is at the prime rate.

NOTE 14 - CONCENTRATION OF CREDIT RISK

At December 31, 2020 and 2019, the Foundation had cash of \$168,059 and \$227,107, respectively, in two financial institutions in excess of the FDIC \$250,000 insured limit. Also, numerous times during both years, cash balances exceeded the insured limit.

NOTE 15 - RETIREMENT PLAN

The Foundation provides retirement benefits for substantially all eligible employees through a defined contribution retirement plan. The plan operates under Section 403(b) of the Internal Revenue Code and uses the Teachers Insurance and Annuity Association of America and College Retirement Equities Fund (TIAA-CREF) to provide benefits. The plan requires that the Foundation contribute 10% of the participant's annual salary if the participant makes voluntary contributions during the year in an amount equal to 7% of their salary. Additionally, the Foundation matches additional participant contributions of up to 3% of the participant's salary. Participants of the plan are fully vested upon becoming members of the plan. The Foundation's plan contribution for 2020 and 2019 was \$8,468 and \$5,749, respectively.

NOTE 16 - SUBSEQUENT EVENTS

Management has evaluated events and transactions through March 31, 2021, which is the date the financial statements were available to be issued.

The short-term and long-term impact of the ongoing COVID-19 pandemic on the Foundation's future financial position and operations cannot be determined.

NOTE 17 - LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

The Foundation considers the following financial assets to be available within one year of December 31 for general expenditures. General expenditures are expenses expected to be incurred related to the administrative and fundraising functions of the Foundation, and exclude any donated services for these functions.

	At December 31	
	2020	2019
Cash and cash equivalents	\$ 621,668	\$ 751,434
Investments and other assets	426,438	377,125
Financial assets available within one year	<u>\$ 1,048,106</u>	<u>\$ 1,128,559</u>

The Foundation holds the cash and cash equivalents in a checking account, an interest-bearing savings account, and in six-month certificates of deposit.

The Foundation's endowment funds include certain board-designated funds, the income from which would also be available for general expenditures. As of December 31, 2020, such income was \$398,964, with an additional \$99,550 becoming available for use on July 1, 2021. In addition, the Foundation's expected 1.25% management fees charged to donor-restricted funds in 2021 is \$500,000. These fees would also be available for general expenditures. A \$250,000 line of credit is also available to provide for unexpected liquidity needs.