

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

**FINANCIAL STATEMENTS**

**YEARS ENDED DECEMBER 31, 2018 AND 2017**

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

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**SAXTON KOCUR**  
**AND ASSOCIATES, LLP**  
*Certified Public Accountants*

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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, 2018 and 2017, 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, 2018 and 2017, 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  
April 17, 2019

**FREDONIA COLLEGE FOUNDATION  
OF THE STATE UNIVERSITY OF NEW YORK, INC.  
STATEMENTS OF FINANCIAL POSITION  
DECEMBER 31, 2018 AND 2017**

**ASSETS**

	<u>2018</u>	<u>2017</u>
Cash and cash equivalents (Note 1)	\$ 769,113	\$ 806,852
Cash portion of investments (Note 2)	295,336	548,071
Investments, at fair value (Note 2)	35,017,105	36,796,728
Receivables, net of allowance (Note 3)	2,314,840	81,082
Prepaid expenses and deposits	9,000	8,566
Unconditional promises to give (Note 4)	176,976	334,349
Other assets (Note 5)	65,361	65,139
Property and equipment - Foundation (Note 6)	348,760	311,715
Property - Fredonia Franklin Properties, LLC (Note 6)	-	609,000
<b>TOTAL ASSETS</b>	<b><u>\$ 38,996,491</u></b>	<b><u>\$ 39,561,502</u></b>

**LIABILITIES AND NET ASSETS**

**LIABILITIES**

Accounts payable and accrued expenses	\$ 61,519	\$ 63,885
Annuities payable (Note 8)	382,734	386,782
Due to State University of New York at Fredonia (Note 12)	-	232,027
<b>Total liabilities</b>	<b><u>444,253</u></b>	<b><u>682,694</u></b>

**NET ASSETS (DEFICIT)**

<b>Without donor restrictions (Note 9):</b>		
Undesignated operations fund	1,103,762	714,170
Fredonia Franklin Properties, LLC	-	609,000
Board designated endowment accumulated income	866,627	778,935
Annuities	(16,650)	22,595
<b>Total net assets without donor restrictions</b>	<b><u>1,953,739</u></b>	<b><u>2,124,700</u></b>
<b>With donor restrictions (Notes 10 and 11):</b>		
Purpose restricted (Note 10)	8,887,185	12,488,674
Perpetual in nature (Note 11)	27,711,314	24,265,434
<b>Total net assets with donor restrictions</b>	<b><u>36,598,499</u></b>	<b><u>36,754,108</u></b>
<b>Total net assets</b>	<b><u>38,552,238</u></b>	<b><u>38,878,808</u></b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b><u>\$ 38,996,491</u></b>	<b><u>\$ 39,561,502</u></b>

See accompanying notes to financial statements.

**FREDONIA COLLEGE FOUNDATION  
OF THE STATE UNIVERSITY OF NEW YORK, INC.  
STATEMENTS OF ACTIVITIES  
YEARS ENDED DECEMBER 31, 2018 AND 2017**

	2018		Total
	Without Donor Restrictions	With Donor Restrictions	
Support and Revenues:			
Gifts, grants and bequests	\$ 134,918	4,374,582	4,509,500
Events receipts	-	110,794	110,794
Investment return (loss)	(14,206)	(2,397,844)	(2,412,050)
Gain on sale of LLC property	3,147	-	3,147
Change in cash surrender value of life insurance	222		222
Actuarial gain (loss) - annuities	(13,769)	(20,210)	(33,979)
Donated services	658,723	-	658,723
In-kind donations	-	35,700	35,700
Rent	42,000	-	42,000
Net assets with donor restrictions released from restrictions (Note 10)	2,458,077	(2,458,077)	-
Transfer of investment return (loss) (Notes 9 and 10)	(199,446)	199,446	-
<b>Total support and revenues</b>	<b>3,069,666</b>	<b>(155,609)</b>	<b>2,914,057</b>
Expenses:			
Program service	2,173,754	-	2,173,754
Administrative	466,279	-	466,279
Fundraising	568,901	-	568,901
Franklin Properties, LLC	31,693	-	31,693
<b>Total expenses</b>	<b>3,240,627</b>	<b>-</b>	<b>3,240,627</b>
Change in net assets	(170,961)	(155,609)	(326,570)
Impairment loss (Note 6)	-	-	-
<b>CHANGE IN NET ASSETS</b>	<b>(170,961)</b>	<b>(155,609)</b>	<b>(326,570)</b>
NET ASSETS, beginning	2,124,700	36,754,108	38,878,808
NET ASSETS, ending	<u>\$ 1,953,739</u>	<u>\$ 36,598,499</u>	<u>\$ 38,552,238</u>

2017		
Without Donor Restrictions	With Donor Restrictions	Total
\$ 144,869	2,882,398	\$ 3,027,267
-	132,380	132,380
32,578	4,559,512	4,592,090
-	-	-
6,653		6,653
(7,317)	(23,764)	(31,081)
840,300	-	840,300
-	6,640	6,640
42,000	-	42,000
2,785,901	(2,785,901)	-
222,322	(222,322)	-
<u>4,067,306</u>	<u>4,548,943</u>	<u>8,616,249</u>
2,630,763	-	2,630,763
457,934	-	457,934
774,859	-	774,859
70,561	-	70,561
<u>3,934,117</u>	<u>-</u>	<u>3,934,117</u>
133,189	4,548,943	4,682,132
(1,041,000)	-	(1,041,000)
(907,811)	4,548,943	3,641,132
<u>3,032,511</u>	<u>32,205,165</u>	<u>35,237,676</u>
<u>\$ 2,124,700</u>	<u>\$ 36,754,108</u>	<u>\$ 38,878,808</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, 2018 AND 2017**

2018

	Program Service	Supporting Services		Franklin Properties, LLC	Total
		Administrative	Fundraising		
Grants and scholarships	\$ 1,041,373	\$ -	\$ -	\$ -	\$ 1,041,373
Academic support	1,132,381	-	-	-	1,132,381
Payroll and employee benefits	-	190,427	-	-	190,427
Donated services	-	196,880	461,843	-	658,723
Auditing fees	-	7,396	-	-	7,396
Information technology	-	9,738	-	-	9,738
Professional fees	-	-	25,441	-	25,441
Travel expense	-	-	10,393	-	10,393
Insurance	-	5,444	-	204	5,648
Depreciation	-	12,140	12,140	-	24,280
Repairs and maintenance	-	15,000	-	1,970	16,970
Property taxes	-	-	-	21,432	21,432
Utilities	-	4,723	-	8,087	12,810
Capital campaign	-	-	10,712	-	10,712
Memberships and dues	-	1,084	4,561	-	5,645
Contracted services	-	13,155	-	-	13,155
Meetings, conferences, and seminars	-	5,678	-	-	5,678
Office expense	-	3,782	5,543	-	9,325
Donor and scholarship recipient recognition/cultivation	-	-	36,330	-	36,330
Miscellaneous	-	832	1,938	-	2,770
	<u>\$ 2,173,754</u>	<u>\$ 466,279</u>	<u>\$ 568,901</u>	<u>\$ 31,693</u>	<u>\$ 3,240,627</u>



2017

	Program Service	Supporting Services		Franklin Properties, LLC	Total
		Administrative	Fundraising		
Grants and scholarships	\$ 1,025,995	\$ -	\$ -	\$ -	\$ 1,025,995
Academic support	1,604,768	-	-	-	1,604,768
Payroll and employee benefits	-	188,613	-	-	188,613
Donated services	-	174,156	666,144	-	840,300
Auditing fees	-	7,000	-	-	7,000
Information technology	-	12,827	-	-	12,827
Professional fees	-	-	16,886	-	16,886
Travel expense	-	-	14,710	-	14,710
Insurance	-	5,617	-	12,534	18,151
Depreciation	-	10,484	10,484	-	20,968
Repairs and maintenance	-	23,133	-	6,834	29,967
Property taxes	-	-	-	39,333	39,333
Utilities	-	6,337	-	11,860	18,197
Capital campaign	-	-	4,485	-	4,485
Memberships and dues	-	370	7,694	-	8,064
Contracted services	-	12,941	-	-	12,941
Meetings, conferences, and seminars	-	11,649	-	-	11,649
Office expense	-	3,596	4,353	-	7,949
Donor and scholarship recipient recognition/cultivation	-	-	45,675	-	45,675
Miscellaneous	-	1,211	4,428	-	5,639
	<u>\$ 2,630,763</u>	<u>\$ 457,934</u>	<u>\$ 774,859</u>	<u>\$ 70,561</u>	<u>\$ 3,934,117</u>

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, 2018 AND 2017**

	2018	2017
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ (326,570)	\$ 3,641,132
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	24,280	20,968
Impairment loss	-	1,041,000
Gain on sale of LLC property	(3,147)	-
Realized (gains) losses from investments	(850,509)	(1,656,759)
Unrealized (gains) losses from investments	4,393,079	(2,031,886)
In-kind gifts and/or donated investments	-	(24,030)
(Increase) in cash surrender value of insurance	(222)	(6,653)
(Increase) decrease in:		
Receivables	(2,233,758)	49,092
Prepaid expenses	(434)	234
Unconditional promises to give	157,373	80,155
Increase (decrease) in:		
Accounts payable and accrued expenses	(2,366)	4,911
Annuities payable	(4,048)	(29,190)
Due to State University of New York at Fredonia	(232,027)	70,392
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<b>921,651</b>	<b>1,159,366</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Proceeds from sale of investments	6,238,101	6,351,291
Purchases of investments	(7,748,313)	(7,246,726)
Proceeds from sale of LLC property	612,147	-
Purchases of property and equipment	(61,325)	(104,469)
<b>NET CASH USED BY INVESTING ACTIVITIES</b>	<b>(959,390)</b>	<b>(999,904)</b>
<b>CHANGE IN CASH AND CASH EQUIVALENTS</b>	<b>(37,739)</b>	<b>159,462</b>
<b>CASH AND CASH EQUIVALENTS, beginning</b>	<b>806,852</b>	<b>647,390</b>
<b>CASH AND CASH EQUIVALENTS, ending</b>	<b>\$ 769,113</b>	<b>\$ 806,852</b>

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.

Fredonia Franklin Properties, LLC (the LLC) was formed in December 2013 as a New York limited liability company and organized pursuant to an operating agreement dated December 13, 2013, between the Foundation and the LLC. The LLC was formed to receive and hold a gift of real property located at 60-62 Franklin Avenue, Dunkirk, NY. The Foundation is the sole member with a 100% interest in the LLC. As such, the LLC is classified a disregarded entity for federal and state tax purposes. Contributions to the LLC are deductible for tax purposes to the same extent as a contribution made directly to its sole member, the Foundation.

The Foundation announced the beginning of the public phase of a Comprehensive Campaign on October 20, 2017.

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**BASIS OF ACCOUNTING** - The financial statements of the Foundation, including the LLC, 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*, effective with its 2018 year. The most significant changes required by the ASU impacting the presentation of the Foundation's financial statements are, as follows:

On the statement of financial position, the unrestricted net asset class has been renamed *net assets without donor restrictions* and the temporarily restricted and permanently restricted net asset classes have been combined into a single net asset class named *net assets with donor restrictions*.

Support and revenues are categorized as either *Without Donor Restrictions* or *With Donor Restrictions* on the statement of activities.

On the statement of activities, investment return (loss) is reported net of external investment management fees and direct internal investment expenses, if any.

Presentation and disclosure of expenses by both their natural and functional classifications and methods used to allocate expenses among program service and support services (i.e. administrative and fundraising).

## NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

Additional disclosure in the notes regarding underwater endowment funds including, (1) the Foundation's policy and any actions taken during the year, concerning appropriation from underwater endowment funds, (2) the aggregated fair value of such funds, (3) the aggregate of the original gift amounts (or amounts required to be maintained by a donor or law) to be maintained, and (4) the aggregate amount by which funds are underwater, which are to classified as part of net assets with donor restrictions.

Disclosure of both quantitative and qualitative information about the availability of and how the Foundation manages its liquid available financial assets to meet general expenditures within one year of year-end.

Changes required by the ASU have been applied retrospectively to the Foundation's 2017 financial statements, except for the disclosure about liquidity and availability of financial assets, which is not required.

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.

**PROMISES TO GIVE** - Contributions are recognized when the donor makes a promise to give to the Foundation that is, in substance, unconditional. Contributions 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. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions.

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

**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 (three to thirty years). 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.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

CASH AND CASH EQUIVALENTS - For purposes of the statements of cash flows, the Foundation considers all highly liquid investments, including all certificates of deposits, 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.

	2018	2017
M&T Bank - Checking and Savings	\$ 517,992	\$ 533,949
Lake Shore Savings - CDs	250,826	250,535
PayPal account	295	22,368
	<u>\$ 769,113</u>	<u>\$ 806,852</u>

DONATED SERVICES - For 2018 and 2017, the value of donated services meeting the requirements for recognition in the financial statements amounted to \$658,723 and \$840,300, 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 - The Board of Directors' policy is to calculate investment earnings on a total return basis. This method takes into account the income earned on securities, gains or losses on securities sold and the net change in the fair value of securities held. Available funds are credited to the accumulated income account of each participating endowment on a quarterly basis at an established fixed rate of return (spending rate). The spending rate is determined annually by the Board of Directors with the objective of attaining long-term maximum prudent total return. For both 2018 and 2017, the approved spending rate was 4.5% of the fair value of the total permanently restricted net assets.

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.

Net assets with donor restrictions - purpose restricted (Note 10) consist primarily of college department and organization accounts and generally do not receive an allocation of investment income. For 2018 and 2017, the Foundation charged a fee of 3% against deposits into these accounts.

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.

## NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

**ALLOCATION OF EXPENSES** - Expenses in the statement of functional expenses are categorized on their 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). As previously noted, the LLC is considered a disregarded entity for federal and state income tax purposes and contributions made to the LLC are deductible for tax purposes.

The Foundation has determined that no material uncertain tax positions existed at December 31, 2018 and 2017, requiring recognition or disclosure in the financial statements. The Foundation's federal and state exempt organization returns for 2015 and later years are subject to possible examination, generally for three years after filing.

**IN-KIND DONATIONS** - In-kind donations are recorded at estimated fair value at the date of donation. Donations with donor restrictions are reported as increases in net assets with donor restrictions. In the year a donor's restriction is met, the donation is reflected as net assets with donor restrictions released from restriction on the statements of activities.

## NOTE 2 - INVESTMENTS

The Foundation reports marketable securities in accordance with FASB Accounting Standards Codification (ASC) 958-320. ASC 958-320 requires investment in equity securities with readily determinable fair values and all investments in debt securities to be measured at fair value at the statement of financial position date. Gains and losses on investments are reported in the statements of activities as increase or decreases in net assets without donor restrictions unless their use is restricted by donor stipulations. The Foundation reports gains and losses on investments restricted for scholarships and grants in the statements of activities as increases or decreases in net assets with donor restrictions. 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. It is the policy of the Foundation to liquidate gifts received in the form of securities as soon as possible.

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

	2018	2017
Equities - ETPs	\$ 9,533,544	\$ 9,158,586
Common Stocks	-	17,390
Mutual Funds - Equities	12,224,975	13,442,660
Mutual Funds - Fixed Income	8,588,433	10,372,238
Fixed Income - ETPs	3,688,046	2,669,869
Mutual Funds - Commodities Broad Basket	982,107	1,135,985
	<u>35,017,105</u>	<u>36,796,728</u>
Total cost of all investments at year-end	<u>31,321,429</u>	<u>28,708,169</u>
Net unrealized gain (loss) at year-end	<u>\$ 3,695,676</u>	<u>\$ 8,088,559</u>
Total cash investments held in all accounts at year-end	\$ 295,336	\$ 548,071

The fair values of the ETPs, common stocks, mutual funds, and cash investments at both December 31, 2018 and 2017, 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:

	2018	2017
Dividends, interest and capital gain distributions	\$ 1,247,459	\$ 1,009,824
Realized gain (loss) of sales of investments	850,509	1,656,759
Unrealized gain (loss) on investments	(4,393,079)	2,031,886
Investment management fees - external	(116,939)	(106,379)
	<u>\$ (2,412,050)</u>	<u>\$ 4,592,090</u>

### NOTE 3 - RECEIVABLES

	<u>2018</u>	<u>2017</u>
State University of New York at Fredonia Alumni Association, Inc.	\$ 13,875	\$ 12,954
Loan to students	1,223	1,223
Overpayments receivable	345	345
Gifts and contributions	<u>2,299,687</u>	<u>66,850</u>
	2,315,130	81,372
Less: allowance for doubtful accounts	<u>(290)</u>	<u>(290)</u>
	<u>\$ 2,314,840</u>	<u>\$ 81,082</u>

The amount due from the Association is for reimbursement of employment related costs and scholarship payments made by the Foundation on behalf of the Association. There were three student loans receivable at both December 31, 2018 and 2017. There is no interest charged to the Association or students.

Gifts and contributions of \$2,299,687 at December 31, 2018, were for 2018 dated donor contributions received and deposited in 2019.

### 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 6.5% at December 31, 2018, and 5.50% at December 31, 2017, and consisted of the following at December 31:

	<u>2018</u>	<u>2017</u>
Receivables due in less than one year	\$ 111,822	\$ 207,311
Receivables due in one to five years	96,000	173,900
	<u>207,822</u>	<u>381,211</u>
Allowance for doubtful promises	(20,782)	(38,121)
Discount to net present value	<u>(10,064)</u>	<u>(8,741)</u>
	<u>\$ 176,976</u>	<u>\$ 334,349</u>

### NOTE 5 - OTHER ASSETS

	<u>2018</u>	<u>2017</u>
REITs	\$ 20,000	\$ 20,000
Cash surrender value of life insurance policies	<u>45,361</u>	<u>45,139</u>
	<u>\$ 65,361</u>	<u>\$ 65,139</u>



## NOTE 6 - PROPERTY AND EQUIPMENT

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

	2018	2017
Land	\$ 5,000	\$ 5,000
Building	349,940	349,940
Improvements	302,984	241,659
Furnishing and equipment	9,430	9,430
	<u>667,354</u>	<u>606,029</u>
Less accumulated depreciation	<u>(318,594)</u>	<u>(294,314)</u>
	<u>\$ 348,760</u>	<u>\$ 311,715</u>

Depreciation expense for 2018 and 2017 was \$24,280 and \$20,968, respectively.

On June 16, 2014, the LLC accepted a donation of real property located at 60-62 Franklin Avenue, Dunkirk, NY. The property was reflected as a 2014 unrestricted contribution of \$1,650,000 based on an appraisal dated September 16, 2013. As a condition of the donation, the donor stipulated that the property not be sold for a period of three years from the date of donation for less than the appraised value. After the end of the three years, the property could be sold for any amount. No depreciation expense was recorded since the property was not utilized by the LLC.

In accordance with the requirements of FASB Accounting Standards Codification, 360-10-35, the Foundation recognized in 2017 an impairment loss of \$1,041,000 on the Franklin Avenue property. The impairment loss was to write-down the original carrying amount of the property to its fair value at December 31, 2107, less estimated direct costs to sell.

On August 6, 2018, the property was sold for a price of \$650,000. The net proceeds from the sale of \$302,673 as determined below, were designated as an unrestricted endowment by the Foundation's Board of Directors (Note 9).

Sales price	\$ 650,000
Closing costs	(44,652)
Reimbursement of property taxes	6,799
Proceeds received from sale	<u>612,147</u>
Accumulated costs incurred in holding property from acquisition to sale	<u>(309,474)</u>
Net cash from property gift	<u>\$ 302,673</u>

## NOTE 7 - ENDOWMENTS

The Foundation's endowment as of December 31, 2018 and 2017 consisted of 520 and 504 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. At December 31, 2018, ninety-two funds with a total required level of \$3,451,556 had a combined fair value of \$3,244,215 resulting in a deficiency of \$207,341. There was one deficient endowment fund by \$822 at December 31, 2017.

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, 2018 and 2017, 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.

## NOTE 7 - ENDOWMENTS, continued

### *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 2018 and 2017, the Foundation spending policy called for distribution of 4.5% of the average fair value of its endowment funds over the prior 12 quarters through the fourth quarter of the fiscal year preceding the fiscal year in which the distribution is planned. The Foundation will invest, reinvest, and account for the assets of the Endowment Fund in accordance with the standards established by the NYPMIFA that became law on September 17, 2010, and the general guidelines and policy adopted by the Foundation. The Foundation may expend so much of the endowment fund 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 \$382,734 and \$386,782 December 31, 2018 and 2017, respectively. The balance represents the present value of the aggregate liability for gift annuity agreements, based on acceptable life expectancy tables. Payments made in 2018 and 2017 on existing agreements were \$58,752 and \$60,518, respectively.

## NOTE 9 - NET ASSETS WITHOUT DONOR RESTRICTIONS

Changes in net assets without donor restrictions in 2017 and 2018, were as follows:

	Undesignated operations fund and Franklin Properties, LLC	Board designated endowment accumulated income	Annuities	Total
Balance at December 31, 2016	\$ 2,331,208	\$ 682,585	\$ 18,718	\$ 3,032,511
2017 Additions:				
Gifts, grants and bequests	144,869	-	-	144,869
Investment return (loss)	(638)	-	33,216	32,578
Change in cash surrender value of life insurance	6,653	-	-	6,653
Gain (loss) on annuities	22,022	-	(29,339)	(7,317)
Donated in-kind services	840,300	-	-	840,300
Rent	42,000	-	-	42,000
Net assets with donor restrictions released from restrictions (Note 10)	2,785,901	-	-	2,785,901
Transfer of investment return from net assets with donor restrictions (Note 10)	-	222,322	-	222,322
2017 Appropriations:				
Grants and scholarships	(1,012,370)	(13,625)	-	(1,025,995)
Academic support	(1,492,421)	(112,347)	-	(1,604,768)
Supporting services and LLC expenses	(1,303,354)	-	-	(1,303,354)
Other - impairment loss (Note 6)	(1,041,000)	-	-	(1,041,000)
Balance at December 31, 2017	1,323,170	778,935	22,595	2,124,700
2018 Additions:				
Gifts, grants and bequests	134,918	-	-	134,918
Investment return (loss)	839	-	(15,045)	(14,206)
Gain on sale of LLC property	3,147	-	-	3,147
Change in cash surrender value of life insurance	222	-	-	222
Gain (loss) on annuities	10,431	-	(24,200)	(13,769)
Donated in-kind services	658,723	-	-	658,723
Rent	42,000	-	-	42,000
Net assets with donor restrictions released from restrictions (Note 10)	2,458,077	-	-	2,458,077
Transfer of investment (loss) from net assets with donor restrictions (Note 10)	-	(199,446)	-	(199,446)
Transfers	(302,673)	302,673	-	-
2018 Appropriations:				
Grants and scholarships	(1,030,123)	(11,250)	-	(1,041,373)
Academic support	(1,128,096)	(4,285)	-	(1,132,381)
Supporting services and LLC expenses	(1,066,873)	-	-	(1,066,873)
Balance at December 31, 2018	\$ 1,103,762	\$ 866,627	\$ (16,650)	\$ 1,953,739

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

	<u>2018</u>	<u>2017</u>
Endowed scholarships, grants, and program support	\$ 7,058,532	\$ 10,836,555
College departments and pass-through funds	<u>1,828,653</u>	<u>1,652,119</u>
	<u>\$ 8,887,185</u>	<u>\$ 12,488,674</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, 2016	\$ 7,896,994	\$ 1,803,722	\$ 9,700,716
2017 Additions:			
Gifts, grants and bequests	-	1,142,729	1,142,729
In-kind donations	-	6,640	6,640
Event receipts	-	132,380	132,380
Adjustments for promises made	-	(10,881)	(10,881)
Investment return (loss)	4,525,313	-	4,525,313
2017 Appropriations:			
Released from restrictions (Note 9)	(1,363,430)	(1,422,471)	(2,785,901)
Transfer of investment (return) loss to net assets without donor restrictions (Note 9)	<u>(222,322)</u>	<u>-</u>	<u>(222,322)</u>
Balance at December 31, 2017	10,836,555	1,652,119	12,488,674

2018 Additions:			
Gifts, grants and bequests	-	1,062,553	1,062,553
In-kind donations	-	35,700	35,700
Event receipts	-	110,794	110,794
Adjustments for promises made	-	(170,474)	(170,474)
Investment return (loss)	(2,381,431)	-	(2,381,431)
2018 Appropriations:			
Released from restrictions (Note 9)	(1,596,038)	(862,039)	(2,458,077)
Transfer of investment (return) loss to net assets without donor restrictions (Note 9)	199,446	-	199,446
	<u>199,446</u>	<u>-</u>	<u>199,446</u>
Balance at December 31, 2018	<u>\$ 7,058,532</u>	<u>\$ 1,828,653</u>	<u>\$ 8,887,185</u>

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 2018 and 2017, were as follows:

	2018	2017
College departments, programs, and support services	\$ 1,118,096	\$ 1,492,420
Scholarships and student award	866,872	846,776
1.25% management fees	473,109	446,705
Total released from restrictions	<u>2,458,077</u>	<u>2,785,901</u>
Portion of investment return (loss) transferred to net assets without donor restrictions	<u>(199,446)</u>	<u>222,322</u>
Total net assets released from restrictions and transfer of investment return (loss)	<u>\$ 2,258,631</u>	<u>\$ 3,008,223</u>

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, 2018 and 2017:

	<u>2018</u>	<u>2017</u>
Endowment	\$ 27,254,552	\$ 23,820,477
Building towards endowment	183,925	176,075
Permanently restricted bequests and pledges receivable	176,976	164,284
Permanently restricted annuities	<u>95,861</u>	<u>104,598</u>
	<u>\$ 27,711,314</u>	<u>\$ 24,265,434</u>

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

	<u>Endowment</u>	<u>Building towards endowment</u>	<u>Bequests and pledges receivable</u>	<u>Permanently restricted annuities</u>	<u>Total</u>
Balance at December 31, 2016	\$ 21,953,188	\$ 223,540	\$ 233,558	\$ 94,163	\$ 22,504,449
2017 Activity and Changes:					
Gifts, grants and bequests	1,734,185	85,639	-	-	1,819,824
Adjustments for promises made	-	-	(69,274)	-	(69,274)
Gifts from annuity contracts	-	-	-	-	-
Actuarial gain/(loss) on annuities	-	-	-	(23,764)	(23,764)
Investment return (loss)	-	-	-	34,199	34,199
Transfers	<u>133,104</u>	<u>(133,104)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Balance at December 31, 2017	23,820,477	176,075	164,284	104,598	24,265,434

2018 Activity and Changes:

Gifts, grants and bequests	3,401,665	40,260	-	-	3,441,925
Adjustments for promises made	-	-	12,692	-	12,692
Gifts from annuity contracts	-	-	-	27,886	27,886
Actuarial gain/(loss) on annuities	-	-	-	(20,210)	(20,210)
Investment return (loss)	-	-	-	(16,413)	(16,413)
Transfers	32,410	(32,410)	-	-	-
	<u>32,410</u>	<u>(32,410)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Balance at December 31, 2018	<u>\$ 27,254,552</u>	<u>\$ 183,925</u>	<u>\$ 176,976</u>	<u>\$ 95,861</u>	<u>\$ 27,711,314</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, 2015 through February 28, 2020. 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 \$658,723 for 2018 and \$840,300 for 2017.

A Memorandum of Understanding (MOU) dated August 26, 2014, between the Foundation and Fredonia provides that Fredonia will reimburse the Foundation for certain services and costs incurred by the Foundation/LLC related to the property at 60-62 Franklin Avenue, Dunkirk, NY. Upon the sale of the property, the Foundation/LLC will then repay Fredonia in full for all amounts reimbursed the Foundation in accordance with the MOU. The property was sold in 2018 (Note 6) and the Foundation repaid Fredonia \$251,117 for the cumulative reimbursed costs from 2014 - 2018.

#### 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, 2018 or 2017. Interest is at the prime rate.

#### NOTE 14 - CONCENTRATION OF CREDIT RISK

At December 31, 2018 and 2017, the Foundation had a combined \$319,601 and \$319,875, respectively, of cash in two financial institutions in excess of the FDIC 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 2018 and 2017 was \$5,544 and \$5,432, respectively.

#### NOTE 16 - SUBSEQUENT EVENTS

Events and transactions through April 17, 2019, the date the financial statements were available to be issued, have been evaluated by management for the purpose of determining whether there were any events that might require disclosure in these financial statements.

## NOTE 17 - RECLASSIFICATIONS

Certain accounts and amounts in the 2017 financial statements have been reclassified for comparative purposes to conform with the presentation of the 2018 financial statements.

## NOTE 18 - LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

The Foundation considers the following financial assets to be available within one year of December 31, 2018, 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.

Cash and cash equivalents	\$ 769,113
Investments and other assets	<u>297,521</u>
Financial assets available within one year	<u>\$ 1,066,634</u>

The Foundation holds the cash and cash equivalent in a checking account, an interest-bearing savings, 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, 2018, such income was \$235,230, with an additional \$84,250 becoming available for use on July 1, 2019. In addition, the Foundation's expected 1.25% management fees charged to donor-restricted funds in 2019 is \$450,000. These fees would also be available for general expenditures. A \$250,000 line of credit is also available to provide for unexpected liquidity needs.