

NORTHERN CHAUTAUQUA COMMUNITY FOUNDATION

FINANCIAL STATEMENTS

**YEARS ENDED
DECEMBER 31, 2020 AND 2019**

NORTHERN CHAUTAUQUA COMMUNITY FOUNDATION

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Independent Auditors' Report

To the Board of Directors of
Northern Chautauqua Community Foundation

We have audited the accompanying financial statements of Northern Chautauqua Community Foundation (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 principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the 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 of material misstatement.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Northern Chautauqua Community Foundation 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

June 4, 2021

**NORTHERN CHAUTAUQUA COMMUNITY FOUNDATION
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2020 AND 2019**

ASSETS

	2020	2019
CURRENT ASSETS		
Cash and cash equivalents	\$ 155,988	\$ 73,176
OTHER ASSETS		
Investments	33,347,777	29,733,908
Cash surrender value of life insurance	27,016	25,403
Property and equipment, net	127,505	64,143
TOTAL ASSETS	\$ 33,658,286	\$ 29,896,630

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES		
Grants and accounts payable	\$ 27,394	\$ 21,906
Accrued expenses payable	5,112	6,517
Gift annuity payable	17,188	18,109
Total current liabilities	49,694	46,532
Funds held for agencies and pass-through funds	3,490,651	2,763,665
Total liabilities	3,540,345	2,810,197
NET ASSETS WITHOUT DONOR RESTRICTIONS		
Operating	13,343	4,487
Property and equipment	127,505	64,143
Board designated - building reserve	10,000	30,000
Community benefit funds	8,012,801	7,254,622
Designated funds	10,393,346	9,125,646
Donor advised funds	1,300,357	1,198,164
Scholarship funds	10,291,820	9,405,699
Gift annuity	(31,231)	(30,018)
Total net assets without donor restrictions	30,117,941	27,052,743
NET ASSETS WITH DONOR RESTRICTIONS	-	33,690
Total net assets	30,117,941	27,086,433
TOTAL LIABILITIES AND NET ASSETS	\$ 33,658,286	\$ 29,896,630

The accompanying notes are an integral part of these financial statements.

NORTHERN CHAUTAUQUA COMMUNITY FOUNDATION
STATEMENTS OF ACTIVITIES
YEARS ENDED DECEMBER 31, 2020 AND 2019

	2020		
	Without Donor Restrictions	With Donor Restrictions	Total
Revenues, Gains/(Losses), and Other Support			
Contributions and grants	\$ 1,431,592	\$ -	\$ 1,431,592
In-kind contributions - securities	497	-	497
Investment return	3,122,803	-	3,122,803
Interest income - bank checking	172	-	172
Membership dues and other income	19,250	-	19,250
Net revaluation of gift annuity	(1,213)	-	(1,213)
Change in surrender value of life insurance	1,613	-	1,613
Administrative fees - Funds Held for Agencies	23,562	-	23,562
Net assets released from purpose restrictions	33,690	(33,690)	-
Total revenues, gains/(losses) and other support	4,631,966	(33,690)	4,598,276
Expenses			
Program services:			
Grants	1,006,791	-	1,006,791
Other expenses	227,071	-	227,071
Total program services	1,233,862	-	1,233,862
Management and general	126,294	-	126,294
Fundraising	20,347	-	20,347
Total expenses	1,380,503	-	1,380,503
Change in net assets from operations	3,251,463	(33,690)	3,217,773
Other change - net transfers from/(to) Agency/Pass-through funds	(186,265)	-	(186,265)
Total change in net assets	3,065,198	(33,690)	3,031,508
Net assets, beginning	27,052,743	33,690	27,086,433
Net assets, ending	\$ 30,117,941	\$ -	\$ 30,117,941

2019

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues, Gains/(Losses), and Other Support			
Contributions and grants	\$ 593,643	\$ 75,000	\$ 668,643
In-kind contributions - securities	10,580	-	10,580
Investment return	4,727,708	-	4,727,708
Interest income - bank checking	129	-	129
Membership dues and other income	20,900	-	20,900
Net revaluation of gift annuity	(3,104)	-	(3,104)
Change in surrender value of life insurance	1,425	-	1,425
Administrative fees - Funds Held for Agencies	22,904	-	22,904
Net assets released from purpose restrictions	41,310	(41,310)	-
Total revenues, gains/(losses) and other support	5,415,495	33,690	5,449,185
Expenses			
Program services:			
Grants	1,033,963	-	1,033,963
Other expenses	214,127	-	214,127
Total program services	1,248,090	-	1,248,090
Management and general	94,776	-	94,776
Fundraising	47,388	-	47,388
Total expenses	1,390,254	-	1,390,254
Change in net assets from operations	4,025,241	33,690	4,058,931
Other change - net transfers from/(to) Agency/Pass-through funds	60,916	-	60,916
Total change in net assets	4,086,157	33,690	4,119,847
Net assets, beginning	22,966,586	-	22,966,586
Net assets, ending	\$ 27,052,743	\$ 33,690	\$ 27,086,433

The accompanying notes are an integral part of these financial statements.

**NORTHERN CHAUTAUQUA COMMUNITY FOUNDATION
STATEMENTS OF FUNCTIONAL EXPENSES
YEARS ENDED DECEMBER 31, 2020 AND 2019**

2020

	Program Services	Management and General	Fundraising	Total
Grants	\$ 1,006,791	\$ -	\$ -	\$ 1,006,791
Salaries	150,163	83,697	12,308	246,168
Health insurance and retirement	11,912	6,639	976	19,527
Payroll taxes	12,276	6,843	1,006	20,125
Utilities	1,296	2,676	209	4,181
Conferences and meetings	100	41	21	162
Office supplies and expenses	6,083	2,453	1,276	9,812
Dues and subscriptions	3,252	1,311	682	5,245
Telephone	833	1,720	134	2,687
Insurance	1,480	3,056	239	4,775
Travel and promotion	2,735	1,103	573	4,411
Computer support	10,786	4,349	2,262	17,397
Professional fees - consulting	22,470	-	-	22,470
Accounting/auditing services	-	7,089	-	7,089
Depreciation expense	895	1,848	144	2,887
Building maintenance	1,411	2,913	228	4,552
Miscellaneous	1,379	556	289	2,224
	<u>\$ 1,233,862</u>	<u>\$ 126,294</u>	<u>\$ 20,347</u>	<u>\$ 1,380,503</u>

2019

	Program Services	Management and General	Fundraising	Total
Grants	\$ 1,033,963	\$ -	\$ -	\$ 1,033,963
Salaries	135,304	64,570	32,285	232,159
Health insurance and retirement	9,047	4,318	2,159	15,524
Payroll taxes	10,638	5,010	2,505	18,153
Utilities	2,405	1,133	567	4,105
Conferences and meetings	2,104	1,148	574	3,826
Office supplies and expenses	6,640	3,141	1,570	11,351
Dues and subscriptions	836	394	197	1,427
Telephone	1,519	716	358	2,593
Insurance	2,933	1,382	691	5,006
Travel and promotion	3,489	1,904	952	6,345
Computer support	9,725	5,304	2,652	17,681
Professional fees - consulting	17,470	-	-	17,470
Accounting/auditing services	6,362	2,996	1,498	10,856
Depreciation expense	1,564	736	368	2,668
Building maintenance	2,579	1,215	607	4,401
Miscellaneous	1,512	809	405	2,726
	<u>\$ 1,248,090</u>	<u>\$ 94,776</u>	<u>\$ 47,388</u>	<u>\$ 1,390,254</u>

The accompanying notes are an integral part of these financial statements.

**NORTHERN CHAUTAUQUA COMMUNITY FOUNDATION
STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2020 AND 2019**

	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 3,031,508	\$ 4,119,847
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
In-kind contributions - securities	(497)	(10,580)
Net realized and unrealized losses (gains) on investments	(2,637,938)	(4,103,138)
Net revaluation of gift annuity	1,213	3,104
Change in cash surrender value of life insurance	(1,613)	(1,425)
Depreciation	2,887	2,668
Increase (decrease) in:		
Grants and accounts payable	5,488	12,441
Accrued expenses payable	(1,405)	6,517
Gift annuity payable	(921)	968
Funds held for agencies and pass-through funds	726,986	379,538
	<u>1,125,708</u>	<u>409,940</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property and equipment	(66,249)	(1,781)
Proceeds from sale of investments	4,723,261	6,425,979
Purchases of investments, including reinvested investment income	(5,699,908)	(6,838,465)
	<u>(1,042,896)</u>	<u>(414,267)</u>
Net cash provided (used) by investing activities		
Change in cash and cash equivalents	82,812	(4,327)
Cash and cash equivalents, beginning	<u>73,176</u>	<u>77,503</u>
Cash and cash equivalents, ending	<u>\$ 155,988</u>	<u>\$ 73,176</u>

The accompanying notes are an integral part of these financial statements.

NORTHERN CHAUTAUQUA COMMUNITY FOUNDATION

NOTES TO FINANCIAL STATEMENTS

FOUNDATION BACKGROUND AND PURPOSE - The Northern Chautauqua Community Foundation (the Foundation) is a publicly supported not-for-profit corporation created in 1986 to improve and enhance the community through endowment building. Efforts focus on local philanthropy, strategic grant making, community leadership, and collaboration. The Foundation operates primarily in the northern region of Chautauqua County, NY, and receives and invests gifts from individuals, corporations, foundations, and other not-for profit organizations. These funds are invested and the income generated thereon is used for the community's charitable needs. The Foundation is administering over 400 funds.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

BASIS OF ACCOUNTING - The financial statements of the Foundation have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables, and other liabilities. In order to account for assets, liabilities, revenues, and expenditures directly related to activities, separate funds are used by the Foundation.

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.

The Foundation's net assets without donor restrictions consist of the following types of funds:

Endowed Funds - Funds established to last in perpetuity.

Operations and Administration - Net assets available for the overall general operation of and administration of the Foundation.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

CONTRIBUTIONS 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 standard 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, 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 on 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 statements under a modified prospective basis. Accordingly, there was no effect on net assets upon implementation.

Contributions of cash, securities, other assets, and donated property and equipment are recorded at estimated fair value at the date of donation. All contributions are reported as net assets without donor restrictions, unless subject to a donor's time and/or purpose restriction. It is the Foundation's policy to liquidate contributions of securities as soon as possible after receipt. Any gain or loss on liquidation is allocated to the appropriate fund.

Under generally accepted accounting principles in the United States of America, if the governing board of an organization has the unilateral power to redirect the use of a donor's contribution to another beneficiary, such contributions are to be classified as net assets without donor restrictions. The bylaws of the Foundation include a variance power provision giving the Foundation's Board of Directors the power to vary the use of funds if the stated purpose of a fund becomes no longer applicable and therefore, incapable of fulfillment. Based on this provision, all contributions received by the Foundation, except for contributions to Funds Held for Agencies and Pass-Through Funds (Note 6), are reported as revenue without donor restrictions on the statements of activities.

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. Acquisitions of investments are recorded as cost, or if donated, at fair value on the date of donation. Investment return (loss) is reported in the statement of activities as an increase or decrease in net assets without donor restrictions. For the components of *Investment return (loss)* as reported on the statements of activities, see Note 2. The Foundation adopted FASB Accounting Standards Updates (ASU) No. 2016-01, *Financial Instruments - Overall (Subtopic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities* and ASU No. 2018-03, *Technical Corrections and Improvements to Financial Assets and Financial Liabilities*. ASU No. 2016-01 provides guidance for the recognition, measurement, presentation, and disclosure of financial instruments. ASU No. 2018-03 clarifies certain aspects of the guidance in ASU No. 2016-01. Both ASUs were applicable to the Foundation as of January 1, 2019. Application of the ASUs did not result in any cumulative effect adjustment as of such date.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

CASH AND CASH EQUIVALENTS - For the purposes of the statements of cash flows, the Foundation considers highly liquid investments with an initial maturity of three months or less to be cash equivalents. Money market funds, a money market account, along with certificates of deposits held as investments (Note 2), are not considered as cash and cash equivalents for purposes of the statements of cash flows.

PROPERTY, EQUIPMENT AND DEPRECIATION - Property and equipment are stated at cost or, if donated, at the estimated fair value at the date of donation and depreciated using the straight-line method over estimated useful lives. The Foundation's policy is to capitalize most acquisitions in excess of \$1,000. At the discretion of management, technology acquisitions in excess of \$1,000 can be expensed or capitalized.

GRANTS - Grants are recorded as expenses and are considered payable when approved by the Board of Directors.

USE OF ESTIMATES - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from these estimates.

INCOME TAXES - The Foundation is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. Contributions to the Foundation are deductible under section 170(c) of the Code. The Foundation is not a private foundation as described in Section 509(a) of the Code. The Foundation's federal and state exempt organization returns for 2017 and later years remain open to examination, generally for three years after filing.

ALLOCATION OF EXPENSES - Expenses are summarized and categorized based on natural and functional classifications as either program or supporting services. Specific expenses that are readily identifiable to program or to a supporting service are charged directly to that function. In 2020, allocations of expenses benefiting more than one function were based on either employee time studies, square footage, or number of employees. Allocation of most categories of expenses in 2019 was based on the following estimates by management: 55% to program services/30% to management and general/15% to fundraising. Expenses of \$11,427 and \$5,693 allocated to pass-through funds in 2020 and 2019, respectively, are not reflected as reported expenses of the Foundation.

DONATED SERVICES - Donated services are recognized as contributions in accordance with Financial Auditing Standards Board Topic 958-605, *Not-for-Profit Entities - Revenue Recognition - Contributed Services*, if the services (a) create or enhance non-financial assets or (b) require specialized skills, are performed by people with those skills, and would have otherwise been purchased by the Foundation. The Foundation did not recognize any donated services, but many individuals volunteer their time and perform a variety of tasks that assist the Foundation with specific programs and various committee assignments.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

FUNDS HELD FOR AGENCIES AND PASS-THROUGH FUNDS - The Foundation accepts funds from, and holds certain assets for the benefit of, other non-profit organizations and other entities. The Foundation maintains variance power and also legal ownership of these funds held for agencies. Pass-through funds are funds established by donors with the intent of distributing entire balances within a short period of time after receipt, when requested by donors. The Foundation is acting only as a temporary custodian of the pass-through funds. In accordance with U.S. GAAP, assets of both fund types are reported as assets of the Foundation, but with a corresponding liability, *Funds held for agencies and pass-through funds*, on the statements of financial position. All activity attributable of these funds, including contributions, fund-raising revenues, investment return, and grants, is excluded from the Foundation's statements of activities (see Note 6). As described in the following section, administrative fees charged by the Foundation on funds held for agencies are recognized as income of the Foundation on the statements of activities.

ADMINISTRATIVE FEES - The Foundation charges all endowed funds and funds held for agencies, a fee for managing and administering the funds. Fees charged to the endowed funds are internal transfers of Foundation assets and are therefore are not reflected as either revenue or expense in the statements of activities. Effective with the 2019 financial statements, fees charged to funds held for agencies are reported as income on the statement of activities. Prior to 2019, fees from these funds were netted against reported expenses of the Foundation. In 2020 and 2019, fees from funds held for agencies were \$23,562 and \$22,904, respectively. Pass-through funds are not charged a fee.

PAYCHECK PROTECTION PROGRAM (PPP) LOAN - The Foundation's policy is to account for a forgivable loan received through the Small Business Administration (SBA) under the *Coronavirus Aid, Relief, and Economic Security (CARES) Act* Paycheck Protection Program (PPP), as a conditional contribution in accordance with FASB Accounting Standards Codification (ASC) 958-605, *Not-For-Profit Entities - Revenue Recognition*. Management believes the loan represents, in substance, a grant that is expected to be forgiven. As such, the loan/grant is initially reported as a refundable advance liability when received and recognized as contribution revenue when all conditions are substantially met or explicitly waived. Management has taken the position that the incurrence of eligible loan/grant expenses during the designated loan period substantially meets all conditions for recognition as contribution revenue. As such, the full amount of the loan/grant of \$44,000 has been recognized as contribution revenue in 2020. Loan forgiveness was applied for in 2021 and management expects the full loan amount will be forgiven. Any amount not forgiven by the SBA would be considered a loan and subject to repayment in accordance with the terms of the PPP note.

NOTE 2 - INVESTMENTS AND FAIR VALUE MEASUREMENTS

Investments consisted of the following at December 31:

	2020	
	Fair Market	Cost
Equity and debt securities:		
Money Market Funds - brokerage accounts	\$ 523,031	\$ 523,031
Mutual Funds - bonds	939,583	928,395
Mutual Funds - equities	17,573,516	10,285,343
Exchange Traded Funds - bonds	2,117,836	2,109,548
Exchange Traded Funds - equities	7,100,888	5,139,719
Corporate Bonds	2,449,046	2,412,989
Municipal Bond	300,193	296,395
Total equity and debt securities	<u>31,004,093</u>	<u>21,695,420</u>
Other investments:		
Money Market Account - financial institution	40,730	40,730
Certificates of Deposit - brokerage account	2,302,954	2,266,961
	<u>\$ 33,347,777</u>	<u>\$ 24,003,111</u>
	2019	
	Fair Market	Cost
Equity and debt securities:		
Money Market Funds - brokerage accounts	\$ 587,235	\$ 587,235
Mutual Funds - bonds	838,722	850,184
Mutual Funds - equities	15,994,662	10,375,562
Exchange Traded Funds - bonds	1,809,023	1,804,717
Exchange Traded Funds - equities	6,289,062	4,948,677
Corporate Bonds	2,285,303	2,283,452
Municipal Bond	128,199	126,671
Total equity and debt securities	<u>27,932,206</u>	<u>20,976,498</u>
Other investments:		
Money Market Account - financial institution	40,628	40,628
Certificates of Deposit - brokerage account	1,761,074	1,758,176
	<u>\$ 29,733,908</u>	<u>\$ 22,775,302</u>

In October 2019, the Foundation redeemed a \$500,000 investment in income participating notes, less a 5% redemption fee of \$25,000.

NOTE 2 - INVESTMENTS AND FAIR VALUE MEASUREMENTS, continued

Investment return as reported on the statements of activities:

	2020	2019
Interest, dividends, and capital gain distributions	\$ 517,168	\$ 656,106
Net realized gains (losses)	439,521	27,168
Net unrealized gains (losses)	2,198,417	4,075,970
Investment management fees - external	(32,303)	(31,536)
	<u>\$ 3,122,803</u>	<u>\$ 4,727,708</u>

The cost of basis for sales of exchange traded and mutual funds is based on the FIFO method. For sales of all other investments, specific identification cost is used.

Fair Value Measurements

Accounting principles generally accepted in the United States of America establish a framework of measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The three levels of the hierarchy are described below:

Level 1 (Highest Priority) - Inputs to valuation are unadjusted quoted prices for identical assets or liabilities in active markets.

Level 2 - Inputs to valuation include quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in inactive markets; inputs other than quoted prices that are observable for the asset or liability; and inputs that are derived principally from or corroborated by observable market data by correlation or by other means.

Level 3 (Lowest Priority) - Inputs to the valuation that are unobservable and significant to the fair value measurement.

An asset or liability's fair value measurement level within the hierarchy is based on the lowest level of any input that is significant to the fair value measurement.

Valuation methods used for measuring fair value of investments:

Money Market Funds/Exchange Traded Funds/Mutual Funds - Valued at net asset value (NAV) of shares on the last trading day of the calendar year, which is the basis for transactions at that date.

Corporate and Municipal Bonds - Values are based on either active secondary or OTC markets supported by bond dealers.

NOTE 2 - INVESTMENTS AND FAIR VALUE MEASUREMENTS, continued

Fair Value Measurements, continued

The Foundation has elected to report *Other investments* at fair value. Cash surrender value is use to estimate the fair value of the money market account and certificates of deposit. Such values do not differ significantly from cost. The initial maturity of all certificates of deposit held at December 31, 2020 and 2019, ranged from one to five years.

The Foundation recognized transfers into and out of the levels within the fair value hierarchy at the end of the reporting period. There were no transfers between levels in 2020 or 2019.

Fair value of investments measured on a recurring basis at December 31:

	2020		
	Level 1	Level 2	Level 3
Money Market Funds	\$ 523,031	\$ -	\$ -
Mutual Funds - bonds	939,583	-	-
Mutual Funds - equities	17,573,516	-	-
Exchange Traded Funds - bonds	2,117,836	-	-
Exchange Traded Funds - equities	7,100,888	-	-
Corporate Bonds	-	2,449,046	-
Municipal Bond	-	300,193	-
Money Market Account	-	-	40,730
Certificates of Deposit	-	-	2,302,954
	<u>\$ 28,254,854</u>	<u>\$ 2,749,239</u>	<u>\$ 2,343,684</u>
	2019		
	Level 1	Level 2	Level 3
Money Market Funds	\$ 587,235	\$ -	\$ -
Mutual Funds - bonds	838,722	-	-
Mutual Funds - equities	15,994,662	-	-
Exchange Traded Funds - bonds	1,809,023	-	-
Exchange Traded Funds - equities	6,289,062	-	-
Corporate Bonds	-	2,285,303	-
Municipal Bond	-	128,199	-
Money Market Account	-	-	40,628
Certificates of Deposit	-	-	1,761,074
	<u>\$ 25,518,704</u>	<u>\$ 2,413,502</u>	<u>\$ 1,801,702</u>

Due to investment market fluctuations and changes in the composition of the Foundation's investments, the fair value of the Foundation's investments on any date after December 31, 2020, could differ significantly from the above reported fair value of investments held at December 31, 2020.

The Foundation's investment committee, with guidance from a professional investment consulting firm, actively reviews investment objectives, performance, and holdings.

NOTE 2 - INVESTMENTS AND FAIR VALUE MEASUREMENTS, continued

Fair Value Measurements, continued

Changes in Level 3 investments during 2020 and 2019:

	2020	2019
Balance at beginning of year	\$ 1,801,702	\$ 1,656,961
Proceeds - redemption of income participation notes	-	(475,000)
Fee on redemption of income participation notes	-	(25,000)
Purchases of certificates of deposit, including \$540,000 and \$750,000 bought and redeemed in 2020 and 2019, respectively.	2,026,393	2,008,453
Maturities or redemptions during the year	(1,515,000)	(1,372,881)
Change in reported market value	29,698	8,291
Interest reinvested in certificate of deposit	789	777
Interest reinvested in money market account	102	101
	<u>2,343,684</u>	<u>1,801,702</u>
Balance at end of year	<u>\$ 2,343,684</u>	<u>\$ 1,801,702</u>

NOTE 3 - LIFE INSURANCE POLICIES

The Foundation is the owner and beneficiary of an adjustable life policy on one individual and a whole life policy on another individual. The combined cash surrender values was approximately \$27,016 and \$25,403 at December 31, 2020 and 2019, respectively. Combined cash values was approximately \$75,000 at both December 31, 2020 and 2019.

In 2020, the insured of the adjustable life policy passed away. In April 2021, the Foundation received a lump sum benefit payment of \$23,908.

NOTE 4 - PROPERTY AND EQUIPMENT

	2020	2019
Office furniture and equipment	\$ 45,325	\$ 58,632
Building	127,047	60,798
Land	10,000	10,000
	<u>182,372</u>	<u>129,430</u>
Less accumulated depreciation	<u>(54,867)</u>	<u>(65,287)</u>
	<u>\$ 127,505</u>	<u>\$ 64,143</u>

Depreciation expense for 2020 and 2019 was \$2,887 and \$2,668, respectively. In 2020, fully depreciated equipment items of \$13,307 no longer held, were written-off.

NOTE 5 - GIFT ANNUITY PAYABLE

A charitable gift annuity is a contract between the Foundation and a donor. The Foundation agrees to pay a donor (or other person named by the donor) a lifetime annuity in return for a gift of cash or securities. The Foundation used fair market value for recognizing assets related to the gift annuity payable in the financial statements. The Foundation maintains investments in U.S. Treasury funds for the payment of the annuity. The investment amount met the requirement under New York State Insurance Law.

The actuarially determined value of the annuity payable was \$17,187 and \$18,109 at December 31, 2020 and 2019, respectively. The balances represent the present value of the liability for the annuity agreement based on acceptable life expectancy tables. The distribution paid to the annuitant in both 2020 and 2019, was \$2,135.

NOTE 6 - FUNDS HELD FOR AGENCIES AND PASS-THROUGH FUNDS

As discussed in Note 1, all financial activity related to funds held for agencies and pass-through funds is recorded as adjustments to the *Funds held for agencies and pass-through funds* liability on the statements of financial position and is omitted from the statements of activities.

Combined activity of the funds in the years:

	2020	2019
Additions:		
Contributions	\$ 472,991	\$ 277,480
Fundraising revenues	157,422	224,385
Investment return, net of investment management fees of \$3,000 for 2020 and \$2,903 for 2019	270,568	435,065
Transfers	186,265	-
	<u>1,087,246</u>	<u>936,930</u>
Deductions:		
Grants	283,896	370,970
Fundraising expenses	41,375	96,908
Administrative fees and allocated expenses	34,989	28,598
Transfers	-	60,916
	<u>360,260</u>	<u>557,392</u>
Change in balance	726,986	379,538
Balance, beginning of year	<u>2,763,665</u>	<u>2,384,127</u>
Balance, end of year	<u>\$ 3,490,651</u>	<u>\$ 2,763,665</u>
Total year-end balances by fund type:		
Agency (23 funds held for both years)	\$ 2,737,773	\$ 2,521,068
Pass-through (47 for 2020 and 43 for 2019)	752,878	242,597
	<u>\$ 3,490,651</u>	<u>\$ 2,763,665</u>

NOTE 7 - NET ASSETS WITH DONOR RESTRICTIONS - PURPOSE RESTRICTED

Grant received in 2019 from the Ralph C. Wilson, Jr. Foundation to support establishment of an action plan for the Local Economic Development (LED) Initiative and also for an economic development planning process in Chautauqua County.

Grant received	\$ 75,000
Expenditures in 2019:	
Grant to Chautauqua Region Economic Development Corp	(23,840)
Professional consultant services	<u>(17,470)</u>
Balance at December 31, 2019	33,690
Expenditures in 2020:	
Grant to Chautauqua Region Economic Development Corp	(11,220)
Professional consultant services	<u>(22,470)</u>
Balance at December 31, 2020	<u><u>\$ -</u></u>

NOTE 8 - ENDOWMENTS

Return Objectives and Risk Parameters

The primary investment objective of the Foundation is to maximize long-term real (after inflation) investment returns, recognizing established risk parameters and the need to preserve capital. The possibility of short-term declines in market value is acceptable in order to achieve potentially higher long-term investment returns. The Foundation has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment assets. Under New York's Prudent Management of Institutional Funds Act (NYPMIFA), adopted by New York State, the Foundation, at its discretion, has the ability to distribute endowment assets below the donor's original dollar value of the gift.

Strategies Employed for Achieving 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) and current yield (interest and dividends). The objectives shall be accomplished by utilizing a strategy of equities, fixed income, and cash equivalents in a mix that is conducive to participating in a rising market while allowing for adequate protection in a falling market.

NOTE 8 - ENDOWMENTS, continued

Spending Policy and How the Investment Objectives Relate to Spending Policy

The Foundation's spending policy complies with the requirements of NYPMIFA.

The grant spending policy percentage effective as of January 1, 2019, is 4%. Amounts available to spend are based on an endowment's average fair value over a trailing 20 quarter period. Spending is also dependent upon the type of fund established. The spending policy takes into consideration the Foundation's investment total return strategy.

The administrative fee charged to funds was 1% in both 2020 and 2019, except for two scholarship funds that were charged 2% in both years (see Note 9).

Funds with Deficiencies

The fair value of individual endowment and/or scholarship funds below historical gift value at December 31:

	2020	2019
Fair value of funds (2019 - two funds)	\$ -	\$ 100,537
Historical gifts	-	100,735
Deficiency	<u>\$ -</u>	<u>\$ (198)</u>

NOTE 9 - ADMINISTRATIVE FEES CHARGED TO FUNDS

The Foundation charges all funds, except pass-through funds, under its management a quarterly administrative fee. The quarterly fee for the majority of funds is 1% and is based on the average beginning and ending year-to-date balance of each fund. The administrative fees of \$23,562 and \$22,904 from funds held for agencies was recorded as income on the 2020 and 2019 statement of activities, respectively.

Administrative fees by fund type:

	2020	2019
Community benefit funds	\$ 68,061	\$ 67,399
Board-designated	6,834	6,395
Designated funds	76,027	74,578
Donor advised funds	11,146	10,983
Scholarship funds	125,559	124,983
	<u>287,627</u>	<u>284,338</u>
Funds held for agencies	<u>23,562</u>	<u>22,904</u>
	<u>\$ 311,189</u>	<u>\$ 307,242</u>

NOTE 10 - CONCENTRATIONS OF RISK

Credit Risk

At certain times throughout both 2020 and 2019, the Foundation maintained cash balances at one financial institution that exceeded the FDIC limit of \$250,000. No amounts were in excess of the limit at December 31, 2020 or 2019.

Geographic Support Risk

The Foundation conducts its operations mainly in Chautauqua County of western New York. As such, future contributions to the Foundation are subject to risk from changes in the local economic conditions.

NOTE 11 - EMPLOYEE BENEFIT PLAN

In 2019, the Foundation established a SIMPLE-IRA plan for eligible employees. The Foundation's match in 2020 (3%) and 2019 (2%) was \$6,346 and \$3,215, respectively.

NOTE 12 - RECLASSIFICATIONS

Certain amounts and accounts in the 2019 financial statements and related notes have been reclassified for comparative purposes to conform with the presentation of the 2020 financial statements and related notes.

NOTE 13 - LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

The Foundation regularly reviews its financial position and operations, including liquidity required to meet general expenditures, liabilities, and obligations that may come due. General expenditures are considered to include expenses routinely incurred in management and general, fundraising, and program services (i.e. management of endowment funds and grant making functions). The Foundation's financial asset available for meeting general expenditures is cash maintained in an insured checking account.

Financial assets considered available within one year of December 31 to meet general expenditures, reduced by amounts not available because of donor-imposed restrictions, are as follows:

	2020	2019
Cash - checking	\$ 155,988	\$ 73,176
Less those unavailable for general expenditure due to:		
Donor-imposed restrictions (Note 7)	-	(33,690)
Financial assets available	<u>\$ 155,988</u>	<u>\$ 39,486</u>

NOTE 13 - LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS, continued

In addition to the above financial assets available for general expenditures, the Foundation will have available on a quarterly basis, the administrative fees charged to the funds (Note 1). Such fees are available to be used for general expenditures. The budgeted fees for 2021 are \$360,000.

Although not intended for use, investments held in two board-designated endowments could also be made available by approval of the Board of Directors. The balance of these endowments at December 31, 2020 and 2019, was approximately \$953,600 and \$727,000, respectively.

NOTE 14 - FUND TRANSFERS

In 2020, net transfers of \$186,265 made from endowment funds to pass-through funds. In 2019, net transfers of \$60,916 were made from pass-through funds to fund existing endowment funds or to create new endowments.

NOTE 15 - OPERATING LEASE

Copier lease expense in 2020 and 2019 was \$1,462 and \$1,466, respectively. A new lease agreement began October 2020 at \$121 per month, for 60 months. Remaining annual payments under this agreement are:

<u>Years</u>	<u>Amount</u>
2021 - 2024	\$ 1,452
2025	\$ 1,089

NOTE 16 - SUBSEQUENT EVENTS

Management has evaluated events and transactions through June 4, 2021, which is the date the financial statements were available to be issued.

The ongoing COVID-19 pandemic's short-term and long-term impact on the Foundation's future financial position and operations cannot presently be determined, but it has the potential to result in a significant economic impact.

NOTE 17 - CHANGE IN NET ASSETS WITHOUT DONOR RESTRICTIONS BY FUND CLASSIFICATION

	Operating Fund	Property and Equipment	Board Designated Building Reserve	Community Benefit Funds
Balance, December 31, 2018	\$ 9,580	\$ 65,030	\$ 25,000	\$ 6,267,154
Contributions and grants	7,215	-	-	277,719
Investment return	-	-	-	1,285,205
Interest income - bank checking	129	-	-	-
Membership dues and other income	20,900	-	-	-
Net revaluation of gift annuity	-	-	-	-
Change in cash surrender value	-	-	-	604
Administrative fees - Funds Held for Agencies	22,904	-	-	-
Property and equipment acquisitions	(1,781)	1,781	-	-
Grants	-	-	-	(518,175)
General and administrative expenses	(49,765)	(2,668)	-	(69,450)
Net transfers from (to) other funds	(4,695)	-	5,000	11,565
Balance, December 31, 2019	4,487	64,143	30,000	7,254,622
Contributions and grants	72,850	-	-	457,632
Investment return	-	-	-	820,044
Interest income - bank checking	172	-	-	-
Membership dues and other income	19,250	-	-	-
Net revaluation of gift annuity	-	-	-	-
Change in cash surrender value	-	-	-	749
Administrative fees - Funds Held for Agencies	23,562	-	-	-
Property and equipment acquisitions	(66,249)	66,249	-	-
Grants	-	-	-	(452,244)
General and administrative expenses	(60,729)	(2,887)	-	(68,061)
Net transfers from (to) other funds	20,000	-	(20,000)	59
Balance, December 31, 2020	<u>\$ 13,343</u>	<u>\$ 127,505</u>	<u>\$ 10,000</u>	<u>\$ 8,012,801</u>

Designated Funds	Donor Advised Funds	Scholarships	Gift Annuity	Total
\$ 7,691,370	\$ 1,022,449	\$ 7,912,917	\$ (26,914)	\$ 22,966,586
135,892	2,987	180,410	-	604,223
1,592,397	210,038	1,640,068	-	4,727,708
-	-	-	-	129
-	-	-	-	20,900
-	-	-	(3,104)	(3,104)
-	-	821	-	1,425
-	-	-	-	22,904
-	-	-	-	-
(213,549)	(13,917)	(264,482)	-	(1,010,123)
(80,972)	(10,983)	(124,983)	-	(338,821)
508	(12,410)	60,948	-	60,916
<u>9,125,646</u>	<u>1,198,164</u>	<u>9,405,699</u>	<u>(30,018)</u>	<u>27,052,743</u>
642,999	7,155	251,453	-	1,432,089
1,131,757	132,645	1,038,357	-	3,122,803
-	-	-	-	172
-	-	-	-	19,250
-	-	-	(1,213)	(1,213)
-	-	864	-	1,613
-	-	-	-	23,562
-	-	-	-	-
(244,819)	(19,513)	(278,995)	-	(995,571)
(82,861)	(11,146)	(125,558)	-	(351,242)
(179,376)	(6,948)	-	-	(186,265)
<u>\$ 10,393,346</u>	<u>\$ 1,300,357</u>	<u>\$ 10,291,820</u>	<u>\$ (31,231)</u>	<u>\$ 30,117,941</u>