

**NORTHERN CHAUTAUQUA COMMUNITY FOUNDATION**  
**FINANCIAL STATEMENTS**  
**YEARS ENDED DECEMBER 31, 2021 AND 2000**

# NORTHERN CHAUTAUQUA COMMUNITY FOUNDATION

## Table of Contents

	<u>Page(s)</u>
Independent Auditors' Report.....	1 - 2
Statements of Financial Position.....	3
Statements of Activities.....	4
Statements of Functional Expenses.....	5
Statements of Cash Flows.....	6
Notes to Financial Statements.....	7 - 20

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

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**Independent Auditors' Report**

To the Board of Directors  
Northern Chautauqua Community Foundation

**Opinion**

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, 2021 and 2020, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Northern Chautauqua Community Foundation as of December 31, 2021 and 2020, and the changes in its net assets and its cash flow for the years ended in accordance with accounting principles generally accepted in the United States of America.

**Basis for Opinion**

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We are required to be independent of Northern Chautauqua Community Foundation and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

**Responsibilities of Management for the Financial Statements**

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Northern Chautauqua Community Foundation's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

**Auditors' Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Northern Chautauqua Community Foundation's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Northern Chautauqua Community Foundation's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

*Saxton, Kocur and Associates, LLP*

Saxton, Kocur and Associates, LLP  
June 15, 2022

**NORTHERN CHAUTAUQUA COMMUNITY FOUNDATION  
STATEMENTS OF FINANCIAL POSITION  
DECEMBER 31, 2021 AND 2020**

**ASSETS**

	2021	2020
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 204,191	\$ 155,988
<b>OTHER ASSETS</b>		
Investments	38,209,860	33,347,777
Cash surrender value of life insurance	4,154	27,016
Property and equipment, net	124,870	127,505
<b>TOTAL ASSETS</b>	<b>\$ 38,543,075</b>	<b>\$ 33,658,286</b>

**LIABILITIES AND NET ASSETS**

<b>CURRENT LIABILITIES</b>		
Grants and accounts payable	\$ 6,342	\$ 27,394
Accrued expenses payable	7,032	5,112
Gift annuity payable	15,843	17,188
Total current liabilities	29,217	49,694
Funds held for agencies and pass-through funds	3,890,584	3,490,651
Total liabilities	3,919,801	3,540,345
<b>NET ASSETS WITHOUT DONOR RESTRICTIONS</b>		
Operating	42,172	13,343
Property and equipment	124,870	127,505
Board designated - building reserve	15,000	10,000
Community benefit funds	8,975,573	8,012,801
Designated funds	12,220,350	10,393,346
Donor advised funds	1,488,947	1,300,357
Scholarship funds	11,731,134	10,291,820
Gift annuity	(32,022)	(31,231)
Total net assets without donor restrictions	34,566,024	30,117,941
<b>NET ASSETS WITH DONOR RESTRICTIONS</b>	57,250	-
Total net assets	34,623,274	30,117,941
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 38,543,075</b>	<b>\$ 33,658,286</b>

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

**NORTHERN CHAUTAUQUA COMMUNITY FOUNDATION  
STATEMENTS OF ACTIVITIES  
YEARS ENDED DECEMBER 31, 2021 AND 2000**

	2021		
	Without Donor Restrictions	With Donor Restrictions	Total
Revenues, Gains/(Losses), and Other Support			
Contributions and grants	\$ 471,832	\$ 57,250	\$ 529,082
In-kind contributions - securities	241,206	-	241,206
Investment return	5,041,187	-	5,041,187
Interest income - bank checking	143	-	143
Membership dues and other income	17,550	-	17,550
Net revaluation of gift annuity	(791)	-	(791)
Change in surrender value of life insurance	926	-	926
Administrative fees - Funds Held for Agencies	29,077	-	29,077
Net assets released from purpose restrictions	-	-	-
Total revenues, gains/(losses) and other support	<u>5,801,130</u>	<u>57,250</u>	<u>5,858,380</u>
Expenses			
Program services:			
Grants	1,086,043	-	1,086,043
Other expenses	213,825	-	213,825
Total program services	<u>1,299,868</u>	<u>-</u>	<u>1,299,868</u>
Management and general	102,648	-	102,648
Fundraising	63,456	-	63,456
Total expenses	<u>1,465,972</u>	<u>-</u>	<u>1,465,972</u>
Change in net assets from operations	4,335,158	57,250	4,392,408
Other change - net transfers from/(to) Agency/Pass-through funds	112,925	-	112,925
Total change in net assets	4,448,083	57,250	4,505,333
Net assets, beginning	30,117,941	-	30,117,941
Net assets, ending	<u>\$ 34,566,024</u>	<u>\$ 57,250</u>	<u>\$ 34,623,274</u>

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)	-
<b>Total revenues, gains/(losses) and other support</b>	<b>4,631,966</b>	<b>(33,690)</b>	<b>4,598,276</b>
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

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

**NORTHERN CHAUTAUQUA COMMUNITY FOUNDATION  
STATEMENTS OF FUNCTIONAL EXPENSES  
YEARS ENDED DECEMBER 31, 2021 AND 2000**

2021

	Program Services	Management and General	Fundraising	Total
Grants	\$ 1,086,043	\$ -	\$ -	\$ 1,086,043
Salaries	154,365	54,028	48,882	257,275
Payroll taxes	13,067	4,573	4,138	21,778
Health insurance and retirement	11,303	3,956	3,579	18,838
Utilities	1,309	2,702	211	4,222
Conferences and meetings	1,447	584	303	2,334
Office supplies and expenses	3,874	1,562	812	6,248
Dues and subscriptions	2,743	1,106	575	4,424
Telephone	827	1,708	133	2,668
Insurance	1,544	3,187	249	4,980
Travel and promotion	4,230	1,706	887	6,823
Computer support	11,265	4,542	2,362	18,169
Professional fees	-	900	-	900
Accounting/auditing services	-	7,159	-	7,159
Depreciation expense	1,728	3,567	278	5,573
Building maintenance	4,890	10,096	789	15,775
Miscellaneous	1,233	1,272	258	2,763
	<u>\$ 1,299,868</u>	<u>\$ 102,648</u>	<u>\$ 63,456</u>	<u>\$ 1,465,972</u>

2020

	Program Services	Management and General	Fundraising	Total
Grants	\$ 1,006,791	\$ -	\$ -	\$ 1,006,791
Salaries	150,163	83,697	12,308	246,168
Payroll taxes	12,276	6,843	1,006	20,125
Health insurance and retirement	11,912	6,639	976	19,527
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>

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

**NORTHERN CHAUTAUQUA COMMUNITY FOUNDATION  
STATEMENTS OF CASH FLOWS  
YEARS ENDED DECEMBER 31, 2021 AND 2000**

	2021	2020
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets from operations	\$ 4,392,408	\$ 3,217,773
Adjustments to reconcile change in net assets from operations to net cash provided (used) by operating activities:		
In-kind contributions - securities	(241,206)	(497)
Investment return	(5,041,187)	(3,122,803)
Change in cash surrender value of life insurance	(1,046)	(1,613)
Change in funds held for agencies and pass-thru funds - transactions involving cash	58,169	270,153
Depreciation	5,573	2,887
Increase (decrease) in:		
Grants and accounts payable	(21,052)	5,488
Accrued expenses payable	1,920	(1,405)
Gift annuity payable	(1,345)	(922)
	(847,766)	369,061
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchases of property and equipment	(2,938)	(66,249)
Transfers from investment account	875,000	600,000
Purchases of investments	-	(820,000)
Life insurance proceeds	23,907	-
	895,969	(286,249)
Net cash provided (used) by investing activities		
Change in cash and cash equivalents	48,203	82,812
Cash and cash equivalents, beginning	155,988	73,176
Cash and cash equivalents, ending	\$ 204,191	\$ 155,988
<b>Noncash investing activities:</b>		
Donated securities sold and proceeds remaining in investment account	\$ 241,206	\$ 497
Reinvestment of investment return within investment accounts	\$ 5,041,187	\$ 3,122,803

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** - These financial statements 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.

**BASIS OF PRESENTATION** - 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.

**CONTRIBUTIONS AND REVENUE RECOGNITION** - The Foundation has 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.

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

CONTRIBUTIONS AND REVENUE RECOGNITION, continued - 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.

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.

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.

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

**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 annual federal and state exempt organization returns are generally subject to possible examination 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. Allocations of expenses benefiting more than one function were based on either employee time studies, square footage, or number of employees. Expenses of \$21,610 and \$11,427 allocated to pass-through funds in 2021 and 2020, 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

**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 accounting policy, administrative fees charged by the Foundation on funds held for agencies are recognized as income of the Foundation on the statements of activities.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

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. In 2021 and 2020, fees from funds held for agencies were \$29,077 and \$23,562, 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 forgiveness of the entire loan amount was granted on June 3, 2021.

NOTE 2 - INVESTMENTS AND FAIR VALUE MEASUREMENTS

Investments consisted of the following at December 31:

	2021	
	Fair Market	Cost
Equity and debt securities:		
Money Market Funds - brokerage accounts	\$ 42,453	\$ 42,453
Mutual Funds - bonds	2,106,555	2,100,080
Mutual Funds - equities	20,965,936	12,690,001
Exchange Traded Funds - bonds	1,668,349	1,644,442
Exchange Traded Funds - equities	8,553,007	5,239,747
Corporate Bonds	3,136,506	3,153,898
Municipal Bond	172,823	170,375
Total equity and debt securities	<u>36,645,629</u>	<u>25,040,996</u>
Other investments:		
Money Market Account - financial institution	40,740	40,740
Certificates of Deposit - bank and brokerage account	1,523,491	1,523,899
	<u>\$ 38,209,860</u>	<u>\$ 26,605,635</u>

NOTE 2 - INVESTMENTS AND FAIR VALUE MEASUREMENTS, continued

	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 - bank and brokerage account	2,302,954	2,266,961
	<u>\$ 33,347,777</u>	<u>\$ 24,003,111</u>

Investment return as reported on the statements of activities:

	2021	2020
Interest, dividends, and capital gain distributions	\$ 1,012,265	\$ 517,168
Net realized gains (losses)	1,465,859	439,521
Net unrealized gains (losses)	2,601,114	2,198,417
Investment management fees - external	(38,051)	(32,303)
	<u>\$ 5,041,187</u>	<u>\$ 3,122,803</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:

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.

NOTE 2 - INVESTMENTS AND FAIR VALUE MEASUREMENTS, continued

Fair Value Measurements, continued

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.

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, 2021 and 2020, ranged from one to five years.

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

	2021		
	Level 1	Level 2	Level 3
Money Market Funds	\$ 42,453	\$ -	\$ -
Mutual Funds - bonds	2,106,555	-	-
Mutual Funds - equities	20,965,936	-	-
Exchange Traded Funds - bonds	1,668,349	-	-
Exchange Traded Funds - equities	8,553,007	-	-
Corporate Bonds	-	3,136,506	-
Municipal Bond	-	172,823	-
Money Market Account	-	-	40,740
Certificates of Deposit	-	-	1,523,491
	<u>\$ 33,336,300</u>	<u>\$ 3,309,329</u>	<u>\$ 1,564,231</u>

NOTE 2 - INVESTMENTS AND FAIR VALUE MEASUREMENTS, continued

Fair Value Measurements, continued

	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>

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, 2021, could differ significantly from the above reported fair value of investments held at December 31, 2021.

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

Changes in Level 3 investments during 2021 and 2020:

	2021	2020
Balance at beginning of year	\$ 2,343,684	\$ 1,801,702
Purchases of certificates of deposit, including \$0 and \$540,000 bought and redeemed in 2021 and 2020, respectively.	100,021	2,026,393
Maturities or redemptions during the year	(840,000)	(1,515,000)
Change in reported market value	(39,750)	29,698
Interest reinvested in certificate of deposit	266	789
Interest reinvested in money market account	10	102
Balance at end of year	<u>\$ 1,564,231</u>	<u>\$ 2,343,684</u>

### NOTE 3 - LIFE INSURANCE POLICIES

Cash surrender values at December 31 of life insurance policies of which the Foundation is owner and beneficiary, were:

	2021	2020
Adjustable life policy	\$ -	\$ 23,788
Whole life policy - \$50,000 basic amount	4,154	3,228
	<u>\$ 4,154</u>	<u>\$ 27,016</u>

In 2020, the insured of the adjustable life policy passed away. In April 2021, the Foundation received a benefit payment of \$23,907.

### NOTE 4 - PROPERTY AND EQUIPMENT

	2021	2020
Office furniture and equipment	\$ 48,263	\$ 45,325
Building	127,047	127,047
Land	10,000	10,000
	<u>185,310</u>	<u>182,372</u>
Less accumulated depreciation	<u>(60,440)</u>	<u>(54,867)</u>
	<u>\$ 124,870</u>	<u>\$ 127,505</u>

Depreciation expense for 2021 and 2020 was \$5,573 and \$2,887, respectively.

### 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 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 \$15,843 and \$17,187 at December 31, 2021 and 2020, 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 2021 and 2020 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 during the year:

	2021	2020
Additions:		
Contributions	\$ 220,551	\$ 472,991
Fundraising revenues	194,780	157,422
Investment return, net of investment management fees of \$3,309 for 2021 and \$3,000 for 2020	453,672	270,568
Transfers	-	186,265
	<u>869,003</u>	<u>1,087,246</u>
Deductions:		
Grants	258,084	283,896
Fundraising expenses	47,374	41,375
Administrative fees and allocated expenses	50,687	34,989
Transfers	112,925	-
	<u>469,070</u>	<u>360,260</u>
Change in balance	399,933	726,986
Balance, beginning of year	<u>3,490,651</u>	<u>2,763,665</u>
Balance, end of year	<u>\$ 3,890,584</u>	<u>\$ 3,490,651</u>
Total year-end balances by fund type:		
Agency (23 funds held for both years)	\$ 3,154,534	\$ 2,737,773
Pass-through (51 for 2021 and 47 for 2020)	<u>736,050</u>	<u>752,878</u>
	<u>\$ 3,890,584</u>	<u>\$ 3,490,651</u>

## NOTE 7 - NET ASSETS WITH DONOR RESTRICTIONS - PURPOSE RESTRICTED

	2021
Federal Child Tax Credit and Earned Income Tax Credit enrollment	<u>\$ 57,250</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.

### 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 2021 and 2020, except for two scholarship funds that were charged 2% in both years (see Note 9).

## 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 0.25% and is based on the average beginning and ending year-to-date balance of each fund. The administrative fees of \$29,077 and \$23,562 from funds held for agencies is reflected as income on the 2021 and 2020 statement of activities, respectively.

Administrative fees by fund type:

	2021	2020
Community benefit funds	\$ 84,496	\$ 68,061
Board-designated	10,627	6,834
Designated funds	97,784	76,027
Donor advised funds	13,758	11,146
Scholarship funds	154,415	125,559
	<u>361,080</u>	<u>287,627</u>
Funds held for agencies	<u>29,077</u>	<u>23,562</u>
	<u>\$ 390,157</u>	<u>\$ 311,189</u>

## NOTE 10 - CONCENTRATIONS OF RISK

### Credit Risk

At certain times throughout both 2021 and 2020, the Foundation maintained cash balances at one financial institution that exceeded the FDIC limit of \$250,000. At December 31, 2021, \$41,923 was in excess of the limit.

### Geographic Support Risk

The Foundation conducts its operations mainly in Chautauqua County, NY. As such, future contributions to the Foundation are subject to risk from changes in national, state, and local economic conditions.

## NOTE 11 - EMPLOYEE BENEFIT PLAN

The Foundation provides a SIMPLE-IRA plan for eligible employees. The Foundation's match in 2021 and 2020 was \$5,906 and \$6,346, respectively.

## NOTE 12 - RECLASSIFICATIONS

Certain amounts and accounts in the 2020 financial statements and related notes have been reclassified for comparative purposes to conform with the presentation of the 2021 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:

	<u>2021</u>	<u>2020</u>
Cash - checking	\$ 204,191	\$ 155,988
Less those unavailable for general expenditure due to:		
Donor-imposed restrictions (Note 7)	<u>(57,250)</u>	<u>-</u>
Financial assets available	<u>\$ 146,941</u>	<u>\$ 155,988</u>

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 2022 are \$432,000.

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, 2021 and 2020, was approximately \$1,227,000 and \$953,600, respectively.

## NOTE 14 - FUND TRANSFERS

In 2021, net transfers of \$112,925 were made from pass-through funds to fund existing endowment funds or to create new endowments. Net transfers of \$186,265 were made from endowment funds to pass-through funds in 2020.

## NOTE 15 - OPERATING LEASE

Copier lease expense in 2021 and 2020 was \$1,452 and \$1,462, 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>
2022 - 2024	\$ 1,452
2025	\$ 1,089

## NOTE 16 - SUBSEQUENT EVENTS

Management has evaluated events and transactions through June 15, 2022, 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, 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	13,343	127,505	10,000	8,012,801
Contributions and grants	2,773	-	-	290,037
Investment return	-	-	-	1,320,548
Interest income - bank checking	143	-	-	-
Membership dues and other income	17,550	-	-	-
Net revaluation of gift annuity	-	-	-	-
Change in cash surrender value	-	-	-	-
Administrative fees - Funds Held for Agencies	29,077	-	-	-
Property and equipment acquisitions	(2,938)	2,938	-	-
Grants	-	-	-	(603,317)
General and administrative expenses	(13,276)	(5,573)	-	(84,496)
Net transfers from (to) other funds	(4,500)	-	5,000	40,000
Balance, December 31, 2021	<u>\$ 42,172</u>	<u>\$ 124,870</u>	<u>\$ 15,000</u>	<u>\$ 8,975,573</u>

Designated Funds	Donor Advised Funds	Scholarships	Gift Annuity	Total
\$ 9,125,646	\$ 1,198,164	\$ 9,405,699	\$ (30,018)	\$ 27,052,743
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)
10,393,346	1,300,357	10,291,820	(31,231)	30,117,941
200,318	12,539	207,371	-	713,038
1,813,298	215,292	1,692,049	-	5,041,187
-	-	-	-	143
-	-	-	-	17,550
-	-	-	(791)	(791)
-	-	926	-	926
-	-	-	-	29,077
-	-	-	-	-
(157,666)	(18,443)	(306,617)	-	(1,086,043)
(108,411)	(13,758)	(154,415)	-	(379,929)
79,465	(7,040)	-	-	112,925
<u>\$ 12,220,350</u>	<u>\$ 1,488,947</u>	<u>\$ 11,731,134</u>	<u>\$ (32,022)</u>	<u>\$ 34,566,024</u>