

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

FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2019 AND 2018

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

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Independent Auditors' Report

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

We have audited the accompanying financial statements of Fredonia College Foundation of the State University of New York, Inc., (a nonprofit organization) which comprise the statements of financial position as of December 31, 2019 and 2018, 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, 2019 and 2018, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Saxton, Kocur and Associates, LLP

Saxton, Kocur and Associates, LLP

March 31, 2020

**FREDONIA COLLEGE FOUNDATION
OF THE STATE UNIVERSITY OF NEW YORK, INC.
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2019 AND 2018**

<u>ASSETS</u>		
	<u>2019</u>	<u>2018</u>
Cash and cash equivalents (Note 1)	\$ 751,434	\$ 769,113
Cash portion of investments (Note 2)	778,051	295,336
Investments, at fair value (Note 2)	42,787,283	35,017,105
Receivables, net of allowance (Note 3)	169,871	2,314,840
Prepaid expenses and deposits	11,322	9,000
Unconditional promises to give (Note 4)	262,056	176,976
Other assets (Note 5)	72,676	65,361
Property and equipment (Note 6)	<u>326,309</u>	<u>348,760</u>
 TOTAL ASSETS	 <u>\$ 45,159,002</u>	 <u>\$ 38,996,491</u>
 <u>LIABILITIES AND NET ASSETS</u>		
LIABILITIES		
Accounts payable and accrued expenses	\$ 72,758	\$ 61,519
Annuities payable (Note 8)	<u>322,069</u>	<u>382,734</u>
Total liabilities	<u>394,827</u>	<u>444,253</u>
 NET ASSETS (DEFICIT)		
Without donor restrictions (Note 9):		
Undesignated operations fund	1,242,774	1,103,762
Board designated endowment accumulated income	1,250,699	866,627
Annuities	<u>32,958</u>	<u>(16,650)</u>
Total net assets without donor restrictions	<u>2,526,431</u>	<u>1,953,739</u>
With donor restrictions (Notes 10 and 11):		
Purpose restricted (Note 10)	13,494,061	8,887,185
Perpetual in nature (Note 11)	<u>28,743,683</u>	<u>27,711,314</u>
Total net assets with donor restrictions	<u>42,237,744</u>	<u>36,598,499</u>
 Total net assets	 <u>44,764,175</u>	 <u>38,552,238</u>
 TOTAL LIABILITIES AND NET ASSETS	 <u>\$ 45,159,002</u>	 <u>\$ 38,996,491</u>

See accompanying notes to financial statements.

**FREDONIA COLLEGE FOUNDATION
OF THE STATE UNIVERSITY OF NEW YORK, INC.
STATEMENTS OF ACTIVITIES
YEARS ENDED DECEMBER 31, 2019 AND 2018**

	2019		
	Without Donor Restrictions	With Donor Restrictions	Total
Support and Revenues:			
Gifts, grants and bequests	\$ 142,299	\$ 2,737,821	\$ 2,880,120
Events receipts	-	96,924	96,924
Investment return (loss)	56,246	6,741,871	6,798,117
Gain on sale of LLC property	-	-	-
Change in cash surrender value of life insurance	7,315		7,315
Actuarial gain (loss) - annuities	(2,748)	(14,841)	(17,589)
Donated services	682,861	-	682,861
In-kind donations	-	22,585	22,585
Rent	21,000	-	21,000
Net assets with donor restrictions released from restrictions (Note 10)	3,547,397	(3,547,397)	-
Transfer of investment return (loss) (Notes 9 and 10)	397,718	(397,718)	-
Total support and revenues	4,852,088	5,639,245	10,491,333
Expenses:			
Program service	3,222,404	-	3,222,404
Administrative	489,425	-	489,425
Fundraising	567,567	-	567,567
Franklin Properties, LLC	-	-	-
Total expenses	4,279,396	-	4,279,396
CHANGE IN NET ASSETS	572,692	5,639,245	6,211,937
NET ASSETS, beginning	1,953,739	36,598,499	38,552,238
NET ASSETS, ending	\$ 2,526,431	\$ 42,237,744	\$ 44,764,175

2018		
Without Donor Restrictions	With Donor Restrictions	Total
\$ 134,918	\$ 4,374,582	\$ 4,509,500
-	110,794	110,794
(14,206)	(2,397,844)	(2,412,050)
3,147	-	3,147
222	-	222
(13,769)	(20,210)	(33,979)
658,723	-	658,723
-	35,700	35,700
42,000	-	42,000
2,458,077	(2,458,077)	-
(199,446)	199,446	-
<u>3,069,666</u>	<u>(155,609)</u>	<u>2,914,057</u>
2,173,754	-	2,173,754
466,279	-	466,279
568,901	-	568,901
31,693	-	31,693
<u>3,240,627</u>	<u>-</u>	<u>3,240,627</u>
(170,961)	(155,609)	(326,570)
<u>2,124,700</u>	<u>36,754,108</u>	<u>38,878,808</u>
<u>\$ 1,953,739</u>	<u>\$ 36,598,499</u>	<u>\$ 38,552,238</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, 2019 AND 2018**

2019

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

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
	\$ 2,173,754	\$ 466,279	\$ 568,901	\$ 31,693	\$ 3,240,627

Donor and scholarship recipient recognition/cultivation

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, 2019 AND 2018**

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 6,211,937	\$ (326,570)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	25,480	24,280
Change in allowance for doubtful accounts	210	-
Gain on sale of LLC property	-	(3,147)
Realized (gains) losses from investments	(406,654)	(850,509)
Unrealized (gains) losses from investments	(5,343,637)	4,393,079
In-kind gifts and/or donated investments	(22,585)	-
(Increase) in cash surrender value of insurance	(7,315)	(222)
(Increase) decrease in:		
Receivables	2,144,759	(2,233,758)
Prepaid expenses	(2,322)	(434)
Unconditional promises to give	(85,080)	157,373
Increase (decrease) in:		
Accounts payable and accrued expenses	11,239	(2,366)
Annuities payable	(60,665)	(4,048)
Due to State University of New York at Fredonia	-	(232,027)
NET CASH PROVIDED BY OPERATING ACTIVITIES	2,465,367	921,651
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of investments	1,875,191	6,238,101
Purchases of investments	(4,355,208)	(7,748,313)
Proceeds from sale of LLC property	-	612,147
Reimbursement for prior year property purchase	17,574	-
Purchases of property and equipment	(20,603)	(61,325)
NET CASH USED BY INVESTING ACTIVITIES	(2,483,046)	(959,390)
CHANGE IN CASH AND CASH EQUIVALENTS	(17,679)	(37,739)
CASH AND CASH EQUIVALENTS, beginning	769,113	806,852
CASH AND CASH EQUIVALENTS, ending	\$ 751,434	\$ 769,113

See accompanying notes to financial statements.

**FREDONIA COLLEGE FOUNDATION OF
THE STATE UNIVERSITY OF NEW YORK, INC.
NOTES TO FINANCIAL STATEMENTS**

ORGANIZATION AND PURPOSE

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

BASIS OF PRESENTATION - The Foundation 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. As such the Foundation reports information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions.

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

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

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

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

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

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

	2019	2018
M&T Bank - Checking and Savings	\$ 499,852	\$ 517,992
Lake Shore Savings - Certificates of deposits	251,287	250,826
PayPal account	295	295
	<u>\$ 751,434</u>	<u>\$ 769,113</u>

The certificates of deposit (three) all have a term of six months with interest of 0.15%. Any penalty for early withdrawal would not be material.

The Foundation adopted FASB Accounting Standard Updates (ASU) No. 2016-15, *Statement of Cash Flows (Topic 230) Classification of Certain Receipts and Cash Payments* and No. 2016-18, *Statement of Cash Flows (Topic 230) Restricted Cash*, effective with its 2019 year, with retrospective application to 2018. Guidance under ASU No. 2016-15 is intended to reduce the diversity in practice in how certain transactions are classified in the statement of cash flows. ASU No. 2016-18 guidance includes: (1) how restricted cash should be presented in the statement; (2) showing the change in total cash and restricted cash in the statement; (3) no longer requiring the presentation of transfers between cash and restricted cash in the statement, and; (4) disclosure of the nature of restrictions on cash. Adoption of the ASUs by the Foundation did not result in any reporting changes for 2019 or any retrospective changes to 2018.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

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

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

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

DONATED SERVICES - For 2019 and 2018, the value of donated services meeting the requirements for recognition in the financial statements amounted to \$682,861 and \$658,723, 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 2019 and 2018, 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.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

ALLOCATION OF INCOME, continued - 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 2019 and 2018, 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.

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).

The Foundation believes no material uncertain tax positions existed at December 31, 2019 and 2018, requiring recognition or disclosure in the financial statements. The Foundation's federal and state exempt organization returns for 2016 and later years are subject to possible examination, generally for three years after filing.

NOTE 2 - INVESTMENTS

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

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

	2019	2018
Equities - ETPs	\$ 11,748,646	\$ 9,533,544
Common Stocks	7,063	-
Mutual Funds - Equities	14,969,971	12,224,975
Mutual Funds - Fixed Income	11,469,127	8,588,433
Fixed Income - ETPs	3,368,669	3,688,046
Mutual Funds - Commodities Broad Basket	1,223,807	982,107
	<u>42,787,283</u>	<u>35,017,105</u>
 Total cost of all investments at year-end	 <u>34,526,061</u>	 <u>31,321,429</u>
 Net unrealized gain (loss) at year-end	 <u>\$ 8,261,222</u>	 <u>\$ 3,695,676</u>
 Total cash investments held in all accounts at year-end	 \$ 778,051	 \$ 295,336

The fair values of the ETPs, common stocks, mutual funds, and cash investments at both December 31, 2019 and 2018, 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:

	2019	2018
Dividends, interest and capital gain distributions	\$ 1,168,328	\$ 1,247,459
Realized gain (loss) of sales of investments	406,654	850,509
Unrealized gain (loss) on investments	5,343,637	(4,393,079)
Investment management fees - external	(120,502)	(116,939)
	<u>\$ 6,798,117</u>	<u>\$ (2,412,050)</u>

NOTE 3 - RECEIVABLES

	2019	2018
State University of New York at Fredonia Alumni Association, Inc.	\$ 15,161	\$ 13,875
Loan to students	-	1,223
Overpayments receivable	-	345
Gifts and contributions	155,210	2,299,687
	<u>170,371</u>	<u>2,315,130</u>
Less: allowance for doubtful accounts	(500)	(290)
	<u>\$ 169,871</u>	<u>\$ 2,314,840</u>

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

The gifts and contributions at December 31, 2019, were for 2019 dated donor contributions received and deposited in January 2020.

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 5.75% at December 31, 2019 and 6.5% at December 31, 2018, and consisted of the following at December 31:

	2019	2018
Receivables due within one year	\$ 117,481	\$ 111,822
Receivables due in one to five years	196,300	96,000
	<u>313,781</u>	<u>207,822</u>
Allowance for doubtful promises	(31,378)	(20,782)
Discount to net present value	(20,347)	(10,064)
	<u>\$ 262,056</u>	<u>\$ 176,976</u>

NOTE 5 - OTHER ASSETS

	2019	2018
REITs	\$ 20,000	\$ 20,000
Cash surrender value of life insurance policies	52,676	45,361
	<u>\$ 72,676</u>	<u>\$ 65,361</u>

NOTE 6 - PROPERTY AND EQUIPMENT

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

	2019	2018
Land	\$ 5,000	\$ 5,000
Building	349,940	349,940
Improvements	305,308	302,984
Furnishing and equipment	10,135	9,430
	<u>670,383</u>	<u>667,354</u>
Less accumulated depreciation	<u>(344,074)</u>	<u>(318,594)</u>
	<u>\$ 326,309</u>	<u>\$ 348,760</u>

Depreciation expense for 2019 and 2018 was \$25,480 and \$24,280, respectively.

From 2013 - 2018, the Foundation was the sole member of Fredonia Franklin Properties, LLC (the LLC). The LLC's purpose was to hold accept and hold a donation of real property received in 2014. The property was sold in August 2018, with the \$302,673 of net proceeds from the sale designated as an unrestricted endowment by the Foundation's Board of Directors.

NOTE 7 - ENDOWMENTS

The Foundation's endowment as of December 31, 2019 and 2018 consisted of 539 and 520 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).

NOTE 7 - ENDOWMENTS, continued

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, 2019, one fund with a required level of \$3,156 had a deficit of \$2,093. There was ninety-two deficient endowment fund by \$207,341 at December 31, 2018.

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, 2019 and 2018, no net assets without donor restrictions had been transferred to cover deficient funds.

Return Objectives and Risk Parameters

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

Strategies Employed for Achieving Return Objectives

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

Spending Policy

For 2019 and 2018, 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 \$322,069 and \$382,734 December 31, 2019 and 2018, respectively. The balance represents the present value of the aggregate liability for gift annuity agreements, based on acceptable life expectancy tables. Payments made in 2019 and 2018 on existing agreements were \$57,236 and \$58,752, respectively.

NOTE 9 - NET ASSETS WITHOUT DONOR RESTRICTIONS

Changes in net assets without donor restrictions in 2018 and 2019, were as follows:

	Undesignated operations fund and Franklin Properties, LLC	Board designated endowment accumulated income	Annuities	Total
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
2019 Additions:				
Gifts, grants and bequests	138,998	-	-	138,998
Investment return (loss)	2,540	-	53,706	56,246
Gain on sale of LLC property	-	-	-	-
Adjustments for promises made	3,301	-	-	3,301
Change in cash surrender value of life insurance	7,315	-	-	7,315
Gain (loss) on annuities	1,350	-	(4,098)	(2,748)
Donated in-kind services	682,861	-	-	682,861
Rent	21,000	-	-	21,000
Net assets with donor restrictions released from restrictions (Note 10)	3,547,397	-	-	3,547,397
Transfer of investment (loss) from net assets with donor restrictions (Note 10)	-	397,718	-	397,718
Transfers	-	-	-	-
2019 Appropriations:				
Grants and scholarships	(1,165,588)	(11,646)	-	(1,177,234)
Academic support	(2,043,170)	(2,000)	-	(2,045,170)
Supporting services and LLC expenses	(1,056,992)	-	-	(1,056,992)
Balance at December 31, 2019	<u>\$ 1,242,774</u>	<u>\$ 1,250,699</u>	<u>\$ 32,958</u>	<u>\$ 2,526,431</u>

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

NOTE 10 - NET ASSETS WITH DONOR RESTRICTIONS - PURPOSE RESTRICTED

	2019	2018
Endowed scholarships, grants, and program support	\$ 11,708,035	\$ 7,058,532
College departments and pass-through funds	1,786,026	1,828,653
	<u>\$ 13,494,061</u>	<u>\$ 8,887,185</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, 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
Balance at December 31, 2018	7,058,532	1,828,653	8,887,185

2019 Additions:			
Gifts, grants and bequests	-	1,741,967	1,741,967
In-kind donations	-	22,585	22,585
Event receipts	-	96,924	96,924
Adjustments for promises made	-	-	-
Investment return (loss)	6,690,515	-	6,690,515
2019 Appropriations:			
Released from restrictions (Note 9)	(1,643,294)	(1,904,103)	(3,547,397)
Transfer of investment (return) loss to net assets without donor restrictions (Note 9)	(397,718)	-	(397,718)
Balance at December 31, 2019	\$ 11,708,035	\$ 1,786,026	\$ 13,494,061

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 2019 and 2018, were as follows:

	2019	2018
College departments, programs, and support services	\$ 2,007,630	\$ 1,118,096
Scholarships and student award	1,010,333	866,872
1.25% management fees	529,434	473,109
Total released from restrictions	<u>3,547,397</u>	<u>2,458,077</u>
Portion of investment return (loss) transferred to net assets without donor restrictions	397,718	(199,446)
Total net assets released from restrictions and transfer of investment return (loss)	\$ <u>3,945,115</u>	\$ <u>2,258,631</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, 2019 and 2018:

	2019	2018
Endowment	\$ 28,174,538	\$ 27,254,552
Building towards endowment	178,020	183,925
Permanently restricted bequests and pledges receivable	258,749	176,976
Permanently restricted annuities	132,376	95,861
	<u>\$ 28,743,683</u>	<u>\$ 27,711,314</u>

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

	Endowment	Building towards endowment	Bequests and pledges receivable	Permanently restricted annuities	Total
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)	-	-	-
Balance at December 31, 2018	27,254,552	183,925	176,976	95,861	27,711,314

2019 Activity and Changes:							
Gifts, grants and bequests	873,141	40,940	-	-	-	914,081	
Adjustments for promises made	-	-	81,773	-	-	81,773	
Gifts from annuity contracts	-	-	-	-	-	-	
Actuarial gain/(loss) on annuities	-	-	-	(14,841)	(14,841)	(14,841)	
Investment return (loss)	-	-	-	51,356	51,356	51,356	
Transfers	46,845	(46,845)	-	-	-	-	
Balance at December 31, 2019	\$ 28,174,538	\$ 178,020	\$ 258,749	\$ 132,376	\$ 28,743,683		

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 \$682,861 for 2019 and \$658,723 for 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, 2019 or 2018. Interest is at the prime rate.

NOTE 14 - CONCENTRATION OF CREDIT RISK

At December 31, 2019 and 2018, the Foundation had a combined \$227,107 and \$319,601, 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 2019 and 2018 was \$5,749 and \$5,544, respectively.

NOTE 16 - SUBSEQUENT EVENTS

Events and transactions through March 31, 2020, 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.

The short-term and long-term impact of the current 2020 COVID-19 pandemic on the Foundation's future financial position and operations cannot be determined.

NOTE 17 - RECLASSIFICATIONS

Certain accounts and amounts in the 2018 financial statements have been reclassified for comparative purposes to conform with the presentation of the 2019 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 for general expenditures. General expenditures are expenses expected to be incurred related to the administrative and fundraising functions of the Foundation, and exclude any donated services for these functions.

	At December 31	
	2019	2018
Cash and cash equivalents	\$ 751,434	\$ 769,113
Investments and other assets	377,125	297,521
Financial assets available within one year	<u>\$ 1,128,559</u>	<u>\$ 1,066,634</u>

The Foundation holds the cash and cash equivalents 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, 2019, such income was \$319,884, with an additional \$97,400 becoming available for use on July 1, 2020. In addition, the Foundation's expected 1.25% management fees charged to donor-restricted funds in 2020 is \$500,000. These fees would also be available for general expenditures. A \$250,000 line of credit is also available to provide for unexpected liquidity needs.