

**HUDSON VALLEY
COMMUNITY COLLEGE
FOUNDATION**

AUDITED FINANCIAL STATEMENTS

Years ended June 30, 2016 and 2015

HUDSON VALLEY COMMUNITY COLLEGE FOUNDATION

TABLE OF CONTENTS

	Page
Independent Auditor's Report	1
Financial Statements	
Statements of Financial Position	2
Statements of Activities and Changes in Net Assets	3
Statements of Cash Flows	4
Notes to Financial Statements	5

INDEPENDENT AUDITOR'S REPORT

The Directors
Hudson Valley Community College Foundation

We have audited the accompanying financial statements of Hudson Valley Community College Foundation (a nonprofit organization), which comprise the statements of financial position as of June 30, 2016 and 2015, and the related statements of activities and changes in net assets 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 financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's 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 auditor's 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 Hudson Valley Community College Foundation as of June 30, 2016 and 2015, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

UHY LLP

Albany, New York
September 21, 2016

HUDSON VALLEY COMMUNITY COLLEGE FOUNDATION
STATEMENTS OF FINANCIAL POSITION
June 30, 2016 and 2015

	<u>2016</u>	<u>2015</u>
ASSETS		
CURRENT ASSETS		
Cash	\$ 519,769	\$ 511,344
Prepaid expenses	8,238	7,050
Pledges receivable, current portion	<u>685,890</u>	<u>236,626</u>
Total current assets	1,213,897	755,020
Pledges receivable, due after one year	131,541	195,087
Investments	6,187,004	5,831,446
Beneficial interest in charitable trusts	40,528	48,324
Cash surrender value of life insurance	<u>254,811</u>	<u>262,943</u>
Total assets	<u><u>\$ 7,827,781</u></u>	<u><u>\$ 7,092,820</u></u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable and accrued expenses	\$ 25,745	\$ 3,182
Deferred revenue	69,275	79,250
Due to College, current portion	<u>50,000</u>	<u>84,000</u>
Total current liabilities	145,020	166,432
Due to College, net of current portion	<u>70,000</u>	<u>297,886</u>
Total liabilities	<u>215,020</u>	<u>464,318</u>
NET ASSETS		
Unrestricted		
Board designated	22,001	22,001
Undesignated	<u>347,207</u>	<u>64,578</u>
	369,208	86,579
Restricted		
Temporarily restricted	3,358,755	2,804,910
Permanently restricted	<u>3,884,798</u>	<u>3,737,013</u>
Total net assets	<u>7,612,761</u>	<u>6,628,502</u>
Total liabilities and net assets	<u><u>\$ 7,827,781</u></u>	<u><u>\$ 7,092,820</u></u>

See notes to financial statements.

HUDSON VALLEY COMMUNITY COLLEGE FOUNDATION
STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
For the Years Ended June 30, 2016 and 2015

	2016				2015			
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Revenue, gains and other support:								
Direct public support:								
Scholarship funds	\$ -	\$ 152,469	\$ 72,736	\$ 225,205	\$ -	\$ 261,910	\$ 87,986	\$ 349,896
Annual fund	78,153	-	-	78,153	94,923	-	-	94,923
Forgiveness of debt by the College	180,386	-	-	180,386	-	-	-	-
Support for college programs	-	1,288,547	2,581	1,291,128	-	723,551	6,310	729,861
HVCC in-kind contribution	474,070	-	-	474,070	513,557	-	-	513,557
Total direct public support	732,609	1,441,016	75,317	2,248,942	608,480	985,461	94,296	1,688,237
Fund-raising events	74,290	73,025	-	147,315	84,538	-	-	84,538
Interest and other income	27,613	86,169	-	113,782	18,251	85,707	-	103,958
Realized, unrealized and other gains (losses) on investments	7,160	(22,307)	(8,132)	(23,279)	10,742	99,493	(4,697)	105,538
Net assets released from restrictions	939,908	(939,908)	-	-	625,616	(625,616)	-	-
Total revenue, gains and other support	1,781,580	637,995	67,185	2,486,760	1,347,627	545,045	89,599	1,982,271
Expenses:								
Program services:								
Scholarships	375,538	-	-	375,538	266,629	-	-	266,629
Support for college programs	550,487	-	-	550,487	355,819	-	-	355,819
Alumni relations	24,910	-	-	24,910	28,262	-	-	28,262
Management and general	259,194	-	-	259,194	311,446	-	-	311,446
Fund-raising:								
Fund-raising events	113,145	-	-	113,145	75,858	-	-	75,858
Annual fund	56,941	-	-	56,941	87,708	-	-	87,708
Support for college programs	122,286	-	-	122,286	92,882	-	-	92,882
Total expenses	1,502,501	-	-	1,502,501	1,218,604	-	-	1,218,604
Increase in net assets before transfer	279,079	637,995	67,185	984,259	129,023	545,045	89,599	763,667
Transfers, net	3,550	(84,150)	80,600	-	(1,181)	10,932	(9,751)	-
Increase in net assets	282,629	553,845	147,785	984,259	127,842	555,977	79,848	763,667
Net assets (deficiency), beginning of year	86,579	2,804,910	3,737,013	6,628,502	(41,263)	2,248,933	3,657,165	5,864,835
Net assets, end of year	\$ 369,208	\$ 3,358,755	\$ 3,884,798	\$ 7,612,761	\$ 86,579	\$ 2,804,910	\$ 3,737,013	\$ 6,628,502

See notes to financial statements.

HUDSON VALLEY COMMUNITY COLLEGE FOUNDATION
STATEMENTS OF CASH FLOWS
For the Years Ended June 30, 2016 and 2015

	<u>2016</u>	<u>2015</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase in net assets	\$ 984,259	\$ 763,667
Adjustments to reconcile increase in net assets to net cash used in operating activities:		
Realized and unrealized losses (gains) on investments	7,351	(115,873)
Cash surrender value of life insurance	8,132	4,697
Changes in:		
Prepaid expenses and other assets	(1,188)	2,950
Pledges receivable	(385,718)	(211,557)
Accounts payable and accrued expenses	22,563	2,434
Deferred revenue	(9,975)	8,950
Due to College	(261,886)	(76,000)
Net cash provided by operating activities	<u>363,538</u>	<u>379,268</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of investments and trust assets	1,593,399	1,545,995
Purchase of investments and trust assets	(1,956,308)	(1,919,661)
Change in beneficial interest in charitable trusts	7,796	5,638
Net cash used in investing activities	<u>(355,113)</u>	<u>(368,028)</u>
Increase in cash	8,425	11,240
Cash		
Beginning balance	<u>511,344</u>	<u>500,104</u>
Ending balance	<u>\$ 519,769</u>	<u>\$ 511,344</u>

See notes to financial statements.

HUDSON VALLEY COMMUNITY COLLEGE FOUNDATION
NOTES TO FINANCIAL STATEMENTS
June 30, 2016 and 2015

NOTE 1 — NATURE OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

Nature of Organization

Hudson Valley Community College Foundation (Foundation) is a tax exempt (under Internal Revenue Code Section 501(c)(3)) foundation established to receive and maintain funds to aid and advance the welfare, development, purposes and programs of Hudson Valley Community College (College), its students and alumni.

A summary of the Foundation's significant accounting policies follows:

Financial Statement Presentation

The accompanying financial statements have been prepared using the accrual basis of accounting in accordance with generally accepted accounting principles.

Net assets, revenues, gains and other support, expenses, and non-operating items are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Foundation and changes therein are classified and reported as follows:

- *Unrestricted net assets* – Net assets that are not subject to donor-imposed stipulations.
- *Temporarily restricted net assets* – Net assets subject to donor-imposed stipulations that may or will be met, either by actions of the Foundation and/or the passage of time. When a donor's restriction is met, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.
- *Permanently restricted net assets* – Net assets subject to donor-imposed stipulations that they be maintained permanently by the Foundation. Generally, the donors of these assets permit the Foundation to use a fixed percentage of the market value of the related investments for scholarships or other specific purposes, subject to the provisions of the Foundation's endowment spending plan.

Subsequent Events

For purposes of preparing the financial statements, the Foundation considered events through September 21, 2016, the date the financial statements were available for issuance.

Tax Exempt Status

The Foundation is generally exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. It is however required to file an informational return (Federal Form 990). The Foundation believes that there are no uncertain tax positions that are material to the financial statements.

Revenue Recognition

Direct public support and donations are recognized when the donor makes a promise to give that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions are met in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a restriction is met, temporarily restricted net assets are reclassified to unrestricted net assets. Revenue from fund-raising events is recognized when earned.

HUDSON VALLEY COMMUNITY COLLEGE FOUNDATION
NOTES TO FINANCIAL STATEMENTS
June 30, 2016 and 2015

NOTE 1 — NATURE OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES
(Continued)

Cash

The Foundation places its cash with high-credit-quality institutions. At times, such amounts may be in excess of the FDIC insurance limit.

Pledges Receivable

Unconditional promises to give (pledges receivable) are recognized as support and revenue in the year made. Pledges receivable are reported at fair value which is the discounted present value of estimated future cash flows. An allowance has been recorded for estimated uncollectible pledges.

Investments

Investments are reported at fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Realized and unrealized gains and losses include gains and losses from purchases and sales of investments as well as changes in the value of assets held during the year and are recognized in the accompanying statements of activities and changes in net assets. Gains or losses on investments are recognized as an increase or decrease in unrestricted net assets unless their use is temporarily or permanently restricted by explicit donor stipulations or by law.

Investment securities are exposed to various risks, such as interest rate, market and credit. Due to the level of risk associated with certain investment securities and the level of uncertainty related to changes in the value of investment securities, it is at least reasonably possible that changes in investments in the near term would materially affect the amounts reported in these financial statements.

The Foundation has a policy of pooling its funds for investment purposes. Investment income is allocated to the individual donor fund balances comprising unrestricted, temporarily restricted and permanently restricted net assets based upon each respective fund's share of the investment pool.

Beneficial Interest in Charitable Trusts

The Foundation recognizes its beneficial interest in irrevocable charitable remainder trusts at estimated fair value, and classifies these interests in accordance with donor imposed restrictions, if any, in the statement of activities and changes in net assets.

Cash Surrender Value of Life Insurance

The Foundation is the owner and beneficiary of two life insurance policies donated in 2006. The Foundation's interest in insurance policies, reported at the policies' cash surrender value at year-end, is included in the statement of financial position.

HUDSON VALLEY COMMUNITY COLLEGE FOUNDATION
NOTES TO FINANCIAL STATEMENTS
June 30, 2016 and 2015

NOTE 1 — NATURE OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES
(Continued)

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements. Estimates also affect the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Endowment Investment Policy

Endowment assets include those assets of donor-restricted funds that the Foundation must hold in perpetuity or for a donor-specified period(s). Under this policy, as approved by the Board of Directors, the endowment assets are invested in a manner that is intended to provide support for the Foundation's mission over the long-term. Accordingly, the primary investment objectives are to preserve the real purchasing power of the principal, and provide a stable source of perpetual financial support to beneficiaries in accordance with the Foundation's endowment spending policy.

Endowment Spending Policy

The Foundation has an endowment spending policy which is applied to the Foundation's permanently restricted investments. It is intended to preserve the purchasing power of the corpus and insulate program spending from fluctuations in capital markets. The amount of permanently restricted investments made available annually to support scholarship and program activities is based on various economic factors specified in the endowment spending policy. The spending policy permits annual disbursements from permanent funds to be no more than 4% of the average market value of the prior three years.

Reclassifications

Certain items in the prior year financial statements have been reclassified to conform to the current year presentation.

NOTE 2 — PLEDGES RECEIVABLE

Pledges receivable consist of pledges to support the Foundation's various programs. Pledges receivable reported in the statement of financial position consist of the following:

	June 30, 2016	June 30, 2015
Pledges receivable due in one year	\$ 762,100	\$ 262,918
Pledges receivable due in two to five years	147,100	222,667
Gross pledges receivable	909,200	485,585
Less allowance for uncollectible pledges	(88,420)	(48,558)
Less discount to present value (.7% - 3%)	(3,349)	(5,314)
Pledges receivable	817,431	431,713
Less current portion	685,890	236,626
Long-term pledges receivable	<u>\$ 131,541</u>	<u>\$ 195,087</u>

HUDSON VALLEY COMMUNITY COLLEGE FOUNDATION
NOTES TO FINANCIAL STATEMENTS
June 30, 2016 and 2015

NOTE 2 — PLEDGES RECEIVABLE (Continued)

The pledges are due to be paid under various payment arrangements through 2020.

As of June 30, 2016, the Foundation has received and not recognized conditional promises with a future value of approximately \$350,000 for supporting the College's nursing program expansion.

NOTE 3 — INVESTMENTS AND FAIR VALUE MEASUREMENTS

Investments are stated at fair value and consist of the following:

	June 30, 2016			June 30, 2015		
	Fair Value	Cost	Unrealized Gain (Loss)	Fair Value	Cost	Unrealized Gain
Money market funds	\$ 262,235	\$ 262,235	\$ -	\$ 560,999	\$ 560,999	\$ -
Certificate of deposit	502,245	502,245	-	-	-	-
Equity mutual funds	3,368,536	2,592,480	776,056	3,824,754	2,876,198	948,556
Fixed income mutual funds	<u>2,053,988</u>	<u>2,021,923</u>	<u>32,065</u>	<u>1,445,693</u>	<u>1,434,048</u>	<u>11,645</u>
	<u>\$ 6,187,004</u>	<u>\$ 5,378,883</u>	<u>\$ 808,121</u>	<u>\$ 5,831,446</u>	<u>\$ 4,871,245</u>	<u>\$ 960,201</u>

Changes in unrealized gains of approximately \$(152,000) were recorded to adjust the cost basis of investments to fair value at June 30, 2016.

Investment management and custodial fees are netted against investment income or reflected as a reduction in net asset value of the investment, and were approximately \$38,800 for each of the years ended June 30, 2016 and 2015.

Financial Accounting Standards Board (FASB) Accounting Standards Codification provides the framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy are described as follows:

Level 1 Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Foundation has the ability to access.

Level 2 Inputs to the valuation methodology 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;
- inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

HUDSON VALLEY COMMUNITY COLLEGE FOUNDATION
NOTES TO FINANCIAL STATEMENTS
June 30, 2016 and 2015

NOTE 3 — INVESTMENTS (Continued)

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at June 30, 2016 and 2015.

Money market funds and certificate of deposit: Valued at cost which approximates fair value.

Mutual funds: Valued at the net asset value of shares held.

Beneficial interest in charitable trusts: Valued at estimated present value of the funds to be received when the trust terminates using various assumptions with regard to the anticipated date of termination, appropriate rate of discount, and market returns.

Cash Surrender Value (CSV) of life insurance: Valued based on the face amount of the contract discounted at a specific rate of interest according to the insured's life expectancy.

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Foundation believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The following presents the Foundation's investments by fair value hierarchy and investment type at June 30, 2016:

Investments	Assets at Fair Value			
	Level 1	Level 2	Level 3	Total
Money market funds	\$ 262,235	\$ -	\$ -	\$ 262,235
Certificate of deposit	502,245	-	-	502,245
Equity mutual funds	3,368,536	-	-	3,368,536
Fixed income mutual funds	2,053,988	-	-	2,053,988
Total investments	<u>\$ 6,187,004</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6,187,004</u>
Beneficial interest in charitable trusts	Assets at Fair Value			
	Level 1	Level 2	Level 3	Total
Beneficial interest in charitable trusts	\$ -	\$ -	\$ 40,528	\$ 40,528
Total beneficial interest in charitable trusts	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 40,528</u>	<u>\$ 40,528</u>
Cash Surrender Value (CSV) of life insurance	Assets at Fair Value			
	Level 1	Level 2	Level 3	Total
CSV of life insurance	\$ -	\$ -	\$ 254,811	\$ 254,811
Total CSV of life insurance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 254,811</u>	<u>\$ 254,811</u>
Total assets at fair value	<u>\$ 6,187,004</u>	<u>\$ -</u>	<u>\$ 295,339</u>	<u>\$ 6,482,343</u>

HUDSON VALLEY COMMUNITY COLLEGE FOUNDATION
NOTES TO FINANCIAL STATEMENTS
June 30, 2016 and 2015

NOTE 3 — INVESTMENTS (Continued)

The following presents the Foundation's investments by fair value hierarchy and investment type at June 30, 2015:

Investments	Assets at Fair Value			
	Level 1	Level 2	Level 3	Total
Money market funds	\$ 560,999	\$ -	\$ -	\$ 560,999
Equity mutual funds	3,824,754	-	-	3,824,754
Fixed income mutual funds	1,445,693	-	-	1,445,693
Total investments	<u>\$ 5,831,446</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,831,446</u>

Beneficial interest in charitable trusts	Assets at Fair Value			
	Level 1	Level 2	Level 3	Total
Beneficial interest in charitable trusts	\$ -	\$ -	\$ 48,324	\$ 48,324
Total beneficial interest in charitable trusts	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 48,324</u>	<u>\$ 48,324</u>

CSV of life insurance	Assets at Fair Value			
	Level 1	Level 2	Level 3	Total
CSV of life insurance	\$ -	\$ -	\$ 262,943	\$ 262,943
Total CSV of life insurance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 262,943</u>	<u>\$ 262,943</u>
Total assets at fair value	<u>\$ 5,831,446</u>	<u>\$ -</u>	<u>\$ 311,267</u>	<u>\$ 6,142,713</u>

Level 3 Gains and Losses

The following table sets forth a summary of changes in the fair value of the Foundation's level 3 assets for the year ended June 30, 2016.

	Beneficial interest in charitable trusts	CSV of life insurance	Total
Balance at July 1, 2015	\$ 48,324	\$ 262,943	\$ 311,267
Total net losses (realized and unrealized)	<u>(7,796)</u>	<u>(8,132)</u>	<u>(15,928)</u>
Balance at June 30, 2016	<u>\$ 40,528</u>	<u>\$ 254,811</u>	<u>\$ 295,339</u>

The following table sets forth a summary of changes in the fair value of the Foundation's level 3 assets for the ten-month period ended June 30, 2015.

	Beneficial interest in charitable trusts	CSV of life insurance	Total
Balance at July 1, 2014	\$ 53,962	\$ 267,640	\$ 321,602
Total gains or losses (realized and unrealized)	<u>(5,638)</u>	<u>(4,697)</u>	<u>(10,335)</u>
Balance at June 30, 2015	<u>\$ 48,324</u>	<u>\$ 262,943</u>	<u>\$ 311,267</u>

HUDSON VALLEY COMMUNITY COLLEGE FOUNDATION
NOTES TO FINANCIAL STATEMENTS
June 30, 2016 and 2015

NOTE 3 — INVESTMENTS (Continued)

Quantitative and Qualitative Information Regarding Level 3 Fair Value Measurements

The following table presents information about significant unobservable inputs related to the Foundation's investment in assets categorized as Level 3 in the fair value hierarchy at June 30, 2016:

Type	Fair Value	Valuation Technique	Significant Unobservable Inputs	Range
Beneficial interest in charitable trusts	\$ 40,528	Discounted cash flow	Discount rates	0% - 2.27%
			Life expectancy	0-6 years
Cash surrender value of life insurance	\$ 254,811	The value was determined by the underwriting insurance companies' valuation models and represents the guaranteed value the Foundation would receive upon surrender of these policies as of June 30, 2016.		

NOTE 4 — BENEFICIAL INTEREST IN CHARITABLE TRUSTS

Beneficial interest in charitable trusts represents the present value of future distributions the Foundation expects to receive from its beneficial interest in these trusts. The present value of future distributions is an estimate calculated at the time the Foundation becomes aware of its beneficial interest in an applicable trust and is based on the trust value at that time plus certain discount factors and actuarial assumptions. Changes in the value of the beneficial interest in these trusts are reflected in the statements of activities and changes in net assets.

NOTE 5 — ENDOWMENT

FASB Accounting Standards Codification provides guidance regarding Endowments of Not-for-Profit Organizations: Net Asset Classification of Funds Subject to an Enacted Version of the Uniform Prudent Management of Institutional Funds Act, and Enhanced Disclosures for All Endowment Funds.

The State of New York has adopted a version of the Uniform Prudent Management of Institutional Funds Act (NYPMIFA). The Foundation has interpreted NYPMIFA as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor instructions to the contrary. As a result of this interpretation, the Foundation classifies as permanently restricted net assets (a) the original value of the gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriately used by the Board of Directors in a manner consistent with the standard of prudence prescribed by NYPMIFA. From time to time, the fair value of assets associated with individual donor restricted endowment funds may fall below the level that the donor or NYPMIFA requires the Foundation to retain as a fund of perpetual duration. In accordance with US GAAP, deficiencies of this nature are reported in unrestricted net assets. Deficiencies would result from unfavorable market fluctuations that occur after the investment of permanently restricted contributions and continued appropriation as deemed prudent by the Foundation. No amounts were funded from Unrestricted Net assets to Permanently Restricted Net assets as of June 30, 2016 and 2015.

HUDSON VALLEY COMMUNITY COLLEGE FOUNDATION
NOTES TO FINANCIAL STATEMENTS
June 30, 2016 and 2015

NOTE 5 — ENDOWMENT (Continued)

During the year ended June 30, 2016, the Foundation reclassified from temporary restricted net assets to permanently restricted net assets the amount of approximately \$25,000 as a result of the Foundation's review of the detailed components of net assets and/or donors' revised instructions.

During the year ended June 30, 2015, the Foundation reclassified from permanent restricted net assets to temporary restricted net assets the amount of approximately \$4,000 as a result of the Foundation's review of the detailed components of net assets and/or donors' revised instructions.

Endowment net asset composition by type of fund as of June 30, 2016 is as follows:

	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor-restricted funds	\$ 874,495	\$ 3,594,387	\$ 4,468,882
Total funds	<u>\$ 874,495</u>	<u>\$ 3,594,387</u>	<u>\$ 4,468,882</u>

Endowment net asset composition by type of fund as of June 30, 2015 is as follows:

	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor-restricted funds	\$ 1,010,107	\$ 3,474,070	\$ 4,484,177
Total funds	<u>\$ 1,010,107</u>	<u>\$ 3,474,070</u>	<u>\$ 4,484,177</u>

Changes in endowment net assets for year ended June 30, 2016 are as follows:

	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ 1,010,107	\$ 3,474,070	\$ 4,484,177
Net asset reclassification	-	25,000	25,000
Endowment net assets after reclassification	1,010,107	3,499,070	4,509,177
Contributions received	-	95,317	95,317
Investment income and net appreciation	37,985	-	37,985
Amounts appropriated for expenditure	<u>(173,597)</u>	<u>-</u>	<u>(173,597)</u>
Endowment net assets, end of year	<u>\$ 874,495</u>	<u>\$ 3,594,387</u>	<u>\$ 4,468,882</u>

HUDSON VALLEY COMMUNITY COLLEGE FOUNDATION
NOTES TO FINANCIAL STATEMENTS
June 30, 2016 and 2015

NOTE 5 — ENDOWMENT (Continued)

Changes in endowment net assets for the year ended June 30, 2015 are as follows:

	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, beginning of period	\$ 1,016,586	\$ 3,384,125	\$ 4,400,711
Net asset reclassification	451	(4,351)	(3,900)
Endowment net assets after reclassification	1,017,037	3,379,774	4,396,811
Contributions/transfers received	-	94,296	94,296
Investment income and net appreciation	156,660	-	156,660
Amounts appropriated for expenditure	(163,590)	-	(163,590)
Endowment net assets, end of period	<u>\$ 1,010,107</u>	<u>\$ 3,474,070</u>	<u>\$ 4,484,177</u>

NOTE 6 — HVCC IN-KIND CONTRIBUTION

The Foundation recognizes revenue for in-kind contributions received from the College at the fair value of those contributions. HVCC in-kind contributions consist primarily of salaries and benefits, postage, and professional services paid by the College on behalf of the Foundation. The fair value of the in-kind contributions is included in expenses in the following functional categories:

	<u>Year ended June 30, 2016</u>	<u>Year ended June 30, 2015</u>
Program services		
Scholarships and support for college programs	\$ 66,216	\$ 65,041
Alumni relations	24,910	25,415
Total program services	<u>91,126</u>	<u>90,456</u>
Management and general	<u>164,710</u>	<u>200,402</u>
Fund-raising		
Fund-raising events	45,000	47,415
Annual fund	55,660	83,408
Support for college programs	117,574	91,876
Total fund-raising	<u>218,234</u>	<u>222,699</u>
Total expenses	<u>\$ 474,070</u>	<u>\$ 513,557</u>

HUDSON VALLEY COMMUNITY COLLEGE FOUNDATION
NOTES TO FINANCIAL STATEMENTS
June 30, 2016 and 2015

NOTE 7 — DUE TO COLLEGE

In June 2010, the Foundation entered into an agreement with the College to contribute approximately \$678,000 to pay for certain costs of the TEC-SMART Facility Project under certain conditions. For the year ended June 30, 2016 and 2015, the Foundation paid approximately \$25,500 and \$32,000, respectively. During the year ended June 30, 2016, the remaining outstanding balance due to the College of approximately \$180,400 was forgiven by the College and recognized in the statement of activities and changes in net assets.

In January 2014, the Foundation entered into an agreement with the College to contribute \$335,000 to pay for certain costs of the Science Center greenhouse project. For the year ended June 30, 2016 and 2015, the Foundation paid \$56,000 and \$44,000, respectively. At June 30, 2016, the outstanding balance due to the College was \$120,000, which is due on or before August 31, 2018. The Foundation expects to pay approximately \$50,000 of this obligation during the fiscal year ending June 30, 2017.

NOTE 8 — TEMPORARILY AND PERMANENTLY RESTRICTED NET ASSETS

Temporarily restricted net assets are available for scholarships and college programs and are fully expendable in accordance with donor-imposed restrictions.

Temporarily restricted net assets as of June 30, 2016 and June 30, 2015 consisted of the following:

	June 30, 2016	June 30, 2015
Investments	\$ 1,304,154	\$ 1,078,980
Endowment	874,495	1,010,107
Cash	357,747	235,786
Beneficial interest in charitable trusts	40,528	48,324
Pledges receivable and other	781,831	431,713
	<u>\$ 3,358,755</u>	<u>\$ 2,804,910</u>

Permanently restricted net assets are subject to donor-imposed stipulations that require the principal to be invested in perpetuity. Investment returns are expendable to support scholarships and college programs, subject to the provisions of the Foundation's endowment spending policy. Transfers, net in the statements of activities and changes in net assets represent the reclassifications of funds based on donors' revised instructions and the Foundation's review of the detailed components of net assets.

Permanently restricted net assets as of June 30, 2016 and June 30, 2015 consisted of the following:

	June 30, 2016	June 30, 2015
Endowment	\$ 3,594,387	\$ 3,474,070
Cash surrender value of life insurance	254,811	262,943
Pledges receivable and other	35,600	-
	<u>\$ 3,884,798</u>	<u>\$ 3,737,013</u>