

**COMMUNITY FOUNDATION  
OF  
ORANGE COUNTY, INC.**

**FINANCIAL STATEMENTS  
JUNE 30, 2008 AND 2007**

**COMMUNITY FOUNDATION OF ORANGE COUNTY, INC.**

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**JUNE 30, 2008 AND 2007**

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## INDEPENDENT AUDITORS' REPORT

Board of Directors  
Community Foundation of Orange County, Inc.  
Montgomery, NY

We have audited the accompanying statements of financial position of the Community Foundation of Orange County, Inc. (Foundation) at June 30, 2008 and 2007 and the related statements of cash flows for the years then ended and the statements of activities and functional expenses for the year ended June 30, 2008. These financial statements are the responsibility of the Foundation's management. 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 these financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Foundation at June 30, 2008 and 2007 and the changes in its cash flows for the years then ended, and the changes in its net assets for the year ended June 30, 2008, in conformity with accounting principles generally accepted in the United States of America.

October 6, 2008

**COMMUNITY FOUNDATION OF ORANGE COUNTY, INC.**  
**STATEMENTS OF FINANCIAL POSITION**  
**JUNE 30, 2008 AND 2007**

**ASSETS**

	<b>2008</b>	<b>2007</b>
<b>Current Assets:</b>		
Cash and Cash Equivalents	\$ 406,347	\$ 157,692
Investments	4,469,792	4,289,573
Current Portion of Pledges Receivable	14,833	67,250
Total Current Assets	4,890,972	4,514,515
<b>Fixed Assets, net</b>	<b>3,189</b>	<b>401</b>
<b>Intangible Assets, net</b>	<b>2,035</b>	<b>2,278</b>
<b>Other Assets:</b>		
Student Loans Receivable	78,498	56,600
Pledges Receivable, Net of Current Portion	-	27,000
Total Other Assets	78,498	83,600
Total Assets	<b>\$ 4,974,694</b>	<b>\$ 4,600,794</b>

**LIABILITIES AND NET ASSETS**

<b>Current Liabilities:</b>		
Agency Endowments	\$ 1,176,448	\$ 1,265,824
Accounts Payable and Accrued Expenses	3,606	5,904
Deferred Revenue	15,000	-
Total Current Liabilities	1,195,054	1,271,728
<b>Liability under Split-Interest Agreement</b>	<b>18,500</b>	<b>-</b>
Total Liabilities	1,213,554	1,271,728
<b>Net Assets:</b>		
Unrestricted	282,103	245,324
Temporarily Restricted	353,383	253,418
Permanently Restricted	3,125,654	2,830,324
Total Net Assets	3,761,140	3,329,066
Total Liabilities and Net Assets	<b>\$ 4,974,694</b>	<b>\$ 4,600,794</b>

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

**COMMUNITY FOUNDATION OF ORANGE COUNTY, INC.**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED JUNE 30, 2008**  
**(WITH COMPARATIVE TOTALS FOR JUNE 30, 2007)**

	<u>UNRESTRICTED</u>	<u>TEMPORARILY RESTRICTED</u>	<u>PERMANENTLY RESTRICTED</u>	<u>2008 TOTAL</u>	<u>2007 TOTAL</u>
<b>Revenues, Gains and Other Support:</b>					
Contributions	\$ 122,604	\$ 133,467	\$ 4,369,548	\$ 4,625,619	\$ 404,485
Pledges	39,000	-	-	39,000	46,171
Donor Initiated Events	-	44,513	121,033	165,546	141,700
Green Leaf Gala & Annual Reception	117,958	-	-	117,958	-
Management Fee Income	47,702	-	-	47,702	41,201
Student Loan Interest Income	-	-	6	6	128
Investment Return	4,430	(10,033)	(15,206)	(20,809)	324,575
	<u>331,694</u>	<u>167,947</u>	<u>4,475,381</u>	<u>4,975,022</u>	<u>958,260</u>
Total Revenues and Gains					
Net Assets Released from Restrictions	<u>4,248,033</u>	<u>(67,982)</u>	<u>(4,180,051)</u>	<u>-</u>	<u>-</u>
Total Revenues, Gains and Other Support	<u>4,579,727</u>	<u>99,965</u>	<u>295,330</u>	<u>4,975,022</u>	<u>958,260</u>
<b>Expenses:</b>					
Program Services	4,255,160	-	-	4,255,160	185,264
Donor Initiated Events	71,476	-	-	71,476	77,530
Management and General	95,854	-	-	95,854	80,761
Development	65,935	-	-	65,935	52,726
Fund Raising	54,523	-	-	54,523	18,788
	<u>4,542,948</u>	<u>-</u>	<u>-</u>	<u>4,542,948</u>	<u>415,069</u>
Total Expenses					
Change in Net Assets	36,779	99,965	295,330	432,074	543,191
Net Assets, Beginning of Year	<u>245,324</u>	<u>253,418</u>	<u>2,830,324</u>	<u>3,329,066</u>	<u>2,785,875</u>
Net Assets, End of Year	<u>\$ 282,103</u>	<u>\$ 353,383</u>	<u>\$ 3,125,654</u>	<u>\$ 3,761,140</u>	<u>\$ 3,329,066</u>

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

**COMMUNITY FOUNDATION OF ORANGE COUNTY, INC.**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**FOR THE YEAR ENDED JUNE 30, 2008**  
**(WITH COMPARATIVE TOTALS FOR JUNE 30, 2007)**

	<u>PROGRAM</u> <u>SERVICES</u>	<u>DONOR INITIATED</u> <u>EVENTS</u>	<u>MANAGEMENT</u> <u>&amp; GENERAL</u>	<u>DEVELOPMENT</u>	<u>FUND</u> <u>RAISING</u>	<u>2008</u> <u>TOTAL</u>	<u>2007</u> <u>TOTAL</u>
Grants	\$ 4,114,528	\$ -	\$ -	\$ -	\$ -	\$ 4,114,528	\$ 67,550
Salaries	46,218	-	52,530	45,884	7,930	152,562	130,185
Payroll Taxes	4,137	-	4,379	3,751	607	12,874	11,189
Direct Benefits to Donors	-	70,857	-	-	43,425	114,282	77,044
Administrative Fees	34,967	-	-	-	-	34,967	29,050
Investment Management Fees	22,208	-	-	-	-	22,208	18,874
Professional Fees	-	-	15,584	-	-	15,584	14,724
Office Expenses & Supplies	6,267	-	5,014	1,253	-	12,534	7,875
Travel	1,879	470	4,229	1,879	940	9,397	7,391
Insurance	6,264	-	2,088	-	-	8,352	5,644
Annual Reception	-	-	-	7,980	-	7,980	1,707
Rent	3,844	-	2,306	1,538	-	7,688	6,000
Computer Software	3,257	-	1,954	651	652	6,514	5,974
Printing & Publications	1,824	-	1,824	456	456	4,560	8,979
Conferences & Meetings	1,886	-	1,676	628	-	4,190	6,024
Program Expenses	3,776	-	-	-	-	3,776	1,967
Telephone	1,670	-	1,485	371	186	3,712	3,747
Advertising	1,491	-	1,326	331	166	3,314	7,943
Retirement Expense	547	137	820	1,093	136	2,733	2,076
Depreciation	288	-	256	96	-	640	609
Filing Fees	-	-	310	-	-	310	275
Amortization	109	12	73	24	25	243	242
	<u>\$ 4,255,160</u>	<u>\$ 71,476</u>	<u>\$ 95,854</u>	<u>\$ 65,935</u>	<u>\$ 54,523</u>	<u>\$ 4,542,948</u>	<u>\$ 415,069</u>

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

**COMMUNITY FOUNDATION OF ORANGE COUNTY, INC.**  
**STATEMENTS OF CASH FLOWS**  
**FOR THE YEARS ENDED JUNE 30, 2008 AND 2007**

	<b>2008</b>	<b>2007</b>
<b>Cash Flows from Operating Activities:</b>		
Change in Net Assets	\$ 432,074	\$ 543,191
<i>Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:</i>		
Depreciation	640	609
Amortization	243	242
Non-Cash Contributions	(15,467)	(353,130)
Realized (Gain)/Loss on Sale of Investments	(13,106)	(12,407)
Unrealized (Gain)/Loss on Investments	232,805	(207,075)
<i>Decrease/(Increase):</i>		
Student Loans Receivable	(21,898)	(19,119)
Pledges Receivable	79,417	91,250
<i>(Decrease)/Increase:</i>		
Agency Endowments	(89,376)	472,580
Accounts Payable and Accrued Expenses	(2,298)	4,827
Deferred Revenue	15,000	-
Liability under Split-Interest Agreement	18,500	-
Net Cash Provided by Operating Activities	636,534	520,968
<b>Cash Flows from Investing Activities:</b>		
Purchase of Investments	(1,714,281)	(1,302,574)
Sale of Investments	1,329,830	748,962
Purchase of Fixed Assets	(3,428)	-
Net Cash Used in Investing Activities	(387,879)	(553,612)
Change in Cash and Cash Equivalents	248,655	(32,644)
Cash and Cash Equivalents, Beginning of Year	157,692	190,336
Cash and Cash Equivalents, End of Year	\$ 406,347	\$ 157,692

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

**COMMUNITY FOUNDATION OF ORANGE COUNTY, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2008 AND 2007**

**1. Nature of Activities**

The Foundation was established in 1999 as a community foundation in Orange County, New York, to administer and invest charitable funds and to assist in matching community resources with community needs. The Foundation's mission is to assist donors in achieving their charitable intentions through the establishment of funds that collectively create endowments and thereby enhance the quality of life in the region. During 2006 the Foundation increased its donor services into Sullivan County by securing the "d/b/a" Community Foundation of Sullivan County.

**2. Summary of Significant Accounting Policies**

***Basis of Accounting:***

The accompanying financial statements are prepared on the accrual basis of accounting, in accordance with accounting principles generally accepted in the United States of America as applicable to not-for-profit entities.

***Cash and Cash Equivalents:***

For purposes of the statements of cash flows, cash and cash equivalents consists of monies in the checking, savings and money market accounts.

***Investments:***

Investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair values in the statements of financial position. Unrealized gains and losses are included in the change in net assets.

***Fixed Assets and Depreciation:***

Fixed assets are stated at cost when purchased and at fair market value when donated. Depreciation is provided on the straight-line method over the estimated useful lives of the assets.

***Income Taxes:***

The Foundation is a not-for-profit corporation that is exempt from income tax under section 501(c)(3) of the Internal Revenue Code of 1986, as amended. In addition, the Foundation has been determined by the Internal Revenue Service not to be a private foundation within the meaning of section 509(a) of the Code.

***Basis of Presentation:***

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board in its Statement of Financial Accounting Standards (SFAS) No. 117, "Financial Statements of Not-for-Profit Organizations." Under SFAS No. 117, the Foundation is required to report information regarding its financial position and activities according to three classes of net assets based on the following criteria:

**COMMUNITY FOUNDATION OF ORANGE COUNTY, INC.**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**JUNE 30, 2008 AND 2007**

**2. Summary of Significant Accounting Policies (continued)**

***Basis of Presentation (continued):***

***Unrestricted:***

Unrestricted net assets are those resources that are not subject to donor-restrictions.

***Temporarily Restricted:***

Temporarily restricted net assets are those resources that are subject to donor-imposed restrictions that will be met either by actions of the Foundation and/or the passage of time.

***Permanently Restricted:***

Permanently restricted net assets are those resources that are subject to donor-imposed restrictions that they will be maintained permanently by the Foundation. Generally, the donors of these assets specify the use of the income earned on related investments, and the net capital appreciation thereon, for specific purposes.

***Contributions:***

All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts that are restricted are classified as either temporarily restricted or permanently restricted support. When a restriction has been met, amounts are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

***Deferred Revenue:***

Revenues received for specific activities, programs or events that have not yet occurred or for expenses which have not yet been incurred are reported as deferred revenue.

***Split-Interest Agreements:***

The Foundation serves as trustee for a charitable lead annuity trust. Assets held under this agreement are included in investments. The present value of the remainder interest of this trust is included in liabilities. The liabilities are adjusted during the term of the split-interest agreement for changes in fair value of the assets, accretion of the discount, and other changes in the estimates of future benefits.

***Agency Endowments:***

Accounting for receipts in which the donor specifies itself or an affiliate as a beneficiary conforms to the Statement of Financial Accounting Standards (SFAS) No. 136 "*Transfers of Assets to a Not-for-Profit Organization or Charitable Trust that Raises or Holds Contributions for Others.*" The net assets of the funds created with such receipts are recognized as a liability (Agency Endowments) to the donor. The additions, expenses, gains, and losses are not reported as separate transactions in the statement of activities, but are netted and the net ((\$89,376) for 2008 and \$472,580 for 2007) are reported through the change in the liability account. The resulting ending balances of \$1,176,448 in 2008 and \$1,265,824 in 2007 represent the fair market value of the Agency Endowments.

**COMMUNITY FOUNDATION OF ORANGE COUNTY, INC.**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**JUNE 30, 2008 AND 2007**

**2. 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 those estimates.

*Grants:*

Grants are awarded based on donor recommendations.

*Allocation of Expenses:*

Costs have been summarized by management on a functional basis in the statement of functional expenses and accordingly, have been allocated among the following categories:

*Program Services:*

Expenses directly connected with fulfilling the Foundation's mission and servicing the endowments.

*Donor Initiated Events:*

Certain donors sponsor events designed to raise funds for their endowments. The costs of direct benefits to those attending these events are included in this category.

*Management and General:*

Expenses relating to the general operations of the Foundation.

*Development Expenses:*

By its very nature, a community foundation's mission is to educate the public about philanthropy, methods of charitable giving and the benefits of establishing endowments. As such, the Foundation conducts various promotional and educational activities, the costs of which have been classified as development expenses.

*Fund Raising:*

This category includes fund raising costs incurred by the Foundation to support its general operations. It also includes indirect costs related to the donor initiated events sponsored by the donors.

**3. Prior-Year Information**

The statements of activities and functional expenses include certain prior year summarized comparative information in total but not by net asset/program. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the financial statements for the year ended June 30, 2007, from which the summarized information was derived.

**COMMUNITY FOUNDATION OF ORANGE COUNTY, INC.**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**JUNE 30, 2008 AND 2007**

**4. Uninsured Cash**

The Foundation maintains several accounts at a local bank. The combined balances in these accounts periodically exceed the \$100,000 federally insured limit. At June 30, 2008 the uninsured cash amounted to \$124,195.

**5. Investments**

Investments are stated at market value and are summarized as follows:

	<u>2008</u>	<u>2007</u>
Fixed Income	\$ 890,139	\$ 1,713,371
Bonds	1,015,191	105,584
Equities	2,224,620	2,200,001
Equity Funds	339,842	270,617
Total	<u>\$ 4,469,792</u>	<u>\$ 4,289,573</u>

The investment return consists of the following:

<u>2008</u>	<u>UNRESTRICTED</u>	<u>TEMPORARILY RESTRICTED</u>	<u>PERMANENTLY RESTRICTED</u>	<u>2008 TOTAL</u>
Realized Gain on Sale of Investments	\$ 214	\$ 1,247	\$ 11,645	\$ 13,106
Unrealized Loss on Investments	(2,696)	(21,699)	(208,410)	(232,805)
Interest and Dividend Income	<u>6,912</u>	<u>10,419</u>	<u>181,559</u>	<u>198,890</u>
Net Investment Return	<u>\$ 4,430</u>	<u>\$ (10,033)</u>	<u>\$ (15,206)</u>	<u>\$ (20,809)</u>
<u>2007</u>	<u>UNRESTRICTED</u>	<u>TEMPORARILY RESTRICTED</u>	<u>PERMANENTLY RESTRICTED</u>	<u>2007 TOTAL</u>
Realized Gain on Sale of Investments	\$ 34	\$ 869	\$ 11,504	\$ 12,407
Unrealized Gain on Investments	563	12,580	193,932	207,075
Interest and Dividend Income	<u>4,192</u>	<u>6,559</u>	<u>94,342</u>	<u>105,093</u>
Net Investment Return	<u>\$ 4,789</u>	<u>\$ 20,008</u>	<u>\$ 299,778</u>	<u>\$ 324,575</u>

**COMMUNITY FOUNDATION OF ORANGE COUNTY, INC.**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**JUNE 30, 2008 AND 2007**

**6. Fixed Assets**

Fixed assets are summarized as follows:

	<u>2008</u>	<u>2007</u>
Office Equipment	\$ 10,512	\$ 7,084
Less: Accumulated Depreciation	<u>(7,323)</u>	<u>(6,683)</u>
Fixed Assets, net	<u>\$ 3,189</u>	<u>\$ 401</u>

**7. Intangible Assets**

Intangible assets are summarized as follows:

	<u>2008</u>	<u>2007</u>
Logo	\$ 2,000	\$ 2,000
Website	<u>1,643</u>	<u>1,643</u>
	3,643	3,643
Less: Accumulated Amortization	<u>(1,608)</u>	<u>(1,365)</u>
Intangible Assets, net	<u>\$ 2,035</u>	<u>\$ 2,278</u>

**8. Student Loans Receivable**

Under the terms of The Roy D. Parker Education Fund, the Foundation administers loans to eligible students in Orange County. The balance of such loans at June 30, 2008 and 2007 amounted to \$78,498 and \$56,600, respectively.

**9. Additions to Endowments**

Various gifts, legacies and bequests constitute additions to the endowments. At times a single source is responsible for a significant portion of additions during a particular year; however, the Foundation does not use, and is not dependent on, such additions to fund current operations. During the year ended June 30, 2008, the Foundation received a \$4,000,000 pass-through grant which facilitated the construction of a new local hospital.

**COMMUNITY FOUNDATION OF ORANGE COUNTY, INC.**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**JUNE 30, 2008 AND 2007**

**10. Net Assets Released from Restrictions**

Net assets were released from donor restrictions either by incurring expenses satisfying the restricted purpose or by the occurrence of events specified by donors.

	<u>TEMPORARILY RESTRICTED</u>	<u>PERMANENTLY RESTRICTED</u>	<u>2008 TOTAL</u>	<u>2007 TOTAL</u>
Grants	\$ 23,329	\$ 4,126,839	\$ 4,150,168	\$ 57,550
Satisfaction of Restrictions	39,009	1,824	40,833	104,165
Administrative & Investment Management Fees	<u>5,644</u>	<u>51,388</u>	<u>57,032</u>	<u>47,875</u>
Net Assets Released from Restrictions	<u>\$ 67,982</u>	<u>\$ 4,180,051</u>	<u>\$ 4,248,033</u>	<u>\$ 209,590</u>

**11. Donated Services**

The Foundation receives a significant amount of donated services from volunteers; however, no amounts have been recognized in the statement of activities because the criteria for recognition under SFAS No. 116 have not been satisfied.

**12. Donated Assets**

Donated securities and other non-cash donations are recorded as contributions at fair market value on the date of donation.

**COMMUNITY FOUNDATION OF ORANGE COUNTY, INC.**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**JUNE 30, 2008 AND 2007**

**13. Lease Obligations**

The Foundation rents its office space under the terms of a lease agreement effective May 1, 2008 through April 30, 2014, which specifies annual rents of \$16,129 through April 2010, \$16,618 from May 2010 through April 2012, and \$17,106 from May 2012 through April 2014. It previously rented its office space under the terms of a month-to-month lease agreement specifying rents of \$500 per month. Rent expense for the years ended June 30, 2008 and 2007 amounted to \$7,688 and \$6,000, respectively.

Future minimum annual lease payments at June 30, 2008 are as follows:

Years ending June 30,		
	2009	\$ 16,129
	2010	16,211
	2011	16,618
	2012	16,699
	2013	17,106
	Thereafter	<u>14,255</u>
		<u>\$ 97,018</u>

**14. Retirement Plan**

The Foundation has established a “SIMPLE” Retirement Plan which allows eligible employees to defer a portion (subject to Internal Revenue Service limitations) of their salary. Beginning in 2007, the Foundation is obligated to make a contribution of 2% of eligible employees' salary. Retirement expense for the years ended June 30, 2008 and 2007, amounted to \$2,733 and \$2,076, respectively.