

YORK COLLEGE FOUNDATION
Financial Statements
June 30, 2018 and 2017
(With Independent Auditors' Report Thereon)

YORK COLLEGE FOUNDATION

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INDEPENDENT AUDITORS' REPORT

The Board of Trustees
York College Foundation:

Report on the Financial Statements

We have audited the accompanying financial statements of York College Foundation (the Foundation), which comprise the statement of financial position as of June 30, 2018, and the related statements of activities and cash flows for the year then ended, and the related notes to 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 audit. We conducted our audit 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 Foundation'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 Foundation'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 York College Foundation as of June 30, 2018, and the changes in its net assets and its cash flows for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

Prior Period Financial Statements

The financial statements of York College Foundation as of June 30, 2017, were audited by other auditors whose report dated September 22, 2017, expressed an unmodified opinion on those statements.

EFPR Group, CPAs, PLLC

Williamsville, New York
October 10, 2018

YORK COLLEGE FOUNDATION
 Statements of Financial Position
 June 30, 2018 and 2017

<u>Assets</u>	<u>2018</u>	<u>2017</u>
Assets:		
Cash and equivalents	\$ 873,298	2,428,261
Investments	1,892,033	248,718
Contributions receivable, net of discount and allowance for doubtful accounts	332,294	136,794
Accounts receivable	-	6,610
Donated artwork	115,000	115,000
Other assets	<u>4,471</u>	<u>4,069</u>
Total assets	<u>\$ 3,217,096</u>	<u>2,939,452</u>
<u>Liabilities and Net Assets</u>		
Liabilities - accounts payable and accrued expenses	<u>50,366</u>	<u>12,051</u>
Net assets:		
Unrestricted	116,219	667,435
Temporarily restricted	1,510,566	757,263
Permanently restricted	<u>1,539,945</u>	<u>1,502,703</u>
Total net assets	<u>3,166,730</u>	<u>2,927,401</u>
Total liabilities and net assets	<u>\$ 3,217,096</u>	<u>2,939,452</u>

See accompanying notes to financial statements.

YORK COLLEGE FOUNDATION
Statements of Activities
Years ended June 30, 2018 and 2017

	2018			Total
	Unrestricted	Temporarily restricted	Permanently restricted	
Revenue, gains and other support:				
Contributions - individuals, corporations and foundations	\$ 102,705	477,846	17,306	597,857
Donated services	503,849	-	-	503,849
Fundraising events	96,625	-	-	96,625
Net investment income	912	22,327	23,543	46,782
Net assets released from restrictions	<u>249,537</u>	<u>(245,930)</u>	<u>(3,607)</u>	<u>-</u>
Total revenue, gains and other support	<u>953,628</u>	<u>254,243</u>	<u>37,242</u>	<u>1,245,113</u>
Expenses:				
Program services:				
Scholarships	116,888	-	-	116,888
Support of York College	<u>834,131</u>	<u>-</u>	<u>-</u>	<u>834,131</u>
Total program services	<u>951,019</u>	<u>-</u>	<u>-</u>	<u>951,019</u>
Supporting services:				
Fundraising events	34,728	-	-	34,728
Management and general	<u>20,037</u>	<u>-</u>	<u>-</u>	<u>20,037</u>
Total supporting services	<u>54,765</u>	<u>-</u>	<u>-</u>	<u>54,765</u>
Total expenses	<u>1,005,784</u>	<u>-</u>	<u>-</u>	<u>1,005,784</u>
Increase (decrease) in net assets	(52,156)	254,243	37,242	239,329
Net assets at beginning of year	667,435	757,263	1,502,703	2,927,401
Transfer of net assets	<u>(499,060)</u>	<u>499,060</u>	<u>-</u>	<u>-</u>
Net assets at end of year	<u>\$ 116,219</u>	<u>1,510,566</u>	<u>1,539,945</u>	<u>3,166,730</u>

(Continued)

See accompanying notes to financial statements.

YORK COLLEGE FOUNDATION
Statements of Activities, Continued

	2017			Total
	Unrestricted	Temporarily restricted	Permanently restricted	
Revenue, gains and other support:				
Contributions - individuals, corporations and foundations	\$ 68,117	162,172	17,369	247,658
Donated services	379,697	-	-	379,697
Fundraising events	370,916	-	-	370,916
Net investment income	858	57,424	38,103	96,385
Net assets released from restrictions	248,582	(248,582)	-	-
Total revenue, gains and other support	1,068,170	(28,986)	55,472	1,094,656
Expenses:				
Program services:				
Scholarships	97,820	-	-	97,820
Support of York College	617,370	-	-	617,370
Total program services	715,190	-	-	715,190
Supporting services:				
Fundraising events	112,238	-	-	112,238
Management and general	14,621	-	-	14,621
Total supporting services	126,859	-	-	126,859
Total expenses	842,049	-	-	842,049
Increase (decrease) in net assets	226,121	(28,986)	55,472	252,607
Net assets at beginning of year	441,314	828,768	1,404,712	2,674,794
Transfer of net assets	-	(42,519)	42,519	-
Net assets at end of year	\$ 667,435	757,263	1,502,703	2,927,401

See accompanying notes to financial statements.

YORK COLLEGE FOUNDATION
 Statements of Cash Flows
 Years ended June 30, 2018 and 2017

	<u>2018</u>	<u>2017</u>
Cash flows from operating activities:		
Increase in net assets	\$ 239,329	252,607
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Net realized and unrealized (gain) loss on investments	(19,985)	(92,702)
Bad debt expense	50,500	-
Changes in:		
Contributions receivable	(246,000)	201,596
Accounts receivable	6,610	(6,610)
Other assets	(402)	(3,905)
Accounts payable and accrued expenses	<u>38,315</u>	<u>(88,949)</u>
Net cash provided by operating activities	<u>68,367</u>	<u>262,037</u>
Cash flows from investing activities:		
Purchase of investments	(1,623,330)	(3,139)
Proceeds from sale of investments	<u>-</u>	<u>965,876</u>
Net cash provided by (used in) investing activities	<u>(1,623,330)</u>	<u>962,737</u>
Net increase (decrease) in cash and equivalents	(1,554,963)	1,224,774
Cash and equivalents at beginning of year	<u>2,428,261</u>	<u>1,203,487</u>
Cash and equivalents at end of year	<u>\$ 873,298</u>	<u>2,428,261</u>

See accompanying notes to financial statements.

YORK COLLEGE FOUNDATION

Notes to Financial Statements

June 30, 2018 and 2017

(1) Nature of Organization

On October 6, 1989, the York College Foundation (the Foundation) was incorporated in compliance with the City University of New York's Bylaws, Section 14.10, adopted by the Board of Trustees of The City University of New York (CUNY) on June 26, 1989 and authorized by the Board of Trustees in its meeting on March 21, 1990. The purpose of the Foundation is to support and advance the activities and missions of York College (the College) in its academic, cultural, research and public service programs, and to promote and encourage interest and support for these programs serving the students, faculty, administrative staff, alumni and others in the college community of York College. Although the Foundation is a separate and independent legal entity, it carries out operations which are integrally related to CUNY and, therefore, is presented as a part of CUNY's financial reporting entity.

(2) Summary of Significant Accounting Policies

(a) Basis of Accounting

The financial statements are prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

(b) Basis of Presentation

The Foundation is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets and permanently restricted net assets. Net assets of the Foundation and changes therein are classified and reported as follows:

Unrestricted net assets - The part of net assets that is neither permanently nor temporarily restricted by externally imposed stipulations.

Temporarily restricted net assets - Net assets resulting from contributions and other inflows of assets whose use by the Foundation is limited by externally imposed stipulations that either expire by passage of time or can be fulfilled and removed by actions of the Foundation Board of Trustees pursuant to those stipulations. When such stipulations end or are fulfilled, such temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities.

Permanently restricted net assets - Net assets resulting from contributions and other inflows of assets whose use by the Foundation is limited by externally imposed stipulations that neither expire by passage of time or can be fulfilled or otherwise removed by actions of the Foundation Board of Trustees. The purposes for which the income and net capital appreciation arising from the underlying assets may be used depend on the wishes of those donors. The remaining portion of the donor-restricted endowment fund that is not classified as permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Board in a manner consistent with the standard of prudence prescribed by NYPMIFA.

YORK COLLEGE FOUNDATION
Notes to Financial Statements, Continued

(2) Summary of Significant Accounting Policies, Continued

(c) Use of Estimates

The preparation of financial statements in accordance 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.

(d) Cash and Equivalents

For purposes of the statements of cash flows, the Foundation considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

(e) Concentrations

At times, the Foundation's cash and equivalents balance may exceed federally insured limits. At June 30, 2018, the Foundation's cash balances were in excess of this insurable limit. The Foundation monitors its financial institutions and the concentration of credit risk on a regular basis and does not anticipate nonperformance by the financial institutions.

(f) Investments

Investments are reported at their fair values based on quoted market prices. Donated securities are recorded at fair value at the date of donation. Realized and unrealized gains and losses are included in the statements of activities as changes in unrestricted net assets, unless their use is temporarily or permanently restricted by explicit donor stipulations or by law.

The Foundation had investments held by CUNY in an investment pool which were under the control of the Committee on Fiscal Affairs of the Board of Trustees of CUNY (the Committee). In June 2017, the Foundation sold its investments in the CUNY investment pool.

(g) Contributions Receivable

Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the net present value of their estimated future cash flows. The discounts on those amounts are computed using risk-adjusted interest rates applicable to the years in which the promises are received. Amortization of the discounts is included in contribution revenue. Conditional promises to give are not included as support until conditions are substantially met. Interest is not charged or recorded on outstanding receivables.

YORK COLLEGE FOUNDATION
Notes to Financial Statements, Continued

(2) Summary of Significant Accounting Policies, Continued

(h) Contributions and Grants

Allowance for Doubtful Accounts

The Foundation determines whether an allowance for uncollectible accounts should be provided for contributions receivable. Such estimates are based on management's assessment of the aged basis of its receivables, current economic conditions, subsequent collections and historical information. Receivables are charged to bad debts when they are deemed to be uncollectible based upon a periodic review of the accounts by management. As of June 30, 2018, the Foundation has an allowance for doubtful accounts of \$38,000. At June 30, 2017, the Foundation had no allowance for doubtful accounts.

(i) Functional Expenses

The costs of providing the Foundation's programs and services have been summarized on a functional basis. Accordingly, certain costs have been allocated among the program and supporting services benefited.

(j) Subsequent Events

The Foundation has evaluated subsequent events through the date of the report which is the date the financial statements were available to be issued.

(k) Income Taxes

The Foundation is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code (the Code); therefore, no provision for income taxes is reflected in the financial statements. The Foundation has been classified as a publicly supported organization that is not a private foundation under Section 509(a) of the Code. The Foundation presently discloses or recognizes income tax positions based on management's estimate of whether it is reasonably possible or probable that a liability has been incurred for unrecognized income taxes. Management has concluded that the Foundation has taken no uncertain tax positions that require adjustment in its financial statements. U.S. Forms 990 filed by the Foundation are subject to examination by taxing authorities.

(l) Reclassifications

Reclassifications have been made to certain 2017 balances in order to conform them to the 2018 presentation.

YORK COLLEGE FOUNDATION
Notes to Financial Statements, Continued

(3) Investments

Fair Value Measurement and Disclosures

A framework has been established 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 below:

- 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 assets or liabilities; and
 - Inputs that are derived principally from or corroborated by observable market data by correlation or other means.
- Level 3 - Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset's 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. There have been no changes in the methodologies used at June 30, 2018.

At June 30, 2018 and 2017, the Foundation's money market accounts, certificates of deposit and mutual funds are considered Level 1 assets.

The Foundation's investments consist of the following at June 30, 2018 and 2017:

	<u>2018</u>	<u>2017</u>
Money market accounts	\$ 287,034	146,862
Certificates of deposit	101,876	101,856
Mutual funds	<u>1,503,123</u>	<u>-</u>
Total investments	\$ <u>1,892,033</u>	<u>248,718</u>

YORK COLLEGE FOUNDATION
Notes to Financial Statements, Continued

(3) Investments, Continued

Fair Value Measurement and Disclosures, Continued

Net investment income is summarized as follows:

	<u>2018</u>	<u>2017</u>
Interest and dividends	\$ 26,797	3,683
Net realized gains	(21,329)	70,436
Net unrealized gains	<u>41,314</u>	<u>22,266</u>
Net investment income	\$ <u>46,782</u>	<u>96,385</u>

(4) Contributions Receivable

Contributions receivable are discounted over the payment period using a discount rate of 5%. Contributions receivable were estimated to be due as follows:

	<u>2018</u>	<u>2017</u>
Gross amount due in:		
Less than one year	\$ 202,241	54,587
One to five years	177,500	76,654
More than five years	<u>-</u>	<u>15,000</u>
	379,741	146,241
Less allowance for uncollectible amounts	(38,000)	-
Less discount to net present value	<u>(9,447)</u>	<u>(9,447)</u>
Net contributions receivable	\$ <u>332,294</u>	<u>136,794</u>

(5) Donated Artwork

In January 2015, a former professor of York College donated 10 pieces of artwork which include “Yankee Stadium,” “Barbarshop,” “Elevated,” “Restaurant,” “Bodega,” “Bayamo I,” “Havana Façade,” “Trinidad II,” “Havana Hallway” and “Havana Façade II.” The estimated market value of the collection is \$92,000 and has been included in the unrestricted net assets of the accompanying financial statements.

In November 2008, the Foundation received a donation of three pieces of artwork, entitled “Blue Lightning,” “Earth Mother” and “Parandole II.” Pursuant to the gift agreement, the Foundation agreed to care for and display this artwork for a period of no less than three years from the date of ownership. After such time, the Foundation, in its own discretion, reserved the right to discontinue displaying the artwork, or otherwise dispose of it. The recorded value of the artwork of \$23,000 has been included in the unrestricted net assets of the accompanying financial statements.

YORK COLLEGE FOUNDATION
Notes to Financial Statements, Continued

(5) Donated Artwork, Continued

In addition, the Foundation is the recipient of a donation of artwork entitled “The Copper Airplane.” At which time the artwork is appraised, it will be recorded as an asset in the Foundation’s financial statements at its appraised value.

(6) Donated Services

The Foundation recognizes donations of services if the services received: (a) create or enhance nonfinancial assets; or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. The Foundation operates on the campus of the College and, as such, utilizes space and certain services made available to it. Donated services and promises to give services that do not meet the above criteria are not recognized. The estimated cost savings of \$503,849 and \$379,697 for the years ended June 30, 2018 and 2017, respectively, have been recorded as donated services and are recognized as both revenue and expenses in the accompanying statements of activities.

(7) Temporarily Restricted Net Assets

Temporarily restricted net assets are available for the following purposes:

	<u>2018</u>	<u>2017</u>
Scholarships	\$ 874,580	211,921
Community and departmental programs	522,853	402,192
Investment return	<u>113,133</u>	<u>143,150</u>
Total	\$ <u>1,510,566</u>	<u>757,263</u>

During fiscal 2018 and 2017, temporarily restricted net assets were released from restrictions by incurring expenses for the following donor restricted purposes:

	<u>2018</u>	<u>2017</u>
Community and departmental programs	\$ 129,041	150,762
Scholarships	116,889	95,820
Investment return appropriation	<u>-</u>	<u>2,000</u>
Total	\$ <u>245,930</u>	<u>248,582</u>

YORK COLLEGE FOUNDATION
Notes to Financial Statements, Continued

(8) Permanently Restricted Net Assets

Permanently restricted net assets are restricted for the following purposes:

	<u>2018</u>	<u>2017</u>
Professorship (A)	\$ 625,393	627,780
Scholarships (B)	<u>914,552</u>	<u>874,923</u>
Total	\$ <u>1,539,945</u>	<u>1,502,703</u>

- (A) In October 2008, the Foundation received a \$500,000 contribution for the establishment of a permanent endowment to be known as the ACFE Fund for the purpose of supporting the ACFE Endowed Professor of Fraud Examination pursuant to the terms of the agreement between the grantor and the Foundation. In addition, the endowment agreement provides that as long as the principal of the ACFE Fund is less than \$750,000, York College will provide supplemental financial support to the Business School's accounting department in an amount equal to 5% of the balance of the endowment at September 1 of each year until the threshold of \$750,000 is attained and the earnings of the ACFE Fund will be reinvested and added to the principal. Once the principal has reached the minimum threshold, the income and appreciation of the ACFE Fund will be used as deemed necessary to effectuate the purposes of the gift and York College shall be under no further obligation to provide supplemental financial support for the ACFE professor. After reaching a balance of \$750,000, the Foundation agrees that the principal of the gift shall be preserved in perpetuity and only its income and appreciation will be used for the purposes described in the endowment agreement.
- (B) Consists of endowment corpus that provides investment income primarily for student scholarships.

(9) Pledge Commitments

In June 2015, a member of the Board of Trustees made a pledge to contribute a total of \$16,000 to be paid over 3 years (2016 - 2018), of which \$7,250 has been received through June 30, 2018.

In May 2015, a former York College student made a pledge to contribute a total of \$150,000 to the Foundation, consisting of \$50,000 in cash to be paid over ten years (2016 - 2025), of which \$6,280 has been received through June 30, 2018, and a whole-term life insurance policy valued at \$100,000 of which the Foundation was named owner and beneficiary and the student was named the insured. The student is to make annual contributions to the Foundation in the amount of the premium payment for the whole life insurance policy, or \$3,780 annually over the next eight years. Contribution revenue related to the cash surrender value of the insurance policy will be recognized at the end of the whole-term life insurance policy terms, if all premium payments have been made.

YORK COLLEGE FOUNDATION
Notes to Financial Statements, Continued

(9) Pledge Commitments, Continued

In January 2014, a family member of a former professor at the College made a pledge to contribute a total of \$66,440 to the Foundation, of which \$56,010 was received through June 30, 2018.

In April 2012, an alumnus of the College made a pledge to contribute a total of \$200,000 to the Foundation, of which \$120,846 was received through June 30, 2018.

In May 2011, a member of the Board of Trustees made a pledge to contribute a total of \$100,158 to the Foundation, of which \$69,471 was received through June 30, 2018 and \$687 is due in fiscal year 2019; \$10,000 from an existing life insurance policy, and a bequest in the amount of \$20,000. Contribution revenue related to the insurance policy and bequest will be recognized in the future when conditions have been met.

(10) Endowment Funds

The Foundation classifies as permanently restricted net assets: (a) the original value of 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 appropriated for expenditure by the Foundation in a manner consistent with the standard of prudence prescribed by applicable laws and regulations.

The Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: (1) the duration and preservation of the various funds, (2) the purpose of the Foundation and donor-restricted endowment funds, (3) general economic conditions, (4) the possible effect of inflation and deflation, (5) the expected total return from income and the appreciation of investments, (6) other resources of the Foundation, (7) the Foundation's investment policies and (8) where appropriate, alternatives to spending from the donor-restricted endowment funds and the possible effects of those alternatives on the Foundation.

The Foundation has adopted investment and spending policies, approved by the Board of Directors, 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 these endowment assets over the long-term. The Foundation's spending and investment policies work together to achieve this objective. The investment policy establishes an achievable return objective through diversification of asset classes. Actual returns in any given year may vary from this amount. To satisfy its long-term rate-of-return objectives, the Foundation relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Foundation targets a diversified assets allocation that places an emphasis on fixed income investments to achieve its long-term return objectives within prudent risk parameters.

YORK COLLEGE FOUNDATION
Notes to Financial Statements, Continued

(10) Endowment Funds, Continued

The Board of Trustees utilizes a spending rate of 4.5% of the fair value of the endowment funds at the beginning of the fiscal year to determine its annual drawdown from the endowment.

The following is a reconciliation of the activity in the endowment funds for the years ended June 30, 2018 and 2017:

	<u>Temporarily restricted</u>	<u>Permanently restricted</u>	<u>Total</u>
Balance at June 30, 2016	\$ 87,726	1,404,712	1,492,438
Transfer	(42,519)	42,519	-
Contributions	-	17,369	17,369
Investment return	57,424	38,103	95,527
Appropriation	<u>(2,000)</u>	<u>-</u>	<u>(2,000)</u>
Balance at June 30, 2017	100,631	1,502,703	1,603,334
Contributions	-	17,306	17,306
Investment return	22,319	23,543	45,862
Appropriation	<u>(9,817)</u>	<u>(3,607)</u>	<u>(13,424)</u>
Balance at June 30, 2018	\$ <u>113,133</u>	<u>1,539,945</u>	<u>1,653,078</u>

All of the Foundation's endowment funds are permanently restricted in nature. There were no cumulative losses absorbed by the Foundation's unrestricted net assets at June 30, 2018 and 2017.

(11) Transfer of Net Assets

At June 30, 2017, net assets previously recorded as temporarily restricted were transferred to permanently restricted in the amount of \$42,519 to reflect restricted investment income.

At June 30, 2018, net assets previously recorded as unrestricted were transferred to temporarily restricted in the amount of \$499,060 to reflect an allocation to scholarship.