COMMUNITY FOUNDATION OF OTSEGO COUNTY, INC.

FINANCIAL STATEMENTS

Year Ended December 31, 2023

COMMUNITY FOUNDATION OF OTSEGO COUNTY, INC.

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Community Foundation of Otsego County, Inc.
Springfield Center, New York

Opinion

We have audited the accompanying financial statements of the Community Foundation of Otsego County, Inc. (the "Organization") (a nonprofit organization) which comprise of the statement of financial position as of December 31, 2023 and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Organization as of December 31, 2023, 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.

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

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

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

Mostert, Manzanero & Scott, LLP

Oneonta, New York
June 4, 2024

COMMUNITY FOUNDATION OF OTSEGO COUNTY, INC.

STATEMENT OF FINANCIAL POSITION

December 31, 2023

ASSETS	
Current assets:	
Cash	$ 161,867
Cash - Restricted	2,262
Contributions receivable	290,608
Total current assets	454,737
Long-term assets:	
Contributions receivable	169,543
Agency investment funds with CFHOC	1,813,335
Investments	1,758,990
Total long-term assets	3,741,868
Other assets:	
Website and organizational costs	25,117
Accumulated amortization	(11,516)
Total other assets	13,601
Total assets	$ 4,210,206
LIABILITIES AND NET ASSETS	
Current liabilities:	
Accounts payable	$ 1,846
Agency funds payable	360,780
Total current liabilities	362,626
Net assets:	
Without donor restrictions	1,689,704
With donor restrictions	2,157,876
Total net assets	3,847,580
Total liabilities and net assets	$ 4,210,206

See accompanying notes.

COMMUNITY FOUNDATION OF OTSEGO COUNTY, INC.

STATEMENT OF ACTIVITIES

Year Ended December 31, 2023

	Without Donor Restrictions	With Donor Restrictions	Totals
Support and revenue:			
Contributions	$ 279,110	$ 1,056,161	$ 1,335,271
Grants	-	5,000	5,000
Administrative fee income	14,510	-	14,510
Investment income	83,606	172,609	256,215
Other income	9,000	-	9,000
Net assets released from restrictions	371,086	(371,086)	-
Total support and revenues	757,312	862,684	1,619,996
Expenses:			
Program services	305,147	-	305,147
Management and general	73,176	-	73,176
Fundraising	41,836	-	41,836
Total expenses	420,159	-	420,159
Change in net assets	337,153	862,684	1,199,837
Net assets - Beginning of year	698,594	1,882,772	2,581,366
Prior period adjustments	653,957	(587,580)	66,377
Net assets - Beginning of year - Restated	1,352,551	1,295,192	2,647,743
Net assets - End of year	$ 1,689,704	$ 2,157,876	$ 3,847,580

See accompanying notes.

COMMUNITY FOUNDATION OF OTSEGO COUNTY, INC.

STATEMENT OF FUNCTIONAL EXPENSES

Year Ended December 31, 2023

	Program Services	Management and General	Fundraising	Totals
Salaries and wages	$ 30,691	$ 28,717	$ 28,716	$ 88,124
Payroll related expenses	6,452	6,037	6,037	18,526
	37,143	34,754	34,753	106,650
Grants to other organizations	234,942	-	-	234,942
Accounting fees	-	16,959	-	16,959
Advertising and promotion	-	2,245	-	2,245
Contract services	-	-	4,750	4,750
Legal fees	-	2,558	-	2,558
Payroll processing fees	-	1,090	-	1,090
Insurance	-	1,692	-	1,692
Office expense	-	1,848	-	1,848
Board training	-	1,000	-	1,000
Event	1,543	-	-	1,543
Membership dues	-	2,330	-	2,330
Printing and copying	5,825	-	1,941	7,766
Web design	-	2,593	-	2,593
Filing fees	-	275	-	275
Program expenses	24,518	-	-	24,518
Postage expense	1,176	-	392	1,568
Software fees	-	2,361	-	2,361
Amortization expense	-	3,471	-	3,471
Total functional expenses	$ 305,147	$ 73,176	$ 41,836	$ 420,159

See accompanying notes.

COMMUNITY FOUNDATION OF OTSEGO COUNTY, INC.

STATEMENT OF CASH FLOWS

Year Ended December 31, 2023

Cash flows from operating activities:	
Change in net assets	$ 1,199,837
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:	
Amortization	3,471
Unrealized gain on investments	(33,753)
(Increase) decrease in assets:	
Contributions receivable	193,766
Increase (decrease) in operating liabilities:	
Accounts payable and accrued expense	(8,373)
Agency payable	74,421
NET CASH PROVIDED BY OPERATING ACTIVITIES	1,429,369
Cash flows from investing activities:	
Increase in agency investment with CFHOC	(218,375)
Purchase of investments	(1,725,194)
NET CASH USED IN INVESTING ACTIVITIES	(1,943,569)
NET DECREASE IN CASH	(514,200)
Cash - Beginning of year	678,329
CASH - END OF YEAR	$ 164,129

See accompanying notes.

NOTE 1 NATURE OF OPERATIONS

Community Foundation of Otsego County, Inc. (the "Organization"), is a not-for-profit corporation whose purpose is to lead and inspire community-wide efforts that significantly improve the quality of life and the prosperity of the Otsego County, New York area. The Organization connects people who care with causes that matter; leverage collective knowledge, creativity, and resources for a greater impact than any one individual can make alone.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The financial statements of the Organization have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables, and other liabilities.

Basis of Presentation

The financial statements of the Organization have been prepared in accordance with U.S. generally accepted accounting principles (U.S. GAAP), which requires the Organization to report information regarding its financial position and activities according to the following net asset classifications:

Net Assets Without Donor Restrictions – Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Organization. These assets may be used at the discretion of the Organization's management and the board of directors.

Net Assets With Donor Restrictions – Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Organization or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

Cash and Cash Equivalents

For the purpose of the statement of cash flows, the Organization considers all highly liquid investments to be cash and cash equivalents.

Income Tax Status

The Community Foundation of Otsego County, Inc. is a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code and as such is not subject to Federal Income Tax. The Organization reviews the components of revenues, gains, and other support and analyzes whether the position that the Organization takes with regard to a particular item of income would meet the definition of an uncertain tax position under U.S. GAAP. The Organization files information returns in the U.S. federal jurisdiction and New York State jurisdiction. The tax years that remain subject to examination by taxing authorities are generally the previous three years.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd.)

Contributions Receivable

Contributions receivable are recorded at their estimated fair value when the promise is made rather than in the period for which the pledges are designated. Contributions receivable consist of unsecured unconditional promises to give. Contributions receivable are reported at their net realizable value. Contributions receivable expected to be collected in future years are recorded at the present value of their net realizable value, at an appropriate discount rate commensurate with risks involved. Amortization of the discount is recorded as additional contribution revenue in accordance with donor-imposed restrictions, if any, on the contributions.

Grants and Contributions

Grants and contributions received are recorded as net assets without donor restrictions or net assets with donor restrictions, depending on the existence and/or nature of any donor-imposed restrictions. Contributions that are restricted by the donor are reported as an increase in net assets without donor restrictions if the restriction expires in the reporting period in which the contribution is recognized. All other donor restricted contributions are reported as an increase in net assets with donor restrictions, depending on the nature of restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

Revenue Recognition

Contributions are recognized when cash, securities, other assets or an unconditional promise to give is received. Conditional promises to give, those with a measurable performance or barrier and a right of return, are not recognized until the specified condition has been met.

Administrative fees are recognized as income when the service related to the administrative fee is performed.

Donated Assets

Donated marketable securities and other noncash donations are recorded as contributions at their estimated fair values at the date of donation.

Use of Estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd.)

Functional Expense Allocation

Directly identifiable expenses are charged to program and supporting services. Expenses related to more than one function are charged to program and supporting services based on estimates of cost to run the program. Management and general expenses include those expenses that are not directly identifiable with any specific function but provide for the overall support and direction of the Organization.

Events Occurring After Reporting Date

Subsequent events were evaluated through June 4, 2024, which is the date the financial statements were available to be issued.

NOTE 3 AVAILABILITY AND LIQUIDITY

The following represents the Organization's financial assets at December 31:

Financial assets at year end:	
Cash	$ 161,867
Cash restricted	2,262
Contributions receivable	290,608
Investments	3,572,325
	4,027,062
Less amounts with limited use:	
Agency funds	(360,780)
Donor restricted funds	(2,157,876)
	(2,518,656)
Financial assets available to meet general expenditures over the next twelve months	$ 1,508,406

As part of the Organization's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures come due.

NOTE 4 CONTRIBUTIONS RECEIVABLE

The Organization solicits contributions from donors who may sometimes prefer to allocate the contribution over several years. The pledge is obligated for spending when the funds are transferred to the Organization and the temporary restriction is released for the Organization's general mission. Contributions receivable consisted of the following at December 31:

Gross contributions receivable	$ 470,451
Less: Unamortized discount	(10,300)
Net contributions receivable	$ 460,151
Amounts due in:	
Less than one year	$ 290,608
One to five years, net of discount	169,543
Total	$ 460,151

The discount rate of 6% was used to determine the present value of pledges to be received.

NOTE 5 NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consisted of net assets subject to donor-imposed stipulations that may or will be met either by actions of the Organization and/or the passage of time and donor-imposed stipulations. Net assets with donor restrictions consisted of the following at December 31:

Field of interest restrictions	$ 553,186
Donor advised	1,569,690
Other restricted funds	35,000
Net assets – End of year	$ 2,157,876

Field of Interest Funds – Donations received impose restrictions on the general use or field of interest. The Organization has established the Advocates for Springfield Fund; the Greater Otego Library and Education Fund, and the Otsego Public Cemetery Fund; as field of interest funds. These funds were accepted with a condition that allows the board to exercise a variance of power over the use of these funds. The variance of power gives the board the ability to exercise its judgment when situations arise making it impossible (or nearly impossible) or illegal or contrary to the mission of the Organization to carry out the restricted wishes of the donor. In those cases, the board must be guided by a goal of trying to come closest to carrying out the original intent of the donor.

Donor Advised Funds – Donations received require the board to be advised on the use of the funds. The Organization has established the Broad Reach Philanthropies Fund; Friends of Schoharie Fund; Robert and Karen Schlater Fund; Yinkey Fund; Levine Family Fund; and the Fenimore Asset Management Fund. The Organization can decide how funds are spent; however, the donor may nominate a fund advisor who can make recommendations about spending. These recommendations will be considered by the board. The board complies with these recommendations unless the recommendation is inconsistent with the Organization's mission.

NOTE 6 INVESTMENTS

Agency Investment Funds with CFHOC

The Organization has established an agency investment fund with The Community Foundation of Herkimer and Oneida Counties, Inc. (CFHOC), to manage individual fund investments. These funds are stated at fair value and are summarized as follows as of December 31:

	Field of Interest Funds	Donor Advised Funds	Agency Funds	CFOC Funds	Total Funds
Balance – Beginning of year	$ 335,193	$ 462,173	$ 286,359	$ 511,237	$ 1,594,962
Contributions	-	385,300	-	5,399	390,699
Transfers out	(2,200)	(263,386)	(100,613)	(11,543)	(377,742)
Net investment activity	46,632	61,626	26,205	70,953	205,416
Balance – End of year	$ 379,625	$ 645,713	$ 211,951	$ 576,046	$ 1,813,335

Funds established at CFHOC are component funds of CFHOC, a 501(c)(3) public benefit corporation. Legal control of the investment management and responsibility for the safeguarding of the funds rest with CFHOC. The Organization allows CFHOC to commingle and coinvest assets of the fund with other assets of the investment fund. However, the Organization retains the right to terminate the agency agreement. The separate agreement will be mutually agreed upon but will be no less than six months, allowing the Organization to select alternate investments.

The investment funds are pools of stocks, bonds, and other investments, the Organization has adopted the investment strategies of these well managed funds. Disclosures and details of these investments are readily available on the Organization website. In addition, the Organization has access to CFHOC expertise through a contractual relationship whereby assistance is available in areas that are in development stages.

Investment Funds

Investments in equity securities with readily determinable fair values are reported at fair value. These investment included the following at December 31:

	Market Value	Cost
Money market funds	$ 1,155,566	$ 1,155,566
Equity funds	603,424	571,396
Total	$ 1,758,990	$ 1,726,962

NOTE 6 INVESTMENTS (Cont'd.)

Investment Funds (Cont'd.)

Return investment consisted of the following:	
Interest/dividend income	$ 55,378
Unrealized gain	33,753
Fees	(12,127)
Total	$ 77,004
Investment funds at December 31, 2023:	
Field of interest funds	$ 173,561
Donor advised funds	923,977
Agency funds	148,829
CFOC funds	512,623
Total	$ 1,758,990

NOTE 7 OTHER ASSETS

Other assets consisted of the following at December 31:

Organizational costs	$ 11,643
Website development	13,474
	25,117
Less: Accumulated amortization	(11,516)
Other assets – Net	$ 13,601

Amortization is calculated using the straight-lie method over the following estimated useful life:

Website development	5 years
Organization costs	15 years

Amortization expense of $3,471 was recognized for 2023.

NOTE 8 FINANCIAL INSTRUMENTS WITH CONCENTRATIONS OF CREDIT RISK

Cash

The Organization maintains cash balances at various financial institutions. These accounts are insured by the Federal Deposit Insurance Corporation (FDIC) up to $250,000. At December 31, 2023, there were no uninsured cash balances.

NOTE 8 FINANCIAL INSTRUMENTS WITH CONCENTRATIONS OF CREDIT RISK (Cont'd.)

Contributions Receivables

Contributions receivables are comprised of various pledges from several individuals. The Organization expects uncollectible promises to be insignificant.

Investments

Investment securities are exposed to various risk, such as interest rate, market, and credit. Due to the level of risk associated with certain investment securities and the level of uncertainties related to changes in the fair value of investment securities, it is at least reasonably possible that changes in risk in the near term would materially affect the net assts of the Organization.

Contribution Revenue

Approximately 43% of the Organization's contribution revenue was from one donor related to a donor advised fund for the year ended December 31, 2023.

NOTE 9 FAIR VALUE MEASUREMENTS

Fair value is an exit price, representing the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. The fair value hierarchy prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to 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 fair value hierarchy are described below:

Level 1: Quoted prices in active markets that are accessible at the measurement date for identical assets and liabilities. Level 1 includes debt and equity securities that are traded in an active exchange market, as well as U.S. treasury securities.

Level 2: Inputs, other than quoted prices in active markets, that are observable either directly or indirectly and fair value is determined through the use of models or other valuation methodologies. This category generally includes certain U.S. government and agency obligations and fixed income securities.

Level 3: Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the asset or liabilities. This category generally includes certain private debt and equity instruments and alternative investments.

Fair values for securities are based on quoted market prices or dealer quotes, where available. When quoted market prices are not available, fair values are based on quoted market prices of comparable instruments.

NOTE 9 FAIR VALUE MEASUREMENTS (Cont'd.)

The following table sets forth the Organization's investments that were accounted for at fair value at December 31. Investments are classified in their entirety based on the lowest level of input that is significant to the fair value measurements:

	Level 1	Level 2	Level 3	Total
Money market funds	$ 1,155,566	$ -	$ -	$ 1,155,566
Equity funds	603,424	-	-	603,424
Total	$ 1,758,990	$ -	$ -	$ 1,758,990

NOTE 10 ENDOWMENT FUNDS

At December 31, 2023, the Organization had two field of interest funds that are permanently endowed. Endowment funds are maintained in separate investment custodial accounts. Funds to be held in perpetuity are established by donors in order for the earnings to provide funding for specific activities and general operations.

The Board of Directors has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the date of the donor restricted endowment funds, unless there are explicit donor stipulations to the contrary. As a result of this interpretation, the Organization retains in perpetuity (a) the original value of initial and subsequent gift amounts donated by the endowment and (b) any accumulations to the endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added. Donor restricted amounts not retained in perpetuity are subject to appropriation for expenditure by the Organization in a manner consistent with the standard of prudence prescribed by UPMIFA. The Organization considers the following factors in making a determination to appropriate or accumulate donor restricted endowment funds:

- The duration and preservation of the fund;
- The purposes of the Organization and the donor restricted endowment fund;
- General economic conditions;
- The possible effect of inflation and deflation;
- The expected total return from income and the appreciation of investments;
- Other resources of the Organization; and
- The investment policies of the Organization.

Investment and Spending Policies

The Organization's investment policy is based on fundamental financial principles that include prudent asset allocation, risk assessment, and long-term planning. The investment policy emphasizes total return, which allows the funds to utilize current income (dividend and interest) and aggregate return from capital appreciation, in an attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets.

NOTE 10 ENDOWMENT FUNDS (Cont'd.)

Investment and Spending Policies (Cont'd.)

Within this framework, specific investment objectives for endowment investments include liquidity, preservation of capital, preservation of purchasing power, and long-term growth of capital.

The investment policy establishes an achievable return objective through diversification of asset classes. The current long-term objective is to produce a minimum annual compound total rate of return in excess of inflation in order to support the Organization's spending needs.

The Organization's spending policy is as follows:

Spending during the first year of the fund shall be limited to not more than 4% of the amount contributed into the fund. In subsequent years, spending will be limited to the greater of i) 4% of the value of the fund as of December 31 of the prior year; or ii) half of the average annual growth of the fund during the prior five years (or, if the fund has not been in existence for five years, the number of years since fund inception). Spending shall be net of any fees to the Organization.

Target total returns for the five year period of 2021 – 2026:

Long-term funds	Inflation + 5%
Intermediate term funds	Inflation + 3%
Cash	0.1%

At December 31, the Organization's fair value of endowment investments composition by endowment fund is as follows:

	FMV	Original Gift Amount	Deficiency in Endowment Investment
Endowment – FOI – Greater Otego Library and Education Fund	$ 327,903	$ 352,560	$ (24,657)
Endowment – FOI – Advocates for Springfield Fund	38,763	43,600	(4,837)
Total	$ 366,666	$ 396,160	$ (29,494)

The changes in endowment net assets for the year ended December 31, 2023 is as follows:

Endowment net assets – December 31,2022	$ 326,967
Investment return, net	40,899
Appropriation of endowment for expenditure	(1,200)
Endowment net assets – December 31, 2023	$ 366,666

From time to time, certain donor-restricted endowment funds may have fair market values less than the amount required to be maintained by donors or by law (underwater endowments). The Organization has interpreted UPMIFA to permit spending from underwater endowments in accordance with prudent measures required under law. This excess amount totaled $29,494 as of December 31, 2023 and related to both endowment funds.

NOTE 11 PRIOR PERIOD ADJUSTMENT

The prior period adjustment on the statement of activities consists of the following:

- An adjustment of $587,580 to reclass restricted funds to unrestricted funds for contribution receivables at December 31, 2022 that were unrestricted but included in restricted net assts.
- An adjustment of $66,377 to decrease unamortized discount at December 31, 2022 as this amount remained unchanged from December 31, 2021.

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