

**THE DUTCHESS COMMUNITY COLLEGE  
FOUNDATION, INC.**

AUDITED FINANCIAL STATEMENTS  
AND  
SUPPLEMENTARY INFORMATION

Years ended August 31, 2009 and 2008

## INDEPENDENT AUDITORS' REPORT

To the Board of Directors  
The Dutchess Community College Foundation, Inc.

We have audited the accompanying statements of financial position of The Dutchess Community College Foundation, Inc. as of August 31, 2009 and 2008, and the related statements of activities and cash flows for the years then ended. 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 the 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 Dutchess Community College Foundation, Inc. as of August 31, 2009 and 2008, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

*UHY* LLP

Albany, New York  
February 12, 2010

**THE DUTCHESS COMMUNITY COLLEGE FOUNDATION, INC.**  
**STATEMENTS OF FINANCIAL POSITION**  
**August 31, 2009 and 2008**

	<u>2009</u>	<u>2008</u>
<b>ASSETS</b>		
Cash	\$ 296,636	\$ 112,627
Investments	5,274,134	5,341,627
Pledges receivable, net	247,658	275,649
Other assets	<u>11,458</u>	<u>43,626</u>
Total assets	<u>\$ 5,829,886</u>	<u>\$ 5,773,529</u>
<b>LIABILITIES AND NET ASSETS</b>		
Accounts payable and accrued expenses	\$ 84,187	\$ 34,022
Deferred revenue	<u>11,405</u>	<u>10,460</u>
Total liabilities	<u>95,592</u>	<u>44,482</u>
<b>NET ASSETS</b>		
Unrestricted	67,168	98,526
Temporarily restricted	1,514,765	2,007,811
Permanently restricted	<u>4,152,361</u>	<u>3,622,710</u>
Total net assets	<u>5,734,294</u>	<u>5,729,047</u>
Total liabilities and net assets	<u>\$ 5,829,886</u>	<u>\$ 5,773,529</u>

*See notes to financial statements.*

**THE DUTCHESS COMMUNITY COLLEGE FOUNDATION, INC.**  
**STATEMENTS OF ACTIVITIES**  
**Years Ended August 31, 2009 and 2008**

	<u>2009</u>	<u>2008</u>
<b>UNRESTRICTED NET ASSETS</b>		
Revenues, gains and other support		
Contributions	885,572	\$ 762,491
Investment loss	(12,913)	(6,990)
Assets released from restrictions		
Satisfaction of program restrictions, net of transfers	<u>358,584</u>	<u>753,472</u>
Total unrestricted revenues, gains and other support	<u>1,231,243</u>	1,508,973
Expenses		
Education grants	389,875	349,011
Equipment grants	59,112	273,378
Other program costs	120,577	210,034
Management and general	357,699	230,641
Fund raising	<u>335,338</u>	<u>478,254</u>
Total expenses	<u>1,262,601</u>	<u>1,541,318</u>
Change in unrestricted net assets	<u>(31,358)</u>	(32,345)
<b>TEMPORARILY RESTRICTED NET ASSETS</b>		
Revenues, gains and other support		
Contributions	307,815	718,884
Investment loss	(343,538)	(210,783)
Assets released from restrictions		
Satisfaction of program restrictions, net of transfers	(358,584)	(753,472)
Transfers	<u>(98,739)</u>	<u>(19,200)</u>
Change in temporarily restricted net assets	<u>(493,046)</u>	(264,571)
<b>PERMANENTLY RESTRICTED NET ASSETS</b>		
Revenues and other support		
Contributions	430,912	343,367
Transfers	<u>98,739</u>	<u>19,200</u>
Change in permanently restricted net assets	<u>529,651</u>	<u>362,567</u>
Increase in net assets	<u>5,247</u>	65,651
<b>NET ASSETS, beginning</b>	<u>5,729,047</u>	<u>5,663,396</u>
<b>NET ASSETS, ending</b>	<u>\$ 5,734,294</u>	<u>\$ 5,729,047</u>

See notes to financial statements.

**THE DUTCHESS COMMUNITY COLLEGE FOUNDATION, INC.**  
**STATEMENTS OF CASH FLOWS**  
**Years Ended August 31, 2009 and 2008**

	<u>2009</u>	<u>2008</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash from contributions and events	\$ 711,644	\$ 969,489
Cash paid for scholarships and grants	(448,987)	(324,700)
Cash paid to suppliers	<u>(386,204)</u>	<u>(791,426)</u>
Net cash (used in) provided by operating activities	(123,547)	(146,637)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Interest and dividends, net	128,856	126,337
Purchase of investments	(420,636)	(307,073)
Sale of investments	<u>133,799</u>	<u>1,360</u>
Net cash used in investing activities	(157,981)	(179,376)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Contributions restricted for permanent endowments	<u>465,537</u>	<u>343,367</u>
Net cash provided by financing activities	465,537	343,367
<b>Net increase in cash</b>	<b>184,009</b>	<b>17,354</b>
<b>Cash:</b>		
<b>Beginning</b>	<u>112,627</u>	<u>95,273</u>
<b>Ending</b>	<u>\$ 296,636</u>	<u>\$ 112,627</u>
Reconciliation of change in net assets to net cash (used in) provided by operating activities:		
Change in net assets	\$ 5,247	\$ 65,651
Adjustments to reconcile changes in net assets to net cash (used in) provided by operating activities:		
Net realized and unrealized losses	485,307	344,110
Interest and dividends, net	(128,856)	(126,337)
Redemption of beneficial interest in charitable trust	-	200,000
Contributions restricted for long-term purposes	(465,537)	(343,367)
Provision for uncollectible pledges	(21,337)	24,598
Equipment credits	29,849	(8,861)
Depreciation expense	1,140	1,139
Donated investments	(130,963)	(169,599)
Changes in:		
Projects in progress	-	61,979
Pledges receivable	49,328	(182,584)
Prepaid expenses	1,165	(3,426)
Accounts payable and accrued expenses	50,165	(4,566)
Deferred revenue	<u>945</u>	<u>(5,374)</u>
Net cash (used in) provided by operating activities	<u>\$ (123,547)</u>	<u>\$ (146,637)</u>

See notes to financial statements.

**THE DUTCHESS COMMUNITY COLLEGE FOUNDATION, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**August 31, 2009 and 2008**

**NOTE 1 — NATURE OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES**

**Nature of Organization**

The Dutchess Community College Foundation, Inc. (Foundation) is a tax exempt (under IRC Section 501(c)(3)) foundation established to raise funds to provide scholarships and to provide support for important initiatives that will have a significant and measurable impact on students, faculty and staff of Dutchess Community College.

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.

For purposes of preparing the financial statements, the Foundation considered events through February 12, 2010. No material events have occurred since the date of financial statements, which have not been disclosed in these financial statements.

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 increase in market value of the related investments for scholarships or other specific purposes, subject to the provisions of the Foundation's endowment spending plan.

**Revenue Recognition**

Direct public support and donations are recognized when the donor makes a promise to give that is, in substance, unconditional. Named scholarship contributions received in advance of the related award date are deferred. 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.

# THE DUTCHESS COMMUNITY COLLEGE FOUNDATION, INC.

## NOTES TO FINANCIAL STATEMENTS

August 31, 2009 and 2008

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

#### Revenue Recognition (Continued)

The Foundation established the minimum level of funding to establish an endowment at \$10,000. It is the policy of the Foundation to record contributions to establish endowments in the temporarily restricted net asset class until the level of funding reaches \$10,000, at which time the funds are transferred to permanently restricted net assets.

The Foundation receives without charge the services of various volunteers. The value of those services is not recognized in the accompanying financial statements because it does not meet the criteria for recognition.

#### 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 pledges receivable are recognized as revenues in the period received and as assets, decreases of liabilities, or expenses depending on the form of the benefits received. Discounting to give effect to the present value of pledges to be collected in years beyond one year is insignificant to these financial statements. Conditional pledges receivable are recognized only when the conditions on which they depend are substantially met and the pledges become unconditional. 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 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 fund balances comprising unrestricted, temporarily restricted and permanently restricted net assets based upon each respective fund's share of the investment pool.

# THE DUTCHESS COMMUNITY COLLEGE FOUNDATION, INC.

## NOTES TO FINANCIAL STATEMENTS

August 31, 2009 and 2008

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

#### **Donated Assets**

Donated investments and other non-cash donations are recorded as contributions at their estimated fair values at the date of donation.

#### **Matching Grants**

The Foundation has established matching grants programs with various employers whereby employees' donations are matched by their respective employers. Employer matching contributions are deemed conditional until the employees' contributions have been received, and accordingly, matching amounts on outstanding pledges are not recorded.

Under the terms of one of the matching grant programs, the Foundation has elected to receive an equipment credit match of three-to-one (one and one half to one for retired employees) in lieu of a cash match of one-to-one (one half to one for retired employees). The equipment credits are included in other assets in the statement of financial position.

#### **Related Party Support**

The Foundation office space and the use of certain furniture and equipment is provided by Dutchess Community College at no cost. The salaries and related benefits for Dutchess Community College employees who provide services to the Foundation have been recognized in the financial statements.

#### **Financial instruments**

The carrying amounts of cash, receivables, and accounts payable and accrued expenses approximate fair value.

#### **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.

# THE DUTCHESS COMMUNITY COLLEGE FOUNDATION, INC.

## NOTES TO FINANCIAL STATEMENTS

August 31, 2009 and 2008

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

#### 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. In accordance with this policy, 8.5% and 5.7%, respectively, of permanently restricted net assets as of August 31st of the previous fiscal year have been made available for scholarship activities for the years ended August 31, 2009 and 2008.

#### Collections

The Foundation has a collection of artwork that is on public display around Dutchess Community College. The Foundation has adopted a policy of not capitalizing the collection of artwork in its financial statements. Accordingly, no collection items are recognized as assets, whether they are purchased or received as a donation. Purchases of collection items reduce net assets in the period when purchased. Proceeds from sales or insurance recoveries are recorded as increases in net assets when received. Artwork with an estimated fair value of approximately \$311,000 was received through donations during the year ended August 31, 2009 and were not recognized as assets or revenues in the accompanying financial statements as the Foundation does not capitalize collections.

#### Reclassifications

Certain amounts in the prior year's financial statements have been reclassified to conform to the current year's presentation.

### NOTE 2 — PLEDGES RECEIVABLE

Unconditional pledges receivable at August 31 are as follows:

	<u>2009</u>	<u>2008</u>
Receivable in less than one year	\$ 255,062	\$ 227,390
Receivable in one to five years	7,000	84,000
	262,062	311,390
Less allowance for uncollectible pledges	<u>14,404</u>	<u>35,741</u>
Net pledges receivable	<u>\$ 247,658</u>	<u>\$ 275,649</u>

### NOTE 3 — INVESTMENTS

The Foundation principally invests in The Common Fund. The Common Fund is a not-for-profit membership consortium devoted exclusively to providing public and private colleges, universities and independent schools with investment management services for their endowment and operating funds.

# THE DUTCHESS COMMUNITY COLLEGE FOUNDATION, INC.

## NOTES TO FINANCIAL STATEMENTS

August 31, 2009 and 2008

### NOTE 3 — INVESTMENTS (Continued)

The Foundation also has other investments in equity and fixed income securities which include a portfolio containing mutual funds, fixed income investments and money market funds that support a \$75,000 donor-endowed scholarship fund. Pursuant to an agreement with the donor the amounts contributed are maintained in a portfolio at a donor-designated financial institution. The market value of this portfolio at August 31, 2009 was \$65,779 (\$73,939 in 2008).

Investments are presented in the financial statements at fair value and are comprised of the following at August 31:

	<u>2009</u>	<u>2008</u>
Commonfund:		
Multi-Strategy equity fund	\$ 3,079,267	\$ 3,072,767
Multi-Strategy bond fund	2,058,529	2,126,032
Government securities fund	60,015	-
Money market funds	19,491	104,005
Equity mutual funds	31,562	38,823
Equity stocks	25,270	-
	<u>\$ 5,274,134</u>	<u>\$ 5,341,627</u>

Investment loss is summarized as follows:

	<u>2009</u>	<u>2008</u>
Interest and dividends	\$ 145,453	\$ 145,249
Investment expenses	(16,597)	(18,912)
Net realized and unrealized losses	<u>(485,307)</u>	<u>(344,110)</u>
	<u>\$ (356,451)</u>	<u>\$ (217,773)</u>
Unrestricted	\$ (12,913)	\$ (6,990)
Temporarily restricted	<u>(343,538)</u>	<u>(210,783)</u>
	<u>\$ (356,451)</u>	<u>\$ (217,773)</u>

# THE DUTCHESS COMMUNITY COLLEGE FOUNDATION, INC.

## NOTES TO FINANCIAL STATEMENTS

August 31, 2009 and 2008

### NOTE 4 — BENEFICIAL INTEREST IN CHARITABLE TRUST

The Foundation was designated as the remainder beneficiary of an irrevocable trust administered by a bank. The trust consists of an investment portfolio and provides for distributions to the two primary beneficiaries during their lifetimes, with the remainder being paid to the Foundation. The present value of the estimated amount to be received was calculated using a discount rate of 3% and the applicable mortality tables. In September 2007 the primary beneficiaries of the remainder trust executed an agreement to accelerate the Foundation's remainder interest by releasing and extinguishing their interests. Based upon the agreement the Foundation received \$200,000 as a final payment in October 2007.

### NOTE 5 – FAIR VALUE MEASUREMENTS

Effective September 1, 2008, the Foundation adopted FASB Statement No. 157, Fair Value Measurements, which establishes a 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 under FASB Statement No. 157 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.

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 August 31, 2009 and 2008.

*Money market funds and equity mutual funds:* Valued at the closing price reported on the active market on which the individual securities are traded.

*Common funds:* Valued at the net asset value (NAV) of shares held at year end.

# THE DUTCHESS COMMUNITY COLLEGE FOUNDATION, INC.

## NOTES TO FINANCIAL STATEMENTS

August 31, 2009 and 2008

### NOTE 5 – FAIR VALUE MEASUREMENTS (Continued)

*Equity securities:* Publicly traded equity securities listed on a national security exchange are valued at the closing price reported on the exchange at the date of determination.

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 August 31, 2009:

	Assets at Fair Value			Total
	Level 1	Level 2	Level 3	
Commonfund:				
Multi-Strategy equity fund	\$ -	\$ 3,079,267	\$ -	\$ 3,079,267
Multi-Strategy bond fund	-	2,058,529	-	2,058,529
Government securities fund	-	60,015	-	60,015
Money market funds	19,491	-	-	19,491
Equity mutual funds	31,562	-	-	31,562
Equity stocks	25,270	-	-	25,270
	<u>\$ 76,323</u>	<u>\$ 5,197,811</u>	<u>\$ -</u>	<u>\$ 5,274,134</u>

### NOTE 6 – ENDOWMENT

In August 2008, the Financial Accounting Standards Board (FASB) issued FASB Staff Position No. FAS 117-1, *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* (FSP FAS 117-1). FSP FAS 117-1 requires additional disclosures about an organization's endowment funds whether or not the organization is subject to UPMIFA.

In 1978, the State of New York enacted the Uniform Management of Institutional Funds Act (UMIFA). Under the Act, not-for-profit organizations were provided uniform rules relating to the investment of funds donated as "endowment" to these organizations. Among its many provisions, the Act initiated the concept of total return expenditure of endowment assets for charitable program purposes, expressly permitting the prudent expenditure of both appreciation and income, and replacing the prior law that only investment income (such as interest and dividends) could be expensed from endowments. Under this concept, investment growth (or appreciation) and income could be utilized for program purposes, subject to the rule that an endowment fund could not be expended below "historical dollar value" (generally, the amount of the donor's original gift).

# THE DUTCHESS COMMUNITY COLLEGE FOUNDATION, INC.

## NOTES TO FINANCIAL STATEMENTS

August 31, 2009 and 2008

### NOTE 6 – ENDOWMENT (Continued)

The Foundation follows the UMIFA, and has adopted FSP FAS 117-1 for the fiscal year ended August 31, 2009.

Endowment net asset composition by type of fund as of August 31, 2009 is as follows:

	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ 342,584	\$ 3,622,710	\$ 3,965,294
Contributions	6,500	430,912	437,412
Investment income and net depreciation	(246,957)	-	(246,957)
Transfers, net	398,223	98,738	496,961
Amounts appropriated for expenditure	(218,270)	-	(218,270)
Endowment net assets, end of year	<u>\$ 282,080</u>	<u>\$ 4,152,360</u>	<u>\$ 4,434,440</u>

Transfers from unrestricted net assets to temporarily restricted net assets totaled approximately \$497,000 for the year ended August 31, 2009, and have been included in Assets released from restrictions on the accompanying statements of activities.

### NOTE 8 — DUTCHESS COMMUNITY COLLEGE IN-KIND CONTRIBUTION

The Foundation recognizes revenue for Dutchess Community College (DCC) in-kind contributions received from DCC at the fair value of those contributions. DCC in-kind contributions consist primarily of salaries and benefits paid by the College on behalf of the Foundation. The fair value of DCC in-kind contributions is reflected in revenues and included in expenses as follows at August 31:

	<u>2009</u>	<u>2008</u>
Program services	\$ 23,760	\$ 22,726
Management and general	122,655	112,972
Fund raising	<u>141,025</u>	<u>129,847</u>
Total expenses	<u>\$ 287,440</u>	<u>\$ 265,545</u>