

**Dutchess Community College Foundation, Inc.**

Independent Auditors' Report on Communication of  
Internal Control Related Matters Identified in the Audit

August 31, 2017

**Independent Auditors' Report on Communication of Internal Control Matters  
Identified in the Audit**

**Board of Directors  
Dutchess Community College Foundation, Inc.**

Auditors' Communication on Internal Control

In planning and performing our audit of the financial statements of the Dutchess Community College Foundation, Inc. (the "Foundation") as of and for the year ended August 31, 2017, in accordance with auditing standards generally accepted in the United States of America, we considered the Foundation's internal control over financial reporting ("internal control") as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Foundation's internal control. Accordingly, we do not express an opinion on the effectiveness of the Foundation's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A material weakness is a deficiency or combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control was for the limited purpose described in the first paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control that we considered to be material weaknesses, as defined above. However, as indicated in the attached Addendum A, we identified other matters for consideration that are opportunities for strengthening internal controls and operating efficiency.

This communication is intended solely for the information and use of management and the Board of Directors of the Foundation and is not intended to be and should not be used by anyone other than these specified parties.

*PKF O'Connor Davies, LLP*

Newburgh, New York  
March 9, 2018

## **Dutchess Community College Foundation, Inc.**

### **Addendum A**

Other Matters for Consideration that are Opportunities for Strengthening Internal Controls and Operating Efficiency

#### **A. Charities Registration in Other States**

During our 2016 audit, the Foundation contacted us for guidance on charity registration in states (other than New York) where they are soliciting funds. Each state has different requirements for the solicitation of funds and reporting requirements for charities.

##### **Recommendation**

During 2017, the Foundation has implemented the recommendation to investigate the requirements for registration in states in which it solicits funds and consider registering in those states.

#### **B. Investment Spending Policy Calculation**

During our audit we noted on at least one occasion the 5% investment spending calculation was calculated using the current year end endowment fund balance instead of the prior year end endowment fund balance, which is in accordance with the Foundation's spending policy. We also noted that the total spent was less than the 5% calculation if the prior year end endowment fund balance had been used.

##### **Recommendation**

We recommend that the Foundation review its internally prepared 5% spending calculation spreadsheet to ensure the correct endowment fund balances are being used in the calculation and that it is in accordance with the Foundations investment spending policy.

**Dutchess Community College Foundation, Inc.**

Financial Statements

August 31, 2017 and 2016

## Independent Auditors' Report

### Board of Directors

### Dutchess Community College Foundation, Inc.

We have audited the accompanying financial statements of the Dutchess Community College Foundation, Inc. (the "Foundation"), which comprise the statements of financial position as of August 31, 2017 and 2016, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

### *Management's Responsibility for the Financial Statements*

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

### *Auditors' Responsibility*

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### *Opinion*

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Dutchess Community College Foundation, Inc. as of August 31, 2017 and 2016, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

*PKF O'Connor Davies, LLP*

Newburgh, New York  
March 9, 2018

**Dutchess Community College Foundation, Inc.**

Statements of Financial Position

	August 31,	
	<u>2017</u>	<u>2016</u>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 57,302	\$ 76,425
Investments	11,459,453	10,478,899
Pledges receivable, net	54,552	75,373
Other assets	<u>60,097</u>	<u>66,810</u>
	<u>\$ 11,631,404</u>	<u>\$ 10,697,507</u>
<b>LIABILITIES AND NET ASSETS</b>		
Liabilities		
Accounts payable and accrued expenses	\$ 16,551	\$ 54,654
Deferred revenue	<u>21,625</u>	<u>27,610</u>
Total Liabilities	<u>38,176</u>	<u>82,264</u>
Net Assets		
Unrestricted	428,859	265,167
Temporarily restricted	3,667,797	3,341,160
Permanently restricted	<u>7,496,572</u>	<u>7,008,916</u>
Total Net Assets	<u>11,593,228</u>	<u>10,615,243</u>
	<u>\$ 11,631,404</u>	<u>\$ 10,697,507</u>

**Dutchess Community College Foundation, Inc.**

Statement of Activities  
Year Ended August 31, 2017

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
<b>REVENUE AND SUPPORT</b>				
Contributions and gifts	\$ 195,850	\$ 155,734	\$ 171,407	\$ 522,991
Non-cash contributions	30,902	12,799	-	43,701
In-kind support	457,994	-	-	457,994
Investment return, net	78,596	1,002,427	-	1,081,023
Special events, less cost of				
direct benefits to donors of \$68,844	209,649	-	-	209,649
Other	93,329	-	-	93,329
Net assets released from restrictions				
Restrictions satisfied	528,074	(528,074)	-	-
Donor re-designation	-	(316,249)	316,249	-
Total Revenue and Support	<u>1,594,394</u>	<u>326,637</u>	<u>487,656</u>	<u>2,408,687</u>
<b>EXPENSES</b>				
Education grants	456,292	-	-	456,292
Other program costs	227,504	-	-	227,504
Management and general	386,567	-	-	386,567
Fundraising	360,339	-	-	360,339
Total Expenses	<u>1,430,702</u>	<u>-</u>	<u>-</u>	<u>1,430,702</u>
Change in Net Assets	163,692	326,637	487,656	977,985
<b>NET ASSETS</b>				
Beginning of year	<u>265,167</u>	<u>3,341,160</u>	<u>7,008,916</u>	<u>10,615,243</u>
End of year	<u>\$ 428,859</u>	<u>\$ 3,667,797</u>	<u>\$ 7,496,572</u>	<u>\$ 11,593,228</u>

**Dutchess Community College Foundation, Inc.**

Statement of Activities  
Year Ended August 31, 2016

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
<b>REVENUE AND SUPPORT</b>				
Contributions and gifts	\$ 156,700	\$ 196,195	\$ 111,434	\$ 464,329
Non-cash contributions	758	7,481	-	8,239
In-kind support	435,252	-	-	435,252
Investment return, net	11,170	660,431	-	671,601
Special events, less cost of direct benefits to donors of \$67,056	218,765	-	-	218,765
Other	79,467	-	-	79,467
Net assets released from restrictions				
Restrictions satisfied	560,489	(560,489)	-	-
Donor re-designation	<u>(2,479)</u>	<u>(34,178)</u>	<u>36,657</u>	<u>-</u>
Total Revenue and Support	<u>1,460,122</u>	<u>269,440</u>	<u>148,091</u>	<u>1,877,653</u>
<b>EXPENSES</b>				
Education grants	445,340	-	-	445,340
Other program costs	241,955	-	-	241,955
Management and general	341,644	-	-	341,644
Fundraising	<u>309,313</u>	<u>-</u>	<u>-</u>	<u>309,313</u>
Total Expenses	<u>1,338,252</u>	<u>-</u>	<u>-</u>	<u>1,338,252</u>
Change in Net Assets	121,870	269,440	148,091	539,401
<b>NET ASSETS</b>				
Beginning of year	<u>143,297</u>	<u>3,071,720</u>	<u>6,860,825</u>	<u>10,075,842</u>
End of year	<u>\$ 265,167</u>	<u>\$ 3,341,160</u>	<u>\$ 7,008,916</u>	<u>\$ 10,615,243</u>

**Dutchess Community College Foundation, Inc.**

Statements of Cash Flows

	Year Ended August 31,	
	2017	2016
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash received from contributors, events and other	\$ 538,359	\$ 598,285
Cash received from interest and dividends	212,191	207,777
Cash paid for scholarships and grants	(462,399)	(433,965)
Cash paid to suppliers	(480,902)	(525,720)
Net Cash from Operating Activities	(192,751)	(153,623)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of investments	(4,743,356)	(3,770,387)
Proceeds from sale of investments	4,745,577	3,690,697
Net Cash from Investing Activities	2,221	(79,690)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Endowment contributions	171,407	111,434
Net Change in Cash and Cash Equivalents	(19,123)	(121,879)
<b>CASH AND CASH EQUIVALENTS</b>		
Beginning of year	76,425	198,304
End of year	\$ 57,302	\$ 76,425
<b>RECONCILIATION OF CHANGE IN NET ASSETS TO NET CASH FROM OPERATING ACTIVITIES</b>		
Cash flows from operating activities		
Change in net assets	\$ 977,985	\$ 539,401
Adjustments to reconcile change in net assets to net cash from operating activities		
Realized and unrealized gains on investments	(919,793)	(511,401)
Contributions restricted for long-term purposes	(171,407)	(111,434)
Donated stock	(62,982)	(81,977)
Changes in operating assets and liabilities		
Pledges receivable, net	20,821	(5,540)
Other assets	6,713	(11,375)
Accounts payable and accrued expenses	(38,103)	29,728
Deferred revenue	(5,985)	(1,025)
Net Cash from Operating Activities	\$ (192,751)	\$ (153,623)

# Dutchess Community College Foundation, Inc.

Notes to Financial Statements  
August 31, 2017

## 1. Organization and Taxation

Dutchess Community College Foundation, Inc. (the "Foundation") was established to raise funds to provide scholarships and support for important initiatives that have a significant and measurable impact on students, faculty and staff of the Dutchess Community College.

The Foundation is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and has been classified by the Internal Revenue Service as an organization that is not a private foundation as defined under Section 509(a)(1) of the Internal Revenue Code.

## 2. Summary of Significant Accounting Policies

### ***Basis of Presentation and Use of Estimates***

The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP"), which 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 and the reported amounts of revenue and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

### ***Net Assets***

Net assets, revenue, and gains and losses 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 unrestricted, temporarily restricted and permanently restricted net assets.

### ***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 are recorded as temporarily restricted net assets and revenue and support if they are received with donor imposed stipulations that limit their use. Donor restrictions expire by either the passage of stipulated time or the accomplishment of the stated purpose. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as net assets released from restrictions. Temporarily restricted contributions that are received and expended in the same period are considered unrestricted.

Permanently restricted contributions are those funds whose use is limited by donor imposed restrictions that neither expire by the passage of time nor can be fulfilled or otherwise removed by actions of the Board of Directors. 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 scholarship or other specific purposes, subject to the provisions of the Foundation's spending plan. The Foundation established the minimum level of funding to establish an endowment at \$15,000.

## **Dutchess Community College Foundation, Inc.**

Notes to Financial Statements  
August 31, 2017

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

#### ***Cash and Cash Equivalents***

The Foundation considers all highly liquid debt instruments with maturities of three months or less at the time of purchase, to be cash and cash equivalents.

#### ***Pledges Receivable***

Pledges receivable are recorded when an unconditional promise to give is made. An estimate of uncollectible promises has been made and included as an offset to pledges receivable.

All unconditional pledges receivable greater than one year are recorded at their estimated realizable value on a discounted basis. The discount is recognized as a reduction in contribution income and is amortized over the duration of the pledge.

#### ***Fair Value of Financial Instruments***

The Foundation follows U.S. GAAP guidance on Fair Value Measurements which defines fair value and establishes a fair value hierarchy organized into three levels based upon input assumptions used in pricing assets. Level 1 inputs have the highest reliability and are related to assets with unadjusted quoted prices in active markets. Level 2 inputs relate to assets with other than quoted prices in active markets which may include quoted prices for similar assets or liabilities or other inputs which can be corroborated by observable market data. Level 3 inputs are unobservable inputs and are used to the extent that observable inputs do not exist.

The value of the Foundation's investments by input level are included in Note 3 to the financial statements.

#### ***Investment Income Valuation and Recognition***

Investments are carried at fair value. Purchases and sales of securities are recorded on a trade-date basis. Interest income is recorded on the accrual basis and dividends are recorded on the ex-dividend date. Realized and unrealized gains and losses are included in the determination of change in net assets.

Investment gains and losses, both realized and unrealized, are reported in the statements of activities as increases or decreases in unrestricted net assets unless their use is temporarily or permanently restricted by explicit donor stipulations or by law.

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

**Dutchess Community College Foundation, Inc.**

Notes to Financial Statements  
August 31, 2017

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

***Property and Equipment***

Software, equipment and furniture purchases with useful lives greater than one year are capitalized and reported at cost, less accumulated depreciation. Donated assets are capitalized at their fair market value at the time of donation. Depreciation is provided using the straight-line method over the estimated useful lives of assets which range from 3-5 years. Maintenance, routine repairs and minor replacements are charged to operations as incurred, while those improvements which materially extend the lives of existing assets are capitalized.

***Non-Cash Contributions***

Non-cash contributions including investments are recorded as contributions at their estimated fair values at the date of donation.

***Contributed Long-Lived Assets and In-kind Rent***

The Foundation uses office space, equipment and personnel provided by Dutchess Community College which provides services to the Foundation. The cost for the use of these facilities and services have been recognized in the financial statements. In addition, the Foundation receives, without charge, the services of various volunteers. The value of those services is not recognized in the accompanying financial statements because they do not meet the criteria for recognition.

***Advertising***

The Foundation expenses advertising costs as incurred. Advertising costs for the years ended August 31, 2017 and 2016 were \$5,772 and \$6,817.

***Allocation of Expenses***

The costs of providing programs and other activities have been summarized on a functional basis in the statements of activities. Accordingly, certain costs have been allocated among the programmatic and supporting services benefited. Such allocations are determined by management.

***Artwork***

The Foundation has a collection of artwork that is on public display at Dutchess Community College. The Foundation has adopted a policy in which the collection of artwork is not capitalized and recognized as an asset. Accordingly, purchases of artwork are a reduction of net assets in the period when purchased. Proceeds from sales or insurance recoveries are recorded as increases in net assets when received. The Foundation did not receive any artwork during the year ended August 31, 2017. The Foundation received artwork with a fair value of \$758 during the year ended August 31, 2016.

**Dutchess Community College Foundation, Inc.**

Notes to Financial Statements  
August 31, 2017

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

***Accounting for Uncertainty in Income Taxes***

The Foundation recognizes the effect of income tax positions only when they are more likely than not to be sustained. Management has determined that the Foundation had no uncertain tax positions that would require financial statement recognition and/or disclosure. The Foundation is no longer subject to examination by applicable taxing jurisdictions for periods prior to August 31, 2014.

***Subsequent Events Evaluation by Management***

Management has evaluated subsequent events for disclosure and/or recognition in the financial statements through the date that the financial statements were available to be issued, which date is March 9, 2018.

**3. Endowment, Investments and Investment Return**

***Interpretation of Law***

The Foundation follows the provisions of the New York State Uniform Prudent Management of Institutional Funds Act ("NYPMIFA"). Consistent with its interpretation of NYPMIFA, the Foundation classified 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 NYPMIFA.

***Return Objectives and Risk Parameters***

The Foundation maintains various donor-restricted endowment funds and Board designated funds whose purpose is to provide long term support for its charitable programs. In classifying such funds for financial statement purposes as either permanently restricted, temporarily restricted or unrestricted net assets, the Board of Directors look to the explicit directions of the donor where applicable and the provisions of the laws of the State of New York. The Board has determined that, absent donor stipulations to the contrary, the provisions of New York State law do not impose either a permanent or temporary restriction on the income or capital appreciation derived from the original gift.

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 two \$75,000 donor-endowed scholarship funds. Pursuant to an agreement with the donors, the amounts contributed are maintained in a portfolio at a donor-designated financial institution. The market value of the first portfolio at August 31, 2017 and 2016 was \$89,696 and \$85,913. The market value of the second portfolio at August 31, 2017 and 2016 was \$108,253 and \$101,454.

**Dutchess Community College Foundation, Inc.**

Notes to Financial Statements  
August 31, 2017

**3. Endowment, Investments and Investment Return (*continued*)**

***Return Objectives and Risk Parameters (continued)***

The Foundation utilizes a total return investment approach with its asset allocation diversified over multiple asset classes and sub classes. The overall investment objective of the Foundation's donor-restricted endowment funds, Board designated funds and donor-endowed scholarship funds (collectively, the "Endowment") is to provide the greatest level of support for academic programs and scholarships of the Foundation consistent with the preservation of purchasing power of the Endowment.

To balance the current and future needs for academic programs and scholarships, the Foundation's investment policy seeks to maintain or enhance the real (inflation-adjusted) purchasing power of the Endowment, net of payments pursuant to the spending policy described below. This objective leads to an equity-oriented investment strategy, which in turn implies that the total market value and amount available to support the Foundation's operations will likely fluctuate from year to year.

The investment performance objective is to attain, over a majority of market cycles, an absolute rate of return, net of fees, of at least 5% per annum.

***Spending Rate Methods***

The Foundation has adopted a policy of annually expending amounts from its invested funds maintained as Endowment funds to support academic programs and scholarships at a fixed 5% of the endowed scholarship balance as of the end of the previous fiscal year. Discretion of the Board may be exercised to allocate funds below or in excess of the 5% rate should long-term economic conditions warrant the allocation. In addition, with the approval of its Board of Directors, the Foundation has used Board designated funds for academic purposes.

If permanently restricted endowment funds have experienced losses below the permanently restricted amount of such funds due to market fluctuations, U.S. GAAP requires that such excess losses be absorbed by the unrestricted net assets of the Foundation and that future gains be allocated to unrestricted net assets until such losses have been restored. As of August 31, 2017 and 2016, the Foundation had no donor-restricted endowment funds below historic cost value.

During 2017 and 2016, several of the Foundation's funds established for endowment, met the \$15,000 minimum established levels which resulted in a transfer of assets of \$316,249 and \$34,178 from temporarily restricted net assets to permanently restricted net assets which amount has been reported as donor re-designation in the statements of activities.

**Dutchess Community College Foundation, Inc.**

Notes to Financial Statements  
August 31, 2017

**3. Endowment, Investments and Investment Return (continued)**

**Spending Rate Methods (continued)**

The following is a reconciliation of the activity in the endowment funds during the year ended August 31, 2017:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Balance, September 1, 2016	\$ 190,337	\$ 2,196,991	\$ 7,008,916	\$ 9,396,244
Contributions and pledge collections	-	7,580	171,407	178,987
Investment income, net	2,744	129,753	-	132,497
Capital appreciation	15,799	747,053	-	762,852
Donor re-designation	-	(316,249)	316,249	-
Appropriation for scholarships and other expenses	<u>-</u>	<u>(243,306)</u>	<u>-</u>	<u>(243,306)</u>
Balance, August 31, 2017	<u>\$ 208,880</u>	<u>\$ 2,521,822</u>	<u>\$ 7,496,572</u>	<u>\$ 10,227,274</u>
Comprised of the Following:				
Donor restricted funds	\$ -	\$ 2,521,822	\$ 7,496,572	\$ 10,018,394
Board designated funds	208,880	-	-	<u>208,880</u>
Total Endowment Investments				<u>\$ 10,227,274</u>

The following is a reconciliation of the activity in the endowment funds during the year ended August 31, 2016:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Balance, September 1, 2015	\$ 178,441	\$ 1,831,800	\$ 6,860,825	\$ 8,871,066
Contributions and pledge collections	-	-	111,434	111,434
Investment income, net	2,838	144,270	-	147,108
Capital depreciation	9,058	430,859	-	439,917
Donor re-designation	-	(1,609)	36,657	35,048
Appropriation for scholarships and other expenses	<u>-</u>	<u>(208,329)</u>	<u>-</u>	<u>(208,329)</u>
Balance, August 31, 2016	<u>\$ 190,337</u>	<u>\$ 2,196,991</u>	<u>\$ 7,008,916</u>	<u>\$ 9,396,244</u>
Comprised of the Following:				
Donor restricted funds	\$ -	\$ 2,196,991	\$ 7,008,916	\$ 9,205,907
Board designated funds	190,337	-	-	<u>190,337</u>
Total Endowment Investments				<u>\$ 9,396,244</u>

**Dutchess Community College Foundation, Inc.**

Notes to Financial Statements  
August 31, 2017

**3. Endowment, Investments and Investment Return (continued)**

**Spending Rate Methods (continued)**

The following are major categories of investments measured at fair value on a recurring basis categorized by the fair value hierarchy at August 31, 2017:

	<u>Level 1</u>	<u>Level 2</u>	<u>Total</u>
Equities			
Mutual funds	\$ 7,484,515	\$ -	\$ 7,484,515
Fixed income			
Mutual funds	1,541,095	-	1,541,095
Government bonds	1,226,669	-	1,226,669
Corporate bonds	-	750,915	750,915
Total Investments at Fair Value	<u>\$ 10,252,279</u>	<u>\$ 750,915</u>	11,003,194
Cash equivalents			<u>456,259</u>
Total Investments			<u>\$ 11,459,453</u>

The following are major categories of investments measured at fair value on a recurring basis categorized by the fair value hierarchy at August 31, 2016:

	<u>Level 1</u>	<u>Level 2</u>	<u>Total</u>
Equities			
Mutual funds	\$ 6,884,405	\$ -	\$ 6,884,405
Fixed income			
Mutual funds	1,490,792	-	1,490,792
Government bonds	1,087,134	-	1,087,134
Corporate bonds	-	745,155	745,155
Total Investments at Fair Value	<u>\$ 9,462,331</u>	<u>\$ 745,155</u>	10,207,486
Cash equivalents			<u>271,413</u>
Total Investments			<u>\$ 10,478,899</u>

Investment return consists of the following for the years ended August 31:

	<u>2017</u>	<u>2016</u>
Interest and dividends	\$ 212,191	\$ 207,777
Realized & unrealized gains	919,793	511,401
Investment fees	<u>(50,961)</u>	<u>(47,577)</u>
	<u>\$ 1,081,023</u>	<u>\$ 671,601</u>

During 2017 and 2016, the portfolio was diversified so that there were no concentrations of investments that exceeded 15% of total investments.

**Dutchess Community College Foundation, Inc.**

Notes to Financial Statements  
August 31, 2017

**4. Pledges Receivable, Net**

Pledges receivable, net consists of the following at August 31:

	<u>2017</u>	<u>2016</u>
Due in one year	\$ 42,586	\$ 48,481
Due in two to five years	<u>24,794</u>	<u>30,000</u>
	67,380	78,481
Less allowance for uncollectible pledges	<u>(12,828)</u>	<u>(3,108)</u>
Net Pledges Receivable	<u>\$ 54,552</u>	<u>\$ 75,373</u>

**5. Property and Equipment, Net**

Property and equipment, net consists of the following at August 31:

	<u>2017</u>	<u>2016</u>
Software	\$ 37,682	\$ 37,682
Furniture and equipment	<u>5,700</u>	<u>5,700</u>
	43,382	43,382
Less accumulated depreciation	<u>(43,382)</u>	<u>(43,382)</u>
	<u>\$ -</u>	<u>\$ -</u>

**6. Temporarily Restricted Net Assets**

Temporarily restricted net assets are available for the following purposes at August 31:

	<u>2017</u>	<u>2016</u>
Scholarships	\$2,140,770	\$1,774,159
Campus enhancements	1,105,015	1,212,383
Grants	48,393	52,393
Other programs	<u>373,619</u>	<u>302,225</u>
	<u>\$3,667,797</u>	<u>\$3,341,160</u>

Temporarily restricted net assets were released from restriction for the following purposes at August 31:

	<u>2017</u>	<u>2016</u>
Scholarships	\$ 279,886	\$ 372,472
Grants	61,032	5,000
Endowed Chairs	-	8,226
Other programs	<u>187,156</u>	<u>174,791</u>
	<u>\$ 528,074</u>	<u>\$ 560,489</u>

## Dutchess Community College Foundation, Inc.

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### 7. Permanently Restricted Net Assets

Permanently restricted net assets consist of amounts received which are permanently endowed to support the following at August 31:

	<u>2017</u>	<u>2016</u>
Scholarships	\$5,068,996	\$4,890,944
Campus enhancements	2,105,261	1,834,589
Endowed Chairs	266,175	270,799
Other programs	<u>56,140</u>	<u>12,584</u>
	<u>\$7,496,572</u>	<u>\$7,008,916</u>

### 8. Functional Expenses

The Foundation's expenses by functional classification are as follows at August 31:

	<u>2017</u>	<u>2016</u>
Program services	\$ 683,796	\$ 687,295
Management and general	386,567	341,644
Fundraising	<u>360,339</u>	<u>309,313</u>
	<u>\$1,430,702</u>	<u>\$1,338,252</u>

### 9. In-kind Support

In-kind support was provided by Dutchess Community College and is included within revenue and expenses for the years ended August 31, as follows:

	<u>2017</u>	<u>2016</u>
Program services	\$ 49,533	\$ 52,967
Management and general	223,468	216,276
Fundraising	<u>184,993</u>	<u>166,009</u>
Total In-kind Support	<u>\$ 457,994</u>	<u>\$ 435,252</u>

### 10. Transactions with Affiliates

During 2017 and 2016, the Foundation paid approximately \$438,000 and \$385,000 to Dutchess Community College to fund scholarships. The Foundation also reimbursed approximately \$36,000 and \$21,000 to the Dutchess Community College Association, Inc. for an employee's salary and related fringe benefits for the years 2017 and 2016.

### 11. Concentrations of Credit Risk

Financial instruments that potentially subject the Foundation to concentrations of credit risk consist principally of cash accounts in financial institutions, investments and receivables which are expected to be collected in the normal course of business.

**Dutchess Community College Foundation, Inc.**

Notes to Financial Statements  
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**11. Concentrations of Credit Risk (*continued*)**

Investment securities are exposed to various risks, such as interest rate, market and credit risk. 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.

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