

HERBERT H. LEHMAN
COLLEGE FOUNDATION, INC.

Financial Statements

June 30, 2020 and 2019

(With Independent Auditors' Report Thereon)

HERBERT H. LEHMAN COLLEGE FOUNDATION, INC.

Table of Contents

	<u>Page</u>
Independent Auditors' Report	1 - 2
Financial Statements:	
Statements of Financial Position	3
Statements of Activities	4
Statements of Functional Expenses	5
Statements of Cash Flows	6
Notes to Financial Statements	7 - 14

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INDEPENDENT AUDITORS' REPORT

The Board of Directors
Herbert H. Lehman College Foundation, Inc.:

Report on the Financial Statements

We have audited the accompanying financial statements of Herbert H. Lehman College Foundation, Inc. (the Foundation), which comprise the statements of financial position as of June 30, 2020 and 2019, and the related statements of activities, functional expenses and cash flows for the years 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 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 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 Herbert H. Lehman College Foundation, Inc. as of June 30, 2020 and 2019, 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.

EFPR Group, CPAs, PLLC

Williamsville, New York
October 14, 2020

HERBERT H. LEHMAN COLLEGE FOUNDATION, INC.
 Statements of Financial Position
 June 30, 2020 and 2019

	<u>Assets</u>	<u>2020</u>	<u>2019</u>
Current assets:			
Cash and equivalents		\$ 879,280	907,953
Investments		5,981	1,117,971
Current portion of contributions receivable, net		625,000	280,000
Prepaid expenses		3,687	3,687
Total current assets		<u>1,513,948</u>	<u>2,309,611</u>
Noncurrent assets:			
Investments		6,261,603	5,670,110
Contributions receivable, net of current portion		414,925	248,714
Fixed assets, net		-	430
Total noncurrent assets		<u>6,676,528</u>	<u>5,919,254</u>
Total assets		<u>\$ 8,190,476</u>	<u>8,228,865</u>
<u>Liabilities and Net Assets</u>			
Current liabilities:			
Accounts payable		22,609	29,171
Current portion of annuity payable		700	700
Total current liabilities		<u>23,309</u>	<u>29,871</u>
Annuity payable, excluding current portion		785	1,485
Total liabilities		<u>24,094</u>	<u>31,356</u>
Net assets:			
Without donor restrictions (deficit)		(47,741)	120,201
With donor restrictions		8,214,123	8,077,308
Total net assets		<u>8,166,382</u>	<u>8,197,509</u>
Total liabilities and net assets		<u>\$ 8,190,476</u>	<u>8,228,865</u>

See accompanying notes to financial statements.

HERBERT H. LEHMAN COLLEGE FOUNDATION, INC.

Statements of Activities

Years ended June 30, 2020 and 2019

	2020			2019		
	Without donor restrictions	With donor restrictions	Total	Without donor restrictions	With donor restrictions	Total
Revenue:						
Contributions	\$ 26,619	2,056,477	2,083,096	67,478	1,837,490	1,904,968
Special events	49,022	-	49,022	33,117	-	33,117
Less direct cost of special events	(1,106)	-	(1,106)	(5,791)	-	(5,791)
Interest and dividends	1,822	155,486	157,308	3,379	152,408	155,787
Net realized loss from sales of investments	(5,152)	(857,213)	(862,365)	(56,221)	-	(56,221)
Unrealized gain on investments	94,760	293,447	388,207	-	204,258	204,258
In-kind contributions	220,572	-	220,572	220,572	-	220,572
Net assets released from restrictions	1,511,382	(1,511,382)	-	1,605,419	(1,605,419)	-
Total revenue	1,897,919	136,815	2,034,734	1,867,953	588,737	2,456,690
Expenses:						
Program services:						
Support of College	180,304	-	180,304	204,584	-	204,584
Support of students	1,503,817	-	1,503,817	1,605,419	-	1,605,419
Total program services	1,684,121	-	1,684,121	1,810,003	-	1,810,003
Supporting services:						
Management and general	334,320	-	334,320	402,135	-	402,135
Fundraising	47,420	-	47,420	67,515	-	67,515
Total supporting services	381,740	-	381,740	469,650	-	469,650
Total expenses	2,065,861	-	2,065,861	2,279,653	-	2,279,653
Change in net assets	(167,942)	136,815	(31,127)	(411,700)	588,737	177,037
Net assets at beginning of year	120,201	8,077,308	8,197,509	531,901	7,488,571	8,020,472
Net assets (deficit) at end of year	\$ (47,741)	8,214,123	8,166,382	120,201	8,077,308	8,197,509

See accompanying notes to financial statements.

HERBERT H. LEHMAN COLLEGE FOUNDATION, INC.

Statements of Functional Expenses
Years ended June 30, 2020 and 2019

	2020					2019				
	Program Services		Supporting Services			Program Services		Supporting Services		
	Support of College	Support of Students	Management and general	Fundraising	Total	Support of College	Support of Students	Management and general	Fundraising	Total
Professional fees and services	\$ 11,740	-	11,740	24,220	47,700	18,004	-	18,004	37,142	73,150
Personnel	58,278	-	174,834	23,200	256,312	76,294	-	228,881	30,373	335,548
Scholarships and awards	-	1,503,817	-	-	1,503,817	-	1,605,419	-	-	1,605,419
Donated space and services	110,286	-	110,286	-	220,572	110,286	-	110,286	-	220,572
Supplies	-	-	853	-	853	-	-	3,705	-	3,705
Postage and shipping	-	-	539	-	539	-	-	1,049	-	1,049
Travel and conferences	-	-	608	-	608	-	-	746	-	746
Insurance	-	-	4,919	-	4,919	-	-	2,542	-	2,542
Bank charges	-	-	825	-	825	-	-	605	-	605
Subscriptions and memberships	-	-	196	-	196	-	-	450	-	450
Data processing	-	-	24,926	-	24,926	-	-	19,814	-	19,814
Printing and reproduction	-	-	2,021	-	2,021	-	-	2,144	-	2,144
Depreciation	-	-	430	-	430	-	-	1,691	-	1,691
Miscellaneous	-	-	2,143	-	2,143	-	-	12,218	-	12,218
Total expenses	<u>\$ 180,304</u>	<u>1,503,817</u>	<u>334,320</u>	<u>47,420</u>	<u>2,065,861</u>	<u>204,584</u>	<u>1,605,419</u>	<u>402,135</u>	<u>67,515</u>	<u>2,279,653</u>

See accompanying notes to financial statements.

HERBERT H. LEHMAN COLLEGE FOUNDATION, INC.
 Statements of Cash Flows
 Years ended June 30, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Cash flows from operating activities:		
Change in net assets	\$ (31,127)	177,037
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation	430	1,691
Net realized and unrealized loss (gain) on investments	474,158	(148,037)
Permanently restricted contributions	(2,056,477)	(1,837,490)
Changes in:		
Contributions receivable	(383,711)	(250,520)
Accounts payable	<u>(6,562)</u>	<u>(1,909)</u>
Net cash used in operating activities	<u>(2,003,289)</u>	<u>(2,059,228)</u>
Cash flows from investing activities:		
Purchases of investments	(7,772,215)	(205,553)
Proceeds from sales of investments	<u>7,818,554</u>	<u>49,156</u>
Net cash provided by (used in) investing activities	<u>46,339</u>	<u>(156,397)</u>
Cash flows from financing activities:		
Proceeds from permanently restricted contributions	1,928,977	1,645,879
Payment to annuitant	<u>(700)</u>	<u>(700)</u>
Net cash provided by financing activities	<u>1,928,277</u>	<u>1,645,179</u>
Net change in cash and equivalents	(28,673)	(570,446)
Cash and equivalents at beginning of year	<u>907,953</u>	<u>1,478,399</u>
Cash and equivalents at end of year	<u>\$ 879,280</u>	<u>907,953</u>

See accompanying notes to financial statements.

HERBERT H. LEHMAN COLLEGE FOUNDATION, INC.

Notes to Financial Statements

June 30, 2020 and 2019

(1) Nature of Organization

Herbert H. Lehman College Foundation, Inc. (the Foundation) was created to support the educational endeavors of Herbert H. Lehman College (the College). In particular, the Foundation will provide scholarships and loans for students, support scholarly activities and augment College facilities and equipment. Its primary sources of revenues are contributions and investment income.

(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 reports information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions. Net assets without donor restrictions represents resources available for the general support of the Foundation's activities. Net assets with donor restrictions are those whose use has been limited by donor-imposed stipulations that either expire by passage of time or can be fulfilled by actions of the Foundation.

(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 may exceed federally insured limits. At June 30, 2020, the Foundation's cash balances were in excess of the 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 stated at fair value. The fair value of investments is based on quotations obtained from various securities exchanges. In accordance with the policy of carrying investments at fair value, the change in net unrealized appreciation or depreciation is included in the statements of activities. Donated investments are reflected as contributions at their fair value at the date of receipt.

HERBERT H. LEHMAN COLLEGE FOUNDATION, INC.

Notes to Financial Statements, Continued

(2) Summary of Significant Accounting Policies, Continued

(f) Investments, Continued

During 2020, the majority of the Foundation's investments were transferred to and are held by City University of New York (CUNY) in an investment pool which is under the control of the Committee on Fiscal Affairs of the Board of Trustees of CUNY (the Committee). Several investment advisory firms are engaged to assist the Committee in its investment pool portfolio management, which is comprised of cash and cash equivalents, corporate bonds, equities, mutual funds, U.S. agency mortgage-backed securities, U.S. government bonds and foreign bonds. Realized and unrealized gains and losses are included in the statements of activities as changes in net assets without donor restrictions, unless their use is restricted by explicit donor stipulations or by law.

(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 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 the conditions are substantially met.

(h) 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.

(i) Revenue Recognition

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 restrictions. Unconditional promises to give and other assets, are reported at fair value at the date the contribution is received.

Donor restricted support is reported as an increase in net assets with donor restrictions. When a restriction expires (that is, when 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 statements of activities as net assets released from restrictions.

HERBERT H. LEHMAN COLLEGE FOUNDATION, INC.

Notes to Financial Statements, Continued

(2) Summary of Significant Accounting Policies, Continued

(j) Donated Services and Space

Certain services and space were provided to the Foundation by the College or other professionals. The estimated fair value of services received amounted to \$193,272 for the years ended June 30, 2020 and 2019. The fair value of the donated space utilized by the Foundation amounted to \$27,300 for the years ended June 30, 2020 and 2019. These donated services and space are included in both revenue and expenses in the accompanying statements of activities.

(k) Functional Allocation of Expenses

The costs of providing the Foundation's various programs and other activities have been summarized on a functional basis in the statements of activities and the statements of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Costs are allocated based on management estimates.

(l) 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.

The United States is presently in the midst of a national health emergency related to the COVID-19 virus. The overall consequences of the COVID-19 on a national, regional and local level are unknown, but has the potential to result in a significant economic impact. The impact of this situation on the Foundation and its future results and financial position is not presently determinable.

(m) 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.

(n) Recent Accounting Standards Issued

In June 2018, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2018-08, "Clarifying the Scope of Accounting Guidance for Contributions Received and Contributions Made." ASU 2018-08 provides clarification for determining if grants and contracts should be considered contributions or exchange transactions, as well as guidance for determining if a contribution is conditional. This guidance is effective for fiscal years beginning after December 15, 2018. These financial statements and notes reflect adoption of this new standard.

HERBERT H. LEHMAN COLLEGE FOUNDATION, INC.

Notes to Financial Statements, Continued

(3) Liquidity

The Foundation has \$1,504,280 of financial assets available within one year of the statement of financial position date to meet cash needs for general expenditures, consisting of \$879,280 of cash and \$625,000 of receivables. Substantially all cash is subject to donor or contractual restrictions that make it unavailable for general expenditure within one year of the 2020 statement of financial position.

(4) Fair Value Measurements

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 asset or liability; and
- 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'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.

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 June 30, 2020 and 2019.

- Exchange-traded funds - Valued at the closing price as reported by the fund. These funds are required to publish their net asset value and transact at that price. The exchange-traded funds held by the Foundation are deemed to be actively traded.

HERBERT H. LEHMAN COLLEGE FOUNDATION, INC.

Notes to Financial Statements, Continued

(4) Fair Value Measurements, Continued

- Mutual funds - Valued at the daily closing price as reported by the fund. Mutual funds held by the Corporation are open-end mutual funds that are registered with Securities and Exchange Commission. These funds are required to publish their daily net asset value and to transact at that price. The mutual funds held by the Foundation are deemed to be actively traded.

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 tables set forth by level, within the fair value hierarchy, the Foundation's investments at fair value as of June 30, 2020 and 2019:

	<u>2020</u>		
	<u>Level 1</u>	<u>Level 2</u>	<u>Total</u>
Investments:			
U.S. government securities	\$ -	5,020	5,020
CUNY investment pool - long-term pool	<u>-</u>	<u>6,261,603</u>	<u>6,261,603</u>
Total investments reported on the fair value hierarchy	\$ <u>-</u>	<u>6,266,623</u>	6,266,623
Money market funds			<u>961</u>
Total investments			\$ <u>6,267,584</u>
Current assets - investments			5,981
Noncurrent assets - investments			<u>6,261,603</u>
Total investments			\$ <u>6,267,584</u>

During 2020, the Foundation transferred assets to the CUNY pooled investment account. As of June 30, 2020, the ending market value for the investments held by CUNY is \$6,261,603. Investment income generated from these funds amounted to \$628. Withdrawals from the investment accounts are distributed to the students for scholarships. For the year ended June 30, 2020 there were no withdrawn funds.

HERBERT H. LEHMAN COLLEGE FOUNDATION, INC.

Notes to Financial Statements, Continued

(4) Fair Value Measurements, Continued

	<u>2019</u>		
	<u>Level 1</u>	<u>Level 2</u>	<u>Total</u>
Investments:			
U.S. government securities	\$ -	408,412	408,412
Common stocks - domestic	1,562,882	-	1,562,882
Exchange-traded funds:			
Equity	2,636,233	-	2,636,233
International equity	566,238	-	566,238
Corporate bonds	-	279,109	279,109
Foreign bonds	-	135,191	135,191
Mutual funds - large blend	125,899	-	125,899
Mutual funds - fixed income	<u>602,010</u>	<u>-</u>	<u>602,010</u>
Total investments reported on the fair value hierarchy	\$ <u>5,493,262</u>	<u>822,712</u>	6,315,974
Money market funds			<u>472,107</u>
Total investments			\$ <u>6,788,081</u>
Current assets - investments			1,117,971
Noncurrent assets - investments			<u>5,670,110</u>
Total investments			\$ <u>6,788,081</u>

(5) Contributions Receivable

Contributions receivable have been discounted over the payment period using a discount rate of 3.25%. Contributions receivable were estimated to be due as follows:

	<u>2020</u>	<u>2019</u>
Amounts due within one year	\$ 625,000	280,000
Amounts due in one to five years	<u>435,000</u>	<u>265,000</u>
	1,060,000	545,000
Less discount to net present value	<u>(20,075)</u>	<u>(16,286)</u>
Total	\$ <u>1,039,925</u>	<u>528,714</u>

HERBERT H. LEHMAN COLLEGE FOUNDATION, INC.

Notes to Financial Statements, Continued

(6) Net Assets With Donor Restrictions

Net assets with donor restrictions at June 30, 2020 and 2019 are available for the following purposes or periods:

	<u>2020</u>	<u>2019</u>
Time or purpose restriction:		
Educational services:		
Purpose and time restricted	\$ 796,187	1,172,621
Unappropriated endowment earnings	1,704,869	1,283,648
Endowment - educational services	<u>5,713,067</u>	<u>5,621,039</u>
	<u>\$ 8,214,123</u>	<u>8,077,308</u>

During the years ended June 30, 2020 and 2019, net assets with donor restrictions were released from restrictions by incurring expenses for scholarships, awards and other expenses amounting to \$1,511,382 and \$1,605,419, respectively.

(7) Endowment Fund

The Foundation classifies as net assets with donor restrictions: (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 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.

HERBERT H. LEHMAN COLLEGE FOUNDATION, INC.

Notes to Financial Statements, Continued

(7) Endowment Fund, Continued

The spending policy calculates the amount of money annually distributed from the Foundation's various endowment funds for grant making and administration. The current spending policy is to distribute 4% of the endowment assets.

	<u>2020</u>		
	<u>Time</u> <u>restrictions</u>	<u>Endowment</u> <u>restrictions</u>	<u>Total</u>
Endowment net assets at beginning of year	\$ 1,283,648	5,621,039	6,904,687
Contributions	-	92,028	92,028
Transfer	(7,565)	-	(7,565)
Interest and dividends	135,338	-	135,338
Unrealized gain on investments	<u>293,448</u>	<u>-</u>	<u>293,448</u>
Endowment net assets at end of year	\$ <u>1,704,869</u>	<u>5,713,067</u>	<u>7,417,936</u>
	<u>2019</u>		
	<u>Time</u> <u>restrictions</u>	<u>Endowment</u> <u>restrictions</u>	<u>Total</u>
Endowment net assets at beginning of year	\$ 968,257	5,036,480	6,004,737
Contributions	-	584,559	584,559
Interest and dividends	136,746	-	136,746
Unrealized gain on investments	<u>178,645</u>	<u>-</u>	<u>178,645</u>
Endowment net assets at end of year	\$ <u>1,283,648</u>	<u>5,621,039</u>	<u>6,904,687</u>

(8) Related Party Transactions

Certain employees of the College are on the Board of Directors of the Foundation.

(9) Contingency

The Foundation is currently involved with an internal audit that is being completed by CUNY. The impact of the results of this audit, if any, on the financial statements for the years ended June 30, 2020 and 2019, has not been determined as of the date of the audit opinion.