

HERBERT H. LEHMAN
COLLEGE FOUNDATION, INC.

Financial Statements

June 30, 2021 and 2020

(With Independent Auditors' Report Thereon)

HERBERT H. LEHMAN COLLEGE FOUNDATION, INC.

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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, 2021 and 2020, 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, 2021 and 2020, 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
September 27, 2021

HERBERT H. LEHMAN COLLEGE FOUNDATION, INC.
 Statements of Financial Position
 June 30, 2021 and 2020

<u>Assets</u>	<u>2021</u>	<u>2020</u>
Current assets:		
Cash and equivalents	\$ 3,637,520	879,280
Current portion of contributions receivable, net	486,908	625,000
Other assets	9,668	9,668
Total current assets	4,134,096	1,513,948
Noncurrent assets:		
Investments	8,324,338	6,261,603
Contributions receivable, net of current portion	237,331	414,925
Total noncurrent assets	8,561,669	6,676,528
Total assets	\$ 12,695,765	8,190,476
<u>Liabilities and Net Assets</u>		
Current liabilities:		
Accounts payable	-	22,609
Current portion of annuity payable	700	700
Total current liabilities	700	23,309
Annuity payable, excluding current portion	785	785
Total liabilities	1,485	24,094
Net assets:		
Without donor restrictions (deficit)	946,980	(47,741)
With donor restrictions	11,747,300	8,214,123
Total net assets	12,694,280	8,166,382
Total liabilities and net assets	\$ 12,695,765	8,190,476

See accompanying notes to financial statements.

HERBERT H. LEHMAN COLLEGE FOUNDATION, INC.

Statements of Activities

Years ended June 30, 2021 and 2020

	2021			2020		
	Without donor restrictions	With donor restrictions	Total	Without donor restrictions	With donor restrictions	Total
Revenue:						
Contributions	\$ 101,895	4,627,125	4,729,020	26,619	2,056,477	2,083,096
Special events	203,472	-	203,472	49,022	-	49,022
Less direct cost of special events	(32,398)	-	(32,398)	(1,106)	-	(1,106)
Interest and dividends	69,557	5,418	74,975	1,822	155,486	157,308
Net realized gain (loss) from sales of investments	86,060	9,355	95,415	(5,152)	(857,213)	(862,365)
Unrealized gain on investments	919,903	74,622	994,525	94,759	293,448	388,207
In-kind contributions	233,258	-	233,258	220,572	-	220,572
Net assets released from restrictions	1,183,343	(1,183,343)	-	1,511,383	(1,511,383)	-
Total revenue	<u>2,765,090</u>	<u>3,533,177</u>	<u>6,298,267</u>	<u>1,897,919</u>	<u>136,815</u>	<u>2,034,734</u>
Expenses:						
Program services:						
Support of College	185,791	-	185,791	180,304	-	180,304
Support of students	1,183,343	-	1,183,343	1,503,817	-	1,503,817
Total program services	<u>1,369,134</u>	<u>-</u>	<u>1,369,134</u>	<u>1,684,121</u>	<u>-</u>	<u>1,684,121</u>
Supporting services:						
Management and general	334,095	-	334,095	334,320	-	334,320
Fundraising	67,140	-	67,140	47,420	-	47,420
Total supporting services	<u>401,235</u>	<u>-</u>	<u>401,235</u>	<u>381,740</u>	<u>-</u>	<u>381,740</u>
Total expenses	<u>1,770,369</u>	<u>-</u>	<u>1,770,369</u>	<u>2,065,861</u>	<u>-</u>	<u>2,065,861</u>
Change in net assets	994,721	3,533,177	4,527,898	(167,942)	136,815	(31,127)
Net assets (deficit) at beginning of year	(47,741)	8,214,123	8,166,382	120,201	8,077,308	8,197,509
Net assets (deficit) at end of year	<u>\$ 946,980</u>	<u>11,747,300</u>	<u>12,694,280</u>	<u>(47,741)</u>	<u>8,214,123</u>	<u>8,166,382</u>

See accompanying notes to financial statements.

HERBERT H. LEHMAN COLLEGE FOUNDATION, INC.

Statements of Functional Expenses

Years ended June 30, 2021 and 2020

	2021					2020				
	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	\$ 23,790	-	23,790	49,077	96,657	11,740	-	11,740	24,220	47,700
Personnel	45,372	-	136,117	18,063	199,552	58,278	-	174,834	23,200	256,312
Scholarships, awards and programmatic aide	-	1,183,343	-	-	1,183,343	-	1,503,817	-	-	1,503,817
Donated space and services	116,629	-	116,629	-	233,258	110,286	-	110,286	-	220,572
Supplies	-	-	1,231	-	1,231	-	-	853	-	853
Postage and shipping	-	-	110	-	110	-	-	539	-	539
Travel and conferences	-	-	8,481	-	8,481	-	-	608	-	608
Insurance	-	-	8,643	-	8,643	-	-	4,919	-	4,919
Bank charges	-	-	-	-	-	-	-	825	-	825
Subscriptions and memberships	-	-	2,569	-	2,569	-	-	196	-	196
Data processing	-	-	34,488	-	34,488	-	-	24,926	-	24,926
Printing and reproduction	-	-	1,441	-	1,441	-	-	2,021	-	2,021
Depreciation	-	-	-	-	-	-	-	430	-	430
Miscellaneous	-	-	596	-	596	-	-	2,143	-	2,143
Total expenses	\$ 185,791	1,183,343	334,095	67,140	1,770,369	180,304	1,503,817	334,320	47,420	2,065,861

See accompanying notes to financial statements.

HERBERT H. LEHMAN COLLEGE FOUNDATION, INC.
 Statements of Cash Flows
 Years ended June 30, 2021 and 2020

	<u>2021</u>	<u>2020</u>
Cash flows from operating activities:		
Change in net assets	\$ 4,527,898	(31,127)
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation	-	430
Net realized and unrealized loss on investments	(1,089,940)	474,158
Permanently restricted contributions	(4,627,125)	(2,056,477)
Changes in:		
Contributions receivable	1,362	(383,711)
Accounts payable	<u>(22,609)</u>	<u>(6,562)</u>
Net cash used in operating activities	<u>(1,210,414)</u>	<u>(2,003,289)</u>
Cash flows from investing activities:		
Purchases of investments	(1,207,117)	(7,772,215)
Proceeds from sales of investments	<u>234,322</u>	<u>7,818,554</u>
Net cash provided by (used in) investing activities	<u>(972,795)</u>	<u>46,339</u>
Cash flows from financing activities:		
Proceeds from permanently restricted contributions	4,941,449	1,928,977
Payment to annuitant	<u>-</u>	<u>(700)</u>
Net cash provided by financing activities	<u>4,941,449</u>	<u>1,928,277</u>
Net change in cash and equivalents	2,758,240	(28,673)
Cash and equivalents at beginning of year	<u>879,280</u>	<u>907,953</u>
Cash and equivalents at end of year	<u>\$ 3,637,520</u>	<u>879,280</u>

See accompanying notes to financial statements.

HERBERT H. LEHMAN COLLEGE FOUNDATION, INC.

Notes to Financial Statements

June 30, 2021 and 2020

(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) Endowment

The Foundation's endowment was established by donations made directly to the Foundation. As required by accounting principles generally accepted in the United States of America, net assets associated with endowment funds are classified and reported based on the existence or absence of explicit donor-imposed restrictions; see note 8 for endowment funds detail.

The New York Prudent Management of Institutional Funds Act (NYPMIFA) was enacted on September 17, 2010 and removes the prohibition on appropriations below the historic dollar value of endowment funds absent explicit donor stipulations to the contrary.

HERBERT H. LEHMAN COLLEGE FOUNDATION, INC.

Notes to Financial Statements, Continued

(2) Summary of Significant Accounting Policies, Continued

(e) Endowment, Continued

In accordance with NYPMIFA, 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 purposes of the donor-restricted endowment funds.
3. General economic conditions.
4. The possible effects of inflation and deflation.
5. The expected total return from income and the appreciation of investments.
6. Other resources of the Foundation.
7. The investment policies of the Foundation.

(f) Investments

The Foundation's investments are held by the 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.

(g) 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.

HERBERT H. LEHMAN COLLEGE FOUNDATION, INC.

Notes to Financial Statements, Continued

(2) Summary of Significant Accounting Policies, Continued

(g) Fair Value Measurements, Continued

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs. There have been no changes in the methodologies used during the years ended June 30, 2021 and 2020. The investments held by the Foundation in the CUNY investment pool are classified as level 2 in the fair value hierarchy.

(h) 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.

(i) 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.

(j) 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.

(k) 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 \$203,618 and \$193,272 for the years ended June 30, 2021 and 2020, respectively. The fair value of the donated space utilized by the Foundation amounted to \$29,640 and \$27,300 for the years ended June 30, 2021 and 2020, respectively. These donated services and space are included in both revenue and expenses in the accompanying statements of activities.

HERBERT H. LEHMAN COLLEGE FOUNDATION, INC.

Notes to Financial Statements, Continued

(2) Summary of Significant Accounting Policies, Continued

(l) 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.

(m) 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.

(n) Risks and Uncertainties

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.

(o) 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.

(p) Reclassifications

Reclassifications have been made to certain 2020 balances in order to conform them to the 2021 presentation.

(3) Liquidity

The Foundation has \$4,122,825 of financial assets available within one year of the statement of financial position date to meet cash needs for general expenditures, consisting of \$3,637,520 of cash and equivalents and \$485,305 of current receivables. Certain of these assets are subject to donor or contractual restrictions that make them unavailable for general expenditure within one year of the 2021 statement of financial position.

HERBERT H. LEHMAN COLLEGE FOUNDATION, INC.

Notes to Financial Statements, Continued

(4) Cash and Equivalents and Investments

(a) Custodial Credit Risk - Deposits

Custodial credit risk of deposits is the risk that the Foundation's deposits may not be returned in the event of a bank failure. At June 30, 2021, \$3,432,574 of the Foundation's bank balance of \$3,682,574 was exposed to custodial credit risk. At June 30, 2020, \$885,435 of the Foundation's bank balance of \$1,135,435 was exposed to custodial credit risk.

(b) Custodial Credit Risk - Investments

Custodial credit risk as it relates to investments is the risk that in the event of failure of the counterparty of a transaction, the Foundation will not be able to recover the value of its investment portfolio that is in the possession of that failed counterparty. At June 30, 2021 and 2020, the Foundation's entire investment portfolio balance of \$8,324,338 and \$6,261,603, respectively, was exposed to custodial credit risk, as it was uninsured and uncollateralized.

(5) Contributions Receivable

Contributions receivable primarily consisted of unconditional promises to give to support scholarships, awards and programmatic initiatives. A summary of contributions receivable as of June 30, 2021 and 2020 is as follows:

	<u>2021</u>	<u>2020</u>
Amounts due in:		
Less than one year	\$ 486,908	625,000
One to five years	<u>248,784</u>	<u>435,000</u>
	735,692	1,060,000
Less unamortized discount at 0.87% in 2021 and 3.5% in 2020	<u>(11,453)</u>	<u>(20,075)</u>
Contributions receivable, net	\$ <u>724,239</u>	<u>1,039,925</u>

Contributions receivable as reflected in the accompanying statements of financial position at June 30, 2021 and 2020 is as follows:

	<u>2021</u>	<u>2020</u>
Current	\$ 486,908	625,000
Long-term	<u>237,331</u>	<u>414,925</u>
	\$ <u>724,239</u>	<u>1,039,925</u>

HERBERT H. LEHMAN COLLEGE FOUNDATION, INC.

Notes to Financial Statements, Continued

(6) Investments in CUNY Investment Pool and Related Investment Income

The Foundation's investments in the investment pool comprise assets which are pooled and invested by and under the control of the Committee. Pooled investments include equity and fixed income securities amounting to \$8,324,338 and \$6,261,603 at June 30, 2021 and 2020, respectively.

The following table summarizes the activity for financial instruments during the years ended June 30, 2021 and 2020:

Balance at June 30, 2019	\$ 6,782,100
Additions	7,614,907
Withdrawals	(7,818,554)
Interest and dividends	157,308
Realized loss	(862,365)
Unrealized gain	<u>388,207</u>
Balance at June 30, 2020	6,261,603
Additions	1,132,696
Withdrawals	(234,322)
Interest and dividends	74,421
Realized gain	95,415
Unrealized gain	<u>994,525</u>
Balance at June 30, 2021	\$ <u>8,324,338</u>

A summary of investment income (loss) related to the CUNY investment pool for the years ended June 30, 2021 and 2020 is as follows:

	<u>2021</u>	<u>2020</u>
Interest and dividends	\$ 74,421	157,308
Realized gain (loss)	95,415	(862,365)
Unrealized gain	<u>994,525</u>	<u>388,207</u>
Total investment income (loss)	\$ <u>1,164,361</u>	<u>(316,850)</u>

(7) Net Assets With Donor Restrictions

Net assets with donor restrictions at June 30, 2021 and 2020 are available for the following purposes or periods:

	<u>2021</u>	<u>2020</u>
Time or purpose restriction:		
Educational services:		
Purpose and time restricted	\$ 3,147,406	796,187
Unappropriated endowment earnings	1,784,752	1,704,869
Endowment - educational services	<u>6,815,142</u>	<u>5,713,067</u>
	\$ <u>11,747,300</u>	<u>8,214,123</u>

HERBERT H. LEHMAN COLLEGE FOUNDATION, INC.

Notes to Financial Statements, Continued

(7) Net Assets With Donor Restrictions, Continued

During the years ended June 30, 2021 and 2020, net assets with donor restrictions were released from restrictions by incurring expenses for scholarships, awards and other expenses amounting to \$1,183,343 and \$1,511,383, respectively.

(8) 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 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.

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>2021</u>		
	<u>Time</u> <u>restrictions</u>	<u>Endowment</u> <u>restrictions</u>	<u>Total</u>
Endowment net assets at beginning of year	\$ 1,704,869	5,713,067	7,417,936
Contributions	-	1,102,075	1,102,075
Interest and dividends	5,261	-	5,261
Unrealized gain on investments	<u>74,622</u>	<u>-</u>	<u>74,622</u>
Endowment net assets at end of year	\$ <u>1,784,752</u>	<u>6,815,142</u>	<u>8,599,894</u>

HERBERT H. LEHMAN COLLEGE FOUNDATION, INC.

Notes to Financial Statements, Continued

(8) Endowment Fund, Continued

	<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>