

HUBBARD HALL PROJECTS, INC.

CAMBRIDGE, NEW YORK

FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2021 AND 2020

CONTENTS

	<u>PAGES</u>
Financial statements:	
Independent auditors' report	1-2
Statements of financial position	3
Statements of activities	4-5
Statements of functional expenses	6-7
Statements of cash flows	8-9
Notes to financial statements	10-18



INDEPENDENT AUDITORS' REPORT

To the Board of Trustees
Hubbard Hall Projects, Inc.
Cambridge, New York

Opinion

We have audited the accompanying financial statements of Hubbard Hall Projects, Inc. (a nonprofit organization), which comprise the statements of financial position as of June 30, 2021, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Hubbard Hall Projects, Inc. as of June 30, 2021 and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Prior Period Financial Statements

The 2020 financial statements were reviewed by us and our report thereon, dated October 2, 2020, stated we were not aware of any material modifications that should be made to those financial statements for them to be in conformity with accounting principles generally accepted in the United States of America. However, a review is substantially less in scope than an audit and does not provide a basis for the expression of an opinion on the financial statements.

Rutz, Selig & Zeronda LLP

Latham, New York
November 8, 2021



HUBBARD HALL PROJECTS, INC.

STATEMENTS OF FINANCIAL POSITION

JUNE 30, 2021 AND 2020

<u>ASSETS</u>	<u>Audited 2021</u>	<u>Reviewed 2020</u>
CURRENT ASSETS:		
Cash and cash equivalents (Note 1)	\$ 168,307	\$ 110,637
Accounts receivable (Note 1)	9,029	490
Inventory (Note 1)	-	1,301
Prepaid expenses	9,944	21,673
	<hr/>	<hr/>
Total current assets	\$ 187,280	\$ 134,101
PROPERTY AND EQUIPMENT - NET (Notes 1 and 2)	983,902	878,715
RESTRICTED CASH AND INVESTMENTS (Note 1 and 3)	739,720	84,558
	<hr/>	<hr/>
TOTAL ASSETS	<u>\$ 1,910,902</u>	<u>\$ 1,097,374</u>
<u>LIABILITIES AND NET ASSETS</u>		
CURRENT LIABILITIES:		
Current maturities of long term debt (Note 9)	\$ 7,510	\$ 17,474
Accounts payable and accrued expenses	6,191	9,785
Security deposit	1,040	1,000
Deferred revenue (Notes 1 and 5)	16,984	42,058
Paycheck Protection Program Loan (Notes 6 and 9)	-	37,500
	<hr/>	<hr/>
Total current liabilities	\$ 31,725	\$ 107,817
LONG TERM DEBT		
Long term debt (Notes 1 and 9)	88,337	211,206
	<hr/>	<hr/>
Total liabilities	\$ 120,062	\$ 319,023
NET ASSETS: (Note 1)		
Without donor restrictions:		
Undesignated	\$ 1,048,924	\$ 693,793
Board designated (Note 10)	2,196	-
With donor restrictions (Note 10)	739,720	84,558
	<hr/>	<hr/>
Total net assets	\$ 1,790,840	\$ 778,351
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 1,910,902</u>	<u>\$ 1,097,374</u>

See notes to financial statements.

HUBBARD HALL PROJECTS, INC.

STATEMENT OF ACTIVITIES - AUDITED
YEAR ENDED JUNE 30, 2021

	<u>Without Donor</u> <u>Restrictions</u>	<u>With Donor</u> <u>Restrictions</u>	<u>Total</u>
SUPPORT AND REVENUE:			
Support:			
Contributions	\$ 103,447	\$ 843,729	\$ 947,176
In kind contributions	56,153	-	56,153
Grants	129,496	-	129,496
Gross special events revenue	1,795	-	1,795
Less cost of direct benefit to donors	(147)	-	(147)
Net special events revenue	\$ 1,648	\$ -	\$ 1,648
Net assets released from restriction	188,567	(188,567)	-
Total support	<u>\$ 479,311</u>	<u>\$ 655,162</u>	<u>\$ 1,134,473</u>
Revenue:			
Program income	\$ 70,948	\$ -	\$ 70,948
Rental income	7,360	-	7,360
Miscellaneous income	50,370	-	50,370
Interest and dividend income	5,746	-	5,746
Unrealized gain (loss) on investments	(2,465)	-	(2,465)
Total revenue	<u>\$ 131,959</u>	<u>\$ -</u>	<u>\$ 131,959</u>
Total support and revenue	<u>\$ 611,270</u>	<u>\$ 655,162</u>	<u>\$ 1,266,432</u>
OPERATING EXPENSES:			
Program services	\$ 202,223	\$ -	\$ 202,223
Management and general	32,208	-	32,208
Fundraising	19,512	-	19,512
Total expenses	<u>\$ 253,943</u>	<u>\$ -</u>	<u>\$ 253,943</u>
CHANGES IN NET ASSETS	\$ 357,327	\$ 655,162	\$ 1,012,489
NET ASSETS - BEGINNING	<u>693,793</u>	<u>84,558</u>	<u>778,351</u>
NET ASSETS - END	<u><u>\$ 1,051,120</u></u>	<u><u>\$ 739,720</u></u>	<u><u>\$ 1,790,840</u></u>

See notes to financial statements.

HUBBARD HALL PROJECTS, INC.

STATEMENT OF ACTIVITIES - REVIEWED
YEAR ENDED JUNE 30, 2020

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
SUPPORT AND REVENUE:			
Support:			
Contributions	\$ 86,113	\$ 32,940	\$ 119,053
In kind contributions	650	-	650
Grants	10,000	56,600	66,600
Gross special events revenue	5,902	-	5,902
Less cost of direct benefit to donors	<u>(3,315)</u>	<u>-</u>	<u>(3,315)</u>
Net special events revenue	\$ 2,587	\$ -	\$ 2,587
Net assets released from restriction	<u>83,326</u>	<u>(83,326)</u>	<u>-</u>
Total support	<u>\$ 182,676</u>	<u>\$ 6,214</u>	<u>\$ 188,890</u>
Revenue:			
Program income	\$ 146,002	\$ -	\$ 146,002
Rental income	7,141	-	7,141
EIDL Forgivable Advance	10,000	-	10,000
Miscellaneous income	174	-	174
Interest and dividend income	81	-	81
Community service income	<u>1,200</u>	<u>-</u>	<u>1,200</u>
Total revenue	<u>\$ 164,598</u>	<u>\$ -</u>	<u>\$ 164,598</u>
Total support and revenue	<u>\$ 347,274</u>	<u>\$ 6,214</u>	<u>\$ 353,488</u>
OPERATING EXPENSES:			
Program services	\$ 344,628	\$ -	\$ 344,628
Management and general	51,966	-	51,966
Fundraising	<u>30,361</u>	<u>-</u>	<u>30,361</u>
Total expenses	<u>\$ 426,955</u>	<u>\$ -</u>	<u>\$ 426,955</u>
CHANGES IN NET ASSETS	\$ (79,681)	\$ 6,214	\$ (73,467)
NET ASSETS - BEGINNING	<u>773,474</u>	<u>78,344</u>	<u>851,818</u>
NET ASSETS - END	<u>\$ 693,793</u>	<u>\$ 84,558</u>	<u>\$ 778,351</u>

See notes to financial statements.

HUBBARD HALL PROJECTS, INC.

STATEMENT OF FUNCTIONAL EXPENSES - AUDITED
YEAR ENDED JUNE 30, 2021

	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Salaries	\$ 41,751	\$ 14,003	\$ 15,127	\$ 70,881
Payroll taxes	<u>5,370</u>	<u>1,094</u>	<u>1,185</u>	<u>7,649</u>
Total personnel	\$ 47,121	\$ 15,097	\$ 16,312	\$ 78,530
Workshop expenses	21,831	-	-	21,831
Depreciation	40,020	-	-	40,020
Artist fees	12,058	-	-	12,058
Repairs and maintenance	21,938	-	-	21,938
Utilities	13,227	-	-	13,227
Insurance	15,276	884	-	16,160
Production expenses	7,528	-	-	7,528
Printing	762	-	190	952
Interest	3,040	3,876	-	6,916
Supplies	4,354	-	147	4,501
Bank/credit card charges	-	3,243	-	3,243
Office expense	3,181	1,337	1,488	6,006
Advertising	2,843	-	-	2,843
Property taxes	-	3,965	-	3,965
Website	2,105	-	702	2,807
Telephone	1,552	680	735	2,967
Professional fees	-	3,000	-	3,000
Postage and shipping	179	79	85	343
Miscellaneous	1,813	47	-	1,860
Community Service Expenses	<u>3,395</u>	<u>-</u>	<u>-</u>	<u>3,395</u>
Total expenses	\$ 202,223	\$ 32,208	\$ 19,659	\$ 254,090
Less expenses included with revenues on statement of activities:				
Cost of direct benefit to donors	<u>-</u>	<u>-</u>	<u>(147)</u>	<u>(147)</u>
Total expenses included in expense section on statement of activities	<u>\$ 202,223</u>	<u>\$ 32,208</u>	<u>\$ 19,512</u>	<u>\$ 253,943</u>

See notes to financial statements.

HUBBARD HALL PROJECTS, INC.

STATEMENT OF FUNCTIONAL EXPENSES - REVIEWED
YEAR ENDED JUNE 30, 2020

	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Salaries	\$ 101,253	\$ 26,105	\$ 18,793	\$ 146,151
Payroll taxes	<u>12,716</u>	<u>1,982</u>	<u>1,418</u>	<u>16,116</u>
Total personnel	\$ 113,969	\$ 28,087	\$ 20,211	\$ 162,267
Workshop expenses	40,994	-	-	40,994
Depreciation	34,547	-	-	34,547
Artist fees	36,039	-	-	36,039
Repairs and maintenance	22,659	-	-	22,659
Utilities	16,764	-	-	16,764
Insurance	17,933	857	-	18,790
Production expenses	22,187	-	-	22,187
Printing	6,666	-	6,665	13,331
Interest	4,348	3,363	-	7,711
Supplies	2,266	-	3,315	5,581
Bank/credit card charges	-	6,473	-	6,473
Office expense	4,775	1,189	907	6,871
Advertising	6,862	-	-	6,862
Property taxes	99	5,094	-	5,193
Website	1,698	-	1,698	3,396
Telephone	2,604	648	495	3,747
Professional fees	-	2,900	-	2,900
Postage and shipping	1,933	481	367	2,781
Miscellaneous	4,009	2,874	-	6,883
Fellowship Expenses	-	-	18	18
Community Service Expenses	<u>4,276</u>	<u>-</u>	<u>-</u>	<u>4,276</u>
Total expenses	\$ 344,628	\$ 51,966	\$ 33,676	\$ 430,270
Less expenses included with revenues on statement of activities: Cost of direct benefit to donors	<u>-</u>	<u>-</u>	<u>(3,315)</u>	<u>(3,315)</u>
Total expenses included in expense section on statement of activities	<u>\$ 344,628</u>	<u>\$ 51,966</u>	<u>\$ 30,361</u>	<u>\$ 426,955</u>

See notes to financial statements.

HUBBARD HALL PROJECTS, INC.

STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2021 AND 2020

	<u>Audited</u> <u>2021</u>	<u>Reviewed</u> <u>2020</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Changes in net assets	\$ 1,012,489	\$ (73,467)
Adjustments to reconcile changes in unrestricted net assets to net cash provided by (applied to) operating activities:		
Depreciation	40,020	34,547
Unrealized loss on investments	2,465	-
In kind contributions	(56,153)	(650)
Amortization of loan cost to interest expense	-	134
Changes in operating assets and liabilities:		
(Increase) decrease in:		
Accounts receivable	(8,539)	4,966
Inventory	1,301	160
Prepaid expenses	11,729	(12,192)
Increase (decrease) in:		
Accounts payable	(3,594)	(10,428)
Security deposit	40	700
Deferred revenue	(25,074)	2,450
Payroll Protection Program Loan	(60,500)	50,500
	<u>914,184</u>	<u>(3,280)</u>
Net cash (applied to) provided by operating activities	\$	\$
CASH FLOWS FROM FINANCING ACTIVITIES:		
Repayment of debt	\$ (131,645)	\$ (13,527)
Proceeds from long-term debt	<u>21,812</u>	<u>70,000</u>
	\$ (109,833)	56,473
Net cash provided by (applied to) financing activities	\$	\$
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of property and equipment	\$ (89,053)	\$ (5,880)
Purchase of investments	<u>(696,079)</u>	<u>-</u>
	\$ (785,132)	\$ (5,880)
Net cash applied to investment activities	\$	\$
NET INCREASE IN CASH	\$ 19,219	\$ 47,313
CASH AND RESTRICTED CASH AND EQUIVALENTS - BEGINNING	<u>195,195</u>	<u>147,882</u>
CASH AND RESTRICTED CASH AND EQUIVALENTS - END	<u>\$ 214,414</u>	<u>\$ 195,195</u>

See notes to financial statements.

HUBBARD HALL PROJECTS, INC.

STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2021 AND 2020

	<u>Audited</u> <u>2021</u>	<u>Reviewed</u> <u>2020</u>
SUPPLEMENTAL DISCLOSURE OF CASH INFORMATION:		
Cash paid during the year:		
Interest	\$ 6,916	\$ 7,352
See notes to financial statements.		

HUBBARD HALL PROJECTS, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2021 AND 2020

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a) Nature of Activities

Hubbard Hall Projects, Inc. (the “Organization”), a not-for-profit corporation, operates an arts and education center for the cultural benefit of individuals and families within Washington County and the tri-state region of Cambridge NY.

b) Cash and Cash Equivalents

Cash and cash equivalents consist of cash on hand, in checking accounts, in savings accounts, and in money market funds. For purposes of the statement of cash flows, Hubbard Hall Projects, Inc. considers all short-term debt securities purchased with a maturity of three months or less to be cash equivalents.

c) Basis of Presentation

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

Net assets without donor restrictions: Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the organization. These net assets may be used at the discretion of the Organization’s management and the board of directors.

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

Donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statements of activities.

d) Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make certain 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. Actual results could differ from those estimates.

e) Advertising

Advertising costs are expenses as incurred. For the years ended June 30, 2021 and 2020, advertising expense was \$2,843 and \$6,862.

HUBBARD HALL PROJECTS, INC.

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)

f) Property and Equipment

Purchased property and equipment is carried at cost. If donated, the asset is carried at the fair value as of the date of the donation. Expenditures for major renewals and betterments that extend the useful lives of property are capitalized. Repairs and maintenance charged are expensed as incurred. Depreciation is provided using straight-line methods over estimated useful lives which vary from 5 to 40 years.

g) Inventory

Inventory is stated at the lower of cost (first-in, first-out) and net realizable value. Net realizable value is the estimated selling prices in the ordinary course of business, less reasonably predictable costs of completion, disposal, and transportation.

h) Investments

The Organization adopted FASB ASC 958-320, Not-for-profit entities investments-debt and equity securities. Under FASB ASC 958-320, investments in marketable securities with readily determinable fair values and all investments in debt securities are valued at their fair values in the statement of financial position. Unrealized gains and losses are included change in net assets.

Realized gains or losses are measured by the difference between the net proceeds for the repayment or sale and the cost basis of the investment without regard to unrealized appreciation or depreciation previously recognized. Net change in unrealized appreciation or depreciation reflects the change in portfolio investments values during the reporting period. Interest realized and unrealized gains and losses are allocated to operating income and restricted net assets based on proportional value.

i) Expense Allocation

The Organization's costs for providing programs and other activities have been summarized on a functional basis in the statement of functional expenses. Accordingly, certain costs have been allocated between the program services, management and general and fundraising.

j) Accounts Receivable and Allowance for Doubtful Accounts

Accounts receivable are carried at their estimated collectible amounts. Trade credit is generally extended on a short-term basis; thus, accounts receivable do not bear interest, although a finance charge may be applied to receivables that are past due. Accounts receivable are periodically evaluated for collectability based on past credit history with customers and their current financial condition. An allowance for doubtful accounts has not been provided, as it is management's opinion that losses, if any, would not be material to the financial statements.

HUBBARD HALL PROJECTS, INC.

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)

k) Income Taxes

The Organization is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code; therefore, no provision is made for the current or deferred tax expense. The Organization uses the same accounting methods for income tax and financial reporting.

Accounting standards prescribe a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. These standards also provide guidance on de-recognition of tax benefits, classification on the balance sheet, interest and penalties, accounting in interim periods, disclosure, and transition.

The Organization has evaluated any uncertain tax positions and related income tax contingencies and determined uncertain positions, if any, are not material to the financial statements. Penalties and interest assessed by income taxing authorities are included in operating expenses, if incurred. The Organization is no longer subject to examination by federal and state taxing authorities for years prior to fiscal year ending June 30, 2018.

l) Endowment Funds

The Organization's endowment was established by a bequest made directly to the Organization. As required by GAAP, net assets associated with endowment funds are classified and reported based on the existence or absence of explicit donor-imposed restrictions. See Note 4 for endowment detail.

New York Prudent Management of Institutional Funds Act (NYPMIFA) was enacted in 2010 and removes the prohibition on appropriations below the historic dollar value of endowment funds absent explicit donor stipulations to the contrary. In accordance with NYPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

1. The duration and preservation of the fund.
2. The purposes of the Organization and the donor-restricted endowment fund.
3. General economic conditions.
4. The possible effect of inflation and deflation.
5. The expected total return from income and the appreciation (depreciation) of investments.
6. Other resources of the Organization.
7. Alternatives to expenditure of the endowment fund.
8. The investment policies of the Organization.

m) Subsequent Events

The Organization has evaluated subsequent events through November 8, 2021, which is the date the financial statements were available to be issued. As a result of the spread of the COVID-19 coronavirus, economic uncertainties have arisen which have the potential to negatively impact the Organization. The potential impact is unknown at this time. There are no additional material subsequent events which require recognition or disclosure.

HUBBARD HALL PROJECTS, INC.

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)

n) **Revenue Recognition**

Contributions and grants that are restricted by the donor are recognized at a point in time as increases in unrestricted net assets if the restrictions expire in the year in which the contributions are recognized. All other donor-restricted contributions, bequests and grants are recognized at a point in time as increases net assets with donor restriction. When a restriction expires, restricted net assets are reclassified to unrestricted net assets.

Program income is recognized at a point in time as the program is completed or presented. Program income paid in advance is included in deferred revenue.

2. **PROPERTY AND EQUIPMENT**

A schedule of property and equipment is as follows:

	<u>2021</u>	<u>2020</u>
Buildings and equipment	\$ 742,721	\$ 724,171
Building improvements	<u>926,533</u>	<u>799,876</u>
Totals	\$ 1,669,254	\$ 1,524,047
Less accumulated depreciation	<u>(685,352)</u>	<u>(645,332)</u>
PROPERTY AND EQUIPMENT	<u>\$ 983,902</u>	<u>\$ 878,715</u>

Depreciation expense was \$40,020 and \$34,547 for the years ended June 30, 2021 and 2020. In kind contribution in the amount of \$56,153 in the form of professional fees and materials was capitalized during the year ended June 30, 2021 as building improvements.

3. **INVESTMENTS**

Generally accepted accounting principles define fair value, establish a framework for measuring fair value, and establish a fair value hierarchy that prioritizes the inputs to valuation techniques. 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. A fair value measurement assumes that the transaction to sell the asset or transfer the liability occurs in the principal market for the asset or liability or, in the absence of a principal market, the most advantageous market. Valuation techniques that are consistent with the market, income or cost approach are used to measure fair value.

The fair value hierarchy prioritizes the inputs to valuation techniques used to measure fair value into three broad levels:

Level 1- inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities the Organization have the ability to access.

HUBBARD HALL PROJECTS, INC.

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

INVESTMENTS (Cont.)

Level 2- inputs are inputs (other than quoted prices included within level 1) that are observable for the asset or liability, either directly or indirectly.

Level 3- are unobservable inputs for the asset or liability and rely on management's own assumptions about the assumptions that markets participants would use in pricing the asset or liability.

The Organization's investments as of June 30, 2021 are valued on recurring basis those investments are summarized as follows:

<u>June 30, 2021</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Moderate Growth Mutual Funds	\$ 693,613	\$ -	\$ -	\$ 693,613
Total Assets at Fair Value	<u>\$ 693,613</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 693,613</u>

4. ENDOWMENTS

The Organization's endowment consists of funds established primarily for non-operating expenses. As required by generally accepted accounting principles, net assets associated with endowment funds are classified and reported based on the existence of donor-imposed restrictions. The Karen Strand Endowment Fund is permanently restricted; earnings from the funds are reclassified to board designated and are intended to be used for scholarship and fellowship expenses. The Organizations investment policy states:

- The investment goal of the endowment fund is to achieve a total return (income and appreciation) of 5% after inflation, over a full market cycle (3-5 years). It is the responsibility of the Finance Committee of the Board of Directors to regularly review the performance of the investment account and investment policy guidelines, and report to the Board of Directors at least quarterly with updates and recommendations as needed.
- The Board of Directors and the Finance Committee are responsible for the establishment of a balanced reserve fund spending policy to: (a) ensure that over the medium-to-long term, sufficient investment return shall be retained to preserve and grow its economic value as a first priority; and (b) to provide funds for the annual operating budget in an amount which is not subject to large fluctuations from year-to-year to the extent possible.
- All decisions relative to the expenditure of institutional funds must assess the uses, benefits, purposes, and duration for which the institutional fund was established, and, if relevant, consider the factors:
 1. the duration and preservation of the institutional fund.
 2. purposes of the Organization and the fund.
 3. general economic conditions.

HUBBARD HALL PROJECTS, INC.

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

ENDOWMENTS (Cont.)

4. possible effect of inflation or deflation.
5. expected total return from income and appreciation of investments.
6. other organizational resources.
7. all applicable investment policies; and
8. where appropriate, alternatives to spending from the institutional fund and the possible effects of those alternatives.

- For each decision to appropriate institutional funds for expenditure, an appropriate contemporaneous record should be kept and maintained describing the nature and extent of the consideration that the appropriate body gave to each of the stipulated factors.
- In all instances, donor intent shall be respected when decisions are rendered concerning the investment or expenditure of donor restricted funds. If a donor, in the gift instrument, has directed that appreciation not be spent, the Organization shall comply with that directive and consider it when making decisions regarding the management and investment of the fund. Any attempt to lift restrictions on any fund shall be conducted in full compliance with the law.

5. DEFERRED REVENUE

Deferred revenue represents monies collected in advance for the following year's activities. The income and expenses associated with the account balance will be reflected in the financial statement of the following year. The deferred revenue account balance was \$16,984 and \$42,058 for the years ended June 30, 2021 and 2020.

6. PAYCHECK PROTECTION PROGRAM LOAN PROGRAM

In 2020, the Organization received loan proceeds in the amount of \$60,500 under the Paycheck Protection Program ("PPP"). The PPP, established as part of the Coronavirus Aid, Relief and Economic Security Act provides for loans to qualifying organizations for amounts up to 2.5 times of the average monthly payroll expenses of the qualifying organization. In March of 2021 the Organization received an additional PPP loan in the amount of \$33,996. Both PPP loans were forgiven on June 15, 2021 and are included in grants at June 30, 2021.

7. CONTRIBUTED SERVICES

Many individuals volunteer their time and perform a variety of tasks that assist the Organization in various programs, but these services do not meet the criteria for recognition as contributed services. In kind contribution for professional services was recognized in the year ended June 30, 2021 in the amount of \$45,900 for design and construction services related to restroom project.

HUBBARD HALL PROJECTS, INC.

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

8. LONG-TERM DEBT

Long-term debt consists of the following:

	<u>2021</u>	<u>2020</u>
Loan payable to Benjamin White in monthly installments of \$537, including interest at 3%; matures September 2023.	\$ 14,035	\$ 19,961
Mortgage payable to Community District Loan Fund Inc. in monthly installments of \$1,056, including interest at 5%; matures August 2028. Paid January 2021	-	86,651
Mortgage payable to Community District Loan Fund Inc. in monthly installments of \$358, including interest at 5%; matures December 2032. Paid January 2021	-	39,068
Mortgage payable to Community District Loan Fund Inc. in monthly installments of \$288, including interest at 5.5%; matures October 2028. Secured by assets of the organization.	20,000	-
Paycheck Protection Program Loan Payable to Glens Falls National Bank and Trust Company. The unforgiven portion of the PPP loan is payable over two years at an interest rate of 1%, with a deferral of payments for the first six months. Loan was forgiven January 2021.	-	23,000
EIDL loan payable to U.S. Small Business Administration in monthly installments of \$257, including interest accrued at 2.75%; matures May 2051. Payments commence on May 22, 2022.	<u>61,812</u>	<u>60,000</u>
Totals	\$ 95,847	\$ 228,680
Less current maturities	<u>(7,510)</u>	<u>(17,474)</u>
LONG-TERM DEBT	<u>\$ 88,337</u>	<u>\$ 211,206</u>
Maturities of long-term debt at June 30, 2021:		
2022	\$ 7,510	
2023	10,157	
2024	5,660	
2025	4,224	
2026	4,421	
Thereafter	<u>63,875</u>	
TOTAL	<u>\$ 95,847</u>	

HUBBARD HALL PROJECTS, INC.

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

LONG-TERM DEBT (Cont.)

EIDL loan payable to the U.S. Small Business Administration (SBA) payments were initially deferred 12 months until May of 2021, the SBA by a release dated March 16, 2021, has further extended the deferment period for all COVID – 19 related loans until May of 2022. Interest has been accrued and added to the loan balance in the amount of \$1,812 for the year ended June 30, 2021. This loan includes covenants typical to this type of loan facility.

9. LINE OF CREDIT

The Organization maintains a secured line of credit with The Community Loan Fund of the Capital Region. The line has a maximum loan availability of \$40,000 and bears interest at 6%. There was no balance on the line of credit as of June 30, 2021 and 2020. The line is secured by NYSCA grants and receivables.

10. NET ASSETS WITH DONOR RESTRICTIONS

Net assets are donor restricted for the following purposes:

	<u>2021</u>	<u>2020</u>
Workshops	\$ -	\$ 1,100
Fellowship	19,957	22,120
Scholarship fund	6,207	4,288
Restroom campaign	-	52,050
Community Garden	5,000	5,000
Strand special projects fund	194,897	-
Karen Strand Endowment fund	<u>513,659</u>	<u>-</u>
Net assets with donor restricted purpose	<u>\$ 739,720</u>	<u>\$ 84,558</u>

The Karen Strand Endowment fund is part of a bequest received in 2021, a portion of the bequest will be held as an endowment; only the earnings will be available for use. Additionally, the board has designated the earnings from the Karen Strand Endowment fund be used to fund scholarship and fellowship. Earnings on the fund were \$2,196 for the year ended June 30, 2021, and are included in board designated net assets.

HUBBARD HALL PROJECTS, INC.

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

11. NET ASSETS RELEASED FROM RESTRICTION

Net assets released from restriction by incurring expenses in satisfaction of program restrictions for the years ended June 30, 2021 and 2020 were as follows:

Net assets released from restrictions:

	<u>2021</u>	<u>2020</u>
Workshops	\$ 1,100	\$ 30,000
Fellowship	2,164	-
Facility design	-	4,334
Scholarship fund	-	735
Restroom campaign	52,050	-
General operating	3,150	48,257
Strand special projects fund	<u>130,103</u>	<u>-</u>
TOTAL RELEASED FROM RESTRICTION	<u>\$ 188,567</u>	<u>\$ 83,326</u>

12. AVAILABILITY AND LIQUIDITY

	<u>2021</u>	<u>2020</u>
Financial assets at year end:		
Cash and cash equivalents	\$ 214,414	\$ 195,195
Investments	693,613	-
Accounts Receivable	<u>9,029</u>	<u>490</u>
	\$ 917,056	\$ 195,685
Amounts not available to be used within one year:		
Donor restricted net assets	739,719	84,558
Less net assets with purpose restrictions to be met in less than one year	<u>19,956</u>	<u>84,558</u>
Financial assets available to meet general expenditures over the next year	<u>\$ 197,293</u>	<u>\$ 195,685</u>

The Organization's goal is generally to maintain financial assets to meet 60 days of operating expenses. As a part of its liquidity plan, any excess cash would be invested in short-term investments, including money market accounts and savings accounts.