

HUBBARD HALL PROJECTS, INC.

CAMBRIDGE, NEW YORK

FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2022 AND 2021

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INDEPENDENT ACCOUNTANTS' REVIEW REPORT

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

We have reviewed the accompanying financial statements of Hubbard Hall Projects, Inc. (a nonprofit corporation) which comprise the statements of financial position as of June 30, 2022, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements. A review includes primarily applying analytical procedures to management's financial data and making inquiries of management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion.

Management's Responsibility 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; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the financial statements that are free from material misstatement whether due to fraud or error.

Accountants' Responsibility

Our responsibility is to conduct the review in accordance with Statements on Standards for Accounting and Review Services Promulgated by the Accounting and Review Services Committee of the AICPA. Those standards require us to perform procedures to obtain limited assurance as a basis for reporting whether we are aware of any material modifications that should be made to the financial statements for them to be in accordance with accounting principles generally accepted in the United States of America. We believe that the results of our procedures provide a reasonable basis for 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 related to our review.

Prior Period Financial Statements

The financial statements of Hubbard Hall Projects, Inc. as of June 30, 2021 were audited by us and in our report dated November 8, 2021 we expressed an unmodified opinion on those statements.

Accountants' Conclusion

Based on our reviews, we are not aware of any material modification that should be made to the accompanying financial statements in order for them to be in accordance with accounting principles generally accepted in the United States of America.

Lutz, Selig & Zeronda, CPAs, L.L.P.

Latham, New York
September 30, 2022

HUBBARD HALL PROJECTS, INC.

STATEMENTS OF FINANCIAL POSITION

JUNE 30, 2022 AND 2021

<u>ASSETS</u>	<u>Reviewed 2022</u>	<u>Audited 2021</u>
CURRENT ASSETS:		
Cash and cash equivalents (Note 1)	\$ 277,425	\$ 168,308
Accounts receivable (Note 1)	-	9,029
Prepaid expenses	<u>9,596</u>	<u>9,944</u>
Total current assets	\$ 287,021	\$ 187,281
PROPERTY AND EQUIPMENT - NET (Notes 1 and 2)	946,291	983,902
RESTRICTED CASH AND INVESTMENTS (Note 1, 3 and 9)	<u>650,687</u>	<u>739,720</u>
TOTAL ASSETS	<u>\$ 1,883,999</u>	<u>\$ 1,910,903</u>
<u>LIABILITIES AND NET ASSETS</u>		
CURRENT LIABILITIES:		
Current maturities of long term debt (Note 7)	\$ 8,838	\$ 7,510
Accounts payable and accrued expenses	9,174	8,004
Security deposit	1,080	1,040
Deferred revenue (Notes 1 and 5)	<u>17,613</u>	<u>16,984</u>
Total current liabilities	\$ 36,705	\$ 33,538
LONG TERM DEBT		
Long term debt (Notes 1 and 7)	<u>71,814</u>	<u>86,525</u>
Total liabilities	<u>\$ 108,519</u>	<u>\$ 120,063</u>
NET ASSETS: (Note 1)		
Without donor restrictions:		
Undesignated	\$ 1,122,597	\$ 1,048,924
Board designated	2,196	2,196
With donor restrictions (Notes 4, 9 and 10)	<u>650,687</u>	<u>739,720</u>
Total net assets	<u>\$ 1,775,480</u>	<u>\$ 1,790,840</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 1,883,999</u>	<u>\$ 1,910,903</u>

See independent accountants' review report and notes to financial statements.

HUBBARD HALL PROJECTS, INC.

STATEMENT OF ACTIVITIES - REVIEWED
YEAR ENDED JUNE 30, 2022

	<u>Without Donor</u> <u>Restrictions</u>	<u>With Donor</u> <u>Restrictions</u>	<u>Total</u>
SUPPORT AND REVENUE:			
Support:			
Contributions	\$ 86,119	\$ 12,715	\$ 98,834
In kind contributions	100	-	100
Grants	184,096	25,005	209,101
Net assets released from restriction	<u>31,502</u>	<u>(31,502)</u>	<u>-</u>
 Total support	 <u>\$ 301,817</u>	 <u>\$ 6,218</u>	 <u>\$ 308,035</u>
 Revenue:			
Program income	\$ 78,309	\$ -	\$ 78,309
Rental income	18,196	-	18,196
Miscellaneous income	15,627	-	15,627
Interest and dividend income	1,216	27,165	28,381
Unrealized (loss) on investments	<u>-</u>	<u>(122,416)</u>	<u>(122,416)</u>
 Total revenue	 <u>\$ 113,348</u>	 <u>\$ (95,251)</u>	 <u>\$ 18,097</u>
 Total support and revenue	 <u>\$ 415,165</u>	 <u>\$ (89,033)</u>	 <u>\$ 326,132</u>
 OPERATING EXPENSES:			
Program services	\$ 280,474	\$ -	\$ 280,474
Management and general	38,709	-	38,709
Fundraising	<u>22,309</u>	<u>-</u>	<u>22,309</u>
 Total expenses	 <u>\$ 341,492</u>	 <u>\$ -</u>	 <u>\$ 341,492</u>
 CHANGES IN NET ASSETS	 \$ 73,673	 \$ (89,033)	 \$ (15,360)
 NET ASSETS - BEGINNING	 <u>1,051,120</u>	 <u>739,720</u>	 <u>1,790,840</u>
 NET ASSETS - END	 <u>\$ 1,124,793</u>	 <u>\$ 650,687</u>	 <u>\$ 1,775,480</u>

See independent accountants' review report and 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	<u>188,567</u>	<u>(188,567)</u>	<u>-</u>
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>\$ 1,051,120</u>	<u>\$ 739,720</u>	<u>\$ 1,790,840</u>

See independent accountants' review report and notes to financial statements.

HUBBARD HALL PROJECTS, INC.

STATEMENT OF FUNCTIONAL EXPENSES - REVIEWED
YEAR ENDED JUNE 30, 2022

	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Salaries	\$ 80,943	\$ 18,559	\$ 18,782	\$ 118,284
Payroll taxes	<u>8,406</u>	<u>1,448</u>	<u>1,459</u>	<u>11,313</u>
Total personnel	\$ 89,349	\$ 20,007	\$ 20,241	\$ 129,597
Repairs and maintenance	43,984	-	-	43,984
Depreciation	37,611	-	-	37,611
Utilities	21,608	-	-	21,608
Workshop expenses	20,970	-	-	20,970
Artist fees	16,019	-	-	16,019
Production expenses	16,006	-	-	16,006
Insurance	11,877	937	-	12,814
Professional fees	-	7,000	-	7,000
Advertising	5,374	-	-	5,374
Property taxes	-	5,328	-	5,328
Miscellaneous	4,236	-	-	4,236
Website	3,031	-	1,010	4,041
Community Service Expenses	3,956	-	-	3,956
Interest	999	2,039	-	3,038
Telephone	1,890	410	441	2,741
Bank/credit card charges	-	2,641	-	2,641
Office expense	1,421	308	331	2,060
Supplies	1,230	-	-	1,230
Printing	730	-	244	974
Postage and shipping	<u>183</u>	<u>39</u>	<u>42</u>	<u>264</u>
Total expenses	<u>\$ 280,474</u>	<u>\$ 38,709</u>	<u>\$ 22,309</u>	<u>\$ 341,492</u>

See independent accountants' review report and 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 independent accountants' review report and notes to financial statements.

HUBBARD HALL PROJECTS, INC.

STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2022 AND 2021

	<u>Reviewed</u> <u>2022</u>	<u>Audited</u> <u>2021</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Changes in net assets	\$ (15,360)	\$ 1,012,489
Adjustments to reconcile changes in unrestricted net assets to net cash provided by (applied to) operating activities:		
Depreciation	37,611	40,020
Unrealized loss on investments	122,416	2,465
Accrued EIDL interest	1,721	1,812
In kind contributions	(100)	(56,153)
Changes in operating assets and liabilities:		
(Increase) decrease in:		
Accounts receivable	9,029	(8,539)
Inventory	-	1,301
Prepaid expenses	348	11,729
Increase (decrease) in:		
Accounts payable	(551)	(3,594)
Security deposit	40	40
Deferred revenue	629	(25,074)
Payroll Protection Program Loan	-	(60,500)
Net cash provided by operating activities	<u>\$ 155,783</u>	<u>\$ 915,996</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Repayment of debt	\$ (13,383)	\$ (131,645)
Proceeds from long-term debt	<u>-</u>	<u>20,000</u>
Net cash applied to financing activities	<u>\$ (13,383)</u>	<u>\$ (111,645)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of property and equipment	\$ -	\$ (89,053)
Purchase of investments	<u>(27,064)</u>	<u>(696,078)</u>
Net cash applied to investment activities	<u>\$ (27,064)</u>	<u>\$ (785,131)</u>
NET INCREASE IN CASH	\$ 115,336	\$ 19,220
CASH AND RESTRICTED CASH AND EQUIVALENTS - BEGINNING	<u>214,415</u>	<u>195,195</u>
CASH AND RESTRICTED CASH AND EQUIVALENTS - END	<u>\$ 329,751</u>	<u>\$ 214,415</u>

See independent accountants' review report and notes to financial statements.

HUBBARD HALL PROJECTS, INC.

STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2022 AND 2021

	Reviewed	Audited
	2022	2021
	<hr/>	<hr/>
Cash paid during the year:		
Interest	\$ 1,316	\$ 5,104

SUPPLEMENTAL DISCLOSURE OF CASH INFORMATION:

Cash paid during the year:

 Interest

See independent accountants' review report and notes to financial statements.

HUBBARD HALL PROJECTS, INC.

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 (REVIEWED) AND 2021 (AUDITED)

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, 2022 and 2021, advertising expense was \$5,374 and \$2,843.

HUBBARD HALL PROJECTS, INC.

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 (REVIEWED) AND 2021 (AUDITED)

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) 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.

h) 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.

i) 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, 2022 (REVIEWED) AND 2021 (AUDITED)

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)

j) 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, 2019.

k) 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.

l) Subsequent Events

The Organization has evaluated subsequent events through September 30, 2022, 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.

m) Revenue Recognition

Contributions are recognized when cash, securities or other assets, an unconditional promise to give, or a notification of a beneficial interest is received. Conditional promises to give, that is, those with a measurable performance or other barrier, and a right of return, are not recognized until the conditions on which they depend have been substantially met.

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.

HUBBARD HALL PROJECTS, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 (REVIEWED) AND 2021 (AUDITED)

2. PROPERTY AND EQUIPMENT

A schedule of property and equipment is as follows:

	2022	2021
Buildings and equipment	\$ 742,721	\$ 742,721
Building improvements	926,533	926,533
Totals	\$ 1,669,254	\$ 1,669,254
Less accumulated depreciation	(722,963)	(685,352)
PROPERTY AND EQUIPMENT	\$ 946,291	\$ 983,902

Depreciation expense was \$37,611 and \$40,020 for the years ended June 30, 2022 and 2021.

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.

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.

HUBBARD HALL PROJECTS, INC.

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 (REVIEWED) AND 2021 (AUDITED)

INVESTMENTS (Cont.)

The Organization's invests in a moderate growth fund which holds 60% of its assets in stocks, a portion of which is allocated to international stocks, and 40% in bonds, a portion of which is allocated to international bonds, as of June 30, 2022 and 2021 investments are valued on recurring basis and are summarized as follows:

<u>June 30, 2022</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Moderate Growth Mutual Funds	\$ 598,361	\$ -	\$ -	\$ 598,361
Total Assets at Fair Value	\$ 598,361	\$ -	\$ -	\$ 598,361
<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	\$ 693,613	\$ -	\$ -	\$ 693,613

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.
- HH has adopted investment and spending policies for investment assets that attempts to provide a reliable return on the investment while seeking to maintain the purchasing power of the investment. The investment assets are invested in a manner that is intended to produce results so that the investment over time will increase faster than the rate of inflation. Actual returns in any given year may vary. To satisfy its long-term rate of return objectives, HH relies on a total return in which investment returns are achieved through capital appreciation, realized and unrealized and current yields such as interest and dividends. HH targets a diversified asset allocation that has a long-term target of no more than 60% equities to achieve its long-term objectives within prudent risk constraints.

HUBBARD HALL PROJECTS, INC.

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 (REVIEWED) AND 2021 (AUDITED)

ENDOWMENTS (Cont.)

- 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.
 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.

- HH takes seriously its responsibility to provide prudent fiduciary management, oversight of its investments in accordance with NYPMIFA. However, HH is aware that despite diversification in its investment portfolio, and its Board members acting in good faith and with the care an ordinarily prudent person in a like position would exercise under similar circumstances, there may be times when the fair market value of an investment may fall below its historic dollar value creating “underwater” investments. Historic dollar value is defined as the aggregate value of all contributions to an investment fund at the time they were made.

HUBBARD HALL PROJECTS, INC.

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 (REVIEWED) AND 2021 (AUDITED)

ENDOWMENTS (Cont.)

- In the event an investment is underwater, an analysis of the fund will be undertaken in order to decide on future spending distributions. This analysis will occur at least annually and will include the factors for expenditure of institutional funds as required by NYPMIFA and in addition, the following additional factors will be considered during the analysis of the investment fund that is underwater:
 1. level of impairment of the fund
 2. discussions with the Board of Trustees and Executive Director
 3. cash balance available for use by the affected fund
 4. the need for continued support from the affected fund
 5. consultation with the donor (if possible)
 6. identification of any temporary alternative funding sources

- Regardless of the factors considered, investments underwater by less than 10%, spending distributions shall be no more than 3% of the historic dollar value and for investments underwater by 10% or more spending distributions shall be no more than 2% of the historic dollar value.

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 \$17,613 and \$16,984 for the years ended June 30, 2022 and 2021.

6. 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 amount of \$100 for video services in the year ended June 30, 2022 and \$56,153 in the year ended June 30, 2021 for design and construction services related to restroom project.

HUBBARD HALL PROJECTS, INC.

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 (REVIEWED) AND 2021 (AUDITED)

7. LONG-TERM DEBT

Long-term debt consists of the following:

	<u>2022</u>	<u>2021</u>
Loan payable to Benjamin White in monthly installments of \$537, including interest at 3%; matures September 2023.	\$ 7,903	\$ 14,035
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.	12,749	20,000
EIDL loan payable to U.S. Small Business Administration in monthly installments of \$257, including interest accrued at 2.75%; matures May 2021. Payments commence December 2022.	<u>60,000</u>	<u>60,000</u>
Totals	\$ 80,652	\$ 94,035
Less current maturities	<u>(8,838)</u>	<u>(7,510)</u>
LONG-TERM DEBT	<u>\$ 71,814</u>	<u>\$ 86,525</u>

Maturities of long-term debt are as follows:

2023	\$ 8,838
2024	5,597
2025	4,179
2026	4,595
2027	3,317
Thereafter	<u>54,126</u>
TOTAL	<u>\$ 80,652</u>

EIDL loan payable to the U.S. Small Business Administration (SBA) payments were initially deferred 24 months until May of 2022, the SBA by a release dated March 16, 2021, has further extended the deferment period for all COVID – 19 related loans until December of 2022. Interest has been accrued in the amount of \$1,721 and \$1,812 for the years ended June 30, 2022 and 2021.

Loan payable to Community District Loan Fund Inc. includes covenants typical to this type of loan facility.

8. 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, 2022 and 2021. The line is secured by NYSCA grants and receivables.

HUBBARD HALL PROJECTS, INC.

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 (REVIEWED) AND 2021 (AUDITED)

9. NET ASSETS WITH DONOR RESTRICTIONS

Net assets are donor restricted for the following purposes:

	<u>2022</u>	<u>2021</u>
Fellowship Fund	\$ -	\$ 19,957
Special Program	25,000	-
Scholarship Fund	4,559	6,207
Community Garden	5,000	5,000
Strand Special Projects Fund	154,064	194,897
Karen Strand Endowment Fund	<u>462,064</u>	<u>513,659</u>
Net assets with donor restricted purpose	<u>\$ 650,687</u>	<u>\$ 739,720</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. Unrealized loss in the amount of \$122,416 for the year ended June 30, 2022 has been proportionally allocated to the Strand Special Projects Fund and the Karen Strand Endowment Fund.

Net assets with donor restriction consist of:

	<u>2022</u>	<u>2021</u>
Investments	\$ 598,361	\$ 693,613
Cash and cash equivalents	<u>52,326</u>	<u>46,107</u>
Restricted cash and investments	<u>\$ 650,687</u>	<u>\$ 739,720</u>

HUBBARD HALL PROJECTS, INC.

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 (REVIEWED) AND 2021 (AUDITED)

10. NET ASSETS RELEASED FROM RESTRICTION

Net assets released from restriction by incurring expenses in satisfaction of program restrictions for the years ended June 30, 2022 and 2021 were as follows:

Net assets released from restrictions:

	<u>2022</u>	<u>2021</u>
Workshops	\$ -	\$ 1,100
Fellowship Fund	19,957	2,164
Scholarship Fund	1,648	-
Restroom campaign	-	52,050
General operating	-	3,150
Strand Special Projects Fund	<u>9,897</u>	<u>130,103</u>
TOTAL RELEASED FROM RESTRICTION	<u>\$ 31,502</u>	<u>\$ 188,567</u>

11. AVAILABILITY AND LIQUIDITY

	<u>2022</u>	<u>2021</u>
Financial assets at year end:		
Cash and cash equivalents	\$ 329,751	\$ 214,415
Investments	598,361	693,613
Accounts Receivable	<u>-</u>	<u>9,029</u>
	\$ 928,112	\$ 917,057
Amounts not available to be used within one year:		
Donor restricted net assets	650,687	739,720
Less net assets with purpose restrictions to be met in less than one year	<u>47,000</u>	<u>19,957</u>
Financial assets available to meet general expenditures over the next year	<u>\$ 324,425</u>	<u>\$ 197,294</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.

The board has approved the spending of up to \$165,000 of the donor restricted endowment regardless of whether the investment is underwater or not. This amount includes \$15,000 for the HVAC system and \$150,000 for the artist residence project to be completed in the next two years.