

**SARATOGA SPRINGS  
ROTARY EDUCATION FOUNDATION, INC.  
FINANCIAL STATEMENTS  
June 30, 2014**

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## FREDETTE, SANKOWSKI & COMPANY

Certified Public Accountants

MEMBERS OF  
AMERICAN INSTITUTE OF CERTIFIED  
PUBLIC ACCOUNTANTS

THE NEW YORK STATE SOCIETY OF  
CERTIFIED PUBLIC ACCOUNTANTS

Brian T. Fredette, CPA  
Walter W. Sankowski, CPA

Richard D. Soellner, CPA  
Laura C. Prouty, CPA  
Jillian M. Woodcock, CPA

### **INDEPENDENT AUDITORS' REPORT**

To the Board of Directors  
Saratoga Springs Rotary Education Foundation, Inc.  
P.O. Box 4423  
Saratoga Springs, NY 12866

We have audited the accompanying financial statements of the Saratoga Springs Rotary Education Foundation, Inc. (a nonprofit organization), which comprise the statement of financial position as of June 30, 2014 and the related statements of activities, functional expenses, and cash flows for the year 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 audit. We conducted our audit in accordance with auditing standards general 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 entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

**Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Saratoga Springs Rotary Education Foundation, Inc. as of June 30, 2014 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.

*Fredette, Sankowski & Company*  
Fredette, Sankowski, & Company

September 25, 2014



**FREDETTE, SANKOWSKI & COMPANY**

Certified Public Accountants

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**SARATOGA SPRINGS ROTARY EDUCATION FOUNDATION, INC.**  
**STATEMENT OF FINANCIAL POSITION**  
**JUNE 30, 2014**

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	<u>2014</u>
<b><u>ASSETS</u></b>	
<b>CURRENT ASSETS</b>	
Cash and cash equivalents	\$ 104,579
Prepaid expenses	1,063
Miscellaneous receivable	1,460
Security deposits	725
Accrued investment income	<u>1,111</u>
Total Current Assets	<u>108,938</u>
<b>INVESTMENTS</b>	
Investments-unrestricted	984,083
Investments-permanently restricted	<u>205,880</u>
Total Investments	<u>1,189,963</u>
<b>TOTAL ASSETS</b>	<u><u>\$ 1,298,901</u></u>
<b><u>LIABILITIES AND NET ASSETS</u></b>	
<b>CURRENT LIABILITIES</b>	
Accounts payable	\$ 1,299
Deferred revenue	<u>1,850</u>
Total Current Liabilities	<u>3,149</u>
<b>TOTAL LIABILITIES</b>	<u>3,149</u>
<b>NET ASSETS</b>	
Unrestricted	1,089,872
Permanently restricted	<u>205,880</u>
Total Net Assets	<u>1,295,752</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u><u>\$ 1,298,901</u></u>

See accompanying notes and independent auditors' report.

**SARATOGA SPRINGS ROTARY EDUCATION FOUNDATION, INC.**  
**STATEMENT OF ACTIVITIES AND FUNCTIONAL EXPENSES**  
**YEAR ENDED JUNE 30, 2014**

	<u>2014</u>		<u>TOTAL</u>
	<u>UNRESTRICTED</u>	<u>PERMANENTLY RESTRICTED</u>	
<b>SUPPORT AND REVENUE</b>			
<b>SUPPORT</b>			
Contributions and Grants	\$ 61,935	21,300	83,235
Special Event revenues, net of direct expenses \$5,248	4,030	-	4,030
<b>TOTAL SUPPORT</b>	<u>65,965</u>	<u>21,300</u>	<u>87,265</u>
<b>REVENUE</b>			
Interest and dividends	26,782	-	26,782
Net realized and unrealized gain on investments	147,164	-	147,164
<b>TOTAL REVENUE</b>	<u>173,946</u>	<u>-</u>	<u>173,946</u>
<b>TOTAL SUPPORT AND REVENUE</b>	<u>239,911</u>	<u>21,300</u>	<u>261,211</u>
<b>FUNCTIONAL EXPENSES</b>			
<b>PROGRAM EXPENSES</b>			
Scholarships	48,000	-	48,000
<b>TOTAL PROGRAM EXPENSES</b>	<u>48,000</u>	<u>-</u>	<u>48,000</u>
<b>GENERAL AND ADMINISTRATIVE EXPENSES</b>			
Marketing	420	-	420
Investment fees	5,289	-	5,289
Professional fees	3,500	-	3,500
Office	373	-	373
Insurance	1,768	-	1,768
Meetings and conferences	456	-	456
<b>TOTAL GENERAL AND ADMINISTRATIVE EXPENSES</b>	<u>11,806</u>	<u>-</u>	<u>11,806</u>
<b>TOTAL FUNCTIONAL EXPENSES</b>	<u>59,806</u>	<u>-</u>	<u>59,806</u>
<b>CHANGE IN NET ASSETS</b>	180,105	21,300	201,405
<b>NET ASSETS, BEGINNING OF YEAR</b>	<u>909,767</u>	<u>184,580</u>	<u>1,094,347</u>
<b>NET ASSETS, END OF YEAR</b>	<u>\$ 1,089,872</u>	<u>205,880</u>	<u>1,295,752</u>

See accompanying notes and independent auditors' report.

**SARATOGA SPRINGS ROTARY EDUCATION FOUNDATION, INC.**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED JUNE 30, 2014**

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**2014**

CASH FLOWS FROM OPERATING ACTIVITIES:

CHANGE IN NET ASSETS	\$	201,405
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
(Gain) on sale of investments		(6,053)
(Increase) decrease in assets:		
Miscellaneous receivable		(1,410)
Accrued investment income		1,781
(Increase) in market value of investments		(141,113)
Deposit on fundraising event		700
Prepaid expenses		53
Increase (decrease) in liabilities:		
Accounts payable		134
Deferred revenue		(1,860)

Net cash provided by operating activities:		53,637
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CASH FLOWS FROM

    INVESTING ACTIVITIES:

Proceeds from sale of marketable securities		46,554
(Purchases) of marketable securities		(77,339)

Net cash (used) by investing activities		(30,785)
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NET INCREASE IN CASH AND

    CASH EQUIVALENTS

CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR		81,727
CASH AND CASH EQUIVALENTS, END OF YEAR	\$	104,579

SARATOGA SPRINGS ROTARY EDUCATION FOUNDATION, INC.  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2014

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**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Established in 1997, the Saratoga Springs Rotary Education Foundation, Inc. is a 501(c)(3) non-profit corporation, which awards scholarships to Saratoga Springs, New York area students for undergraduate, graduate and other studies as the Board deems appropriate and to encourage, promote and extend the mission of Rotary International and its members.

Financial Statement Presentation - The financial statements of the Saratoga Springs Rotary Education Foundation, Inc. have been prepared on the accrual basis in conformity with generally accepted accounting principles. Net assets and revenues, gains, expenses and losses are classified as unrestricted, temporarily restricted or permanently restricted based on the existence or absence of donor-imposed restrictions. A description of the three net asset categories follows:

Unrestricted - Net assets that are not subject to donor-imposed restrictions. Unrestricted net assets may be designated for specific purposes by action of the Board of Trustees, and accordingly includes "quasi" endowment investments.

Temporarily Restricted - Net assets whose use by the Foundation is subject to donor-imposed restrictions that can be fulfilled by actions of the Foundation pursuant to those restrictions or that expire by passage of time.

Permanently Restricted - Net assets subject to donor-imposed restrictions that they be maintained permanently by the Foundation. Generally, the donors of these assets permit the Foundation to use all or part of the income from these assets.

Expirations of donor-imposed restrictions that simultaneously increase one class of net assets and decrease another are reported as reclassifications between the applicable classes of net assets.

Income Taxes - The Foundation is a not-for-profit organization that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and classified by the Internal Revenue Service as other than a private foundation.

Uncertain Tax Positions - Management has determined that the Organization does not have any uncertain tax positions and associated unrecognized benefits that materially impact the financial statements or related documents.

The Foundation's tax filings are subject to audit by various taxing authorities for which the open audit periods are the years ended June 30, 2011 through June 30, 2014.

Cash and Cash Equivalents - The Foundation considers all highly liquid investments available for current use with an initial maturity of three months or less to be cash equivalents.

Promises to Give - Contributions are recognized when the donor makes a promise to give to the Foundation that is, in substance, unconditional. In the case of multi-year promises to give, the Foundation's Board of Directors, in its sole discretion, makes a determination if and when it



SARATOGA SPRINGS ROTARY EDUCATION FOUNDATION, INC.  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2014

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**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

considers the promise to give to be an unconditional promise to give. All donor-restricted contributions are reported as increases in temporarily restricted or permanently restricted net assets depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets. As of June 30, 2014 there were no open promises to give.

Investments - Investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair values in the statement of financial position. Unrealized gains and losses are included in the change in net assets. Investment income and gains restricted by a donor are reported as increases in unrestricted net assets if the restrictions are met (either by passage of time or by use) in the reporting period in which the income and gains are recognized.

The Foundation's investment objective is to preserve its purchasing power while providing a continuing and stable funding source to support the mission. The investments are managed on a total return basis, with emphasis on the use of prudence and a rational and systematic formula to determine the portion of cumulative investment return that can be used to support the operations of the current period and the protection of the restricted funds.

Administration - In order to safeguard the Foundation's assets and for the public's trust, the Foundation has enacted conflict of interest and disclosure of action policies, record retention policies and a whistleblower policy.

Property and Equipment - It is the Foundation's policy to capitalize property and equipment with a cost of \$1,000 or more and a useful life of at least 3 years. No purchases have met these criteria since the Foundation was created.

Contributed Materials, Facilities, and Services - Donated materials and facilities are reflected as contributions in the accompanying statements at their estimated values when their estimated values can be properly determined.

In addition, many individuals volunteer their time and perform a variety of tasks that assist the Foundation, but these services do not meet the criteria for recognition as contributed services.

Contributions - Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence or nature of any donor restrictions.

Use of Estimates - The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that can affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

SARATOGA SPRINGS ROTARY EDUCATION FOUNDATION, INC.  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2014

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**NOTE 2: SCHOLARSHIP AWARD OBLIGATIONS**

The Foundation awards scholarships on a one-time basis and in the case of the "Presidential Scholarship," in four annual installments.

The scholarships are considered earned and payable when the recipient meets the matriculation requirement of the award. If a student does not matriculate within a one- year period one year following when the scholarship is first awarded, than the scholarship may be considered forfeited. At the discretion of the Foundation's Board of Directors, the time for earning the scholarship may be extended beyond one-year after the original award.

The potential scholarship obligation for the year ended June 30, 2014 is \$50,250.

Potential future scholarship obligations are as follows:

Year Ended June 30, 2015	\$ 50,250
Year Ended June 30, 2016	12,000
Year Ended June 30, 2017	8,000
Year Ended June 30, 2018	<u>4,000</u>
Total potential future scholarship obligations as of June 30, 2014	<u>\$ 74,250</u>

**NOTE 3: SARATOGA SPRINGS ROTARY CLUB**

The members of the Saratoga Springs Rotary Club established the Saratoga Springs Rotary Education Foundation, Inc. in 1997 and transferred accumulated funds that they had dedicated to scholarships to the Saratoga Springs Rotary Education Foundation, Inc.

Since that time the Saratoga Springs Rotary Club has made significant contributions to the Saratoga Springs Rotary, Education Foundation, Inc. on an annual basis.

The Saratoga Springs Rotary Club is responsible for the awarding of the Educational Foundation scholarships through the selection process managed by a committee of Saratoga Springs Rotarians. Additionally, several Saratoga Springs Rotarians serve on the Board of Directors of the Saratoga Springs Rotary Education Foundation, Inc.

SARATOGA SPRINGS ROTARY EDUCATION FOUNDATION, INC.  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2014

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**NOTE 4:**     **SPECIAL EVENT**

Each fall, the Foundation holds an annual brunch to honor prominent Citizens for their service to the greater Saratoga Springs community and to raise funds for the Foundation.

Below is a summary of the revenue and expenditures for the October 2013 event.

Revenues

Meal Portion of Event Ticket	\$ 4,960
Silent Auction Proceeds	4,318
Total Revenue	<u>9,278</u>

Expenditures

Saratoga Springs City Center rental fee	\$ 1,425
Restaurant Reimbursement	1,686
Printing	320
Other costs	1,817
Total Expenses	<u>5,248</u>
Net Fundraising Income	<u>4,030</u>

In-Kind Contributions

A trustee of the Foundation donated the food and beverages consumed at the brunch. Additionally all of the items offered in the "silent auction" portion of the brunch, were donated to the Foundation. The Foundation was not able to establish the donated value for these in-kind contributions.

**NOTE 5:**     **NET ASSETS, UNRESTRICTED**

Board-Designated Funds

As of June 30, 2014, the Board of Trustees had designated \$266,612 of unrestricted net assets as a fund to support the mission of the Foundation. Since that amount resulted from an internal designation and is not donor-restricted, it is classified and reported as unrestricted net assets.

Each year the Foundation's Board of Trustees designates a portion of the earnings from the Board-designated funds to be used for scholarships.

SARATOGA SPRINGS ROTARY EDUCATION FOUNDATION, INC.  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2014

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**NOTE 6:**      **PERMANENTLY RESTRICTED FUNDS**

As of June 30, 2014, the Foundation had received \$205,880 in donor-restricted contributions. As noted in Note 1, these assets are permanently restricted.

Each year, the Foundation's Board of Trustees designates a portion of the earnings from the donor-restricted funds to be used for scholarships.

**NOTE 7:**      **CONCENTRATIONS OF CREDIT RISK ARISING FROM CASH AND CASH EQUIVALENTS**

The Organization maintains its cash balances and investment accounts in one financial institution located in Saratoga Springs, New York. All of the cash and cash equivalents are insured by the Federal Deposit Insurance Corporation.

**NOTE 8:**      **SCHOLARSHIP AWARD GRANTS**

Each year, the Foundation awards scholarships based on funds available from the following sources:

- Annual contribution from the Saratoga Springs Rotary Club
- Corporate and, individual contributions received
- Earnings from donor-restricted investments
- Earnings from Board-designated and unrestricted investments
- Net fundraising revenues

SARATOGA SPRINGS ROTARY EDUCATION FOUNDATION, INC.  
 NOTES TO FINANCIAL STATEMENTS  
 JUNE 30, 2014

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**NOTE 9: INVESTMENTS**

The following table presents the Foundation's fair value hierarchy for those assets held at a local bank's trust department measured at fair value and historical cost at June 30, 2014:

	<u>Fair Value</u>	<u>Historical Cost</u>
Mutual Funds		
Bond Funds	\$ 349,324	\$ 350,060
Equity Funds	840,639	621,070
 Total Mutual Fund Investments	 1,189,963	 971,130
 Cash and Cash Equivalents		
Adirondack Trust Company Money Market Accounts	97,203	97,203
 Accrued Investment Income	 1,111	 1,111
 Total Assets Held For Investment	 \$ 1,288,277	 \$ 1,069,444

All of the above assets are valued using Level 1 input of unadjusted quoted prices in active markets for identical assets.

Investment return consisted of the following:

Interest and Dividends	\$ 26,782
Realized and Unrealized	
Gain on Investments	147,164
Less investments Fees	(5,289)
 Investment Return	 \$ 168,657

SARATOGA SPRINGS ROTARY EDUCATION FOUNDATION, INC.  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2014

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**NOTE 10:**    **FAIR VALUE MESAUREMENT**

The Foundation records purchased investments and donated investments at their fair value. 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.

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

- Level 1 inputs consist of unadjusted quoted prices in active markets for identical assets and have the highest priority
- Level 2 inputs consist of observable inputs other than quoted prices for identical assets
- Level 3 inputs are unobservable for the investments and include situations where there is little, or any market activity for the investment

The fair value measurement for each investment is based on the lowest level of observable input for that investment.

**NOTE 11:**    **SUBSEQUENT EVENTS**

Management has evaluated subsequent events through September 23, 2014, the date the financial statements were available to be issued.