

**First Community Foundation
Partnership of Pennsylvania
and Affiliate**

Consolidated Financial Statements and
Supplementary Information

Years Ended December 31, 2018 and 2017 with
Independent Auditor's Report

MaherDuessel
Certified Public Accountants

Pittsburgh | Harrisburg | Butler

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FIRST COMMUNITY FOUNDATION PARTNERSHIP OF PENNSYLVANIA AND AFFILIATE

YEARS ENDED DECEMBER 31, 2018 AND 2017

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Independent Auditor's Report

**Board of Directors
First Community
Foundation Partnership
of Pennsylvania
and Affiliate**

We have audited the accompanying consolidated financial statements of First Community Foundation Partnership of Pennsylvania and Affiliate (collectively referred to as the Foundation), which comprise the consolidated statements of financial position as of December 31, 2018 and 2017, and the related consolidated statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated 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 audits to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated 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 consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of the Foundation as of December 31, 2018 and 2017, 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.

Change in Accounting Principle

As described in Note 1 to the financial statements, the Foundation adopted Accounting Standards Update 2016-14, *“Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities,”* which requires not-for-profit entities to use the placed-in-service approach for contributions related to long-lived assets, changes how nonprofit organizations classify net assets, and provides information in its financial statements and notes about its financial performance, cash flow, and liquidity, among other requirements. Our opinion is not modified with respect to this matter.

Report on Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating statements on pages 31 through 42 are presented for purposes of additional analysis and are not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audits of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

Maher Duessel

Harrisburg, Pennsylvania
July 1, 2019

FIRST COMMUNITY FOUNDATION PARTNERSHIP OF PENNSYLVANIA AND AFFILIATE

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

DECEMBER 31, 2018 AND 2017

Assets	2018	2017 (restated)
Current assets:		
Cash and cash equivalents	\$ 352,081	\$ 101,250
Receivables:		
Accrued interest and dividends	62,878	101
Pledges	197,449	238,135
Other	18,275	640,566
Prepaid expenses	94,311	82,328
Total current assets	724,994	1,062,380
Noncurrent assets:		
Pledges receivable, net of current portion	160,784	321,992
Investment pool		
Cash and cash equivalents	578,558	2,367,841
Investments	78,764,569	84,189,919
Property, plant, and equipment, net	3,153,699	3,197,014
Contributions due from remainder trusts	1,286,527	1,386,512
Assets held under split-interest agreements	821,462	913,781
Beneficial interest in perpetual trusts	2,572,755	2,860,555
Total Assets	\$ 88,063,348	\$ 96,299,994

(Continued)

Liabilities and Net Assets	<u>2018</u>	<u>2017</u> (restated)
Liabilities:		
Current liabilities:		
Accounts payable	\$ 85,405	\$ 49,602
Grants payable	2,138,010	2,325,169
Line of credit	251,500	348,500
Accrued interest	3,245	2,500
Other liabilities	35,444	37,421
Note payable	<u>106,667</u>	<u>106,667</u>
Total current liabilities	2,620,271	2,869,859
Noncurrent liabilities:		
Grants payable, net of current portion	63,422	61,194
Funds held as agency endowments	3,189,472	3,535,628
Liabilities under split-interest agreements	381,794	440,619
Note payable, net of current portion	<u>1,351,111</u>	<u>1,457,777</u>
Total Liabilities	<u>7,606,070</u>	<u>8,365,077</u>
Net Assets:		
Without donor restrictions	76,016,720	82,986,445
With donor restrictions	<u>4,440,558</u>	<u>4,948,472</u>
Total Net Assets	<u>80,457,278</u>	<u>87,934,917</u>
Total Liabilities and Net Assets	<u><u>\$ 88,063,348</u></u>	<u><u>\$ 96,299,994</u></u>
		(Concluded)

The accompanying notes are an integral part of these financial statements.

**FIRST COMMUNITY FOUNDATION PARTNERSHIP
OF PENNSYLVANIA AND AFFILIATE**

CONSOLIDATED STATEMENTS OF ACTIVITIES

YEARS ENDED DECEMBER 31, 2018 AND 2017

	2018	2017 (restated)
Changes in Net Assets Without Donor Restrictions:		
Revenues, gains, and other support:		
Contributions	\$ 2,466,733	\$ 5,301,392
Oil and gas lease	-	303,440
Royalty income	613,006	881,419
Investment return, net	(5,142,470)	11,161,852
Other sources:		
Administrative fee revenue	33,985	31,332
Miscellaneous	3,747	1,877
Grant income	-	10,700
Event revenue (net of expenses of \$62,593 and \$70,549, respectively)	105,850	96,077
Change in value of split-interest agreements	(16,397)	(14,347)
Net assets released from restrictions	86,516	1,179,017
Total revenues, gains, and other support	(1,849,030)	18,952,759
Expenses:		
Program services:		
Grants approved	3,561,753	3,558,201
Grants returned or cancelled	(35,925)	(5,865)
Total grant expense	3,525,828	3,552,336
Grantmaking expenses	149,456	144,620
Direct program expenses	489,211	529,399
Total program services	4,164,495	4,226,355
General and administration	530,374	565,765
Development and donor relations	425,826	378,077
Total expenses	5,120,695	5,170,197
Change in Net Assets Without Donor Restrictions	(6,969,725)	13,782,562

(Continued)

**FIRST COMMUNITY FOUNDATION PARTNERSHIP
OF PENNSYLVANIA AND AFFILIATE**

CONSOLIDATED STATEMENTS OF ACTIVITIES

YEARS ENDED DECEMBER 31, 2018 AND 2017

(Continued)

	2018	2017
<u>Changes in Net Assets With Donor Restrictions:</u>		(restated)
Change in value of split-interest agreements	(139,181)	197,092
Contributions	5,583	68,250
Gain (loss) on beneficial interest in perpetual trusts	(287,800)	241,238
Net assets released from restrictions	(86,516)	(1,179,017)
Change in Net Assets With Donor Restrictions	(507,914)	(672,437)
Change in Net Assets	(7,477,639)	13,110,125
<u>Net Assets:</u>		
Beginning of year	87,934,917	74,824,792
End of year	\$ 80,457,278	\$ 87,934,917
		(Concluded)

The accompanying notes are an integral part of these financial statements.

FIRST COMMUNITY FOUNDATION PARTNERSHIP OF PENNSYLVANIA AND AFFILIATE

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED DECEMBER 31, 2018

	Program Services		General and Administration	Development and Donor Relations	Total 2018
	Grants and Direct Program	Grantmaking			
Expenses:					
Grants	\$ 3,525,828	\$ -	\$ -	\$ -	\$ 3,525,828
Salaries and benefits	83,102	102,284	367,035	358,920	911,341
Office expenses	37,798	19,005	59,348	19,710	135,861
Professional services	5,902	-	38,964	-	44,866
Occupancy and insurance	49,980	2,973	15,317	2,973	71,243
Marketing and donor services	35,011	14,986	16,247	27,309	93,553
Other expenses	277,418	10,208	33,463	16,914	338,003
Total Expenses	<u>\$ 4,015,039</u>	<u>\$ 149,456</u>	<u>\$ 530,374</u>	<u>\$ 425,826</u>	<u>\$ 5,120,695</u>

The accompanying notes are an integral part of these financial statements.

**FIRST COMMUNITY FOUNDATION PARTNERSHIP
OF PENNSYLVANIA AND AFFILIATE**

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED DECEMBER 31, 2017

	Program Services			Development and Donor Relations	Total 2017
	Grants and Direct Program	Grantmaking	General and Administration		
Expenses:					
Grants	\$ 3,552,336	\$ -	\$ -	\$ -	\$ 3,552,336
Salaries and benefits	67,858	100,984	368,540	331,898	869,280
Office expenses	40,311	15,713	50,199	16,418	122,641
Professional services	31,574	-	38,157	-	69,731
Occupancy and insurance	36,402	2,394	64,074	2,394	105,264
Marketing and donor services	67,650	13,368	6,433	9,749	97,200
Other expenses	285,604	12,161	38,362	17,618	353,745
Total Expenses	\$ 4,081,735	\$ 144,620	\$ 565,765	\$ 378,077	\$ 5,170,197

The accompanying notes are an integral part of these financial statements.

**FIRST COMMUNITY FOUNDATION PARTNERSHIP
OF PENNSYLVANIA AND AFFILIATE**

CONSOLIDATED STATEMENTS OF CASH FLOWS

YEARS ENDED DECEMBER 31, 2018 AND 2017

	2018	2017
Cash Flows From Operating Activities:		
Change in net assets	\$ (7,477,639)	\$ 13,110,125
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	161,280	154,970
In-kind contributions	(14,571)	(409,593)
Net realized and unrealized (gains) losses on investments	7,291,780	(8,735,865)
Changes in value of split-interest agreements	426,981	(438,330)
(Increase) decrease in:		
Accrued interest and dividends receivable	(62,777)	2,950
Pledges receivable	201,894	395,135
Other receivables	622,291	299,310
Prepaid expenses	(11,983)	(11,302)
Increase (decrease) in:		
Accounts payable	35,803	(73,112)
Grants payable	(184,931)	(105,688)
Deferred revenue from oil and gas lease	-	(303,440)
Accrued interest	745	2,500
Other liabilities	(1,977)	10,127
Funds held as agency endowments	(346,156)	511,964
	640,740	4,409,751
Cash Flows From Investing Activities:		
Purchase of fixed assets	(117,965)	(758,499)
Proceeds from sale or maturities of investments	110,121,260	6,893,679
Purchase of investments	(111,973,119)	(9,901,475)
	(1,969,824)	(3,766,295)

(Continued)

**FIRST COMMUNITY FOUNDATION PARTNERSHIP
OF PENNSYLVANIA AND AFFILIATE**

CONSOLIDATED STATEMENTS OF CASH FLOWS

YEARS ENDED DECEMBER 31, 2018 AND 2017

(Continued)

	2018	2017
Cash Flows From Financing Activities:		
Proceeds from line of credit	-	572,500
Payments on line of credit	(97,000)	(1,948,000)
Proceeds from note payable	-	1,600,000
Payments on note payable	(106,666)	(35,556)
Payments of annuity obligations	(5,702)	(7,752)
Net cash provided by (used in) financing activities	(209,368)	181,192
Net Increase (Decrease) in Cash and Cash Equivalents	(1,538,452)	824,648
Cash and Cash Equivalents:		
Beginning of year	2,469,091	1,644,443
End of year	\$ 930,639	\$ 2,469,091

(Concluded)

The accompanying notes are an integral part of these financial statements.

FIRST COMMUNITY FOUNDATION PARTNERSHIP OF PENNSYLVANIA AND AFFILIATE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2018 AND 2017

1. Nature of Operations and Summary of Significant Accounting Policies

A. *Nature of Operations*

The First Community Foundation Partnership of Pennsylvania (FCFP), a community foundation, was created in 1916 to build permanent charitable endowments for the area it serves.

FCFP administers more than 360 individual charitable funds; each established with an instrument of gift describing either the general or specific purposes for which grants are to be made, usually from income only, but in some cases, from principal. During the years ended December 31, 2018 and 2017, FCFP made grants of \$3,525,828 and \$3,552,336, respectively, to non-profit programs and organizations in Lycoming County, Union County, Montour County, and surrounding areas.

FCFP is a not-for-profit corporation as described in Section 501(c)(3) of the Internal Revenue Code, and is exempt from federal taxes on its exempt income under Section 501(a) of the Code. In addition, FCFP has been determined by the Internal Revenue Service not to be a private foundation within the meaning of Section 509(a) of the Code. The Foundation is subject to federal income tax on unrelated trade or business income. Unrelated trade or business income consists primarily of disallowed fringe benefits for employee parking. FCFP files Form 990 – Return of Organization Exempt from Income Tax on an annual basis and Form 990-T – Exempt Organization Business Income Tax return beginning in 2018.

FCFPA Properties, Inc. (Affiliate) was formed to hold title to property, collect the income therefrom, and turn over the entire amount less expenses to FCFP. FCFP is the sole member of FCFPA Properties, Inc. As such, the consolidated financial statements for the years ended December 31, 2018 and 2017 include the accounts of FCFPA Properties, Inc. The consolidated entity is collectively referred to as the Foundation. All significant inter-company transactions and accounts are eliminated.

FCFPA Properties, Inc. is a not-for-profit corporation described in Section 501(c)(2) of the Internal Revenue Code and is exempt from federal taxes on its exempt income under Section 501(a) of the Code. FCFPA Properties, Inc. files Form 990 – Return of Organization Exempt from Income Tax on an annual basis.

FIRST COMMUNITY FOUNDATION PARTNERSHIP OF PENNSYLVANIA AND AFFILIATE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2018 AND 2017

B. Basis of Accounting

The Foundation prepares its financial statements on the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded when liabilities are incurred.

C. Statements of Cash Flows

For the purpose of the statements of cash flows, the Foundation considers highly liquid investments purchased with a maturity of three months or less (excluding certain short-term instruments that are classified as investments) to be cash equivalents.

The net realized and unrealized gains and losses on investments presented in the statements of cash flows for the years ended December 31, 2018 and 2017 are reported in the financial statements as follows:

	<u>2018</u>	<u>2017</u>
Net realized and unrealized gains (loss)	\$ (6,903,639)	\$ 8,374,674
Attributable to assets held for resource providers	<u>(388,141)</u>	<u>361,191</u>
	<u>\$ (7,291,780)</u>	<u>\$ 8,735,865</u>

D. Receivables

FCFP considers all contributions and pledges receivable to be fully collectible. Accordingly, no allowance for doubtful accounts is reported. If amounts become uncollectible, they will be charged to the change in net assets when that determination is made.

E. Investments

Adjustments to reflect increases or decreases in fair value, referred to as unrealized gains and losses, are reported in the statements of activities.

For certain assets held in trust in a custodial capacity by financial or similar institutions, fair value is as reported by the custodian. Investments received as gifts are recorded at fair value as determined upon receipt. The cost of investments sold is determined by use of the specific identification method.

FIRST COMMUNITY FOUNDATION PARTNERSHIP OF PENNSYLVANIA AND AFFILIATE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2018 AND 2017

All realized and unrealized gains and losses arising from the sale or appreciation (depreciation) in fair value of investments, and all ordinary income from investments, net of investment expenses, are reported as changes in net assets without donor restrictions unless their use is restricted by explicit donor-imposed stipulations, or by law.

The Foundation's investments are comprised of a variety of financial instruments and are managed by investment advisors. The fair values reported in the statements of financial position are subject to various risks including changes in the equity markets, the interest rate environment, and general economic conditions. Due to the level of risk associated with certain investment securities, and the level of uncertainty related to changes in the fair value of investment securities, it is reasonably possible that the amounts reported in the accompanying financial statements could change materially in the near-term.

F. *Fair Value Measurements*

The Foundation records its investments based on fair value. The use of observable inputs is maximized and the use of unobservable inputs is minimized by using observable inputs when available.

Observable inputs are inputs that market participants would use in pricing the asset or liability based on market data obtained from independent sources. Unobservable inputs reflect assumptions that market participants would use in pricing the asset or liability based on the best information available in the circumstances. The hierarchy is broken down into three levels based on the transparency of inputs as follows:

Level 1 — Quoted prices are available in active markets for identical assets or liabilities as of the report date. A quoted price for an identical asset or liability in an active market provides the most reliable fair value measurement because it is directly observable to the market.

Level 2 — Pricing inputs are other than quoted prices in active markets, which are either directly or indirectly observable as of the report date. The nature of these securities include investments for which quoted prices are available but traded less frequently and investments that are fair valued using other securities, the parameters of which can be directly observed.

FIRST COMMUNITY FOUNDATION PARTNERSHIP OF PENNSYLVANIA AND AFFILIATE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2018 AND 2017

Level 3 — Securities that have little to no pricing observability as of the report date. These securities are measured using management's best estimate of fair value, where the inputs into the determination of fair value are not observable and require significant management judgment or estimation.

Inputs are used in applying the various valuation techniques and broadly refer to the assumptions that market participants use to make valuation decisions, including assumptions about risk. Inputs may include price information, volatility statistics, specific and broad credit data, liquidity statistics, and other factors. A financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. However, the determination of what constitutes "observable" requires significant judgment by the Foundation. The Foundation considers observable data to be that market data that is readily available, regularly distributed or updated, reliable, and verifiable, not proprietary, and provided by independent sources that are actively involved in the relevant market. The categorization of a financial instrument within the hierarchy is based upon the pricing transparency of the instrument and does not necessarily correspond to the Foundation's perceived risk of that instrument.

Valuation of Investments

Investments whose values are based on quoted market prices in active markets, and are therefore classified within Level 1, include active listed equities, certain U.S. government and sovereign obligations, fixed income and equity mutual funds, and certain money market securities. The Foundation does not adjust the quoted price for such instruments, even in situations where the Foundation holds a large position and a sale could reasonably impact the quoted price.

Investments that trade in markets that are not considered to be active, but are valued based on quoted market prices, dealer quotations, or alternative pricing sources supported by observable inputs are classified within Level 2. These include certain U.S. government and sovereign obligations, most government agency securities, investment-grade corporate bonds, certain mortgage products, certain bank loans and bridge loans, less liquid listed equities, state, municipal and provincial obligations, most physical commodities, and certain loan commitments. As Level 2 investments include positions that are not traded in active markets and/or are subject to transfer restrictions,

FIRST COMMUNITY FOUNDATION PARTNERSHIP OF PENNSYLVANIA AND AFFILIATE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2018 AND 2017

valuations may be adjusted to reflect illiquidity and/or non-transferability, which are generally based on available market information.

Investments classified within Level 3 have significant unobservable inputs, as they trade infrequently or not at all. Level 3 instruments include contributions due from remainder trusts and beneficial interest in perpetual trusts. When observable prices are not available for these items, the Foundation uses one or more valuation techniques (e.g., the market approach, the income approach, or the cost approach) for which sufficient and reliable data is available. Within Level 3, the use of the market approach generally consists of using comparable market transactions, while the use of the income approach generally consists of the net present value of estimated future cash flows, adjusted as appropriate for liquidity, credit, market, and/or other risk factors.

The inputs used by the Foundation in estimating the value of Level 3 investments include the original transaction price, recent transactions in the same or similar instruments, completed or pending third-party transactions in the underlying investment or comparable issuers, subsequent rounds of financing, recapitalizations and other transactions across the capital structure, offerings in the equity or debt capital markets, and changes in financial ratios or cash flows. Level 3 investments may also be adjusted to reflect illiquidity and/or non-transferability, with the amount of such discount estimated by the Foundation in the absence of market information. The fair value measurement of Level 3 investments does not include transaction costs that may have been capitalized as part of the security's cost basis. Assumptions used by the Foundation due to the lack of observable inputs may significantly impact the resulting fair value and, therefore, the Foundation's results of operations.

G. Fixed Assets

Fixed assets are recorded at cost. All fixed assets are depreciated, except for land and construction in progress. Fixed assets are being depreciated over their estimated useful lives by the straight-line method as follows:

Computer system	3 - 5 years
Furniture and equipment	3 - 7 years
Land improvements	10 - 25 years
Buildings	10 - 25 years

FIRST COMMUNITY FOUNDATION PARTNERSHIP OF PENNSYLVANIA AND AFFILIATE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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The Foundation capitalizes assets purchased with a cost greater than \$500.

When assets are retired or disposed of, the cost and related accumulated depreciation are removed from the accounts and any resulting gain or loss is recognized in income for the period. The cost of maintenance and repairs is charged to expense as incurred; significant renewals and betterments are capitalized.

For the years ended December 31, 2018 and 2017, depreciation expense was \$161,280 and \$154,970, respectively.

H. *Net Assets*

Net assets without donor restrictions are those whose use by the Foundation is not subject to donor-imposed restrictions. Net assets with donor restrictions are those whose use by the Foundation has been limited by donors to a specific time period or purpose, or have been restricted by donors to be maintained in perpetuity.

Pursuant to donor instructions, the Foundation has classified each of its component funds into six types: unrestricted funds, field of interest funds, designated funds, donor-advised funds, scholarship funds, and agency endowment funds. While it is the intent of the Foundation to hold these assets as endowment funds, its Board of Directors (Board) may, by majority vote, modify any restriction or condition on the distribution of funds from its component funds if, in the Board's judgment, such restriction becomes unnecessary, incapable of fulfillment or inconsistent with the charitable needs of the community (i.e., variance power). Due to the governing body having variance power, contributions are classified as net assets without donor restrictions if the ultimate beneficiary is not also the contributing entity. Accordingly, all net assets and related activity over which the management of the Foundation exercises direct control are classified as net assets without donor restrictions in the accompanying financial statements.

I. *Donor-Restricted Gifts*

All contributions are considered to be without donor restrictions unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as restricted support that increases net assets with donor restrictions. When a donor restriction expires (i.e., when a stipulated time restriction ends or purpose restriction is accomplished), net assets with

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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donor restrictions are reclassified as net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions. However, if a restriction is fulfilled in the same time period in which the contribution is received, the Foundation reports the support as without donor restrictions.

J. *Legacies and Bequests*

The Foundation is a beneficiary under various wills, the total realizable value of which is not presently determinable. Such amounts are recorded as contributions when clear title is established and the proceeds are clearly measurable.

K. *Split-Interest Agreements*

The Foundation is a recipient of certain split-interest agreements, arrangements in which it has a beneficial interest but is not the sole beneficiary. The types of agreements and related accounting policies are as follows:

- ***Charitable Gift Annuities***

Assets received under charitable gift annuities, arrangements in which a donor contributes assets to the Foundation in exchange for a promise by the Foundation to pay a fixed amount for a specified period of time to the donor or a specified beneficiary, are recorded at fair value. Liabilities under these arrangements represent the present value of estimated contractual payments calculated on an actuarial basis. The difference between the fair value of the assets received and liabilities assumed is recognized as gift revenue without donor restrictions unless the donor has restricted the Foundation's use of its interest to a specific time period or purpose.

The assets received under charitable gift annuities are considered to be assets of the Foundation and are included in cash and investments on the statements of financial position. The value of the assets under charitable gift annuities is \$142,860 and \$177,314 at December 31, 2018 and 2017, respectively.

The present value of future payment liabilities on these charitable gift annuities based on the donors' ages and a discount factor of 5.20% to 8.42% is \$20,194 and \$25,896 at December 31, 2018 and 2017, respectively.

FIRST COMMUNITY FOUNDATION PARTNERSHIP OF PENNSYLVANIA AND AFFILIATE

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During the term of these agreements, payments made to the donor or specified beneficiaries reduce the annuity liability, and adjustments made to the annuity liability to reflect the amortization of the discount and changes in actuarial assumptions are recognized in the statements of activities as changes in the values of split-interest agreements. Generally, upon the death of the beneficiaries, the annuity liability is closed and a change in the value of the related split-interest agreement is recognized in the statements of activities.

- ***Charitable Remainder Trusts***

The Foundation is a beneficiary under a certain charitable remainder trust, an arrangement in which a donor establishes and funds a trust with specified distributions to be made to a designated beneficiary over the trust's term. Upon termination of this trust, the Foundation will receive the assets remaining in the trust. The Foundation recognizes contributions and a receivable in the period in which the trust is established, at the present value of the estimated future benefits to be received when the trust assets are distributed.

The present value of future payment liabilities on this trust is based on the donors' ages and a discount factor of 5.40% is \$361,600 and \$414,723 at December 31, 2018 and 2017, respectively.

Adjustments to the receivable may include amortization of the discount and re-valuation of the present value of the estimated future payments to beneficiaries as a result of changes in actuarial assumptions during the term of the trust. Such adjustments are recognized as changes in the value of split-interest agreements. Generally, upon death of the beneficiary, the receivable is closed, the assets from the trust are recognized at fair value, and any difference is reported as a change in the value of split-interest agreements in the appropriate net asset class.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2018 AND 2017

- ***Beneficial Interest in Perpetual Trusts***

The Foundation has been named as a beneficiary in certain perpetual trusts. Under the terms of the trust agreements, the Foundation has the irrevocable right to receive a portion of the income earned on trust assets in perpetuity, but never receives the assets held in the trusts. The Foundation's estimate of the fair value of the trusts as of December 31, 2018 and 2017 is based on fair value information received from the trustee. Trust assets consist of cash and cash equivalents, mutual funds, and fixed income and equity securities. As of December 31, 2018 and 2017, the Foundation's estimated beneficial interest in these perpetual trusts amounted to \$2,572,755 and \$2,860,555, respectively.

L. *Funds Held as Agency Endowments*

Assets transferred to the Foundation from other not-for-profit organizations for the purpose of establishing an endowment for the benefit of the not-for-profit organization are accounted for as funds held as agency endowments. In such circumstances, the Foundation recognizes the fair value of the assets transferred as an increase in its investments and a liability to the not-for-profit.

M. *Use of Estimates*

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make 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 and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

FIRST COMMUNITY FOUNDATION PARTNERSHIP OF PENNSYLVANIA AND AFFILIATE

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N. *Functional Expense Allocation*

Functional expenses are those expenses incurred by the Foundation in the accomplishment of its stated mission. Functional expenses can further be categorized as follows:

- Grants and Direct Program - includes grants awarded to other nonprofits and expenses spent directly on a charitable activity, providing services to other nonprofits, and other philanthropic and civic leadership programs.
- Grantmaking - includes the cost of administering and managing grant awards to other nonprofits.
- General and Administration - includes expenses that benefit the Foundation as an entity and the management and accounting for funds.
- Development and Donor Relations - includes originating and maintaining relationships with donors.

The costs of providing the various program and supporting services have been summarized on a functional basis in the consolidated statements of functional expenses. These statements report expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. Personnel expenses are allocated based on an estimate of time and effort. Other expenses that are not charged directly to a functional area are allocated based on an estimate of benefits received by each functional area.

O. *Endowment Investment and Spending Policy*

The Board has determined that the majority of the Foundation's contributions are subject to the terms of its governing documents. Certain contributions are received subject to other gift instruments, or are subject to specific agreements with the Foundation. Under the terms of the Foundation's governing documents, the Board has the ability to distribute so much of the original principal of any trust or separate gift, devise, bequest, or fund as the Board in its sole discretion shall determine. As a result of the ability to distribute the original principal, all contributions not classified as net assets with donor restrictions are classified as net assets without donor restrictions for financial statement purposes.

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The Foundation has adopted investment and spending policies, approved by the Board, for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowments while seeking to maintain the purchasing power of those endowment assets over the long-term. The Foundation's investment and spending policies work together to achieve this objective. The investment policy establishes an achievable return objective through diversification of asset classes. 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 asset allocation to achieve its long-term return objectives with prudent risk parameters.

The spending policy calculates the amount of money annually distributed from the Foundation's various endowed funds for grant-making and administration. Based on the investment model, the current spending policy is to distribute 5.0% of the average fair value, using a twenty quarter trailing average of the fair value of the endowment funds net of the financial management fees. For funds less than twenty quarters old, the fair value will be the average of all quarterly fair values to date. Accordingly, over the long-term, the Foundation expects its current spending policy to allow its endowment assets to grow at an average rate of .5%, plus inflation, annually. This is consistent with the Foundation's objective to maintain the purchasing power of endowment assets as well as to provide additional real growth through investment return.

P. *Adoption of Accounting Standard*

The requirements of the following Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) were adopted during the year ended December 31, 2018:

ASU 2016-14, *“Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities,”* which requires not-for-profit entities to use the placed-in-service approach for contributions related to long-lived assets, and aims to improve how a nonprofit organization classifies its net assets and provides information in its financial statements and notes about its financial performance, cash flow, and liquidity.

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As a result of this implementation, net assets and changes in net assets were restated as follows:

	Net assets without donor restrictions	Net assets with donor restrictions
Net assets at January 1, 2017 - as originally stated	\$ 68,639,293	\$ 6,185,499
Reclassification of pledges receivable	564,590	(564,590)
Net assets at January 1, 2017 - restated	\$ 69,203,883	\$ 5,620,909
Change in net assets, December 31, 2017 - as originally stated	\$ 13,989,372	\$ (879,247)
Release of pledges receivable collected	(206,810)	206,810
Change in net assets, December 31, 2017 - restated	\$ 13,782,562	\$ (672,437)

Temporarily and permanently restricted net assets as of January 1, 2017 were transferred to net assets with donor restrictions.

Q. Pending Standards Update

ASU 2014-09, *“Revenue from Contracts with Customers,”* is effective for the Foundation’s financial statements for the year ending December 31, 2019 (as amended by ASU 2015-14). This amendment provides guidance for revenue recognition related to contracts with the transfer of promised goods or services to customers and related disclosures.

ASU 2016-02, *“Leases (Topic 842),”* is effective for the Foundation’s financial statements for the year ending December 31, 2020. This amendment will require lessees to recognize assets and liabilities on the statement of financial position for the rights and obligations created by all leases with terms of more than twelve months. Disclosures also will be required by lessees to meet the objective of enabling users of financial statements to assess the amount, timing, and uncertainty of cash flows arising from leases.

FIRST COMMUNITY FOUNDATION PARTNERSHIP OF PENNSYLVANIA AND AFFILIATE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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ASU 2018-08, *“Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made,”* is effective for the Foundation’s financial statements for the year ending December 31, 2019 for transactions where the Foundation serves as the resource recipient and for financial statements for the year ended December 31, 2020 for transactions where the Foundation serves as the resource provider. This amendment clarifies and improves current guidance about whether a transfer of assets (or the reduction, settlement, or cancellation of liabilities) is a contribution or an exchange transaction. This amendment clarifies how an entity determines whether a resource provider is participating in an exchange transaction.

Management has not yet determined the impact of these amendments on the Foundation’s financial statements.

R. *Reclassification*

Certain reclassifications have been made to the prior year financial statements in order for them to be in conformity with the current year presentation.

S. *Subsequent Events*

Subsequent events have been evaluated through the Independent Auditor's Report date, which is the date the financial statements were available to be issued.

2. Cash Concentrations

Cash and cash equivalents, with a book value and bank balance of \$930,639 and \$934,480, respectively, at December 31, 2018, consisted of deposits of \$41,888 that were uninsured by the Federal Deposit Insurance Corporation (FDIC). Cash and cash equivalents, with a book value and bank balance of \$2,469,091 and \$2,478,948, respectively, at December 31, 2017, consisted of deposits of \$1,977,632 that were uninsured by the FDIC.

FIRST COMMUNITY FOUNDATION PARTNERSHIP OF PENNSYLVANIA AND AFFILIATE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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3. Pledges Receivable

Pledges receivable, summarized by donor type, consist of the following at December 31, 2018 and 2017:

	<u>2018</u>	<u>2017</u>
Individuals	\$ 286,886	\$ 463,447
Businesses	<u>71,347</u>	<u>96,680</u>
	<u>\$ 358,233</u>	<u>\$ 560,127</u>
Amounts due in:		
Less than one year	\$ 197,449	\$ 238,135
One to five years	<u>160,784</u>	<u>321,992</u>
Total	<u>\$ 358,233</u>	<u>\$ 560,127</u>

Pledges receivable were reported in net assets as follows at December 31, 2018 and 2017:

	<u>2018</u>	<u>2017</u>
Net assets without donor restrictions	\$ 236,819	\$ 357,780
Net assets with donor restrictions	<u>121,414</u>	<u>202,347</u>
	<u>\$ 358,233</u>	<u>\$ 560,127</u>

4. Other Receivables

At December 31, 2017, other receivables include \$592,660 of contributions receivable from the settlement of an estate. A final accounting of the estate was issued by the Clerk of the Orphan's Court on December 18, 2017. The funds were received by the Foundation in July 2018.

FIRST COMMUNITY FOUNDATION PARTNERSHIP OF PENNSYLVANIA AND AFFILIATE

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5. Investments

Fair Value of Financial Instruments

The following table sets forth by level, within the fair value hierarchy, the investments and assets held under split-interest agreements at fair value, cost, and unrealized appreciation (depreciation) and the contributions due from remainder trusts and beneficial interest in perpetual trusts at fair value as of December 31, 2018:

	<u>Level</u>	<u>Fair Value</u>	<u>Cost</u>	<u>Unrealized Appreciation (Depreciation)</u>
Investments:				
Mutual funds:				
Growth:				
Equities	1	\$ 48,044,939	\$ 53,346,391	\$ (5,301,452)
Fixed income	1	9,606,901	10,246,766	(639,865)
Risk reduction:				
Fixed income	1	12,338,748	12,212,666	126,082
Inflation protection:				
Fixed income	1	5,646,928	5,681,522	(34,594)
Real estate	1	3,127,053	3,620,776	(493,723)
		<u>\$ 78,764,569</u>	<u>\$ 85,108,121</u>	<u>\$ (6,343,552)</u>

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	Level	Fair Value	Cost	Unrealized Appreciation (Depreciation)
Assets Held under Split-Interest				
Agreements:				
Mutual funds:				
Growth:				
Equities	1	\$ 505,165	\$ 577,251	\$ (72,086)
Fixed income	1	100,311	106,794	(6,483)
Risk reduction:				
Fixed income	1	141,311	139,325	1,986
Inflation protection:				
Fixed income	1	42,554	43,055	(501)
Real estate	1	32,121	37,203	(5,082)
		\$ 821,462	\$ 903,628	\$ (82,166)
Contributions due from remainder trusts	3	\$ 1,286,527		
Beneficial interest in perpetual trusts	3	\$ 2,572,755		

All changes in value of split-interest agreements in the table above are reflected in the accompanying statement of activities.

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The following table summarizes the changes in fair values associated with Level 3 assets:

	Contributions Due from Remainder Trusts	Beneficial Interest in Perpetual Trusts
Balance, December 31, 2016	\$ 1,246,774	\$ 2,619,317
Change in value of split-interest agreements	139,738	-
Gain on beneficial interest in perpetual trust	-	241,238
Balance, December 31, 2017	1,386,512	2,860,555
Change in value of split-interest agreements	(99,985)	-
Loss on beneficial interest in perpetual trust	-	(287,800)
Balance, December 31, 2018	\$ 1,286,527	\$ 2,572,755

Net investment return consists of the following as of December 31:

	2018	2017
Interest and dividends	\$ 2,021,630	\$ 2,957,302
Net realized and unrealized gains (losses)	(6,903,639)	8,374,674
Investment management fees	(260,461)	(170,124)
Total	\$ (5,142,470)	\$ 11,161,852

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6. Property, Plant, and Equipment

Property, plant, and equipment at December 31, 2018 and 2017 consists of the following:

	2018	2017
Land	\$ 160,960	\$ 160,960
Construction-in-progress	45,131	144,612
Buildings and improvements	3,037,638	2,848,471
Furniture and fixtures	247,237	220,341
Equipment and software	115,520	114,137
Total	3,606,486	3,488,521
Less: accumulated depreciation	(452,787)	(291,507)
Total fixed assets, net of accumulated depreciation	<u>\$ 3,153,699</u>	<u>\$ 3,197,014</u>

7. Grants Payable

Grants are authorized by the Board with consideration of the donor's recommendation. Grant expense, net of grant cancellations, was \$3,525,828 and \$3,552,336 for the years ended December 31, 2018 and 2017, respectively. Grants payable totaling \$2,201,432 and \$2,386,363 for the years ended December 31, 2018 and 2017, respectively, represents amounts approved by the Board, but not disbursed as of December 31 of each year.

The Foundation does approve grants with conditions; however, the probability is remote that the grantees will not meet these conditions. Accordingly, conditional grants are accounted for as grants payable when approved.

8. Oil and Gas Lease

On August 13, 2012, the Foundation entered into a paid-up oil and gas lease with a Corporation to explore the potential oil, gas, and coalbed methane and other minerals under park land owned by the Foundation's affiliate. The lease is a non-surface development lease. The lease is being granted for the purpose of permitting the Corporation to pool or unitize the

FIRST COMMUNITY FOUNDATION PARTNERSHIP OF PENNSYLVANIA AND AFFILIATE

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leased premises with other leases or properties not owned by the Foundation, with the other leases or properties bearing the burden of surface development. Due to the directional or horizontal drilling originating from the surface entry on a parcel not owned by the Foundation, the wellbore may pass through or terminate below the leased premises.

The term of the lease is for five years, and for as long thereafter as prescribe payments are made, or for as long thereafter as operations are conducted on the property. If oil or gas is extracted from the property, the Foundation will receive a percentage of the net revenue realized by the Corporation. During the years ended December 31, 2018 and 2017, the Foundation recognized \$613,006 and \$881,419, respectively, in royalty income from oil or gas extracted from the property.

As is customary with paid-up oil and gas leases, the Foundation received a bonus payment of \$2,600,910 upon signing the lease. The \$2,600,910 was received as follows: \$100,000 payable upon execution of the lease; \$400,000 payable within 60 days of signing the lease; and the balance of \$2,100,910 on or before December 31, 2012.

The bonus payment has been deferred and has been recognized as revenue over the lease term. For the years ended December 31, 2018 and 2017, the Foundation recognized \$0 and \$303,440, respectively, in oil and gas lease revenue.

At December 31, 2017, the bonus payment was fully amortized.

9. Line of Credit

In November 2014, the Foundation entered into a three-year unsecured revolving line of credit agreement in the principal amount of \$1,500,000, with interest at the London Interbank Offering Rate (LIBOR) plus 1.5%. In April 2015, the principal amount was increased to \$2,500,000, with the terms of the original agreement remaining unchanged. The balance outstanding on the line of credit at December 31, 2016 was \$1,724,000. The line of credit was paid off during 2017.

In September 2017, the Foundation entered into a secured, revolving line of credit agreement in the principal amount of \$1,000,000, with interest at the one-month LIBOR rate. The line of credit is secured by certain investments of the Foundation. The balance on the line of credit at December 31, 2018 and 2017 was \$251,500 and \$348,500, respectively.

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10. Note Payable

In August 2017, the Foundation entered into a note payable with a bank for \$1,600,000, bearing interest at the one-month LIBOR rate, for costs related to the new building. The note payable is secured by certain investments of the Foundation. The Foundation will pay 59 monthly principal payments of \$8,889, plus interest, and one final principal payment of \$1,075,549 plus interest. The note payable matures in August 2022.

Maturities on the note payable are as follows for the years ending December 31:

2019	\$ 106,667
2020	106,667
2021	106,667
2022	1,137,777
	<u>\$ 1,457,778</u>

Interest expense for the lines of credit and the note payable for the years ended December 31, 2018 and 2017 was \$50,844 and \$45,911, respectively.

11. Net Assets

At December 31, 2018 and 2017, net assets consist of the following:

	2018	2017
Without Donor Restrictions:		
Undesignated - non-permanent	\$ 3,587,992	\$ 4,060,006
Designated by the Board for Endowment	72,428,728	78,926,439
	<u>\$ 76,016,720</u>	<u>\$ 82,986,445</u>
With Donor Restrictions:		
Pledges receivable	\$ 121,414	\$ 202,347
Charitable remainder trusts	1,746,389	1,885,570
Beneficial interest in perpetual trusts	2,572,755	2,860,555
	<u>\$ 4,440,558</u>	<u>\$ 4,948,472</u>

FIRST COMMUNITY FOUNDATION PARTNERSHIP OF PENNSYLVANIA AND AFFILIATE

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While the Foundation retains variance power, it is Foundation policy that the donor's intention will be honored unless it is impossible, impractical, undesirable, or inadvisable to do so. Therefore, the principal of the endowment funds will remain intact.

Board-designated endowment net asset activity for the years ended December 31, 2018 and 2017 is as follows:

	2018	2017
Beginning balance	\$ 78,926,000	\$ 67,343,000
Contributions	508,000	1,493,000
Oil and gas lease	-	303,000
Royalty income	613,000	881,000
Investment return, net	(4,968,000)	10,721,000
Other income (loss)	140,000	138,000
Expenses	(2,877,000)	(3,132,000)
Release from net assets with donor restrictions	87,000	1,179,000
Ending balance	\$ 72,429,000	\$ 78,926,000

12. Availability and Liquidity

Financial assets available for general expenditure, that is, without donor restrictions limiting their use, within one year of the statement of financial position date, are comprised of the following:

Operating accounts and reserves	\$ 605,953
Non-permanent funds	1,501,026
Board-designated endowments	45,697,498
Endowments subject to spending policy	2,054,103
Distributions from beneficial interest in perpetual trusts	94,510
Total	\$ 49,953,090

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For certain endowment funds, the Foundation does not consider the entire balance as available for general expenditures. Instead, the available balance is restricted to the spending policy on these endowment funds. Also, certain undesignated non-permanent funds are not considered available for general expenditures. As described in Note 9, the Foundation also has a line of credit with a remaining available balance at December 31, 2018 of \$748,500, which it could draw upon in the event of an unanticipated liquidity need.

The Foundation receives gifts to establish endowments that will exist in perpetuity; the income generated from such endowments is used to fund programs and the operating expenses of the Foundation. In addition, the Foundation receives support specifically intended to support its operations on an annual basis.

As noted above, the Foundation considers certain gifts received without donor restrictions or designations and certain board-designated endowments, to be available to meet cash needs for general expenditures. General expenditures include administrative and general expenses, development and donor relations expenses, and grants expected to be paid in the subsequent year.

The Foundation manages its cash available to meet general expenditures following three guiding principles:

- Operating within a prudent range of financial soundness and stability,
- Maintaining adequate liquid assets, and
- Maintaining policies to provide reasonable assurance that long-term grant commitments and other obligations will continue to be met.

The Foundation's Board approves its spending policy and budget annually. Due to this timing and coordination, the Foundation is able to maintain financial assets available to meet general expenditures at a level that exceeds the annual expenses for administrative and general, development and donor relations, and annual grant commitments approved by the Board.

SUPPLEMENTARY INFORMATION

FIRST COMMUNITY FOUNDATION PARTNERSHIP OF PENNSYLVANIA AND AFFILIATE

CONSOLIDATING STATEMENT OF FINANCIAL POSITION

DECEMBER 31, 2018

	First Community Foundation Partnership of Pennsylvania	FCFPA Properties, Inc.	Subtotal	Eliminations	Total
Assets					
Current assets:					
Cash and cash equivalents	\$ 352,081	\$ -	\$ 352,081	\$ -	\$ 352,081
Receivables:					
Accrued interest and dividends	62,878	-	62,878	-	62,878
Pledges	197,449	-	197,449	-	197,449
Other	18,275	-	18,275	-	18,275
Prepaid expenses	94,311	-	94,311	-	94,311
Total current assets	724,994	-	724,994	-	724,994
Noncurrent assets:					
Pledges receivable, net of current portion	160,784	-	160,784	-	160,784
Investment pool:					
Cash and cash equivalents	578,558	-	578,558	-	578,558
Investments	78,764,569	-	78,764,569	-	78,764,569
Property, plant, and equipment, net	3,015,040	319,885	3,334,925	(181,226)	3,153,699
Contributions due from remainder trusts	1,286,527	-	1,286,527	-	1,286,527
Assets held under split- interest agreements	821,462	-	821,462	-	821,462
Beneficial interest in perpetual trusts	2,572,755	-	2,572,755	-	2,572,755
Total Assets	\$ 87,924,689	\$ 319,885	\$ 88,244,574	\$ (181,226)	\$ 88,063,348

(Continued)

	First Community Foundation Partnership of Pennsylvania	FCFPA Properties, Inc.	Subtotal	Eliminations	Total
Liabilities and Net Assets					
Liabilities:					
Current liabilities:					
Accounts payable	\$ 85,405	\$ -	\$ 85,405	\$ -	\$ 85,405
Grants payable	2,138,010	-	2,138,010	-	2,138,010
Line of credit	251,500	-	251,500	-	251,500
Accrued interest	3,245	-	3,245	-	3,245
Other liabilities	35,444	-	35,444	-	35,444
Note payable	106,667	-	106,667	-	106,667
Total current liabilities	2,620,271	-	2,620,271	-	2,620,271
Noncurrent liabilities:					
Grants payable, net of current portion	63,422	-	63,422	-	63,422
Funds held as agency endowments	3,189,472	-	3,189,472	-	3,189,472
Liabilities under split-interest agreements	381,794	-	381,794	-	381,794
Note payable, net of current portion	1,351,111	-	1,351,111	-	1,351,111
Total Liabilities	7,606,070	-	7,606,070	-	7,606,070
Net Assets:					
Without donor restrictions	75,878,061	319,885	76,197,946	(181,226)	76,016,720
With donor restrictions	4,440,558	-	4,440,558	-	4,440,558
Total Net Assets	80,318,619	319,885	80,638,504	(181,226)	80,457,278
Total Liabilities and Net Assets	\$ 87,924,689	\$ 319,885	\$ 88,244,574	\$ (181,226)	\$ 88,063,348

(Concluded)

FIRST COMMUNITY FOUNDATION PARTNERSHIP OF PENNSYLVANIA AND AFFILIATE

CONSOLIDATING STATEMENT OF FINANCIAL POSITION

DECEMBER 31, 2017

Assets	First Community Foundation Partnership of Pennsylvania (restated)	FCFPA Properties, Inc.	Subtotal (restated)	Eliminations	Total (restated)
Current assets:					
Cash and cash equivalents	\$ 101,250	\$ -	\$ 101,250	\$ -	\$ 101,250
Receivables:					
Accrued interest and dividends	101	-	101	-	101
Pledges	238,135	-	238,135	-	238,135
Other	640,566	-	640,566	-	640,566
Prepaid expenses	82,328	-	82,328	-	82,328
Total current assets	1,062,380	-	1,062,380	-	1,062,380
Noncurrent assets:					
Pledges receivable, net of current portion	321,992	-	321,992	-	321,992
Investment pool:					
Cash and cash equivalents	2,367,841	-	2,367,841	-	2,367,841
Investments	84,189,919	-	84,189,919	-	84,189,919
Property, plant, and equipment, net	3,057,722	320,518	3,378,240	(181,226)	3,197,014
Contributions due from remainder trusts	1,386,512	-	1,386,512	-	1,386,512
Assets held under split-interest agreements	913,781	-	913,781	-	913,781
Beneficial interest in perpetual trusts	2,860,555	-	2,860,555	-	2,860,555
Total Assets	\$ 96,160,702	\$ 320,518	\$ 96,481,220	\$ (181,226)	\$ 96,299,994

(Continued)

	First Community Foundation Partnership of Pennsylvania (restated)	FCFPA Properties, Inc.	Subtotal (restated)	Eliminations	Total (restated)
Liabilities and Net Assets					
Liabilities:					
Current liabilities:					
Accounts payable	\$ 49,602	\$ -	\$ 49,602	\$ -	\$ 49,602
Grants payable	2,325,169	-	2,325,169	-	2,325,169
Line of credit	348,500	-	348,500	-	348,500
Accrued interest	2,500	-	2,500	-	2,500
Other liabilities	37,421	-	37,421	-	37,421
Note payable	106,667	-	106,667	-	106,667
Total current liabilities	2,869,859	-	2,869,859	-	2,869,859
Noncurrent liabilities:					
Grants payable, net of current portion	61,194	-	61,194	-	61,194
Funds held as agency endowments	3,535,628	-	3,535,628	-	3,535,628
Liabilities under split-interest agreements	440,619	-	440,619	-	440,619
Note payable, net of current portion	1,457,777	-	1,457,777	-	1,457,777
Total Liabilities	8,365,077	-	8,365,077	-	8,365,077
Net Assets:					
Without donor restrictions - restated	82,847,153	320,518	83,167,671	(181,226)	82,986,445
With donor restrictions - restated	4,948,472	-	4,948,472	-	4,948,472
Total Net Assets	87,795,625	320,518	88,116,143	(181,226)	87,934,917
Total Liabilities and Net Assets	\$ 96,160,702	\$ 320,518	\$ 96,481,220	\$ (181,226)	\$ 96,299,994

(Concluded)

FIRST COMMUNITY FOUNDATION PARTNERSHIP OF PENNSYLVANIA AND AFFILIATE

CONSOLIDATING STATEMENT OF ACTIVITIES

YEAR ENDED DECEMBER 31, 2018

	First Community Foundation Partnership of Pennsylvania	FCFPA Properties, Inc.	Subtotal	Eliminations	Total
Changes in Net Assets Without Donor Restrictions:					
Revenues, gains, and other support:					
Contributions	\$ 2,466,733	\$ -	\$ 2,466,733	\$ -	\$ 2,466,733
Royalty income	613,006	-	613,006	-	613,006
Investment return, net	(5,142,470)	-	(5,142,470)	-	(5,142,470)
Other sources:					
Administrative fee revenue	33,985	-	33,985	-	33,985
Miscellaneous	3,747	-	3,747	-	3,747
Event revenue (net of expenses of \$62,593)	105,850	-	105,850	-	105,850
Change in value of split-interest agreements	(16,397)	-	(16,397)	-	(16,397)
Net assets released from restrictions	86,516	-	86,516	-	86,516
	<u>(1,849,030)</u>	<u>-</u>	<u>(1,849,030)</u>	<u>-</u>	<u>(1,849,030)</u>
Expenses:					
Program services:					
Grants approved	3,561,753	-	3,561,753	-	3,561,753
Grants returned or cancelled	(35,925)	-	(35,925)	-	(35,925)
Total grant expense	3,525,828	-	3,525,828	-	3,525,828
Grantmaking expenses	149,456	-	149,456	-	149,456
Direct program expenses	489,211	-	489,211	-	489,211
Total program services	4,164,495	-	4,164,495	-	4,164,495
General and administration	529,741	633	530,374	-	530,374
Development and donor relations	425,826	-	425,826	-	425,826
Total expenses	5,120,062	633	5,120,695	-	5,120,695
Change in Net Assets Without Donor Restrictions	<u>(6,969,092)</u>	<u>(633)</u>	<u>(6,969,725)</u>	<u>-</u>	<u>(6,969,725)</u>

(Continued)

**FIRST COMMUNITY FOUNDATION PARTNERSHIP
OF PENNSYLVANIA AND AFFILIATE**

CONSOLIDATING STATEMENT OF ACTIVITIES

YEAR ENDED DECEMBER 31, 2018

(Continued)

	First Community Foundation Partnership of Pennsylvania	FCFPA Properties, Inc.	Subtotal	Eliminations	Total
Changes in Net Assets With Donor Restrictions:					
Change in value of split-interest agreements	(139,181)	-	(139,181)	-	(139,181)
Contributions	5,583	-	5,583	-	5,583
Loss on beneficial interest in perpetual trusts	(287,800)	-	(287,800)	-	(287,800)
Net assets released from restrictions	(86,516)	-	(86,516)	-	(86,516)
Change in Net Assets With Donor Restrictions	(507,914)	-	(507,914)	-	(507,914)
Change in Net Assets	(7,477,006)	(633)	(7,477,639)	-	(7,477,639)
Net Assets:					
Beginning of year	87,795,625	320,518	88,116,143	(181,226)	87,934,917
End of year	<u>\$ 80,318,619</u>	<u>\$ 319,885</u>	<u>\$ 80,638,504</u>	<u>\$ (181,226)</u>	<u>\$ 80,457,278</u>

(Concluded)

FIRST COMMUNITY FOUNDATION PARTNERSHIP OF PENNSYLVANIA AND AFFILIATE

CONSOLIDATING STATEMENT OF ACTIVITIES

YEAR ENDED DECEMBER 31, 2017

	First Community Foundation Partnership of Pennsylvania (restated)	FCFPA Properties, Inc.	Subtotal (restated)	Eliminations	Total (restated)
Changes in Net Assets Without Donor Restrictions:					
Revenues, gains, and other support:					
Contributions	\$ 5,301,392	\$ -	\$ 5,301,392	\$ -	\$ 5,301,392
Oil and gas lease	303,440	-	303,440	-	303,440
Royalty income	881,419	-	881,419	-	881,419
Investment return, net	11,161,852	-	11,161,852	-	11,161,852
Other sources:					
Administrative fee revenue	31,332	-	31,332	-	31,332
Miscellaneous	1,877	-	1,877	-	1,877
Grant income	10,700	-	10,700	-	10,700
Event revenue (net of expenses of \$70,549)	96,077	-	96,077	-	96,077
Change in value of split-interest agreements	(14,347)	-	(14,347)	-	(14,347)
Net assets released from restriction	1,179,017	-	1,179,017	-	1,179,017
Total revenues, gains, and other support	18,952,759	-	18,952,759	-	18,952,759
Expenses and transfers:					
Program services:					
Grants approved	3,558,201	-	3,558,201	-	3,558,201
Grants returned or cancelled	(5,865)	-	(5,865)	-	(5,865)
Total grant expense	3,552,336	-	3,552,336	-	3,552,336
Grantmaking expenses	144,620	-	144,620	-	144,620
Direct program expenses	529,399	-	529,399	-	529,399
Total program services	4,226,355	-	4,226,355	-	4,226,355
General and administration	565,134	631	565,765	-	565,765
Development and donor relations	378,077	-	378,077	-	378,077
Total expenses	5,169,566	631	5,170,197	-	5,170,197
Change in Net Assets Without Donor Restrictions	13,783,193	(631)	13,782,562	-	13,782,562

(Continued)

**FIRST COMMUNITY FOUNDATION PARTNERSHIP
OF PENNSYLVANIA AND AFFILIATE**

CONSOLIDATING STATEMENT OF ACTIVITIES

YEAR ENDED DECEMBER 31, 2017

(Continued)

	First Community Foundation Partnership of Pennsylvania (restated)	FCFPA Properties, Inc.	Subtotal (restated)	Eliminations	Total (restated)
Changes in Net Assets With Donor Restrictions:					
Change in value of split-interest agreements	197,092	-	197,092	-	197,092
Contributions	68,250	-	68,250	-	68,250
Gain on beneficial interest in perpetual trusts	241,238	-	241,238	-	241,238
Net assets released from restriction	<u>(1,179,017)</u>	<u>-</u>	<u>(1,179,017)</u>	<u>-</u>	<u>(1,179,017)</u>
Change in Net Assets With Donor Restrictions	<u>(672,437)</u>	<u>-</u>	<u>(672,437)</u>	<u>-</u>	<u>(672,437)</u>
Change in Net Assets	13,110,756	(631)	13,110,125	-	13,110,125
Net Assets:					
Beginning of year	<u>74,684,869</u>	<u>321,149</u>	<u>75,006,018</u>	<u>(181,226)</u>	<u>74,824,792</u>
End of year	<u>\$ 87,795,625</u>	<u>\$ 320,518</u>	<u>\$ 88,116,143</u>	<u>\$ (181,226)</u>	<u>\$ 87,934,917</u>

(Concluded)

**FIRST COMMUNITY FOUNDATION PARTNERSHIP
OF PENNSYLVANIA AND AFFILIATE**

CONSOLIDATING STATEMENT OF CASH FLOWS

YEAR ENDED DECEMBER 31, 2018

	First Community Foundation Partnership of Pennsylvania	FCFPA Properties, Inc.	Total
Cash Flows From Operating Activities:			
Change in net assets	\$ (7,477,006)	\$ (633)	\$ (7,477,639)
Adjustments to reconcile change in net assets to net cash provided by operating activities:			
Depreciation	160,647	633	161,280
In-kind contributions	(14,571)	-	(14,571)
Net realized and unrealized loss on investments	7,291,780	-	7,291,780
Changes in value of split-interest agreements	426,981	-	426,981
(Increase) decrease in:			
Accrued interest and dividends receivable	(62,777)	-	(62,777)
Pledges receivable	201,894	-	201,894
Other receivables	622,291	-	622,291
Prepaid expenses	(11,983)	-	(11,983)
Increase (decrease) in:			
Accounts payable	35,803	-	35,803
Grants payable	(184,931)	-	(184,931)
Accrued interest	745	-	745
Other liabilities	(1,977)	-	(1,977)
Funds held as agency endowments	(346,156)	-	(346,156)
Net cash provided by operating activities	<u>640,740</u>	<u>-</u>	<u>640,740</u>
Cash Flows From Investing Activities:			
Purchase of fixed assets	(117,965)	-	(117,965)
Proceeds from sale or maturities of investments	110,121,260	-	110,121,260
Purchase of investments	<u>(111,973,119)</u>	<u>-</u>	<u>(111,973,119)</u>
Net cash used in investing activities	<u>(1,969,824)</u>	<u>-</u>	<u>(1,969,824)</u>

(Continued)

**FIRST COMMUNITY FOUNDATION PARTNERSHIP
OF PENNSYLVANIA AND AFFILIATE**

CONSOLIDATING STATEMENT OF CASH FLOWS

YEAR ENDED DECEMBER 31, 2018

(Continued)

	First Community Foundation Partnership of Pennsylvania	FCFPA Properties, Inc.	<u>Total</u>
Cash Flows From Financing Activities:			
Payments on line of credit	(97,000)	-	(97,000)
Payments on note payable	(106,666)	-	(106,666)
Payments of annuity obligations	(5,702)	-	(5,702)
Net cash used in financing activities	<u>(209,368)</u>	-	<u>(209,368)</u>
Net Decrease in Cash and Cash Equivalents	(1,538,452)	-	(1,538,452)
Cash and Cash Equivalents:			
Beginning of year	<u>2,469,091</u>	-	<u>2,469,091</u>
End of year	<u>\$ 930,639</u>	<u>\$ -</u>	<u>\$ 930,639</u>
			(Concluded)

**FIRST COMMUNITY FOUNDATION PARTNERSHIP
OF PENNSYLVANIA AND AFFILIATE**

CONSOLIDATING STATEMENT OF CASH FLOWS

YEAR ENDED DECEMBER 31, 2017

	First Community Foundation Partnership of Pennsylvania	FCFPA Properties, Inc.	Total
Cash Flows From Operating Activities:			
Change in net assets	\$ 13,110,756	\$ (631)	\$ 13,110,125
Adjustments to reconcile change in net assets to net cash provided by operating activities:			
Depreciation	154,339	631	154,970
In-kind contributions	(409,593)	-	(409,593)
Net realized and unrealized gain on investments	(8,735,865)	-	(8,735,865)
Changes in value of split-interest agreements	(438,330)	-	(438,330)
(Increase) decrease in:			
Accrued interest and dividends receivable	2,950	-	2,950
Pledges receivable	395,135	-	395,135
Other receivable	299,310	-	299,310
Prepaid expenses	(11,302)	-	(11,302)
Increase (decrease) in:			
Accounts payable	(73,112)	-	(73,112)
Grants payable	(105,688)	-	(105,688)
Deferred revenue from oil and gas lease	(303,440)	-	(303,440)
Accrued interest	2,500	-	2,500
Other liabilities	10,127	-	10,127
Funds held as agency endowments	511,964	-	511,964
Net cash provided by operating activities	4,409,751	-	4,409,751
Cash Flows From Investing Activities:			
Purchase of fixed assets	(758,499)	-	(758,499)
Proceeds from sale or maturities of investments	6,893,679	-	6,893,679
Purchase of investments	(9,901,475)	-	(9,901,475)
Net cash used in investing activities	(3,766,295)	-	(3,766,295)

(Continued)

**FIRST COMMUNITY FOUNDATION PARTNERSHIP
OF PENNSYLVANIA AND AFFILIATE**

CONSOLIDATING STATEMENT OF CASH FLOWS

YEAR ENDED DECEMBER 31, 2017

(Continued)

	First Community Foundation Partnership of Pennsylvania	FCFPA Properties, Inc.	<u>Total</u>
Cash Flows From Financing Activities:			
Proceeds from line of credit	572,500	-	572,500
Payment of line of credit	(1,948,000)	-	(1,948,000)
Proceeds from note payable	1,600,000	-	1,600,000
Repayments on note payable	(35,556)	-	(35,556)
Payments of annuity obligations	(7,752)	-	(7,752)
Net cash provided by financing activities	<u>181,192</u>	<u>-</u>	<u>181,192</u>
Net Increase in Cash and Cash Equivalents	824,648	-	824,648
Cash and Cash Equivalents:			
Beginning of year	<u>1,644,443</u>	<u>-</u>	<u>1,644,443</u>
End of year	<u><u>\$ 2,469,091</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 2,469,091</u></u>

(Concluded)