

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

Consolidated Financial Statements and
Supplementary Information

Years Ended December 31, 2017 and 2016 with
Independent Auditor's Report

MaherDuessel

Pursuing the profession while promoting the public good©
www.md-cpas.com

FIRST COMMUNITY FOUNDATION PARTNERSHIP OF PENNSYLVANIA AND AFFILIATE

YEARS ENDED DECEMBER 31, 2017 AND 2016

TABLE OF CONTENTS

Independent Auditor's Report

Consolidated Financial Statements:

Consolidated Statements of Financial Position	1
Consolidated Statements of Activities	2
Consolidated Statements of Cash Flows	4
Notes to Consolidated Financial Statements	6

Supplementary Information:

Consolidating Statement of Financial Position – December 31, 2017	25
Consolidating Statement of Financial Position – December 31, 2016	27
Consolidating Statement of Activities – Year Ended December 31, 2017	29
Consolidating Statement of Activities – Year Ended December 31, 2016	31
Consolidating Statement of Cash Flows – Year Ended December 31, 2017	33
Consolidating Statement of Cash Flows – Year Ended December 31, 2016	35

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, 2017 and 2016, and the related consolidated statements of activities 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, 2017 and 2016, 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.

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 25 through 36 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
June 21, 2018

FIRST COMMUNITY FOUNDATION PARTNERSHIP OF PENNSYLVANIA AND AFFILIATE

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

DECEMBER 31, 2017 AND 2016

Assets	2017	2016
Current assets:		
Cash and cash equivalents	\$ 101,250	\$ 329,902
Receivables:		
Accrued interest and dividends	101	3,051
Pledges	238,135	351,110
Other	640,566	939,876
Prepaid expenses	82,328	71,026
Total current assets	1,062,380	1,694,965
Noncurrent assets:		
Pledges receivable, net of current portion	321,992	604,152
Investment pool		
Cash and cash equivalents	2,367,841	1,314,541
Investments	84,189,919	72,036,665
Construction in progress	144,612	78,225
Land	160,960	160,960
Fixed assets, net	2,891,442	2,864,772
Contributions due from remainder trusts	1,386,512	1,246,774
Assets held under split-interest agreements	913,781	829,239
Beneficial interest in perpetual trusts	2,860,555	2,619,317
Total Assets	\$ 96,299,994	\$ 83,449,610
Liabilities and Net Assets		
Liabilities:		
Current liabilities:		
Accounts payable	\$ 49,602	\$ 633,186
Grants payable	2,325,169	2,307,160
Line of credit	348,500	1,724,000
Accrued interest	2,500	-
Deferred revenue from oil and gas lease	-	303,440
Other liabilities	37,421	27,294
Note payable	106,667	-
Total current liabilities	2,869,859	4,995,080
Noncurrent liabilities:		
Grants payable, net of current portion	61,194	184,891
Funds held as agency endowments	3,535,628	3,023,664
Liabilities under split-interest agreements	440,619	421,183
Note payable, net of current portion	1,457,777	-
Total Liabilities	8,365,077	8,624,818
Net Assets:		
Unrestricted	82,628,665	68,639,293
Temporarily restricted	2,445,697	2,643,740
Permanently restricted	2,860,555	3,541,759
Total Net Assets	87,934,917	74,824,792
Total Liabilities and Net Assets	\$ 96,299,994	\$ 83,449,610

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, 2017 AND 2016

	2017	2016
Changes in Unrestricted Net Assets:		
Revenues, gains, and other support:		
Contributions	\$ 5,301,392	\$ 2,625,475
Oil and gas lease	303,440	520,182
Royalty income	881,419	81,700
Investment income	11,331,976	7,262,002
Other sources:		
Administrative fee revenue	31,332	29,140
Miscellaneous	1,877	3,537
Grant income	10,700	5,334
Event revenue (net of expenses of \$70,549 and \$40,150, respectively)	96,077	102,408
Net assets released from restriction	1,385,827	593,321
Total revenues, gains, and other support	19,344,040	11,223,099
Expenses and transfers:		
Program services:		
Grants approved	3,558,201	4,259,633
Grants returned or cancelled	(5,865)	(11,284)
Total grant expense	3,552,336	4,248,349
Grantmaking expenses	145,353	143,877
Investment expenses	170,124	156,375
Direct program expenses	521,945	551,720
Change in value of split-interest agreements	14,347	989
Total program services	4,404,105	5,101,310
Governance and administration	571,935	545,684
Development and donor relations	378,628	418,102
Total expenses	5,354,668	6,065,096
Change in Unrestricted Net Assets	13,989,372	5,158,003

(Continued)

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

CONSOLIDATED STATEMENTS OF ACTIVITIES

YEARS ENDED DECEMBER 31, 2017 AND 2016

(Continued)

	2017	2016
<u>Changes in Temporarily Restricted Net Assets:</u>		
Change in value of split-interest agreements	197,092	67,022
Contributions	68,250	614,638
Net assets released from restriction	(463,385)	(534,675)
Change in Temporarily Restricted Net Assets	(198,043)	146,985
<u>Changes in Permanently Restricted Net Assets:</u>		
Gain (loss) on beneficial interest in perpetual trusts	241,238	(41,982)
Contributions	-	922,442
Net assets released from restriction	(922,442)	(58,646)
Change in Permanently Restricted Net Assets	(681,204)	821,814
Change in Net Assets	13,110,125	6,126,802
<u>Net Assets:</u>		
Beginning of year	74,824,792	68,697,990
End of year	\$ 87,934,917	\$ 74,824,792
		(Concluded)

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, 2017 AND 2016

	2017	2016
Cash Flows From Operating Activities:		
Change in net assets	\$ 13,110,125	\$ 6,126,802
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	154,970	42,644
In-kind contributions	(409,593)	(349)
Net realized and unrealized gains on investments	(8,735,865)	(5,452,479)
Changes in value of split-interest agreements	(438,330)	(25,040)
(Increase) decrease in:		
Accrued interest and dividends receivable	2,950	4,707
Pledges receivable	395,135	(51,371)
Other receivables	299,310	(939,876)
Prepaid expenses	(11,302)	(3,589)
Increase (decrease) in:		
Accounts payable	(73,112)	67,457
Other liabilities	10,127	(1,549)
Grants payable	(105,688)	1,681,437
Deferred revenue from oil and gas lease	(303,440)	(520,182)
Accrued interest	2,500	-
Funds held as agency endowments	511,964	363,499
	<u>4,409,751</u>	<u>1,292,111</u>
Net cash provided by operating activities		
Cash Flows From Investing Activities:		
Purchase of fixed assets	(758,499)	(1,948,293)
Repayment of loan to a non-profit	-	229,000
Proceeds from sale or maturities of investments	6,893,679	8,685,231
Purchase of investments	(9,901,475)	(9,213,953)
	<u>(3,766,295)</u>	<u>(2,248,015)</u>
Net cash used in investing activities		

(Continued)

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

CONSOLIDATED STATEMENTS OF CASH FLOWS

YEARS ENDED DECEMBER 31, 2017 AND 2016

(Continued)

	2017	2016
Cash Flows From Financing Activities:		
Proceeds from line of credit	572,500	1,294,000
Termination of annuity obligation	-	(6,924)
Payment of line of credit	(1,948,000)	-
Proceeds from note payable	1,600,000	-
Repayments on note payable	(35,556)	-
Payments of annuity obligations	(7,752)	(15,348)
Net cash provided by financing activities	181,192	1,271,728
Net Increase in Cash and Cash Equivalents	824,648	315,824
Cash and Cash Equivalents:		
Beginning of year	1,644,443	1,328,619
End of year	\$ 2,469,091	\$ 1,644,443
		(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, 2017 AND 2016

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 350 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, 2017 and 2016, FCFP made grants of \$3,552,336 and \$4,248,349, 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. FCFP files Form 990 – Return of Organization Exempt from Income Tax on an annual basis.

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, 2017 and 2016 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, 2017 AND 2016

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 on investments presented in the statements of cash flows for the years ended December 31, 2017 and 2016 are reported in the financial statements as follows:

	2017	2016
Net realized and unrealized gains	\$ 8,374,674	\$ 5,237,928
Attributable to assets held for resource providers	361,191	214,551
	<u>\$ 8,735,865</u>	<u>\$ 5,452,479</u>

D. Receivables

FCCP 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, 2017 AND 2016

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, are reported as changes in unrestricted net assets unless their use is temporarily or permanently 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, 2017 AND 2016

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, 2017 AND 2016

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

YEARS ENDED DECEMBER 31, 2017 AND 2016

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, 2017 and **2016**, depreciation expense was \$154,970 and \$42,644, respectively.

H. *Unrestricted, Temporarily, and Permanently Restricted Net Assets*

Unrestricted net assets are those whose use by the Foundation is not subject to donor-imposed restrictions. Temporarily restricted net assets are those whose use by the Foundation has been limited by donors to a specific time period or purpose. Permanently restricted net assets 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 may, by majority vote, modify any restriction or condition on the distribution of funds from its component funds if, in the Board of Directors' 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 unrestricted net assets 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 unrestricted net assets in the accompanying financial statements.

I. *Donor-Restricted Gifts*

All contributions are considered to be available for unrestricted use 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 temporarily restricted support that increases that net asset class. When a donor restriction expires (i.e., when a stipulated time restriction ends or purpose restriction is accomplished), temporarily

FIRST COMMUNITY FOUNDATION PARTNERSHIP OF PENNSYLVANIA AND AFFILIATE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2017 AND 2016

restricted net assets are reclassified as unrestricted net assets 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 unrestricted.

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 unrestricted gift revenue 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 \$177,314 and \$175,781 at December 31, 2017 and 2016, 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 \$25,896 and \$33,648 at December 31, 2017 and 2016, respectively.

FIRST COMMUNITY FOUNDATION PARTNERSHIP OF PENNSYLVANIA AND AFFILIATE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2017 AND 2016

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 certain charitable remainder trusts, arrangements 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 these trusts, the Foundation will receive the assets remaining in the trusts. 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 these trusts based on the donors' ages and a discount factor of 5.40% is \$414,723 and \$387,535 at December 31, 2017 and 2016, 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.

- ***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, 2017 and **2016** is based on fair value information

FIRST COMMUNITY FOUNDATION PARTNERSHIP OF PENNSYLVANIA AND AFFILIATE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2017 AND 2016

received from the trustee. Trust assets consist of cash and cash equivalents, mutual funds, and fixed income and equity securities. As of December 31, 2017 and 2016, the Foundation's estimated beneficial interest in these perpetual trusts amounted to \$2,860,555 and \$2,619,317, 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.

N. *Endowment Investment and Spending Policy*

The Board of Directors 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 of Directors has the ability to distribute so much of the original principal of any trust or separate gift, devise, bequest, or fund as the Board of Directors in its sole discretion shall determine. As a result of the ability to distribute the original principal, all contributions not classified as temporarily restricted or permanently restricted are classified as unrestricted net assets for financial statement purposes.

The Foundation has adopted investment and spending policies, approved by the Board of Directors, for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowments while seeking to maintain the

FIRST COMMUNITY FOUNDATION PARTNERSHIP OF PENNSYLVANIA AND AFFILIATE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2017 AND 2016

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.

O. Pending Standards Update

Accounting 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. Early application of the amendments in the ASU is not allowed.

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. Early application of the amendments in the ASU is allowed.

FIRST COMMUNITY FOUNDATION PARTNERSHIP OF PENNSYLVANIA AND AFFILIATE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2017 AND 2016

ASU 2016-14, *“Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities,”* is effective for the Foundation’s financial statements for the year ending December 31, 2018. This amendment 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. The ASU changes the net asset classification, how underwater donor-restricted endowment funds are treated, will increase the information available about liquidity and the availability of resources, requires financial statements for not-for-profits to provide expenses both by nature and function, as well as an analysis of those expenses by both nature and function, along with disclosure of the methods used to allocate those costs among the various functions, and standardizes how organizations present investment returns and what expenses should be netted against those returns. There are qualitative and quantitative requirements in a number of areas, including net asset classes, investment return, expenses, liquidity and availability of resources, and presentation of operating cash flows. Early application of the amendments in the ASU is allowed.

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

P. *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.

Q. *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 \$2,469,091 and \$2,478,948 at December 31, 2017, consisted of deposits of \$1,977,632 that were uninsured by the Federal Deposit Insurance Corporation (FDIC). Cash and cash equivalents, with a book value and bank balance of \$329,902 and \$291,066 at December 31, 2016, consisted of deposits of \$41,066 that were uninsured by the FDIC.

FIRST COMMUNITY FOUNDATION PARTNERSHIP OF PENNSYLVANIA AND AFFILIATE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2017 AND 2016

3. Pledges Receivable

Pledges receivable, summarized by donor type, consist of the following at December 31, 2017 and 2016:

	<u>2017</u>	<u>2016</u>
Individuals	\$ 463,447	\$ 826,022
Businesses	<u>96,680</u>	<u>129,240</u>
	<u>\$ 560,127</u>	<u>\$ 955,262</u>
Amounts due in:		
Less than one year	\$ 238,135	\$ 351,110
One to five years	<u>321,992</u>	<u>604,152</u>
Total	<u>\$ 560,127</u>	<u>\$ 955,262</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; however, a final distribution had not been made as of December 31, 2017. At December 31, 2017, the amount is reported as unrestricted net assets.

At December 31, 2016, other receivables include \$922,442 of contributions receivable from the settlement of an estate. The funds were being held in trust by a bank until a final distribution determination was made by the Clerk of the Orphan's Court. At December 31, 2016, the amount is reported as permanently restricted net assets. The funds were received by the Foundation in July 2017. Per the final decree from the Clerk of the Orphan's Court, these funds are to be considered a component fund of the Foundation and are, therefore, considered unrestricted net assets. The funds were released from permanently restricted net assets during the year ended December 31, 2017.

FIRST COMMUNITY FOUNDATION PARTNERSHIP OF PENNSYLVANIA AND AFFILIATE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2017 AND 2016

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, 2017:

	Level	Fair Value	Cost	Unrealized Appreciation (Depreciation)
Investments:				
Money market funds	1	\$ 960,194	\$ 960,194	\$ -
Mutual funds:				
Income:				
Taxable bond funds	1	6,525,159	6,558,780	(33,621)
Treasury inflation protected securities	1	2,988,300	2,905,783	82,517
International bonds	1	4,342,180	4,382,053	(39,873)
Growth:				
U.S. large cap value	1	18,602,472	14,060,000	4,542,472
U.S. large cap growth	1	9,171,777	7,363,666	1,808,111
International large cap value	1	7,191,887	5,811,844	1,380,043
International large cap growth	1	5,379,538	4,091,538	1,288,000
Domestic growth real estate	1	3,783,175	3,181,981	601,194
Global growth real estate	1	1,689,198	1,675,923	13,275
Aggressive:				
Small cap value	1	9,365,264	7,111,121	2,254,143
Small cap growth	1	4,748,248	3,864,763	883,485
Aggressive international	1	2,526,421	2,286,600	239,821
Energy/natural resources	1	6,231,265	5,689,502	541,763
Commodities	1	684,841	694,530	(9,689)
		<u>\$ 84,189,919</u>	<u>\$ 70,638,278</u>	<u>\$ 13,551,641</u>

FIRST COMMUNITY FOUNDATION PARTNERSHIP OF PENNSYLVANIA AND AFFILIATE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2017 AND 2016

	Level	Fair Value	Cost	Unrealized Appreciation (Depreciation)
Assets Held under Split-Interest				
Agreements:				
Cash and cash equivalents	1	\$ 18,269	\$ 18,269	\$ -
Mutual funds:				
Income:				
Taxable bond funds	1	60,244	60,793	(549)
Treasury inflation protected securities	1	34,277	37,226	(2,949)
International bonds	1	46,539	46,085	454
Growth:				
U.S. large cap value	1	192,599	151,268	41,331
U.S. large cap growth	1	99,807	78,373	21,434
International large cap value	1	80,210	60,628	19,582
International large cap growth	1	60,331	48,127	12,204
Domestic growth real estate	1	43,484	35,872	7,612
Global growth real estate	1	19,715	19,709	6
Aggressive:				
Small cap value	1	103,103	73,734	29,369
Small cap growth	1	47,684	39,743	7,941
Aggressive international	1	30,826	27,551	3,275
Energy/natural resources	1	70,054	64,706	5,348
Commodities	1	6,639	6,790	(151)
		\$ 913,781	\$ 768,874	\$ 144,907
Contributions due from remainder trusts	3	\$ 1,386,512		
Beneficial interest in perpetual trusts	3	\$ 2,860,555		

At December 31, 2017, there are approximately \$960,000 of money market account deposits held in trust and brokerage accounts that are not subject to FDIC insurance.

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

FIRST COMMUNITY FOUNDATION PARTNERSHIP OF PENNSYLVANIA AND AFFILIATE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2017 AND 2016

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

	<u>Contributions Due from Remainder Trusts</u>	<u>Beneficial Interest in Perpetual Trusts</u>
Balance, December 31, 2015	\$ 1,243,777	\$ 2,719,945
Change in value of split-interest agreements	31,905	-
Termination of charitable remainder trust	(28,908)	(58,646)
Loss on beneficial interest in perpetual trust	-	(41,982)
Balance, December 31, 2016	<u>1,246,774</u>	<u>2,619,317</u>
Change in value of split-interest agreements	139,738	-
Gain on beneficial interest in perpetual trust	-	241,238
Balance, December 31, 2017	<u><u>\$ 1,386,512</u></u>	<u><u>\$ 2,860,555</u></u>

Income on investments consists of the following for the years ended December 31:

	<u>2017</u>	<u>2016</u>
Interest and dividends	\$ 2,957,302	\$ 2,024,074
Net realized and unrealized gains	<u>8,374,674</u>	<u>5,237,928</u>
Total	<u><u>\$ 11,331,976</u></u>	<u><u>\$ 7,262,002</u></u>

6. Grants Payable

Grants are authorized by the Board of Directors with consideration of the donor's recommendation. Grant expense, net of grant cancellations, was \$3,552,336 and \$4,248,349 for the years ended December 31, 2017 and 2016, respectively. Grants payable

FIRST COMMUNITY FOUNDATION PARTNERSHIP OF PENNSYLVANIA AND AFFILIATE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2017 AND 2016

totaling \$2,386,363 and \$2,492,051 for the years ended December 31, 2017 and 2016, respectively, represents amounts approved by the Board of Directors, 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.

7. 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 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, 2017 and 2016, the Foundation recognized \$881,419 and \$81,700, 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 will be recognized as revenue over the lease term. For the years ended December 31, 2017 and 2016, the Foundation recognized \$303,440 and \$520,182, respectively, in oil and gas lease revenue.

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

FIRST COMMUNITY FOUNDATION PARTNERSHIP OF PENNSYLVANIA AND AFFILIATE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2017 AND 2016

8. 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, 2017 was \$348,500.

9. 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:

2018	\$	106,667
2019		106,667
2020		106,667
2021		106,667
2022		<u>1,137,776</u>
	\$	<u>1,564,444</u>

Interest expense for the lines of credit and the note payable for the year ended December 31, 2017 was \$45,911.

FIRST COMMUNITY FOUNDATION PARTNERSHIP OF PENNSYLVANIA AND AFFILIATE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2017 AND 2016

10. Restrictions on Net Assets

At December 31, 2017 and 2016, unrestricted net assets consist of approximately \$81,475,000 and \$67,980,000, respectively, in endowment funds. 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.

Endowment net asset composition for the years ended December 31, 2017 and 2016 is as follows:

	2017	2016
Endowment funds with variance power - beginning of year	\$ 67,980,000	\$ 63,358,000
Contributions	5,301,000	2,625,000
Oil and gas lease	303,000	520,000
Royalty income	881,000	82,000
Investment income	11,332,000	7,262,000
Other income (loss)	111,000	110,000
Expenses	(5,355,000)	(6,065,000)
Termination of charitable remainder trust	-	29,000
Termination of perpetual trust	-	59,000
Release from permanently restricted net assets	922,000	-
Endowment funds with variance power - end of year	\$ 81,475,000	\$ 67,980,000

At December 31, 2017 and 2016, temporarily restricted net assets consist of split-interest agreements and pledges receivable, which are subject to time restrictions totaling \$2,445,697 and \$2,643,740, respectively.

At December 31, 2017, permanently restricted net assets consist of beneficial interest in perpetual trusts totaling \$2,860,555. At December 31, 2016, permanently restricted net assets consist of beneficial interest in perpetual trusts totaling \$2,619,317 and contributions receivable totaling \$922,442.

FIRST COMMUNITY FOUNDATION PARTNERSHIP OF PENNSYLVANIA AND AFFILIATE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2017 AND 2016

11. Administrative Expenses

Governance and administrative and development and donor relations expenses, as reported in the statements of activities, consist of the following:

	2017	2016
Salaries and related costs	\$ 707,257	\$ 706,301
Office expense	213,648	187,731
Fund development/public information	27,001	64,545
Other	2,657	5,209
Total	<u>\$ 950,563</u>	<u>\$ 963,786</u>

12. Related Party Transactions

A member of the Board of Directors is also the owner of J.B. Gibbons Construction in Williamsport, Pennsylvania. During the year ended December 31, 2015, the Foundation entered into an agreement with J.B. Gibbons Construction to perform renovations on a building that was to become the administrative offices of the Foundation. The agreement was entered into after the completion of a competitive bid process. The Foundation incurred capital expenses of \$122,815, including \$5,942 in accounts payable to J.B. Gibbons Construction during the year ended December 31, 2017. The Foundation incurred capital expenses of \$2,234,383, including \$495,501 in accounts payable, to J.B. Gibbons Construction during the year ended December 31, 2016.

SUPPLEMENTARY INFORMATION

FIRST COMMUNITY FOUNDATION PARTNERSHIP OF PENNSYLVANIA AND AFFILIATE

CONSOLIDATING STATEMENT OF FINANCIAL POSITION

DECEMBER 31, 2017

	First Community Foundation Partnership of Pennsylvania	FCFPA Properties, Inc.	Subtotal	Eliminations	Total
Assets					
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
Construction in progress	144,612	-	144,612	-	144,612
Land	24,960	317,226	342,186	(181,226)	160,960
Fixed assets, net	2,888,150	3,292	2,891,442	-	2,891,442
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	FCFPA Properties, Inc.	Subtotal	Eliminations	Total
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:					
Unrestricted	82,489,373	320,518	82,809,891	(181,226)	82,628,665
Temporarily restricted	2,445,697	-	2,445,697	-	2,445,697
Permanently restricted	2,860,555	-	2,860,555	-	2,860,555
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 FINANCIAL POSITION

DECEMBER 31, 2016

	First Community Foundation Partnership of Pennsylvania	FCFPA Properties, Inc.	Subtotal	Eliminations	Total
Assets					
Current assets:					
Cash and cash equivalents	\$ 329,902	\$ -	\$ 329,902	\$ -	\$ 329,902
Receivables:					
Accrued interest and dividends	3,051	-	3,051	-	3,051
Pledges	351,110	-	351,110	-	351,110
Other	939,876	-	939,876	-	939,876
Prepaid expenses	71,026	-	71,026	-	71,026
Total current assets	1,694,965	-	1,694,965	-	1,694,965
Noncurrent assets:					
Pledges receivable, net of current portion	604,152	-	604,152	-	604,152
Investment pool					
Cash and cash equivalents	1,314,541	-	1,314,541	-	1,314,541
Investments	72,036,665	-	72,036,665	-	72,036,665
Construction in progress	78,225	-	78,225	-	78,225
Land	24,960	317,226	342,186	(181,226)	160,960
Fixed assets, net	2,860,849	3,923	2,864,772	-	2,864,772
Contributions due from remainder trusts	1,246,774	-	1,246,774	-	1,246,774
Assets held under split- interest agreements	829,239	-	829,239	-	829,239
Beneficial interest in perpetual trusts	2,619,317	-	2,619,317	-	2,619,317
Total Assets	\$ 83,309,687	\$ 321,149	\$ 83,630,836	\$ (181,226)	\$ 83,449,610

(Continued)

	First Community Foundation Partnership of Pennsylvania	FCFPA Properties, Inc.	Subtotal	Eliminations	Total
Liabilities and Net Assets					
Liabilities:					
Current liabilities:					
Accounts payable	633,186	\$ -	\$ 633,186	\$ -	\$ 633,186
Grants payable	2,307,160	-	2,307,160	-	2,307,160
Line of credit	1,724,000	-	1,724,000	-	1,724,000
Deferred revenue from oil and gas lease	303,440	-	303,440	-	303,440
Other liabilities	27,294	-	27,294	-	27,294
Total current liabilities	4,995,080	-	4,995,080	-	4,995,080
Noncurrent liabilities:					
Grants payable, net of current portion	184,891	-	184,891	-	184,891
Funds held as agency endowments	3,023,664	-	3,023,664	-	3,023,664
Liabilities under split-interest agreements	421,183	-	421,183	-	421,183
Total Liabilities	8,624,818	-	8,624,818	-	8,624,818
Net Assets:					
Unrestricted	68,499,370	321,149	68,820,519	(181,226)	68,639,293
Temporarily restricted	2,643,740	-	2,643,740	-	2,643,740
Permanently restricted	3,541,759	-	3,541,759	-	3,541,759
Total Net Assets	74,684,869	321,149	75,006,018	(181,226)	74,824,792
Total Liabilities and Net Assets	\$ 83,309,687	\$ 321,149	\$ 83,630,836	\$ (181,226)	\$ 83,449,610

(Concluded)

FIRST COMMUNITY FOUNDATION PARTNERSHIP OF PENNSYLVANIA AND AFFILIATE

CONSOLIDATING STATEMENT OF ACTIVITIES

YEAR ENDED DECEMBER 31, 2017

	First Community Foundation Partnership of Pennsylvania	FCFPA Properties, Inc.	Subtotal	Eliminations	Total
Changes in Unrestricted Net Assets:					
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 income	11,331,976	-	11,331,976	-	11,331,976
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
Net assets released from restriction	1,385,827	-	1,385,827	-	1,385,827
Total revenues, gains, and other support	19,344,040	-	19,344,040	-	19,344,040
Expenses:					
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	145,353	-	145,353	-	145,353
Investment expenses	170,124	-	170,124	-	170,124
Direct program expenses	521,945	-	521,945	-	521,945
Change in value of split-interest agreements	14,347	-	14,347	-	14,347
Total program services	4,404,105	-	4,404,105	-	4,404,105
Governance and administration	571,304	631	571,935	-	571,935
Development and donor relations	378,628	-	378,628	-	378,628
Total expenses	5,354,037	631	5,354,668	-	5,354,668
Change in Unrestricted Net Assets	13,990,003	(631)	13,989,372	-	13,989,372

(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	FCFPA Properties, Inc.	Subtotal	Eliminations	Total
Changes in Temporarily Restricted Net Assets:					
Change in value of split-interest agreements	197,092	-	197,092	-	197,092
Contributions	68,250	-	68,250	-	68,250
Net assets released from restriction	<u>(463,385)</u>	<u>-</u>	<u>(463,385)</u>	<u>-</u>	<u>(463,385)</u>
Change in Temporarily Restricted Net Assets	<u>(198,043)</u>	<u>-</u>	<u>(198,043)</u>	<u>-</u>	<u>(198,043)</u>
Changes in Permanently Restricted Net Assets:					
Gain on beneficial interest in perpetual trusts	241,238	-	241,238	-	241,238
Net assets released from restriction	<u>(922,442)</u>	<u>-</u>	<u>(922,442)</u>	<u>-</u>	<u>(922,442)</u>
Change in Permanently Restricted Net Assets	<u>(681,204)</u>	<u>-</u>	<u>(681,204)</u>	<u>-</u>	<u>(681,204)</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 ACTIVITIES

YEAR ENDED DECEMBER 31, 2016

	First Community Foundation Partnership of Pennsylvania	FCFPA Properties, Inc.	Subtotal	Eliminations	Total
Changes in Unrestricted Net Assets:					
Revenues, gains, and other support:					
Contributions	\$ 2,625,475	\$ -	\$ 2,625,475	\$ -	\$ 2,625,475
Oil and gas lease	520,182	-	520,182	-	520,182
Royalty income	81,700	-	81,700	-	81,700
Investment income	7,262,002	-	7,262,002	-	7,262,002
Other sources:					
Administrative fee revenue	29,140	-	29,140	-	29,140
Miscellaneous	3,537	-	3,537	-	3,537
Grant income	5,334	-	5,334	-	5,334
Event revenue (net of expenses of \$40,150)	102,408	-	102,408	-	102,408
Net assets released from restriction	593,321	-	593,321	-	593,321
Total revenues, gains, and other support	11,223,099	-	11,223,099	-	11,223,099
Expenses and transfers:					
Program services:					
Grants approved	4,259,633	-	4,259,633	-	4,259,633
Grants returned or cancelled	(11,284)	-	(11,284)	-	(11,284)
Total grant expense	4,248,349	-	4,248,349	-	4,248,349
Grantmaking expenses	143,877	-	143,877	-	143,877
Investment expenses	156,375	-	156,375	-	156,375
Direct program expenses	551,720	-	551,720	-	551,720
Change in value of split-interest agreements	989	-	989	-	989
Total program services	5,101,310	-	5,101,310	-	5,101,310
Governance and administration	545,051	633	545,684	-	545,684
Development and donor relations	418,102	-	418,102	-	418,102
Total expenses	6,064,463	633	6,065,096	-	6,065,096
Change in Unrestricted Net Assets	5,158,636	(633)	5,158,003	-	5,158,003

(Continued)

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

CONSOLIDATING STATEMENT OF ACTIVITIES

YEAR ENDED DECEMBER 31, 2016

(Continued)

	First Community Foundation Partnership of Pennsylvania	FCFPA Properties, Inc.	Subtotal	Eliminations	Total
Changes in Temporarily Restricted Net Assets:					
Change in value of split-interest agreements	67,022	-	67,022	-	67,022
Contributions	614,638	-	614,638	-	614,638
Net assets released from restriction	(534,675)	-	(534,675)	-	(534,675)
Change in Temporarily Restricted Net Assets	146,985	-	146,985	-	146,985
Changes in Permanently Restricted Net Assets:					
Loss on beneficial interest in perpetual trusts	(41,982)	-	(41,982)	-	(41,982)
Contributions	922,442	-	922,442	-	922,442
Net assets released from restriction	(58,646)	-	(58,646)	-	(58,646)
Change in Permanently Restricted Net Assets	821,814	-	821,814	-	821,814
Change in Net Assets	6,127,435	(633)	6,126,802	-	6,126,802
Net Assets:					
Beginning of year	68,557,434	321,782	68,879,216	(181,226)	68,697,990
End 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>

(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 receivables	299,310	-	299,310
Prepaid expenses	(11,302)	-	(11,302)
Increase (decrease) in:			
Accounts payable	(73,112)	-	(73,112)
Other liabilities	10,127	-	10,127
Grants payable	(105,688)	-	(105,688)
Deferred revenue from oil and gas lease	(303,440)	-	(303,440)
Accrued interest	2,500	-	2,500
Funds held as agency endowments	511,964	-	511,964
Net cash provided by operating activities	<u>4,409,751</u>	<u>-</u>	<u>4,409,751</u>
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	<u>(9,901,475)</u>	<u>-</u>	<u>(9,901,475)</u>
Net cash used in investing activities	<u>(3,766,295)</u>	<u>-</u>	<u>(3,766,295)</u>

(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 or 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>\$ 2,469,091</u>	<u>\$ -</u>	<u>\$ 2,469,091</u>

(Concluded)

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

CONSOLIDATING STATEMENT OF CASH FLOWS

YEAR ENDED DECEMBER 31, 2016

	First Community Foundation Partnership of Pennsylvania	FCFPA Properties, Inc.	Total
Cash Flows From Operating Activities:			
Change in net assets	\$ 6,127,435	\$ (633)	\$ 6,126,802
Adjustments to reconcile change in net assets to net cash provided by operating activities:			
Depreciation	42,011	633	42,644
In-kind contributions	(349)	-	(349)
Net realized and unrealized gain on investments	(5,452,479)	-	(5,452,479)
Changes in value of split-interest agreements	(25,040)	-	(25,040)
(Increase) decrease in:			
Accrued interest and dividends receivable	4,707	-	4,707
Pledges receivable	(51,371)	-	(51,371)
Other receivable	(939,876)	-	(939,876)
Prepaid expenses	(3,589)	-	(3,589)
Increase (decrease) in:			
Accounts payable	67,457	-	67,457
Other liabilities	(1,549)	-	(1,549)
Grants payable	1,681,437	-	1,681,437
Deferred revenue from oil and gas lease	(520,182)	-	(520,182)
Funds held as agency endowments	363,499	-	363,499
Net cash provided by operating activities	<u>1,292,111</u>	<u>-</u>	<u>1,292,111</u>
Cash Flows From Investing Activities:			
Purchase of fixed assets	(1,948,293)	-	(1,948,293)
Repayment of loan to a non-profit	229,000	-	229,000
Proceeds from sale or maturities of investments	8,685,231	-	8,685,231
Purchase of investments	<u>(9,213,953)</u>	<u>-</u>	<u>(9,213,953)</u>
Net cash used in investing activities	<u>(2,248,015)</u>	<u>-</u>	<u>(2,248,015)</u>

(Continued)

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

CONSOLIDATING STATEMENT OF CASH FLOWS

YEAR ENDED DECEMBER 31, 2016

(Continued)

	First Community Foundation Partnership of Pennsylvania	FCFPA Properties, Inc.	<u>Total</u>
Cash Flows From Financing Activities:			
Proceeds from line of credit	1,294,000	-	1,294,000
Termination of annuity obligation	(6,924)	-	(6,924)
Payments of annuity obligations	(15,348)	-	(15,348)
Net cash provided by financing activities	<u>1,271,728</u>	-	<u>1,271,728</u>
Net Increase in Cash and Cash Equivalents	315,824	-	315,824
Cash and Cash Equivalents:			
Beginning of year	<u>1,328,619</u>	-	<u>1,328,619</u>
End of year	<u>\$ 1,644,443</u>	<u>\$ -</u>	<u>\$ 1,644,443</u>

(Concluded)