First Community Foundation Partnership of Pennsylvania

Financial Statements

Years Ended December 31, 2023 and 2022
with Independent Auditor's Report

MaherDuessel

FIRST COMMUNITY FOUNDATION PARTNERSHIP OF PENNSYLVANIA

YEARS ENDED DECEMBER 31, 2023 AND 2022

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Independent Auditor's Report

Board of Directors
First Community Foundation Partnership of Pennsylvania

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of First Community Foundation Partnership of Pennsylvania (Foundation), which comprise the statements of financial position as of December 31, 2023 and 2022, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Foundation as of December 31, 2023 and 2022, 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.

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Maher Duessel

Harrisburg, Pennsylvania
June 18, 2024

FIRST COMMUNITY FOUNDATION PARTNERSHIP OF PENNSYLVANIA

STATEMENTS OF FINANCIAL POSITION

DECEMBER 31, 2023 AND 2022

Assets	2023	2022
Current assets:		
Cash and cash equivalents	$ 785,025	$ 4,544,586
Receivables:		
Accrued interest and dividends	255,929	236,671
Pledges, current portion	2,401,550	2,181,703
Prepaid expenses	98,876	98,690
Total current assets	3,541,380	7,061,650
Noncurrent assets:		
Pledges receivable, net of current portion	14,844,449	17,157,800
Investment pool:		
Cash and cash equivalents	3,673,508	2,338,926
Investments	124,670,654	103,961,517
Property, plant, and equipment, net	2,603,608	2,753,453
Contributions due from remainder trusts	813,348	770,427
Assets held under split-interest agreements	922,595	806,851
Beneficial interest in perpetual trusts	2,825,860	2,608,720
Total Assets	$ 153,895,402	$ 137,459,344

(Continued)

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

Liabilities and Net Assets	2023	2022
Liabilities:		
Current liabilities:		
Accounts payable	$ 21,025	$ 37,529
Grants payable	1,261,356	1,233,044
Accrued interest	4,196	3,525
Other liabilities	184,096	162,183
Note payable, current portion	22,597	80,372
Total current liabilities	1,493,270	$1,516,653
Noncurrent liabilities:		
Funds held as agency endowments	5,426,327	4,698,196
Liabilities under split-interest agreements	345,047	314,044
Note payable, net of current portion	1,011,794	978,997
Total Liabilities	8,276,438	$7,507,890
Net Assets:		
Without donor restrictions	124,152,901	106,736,173
With donor restrictions	21,466,063	23,215,281
Total Net Assets	145,618,964	129,951,454
Total Liabilities and Net Assets	$ 153,895,402	$ 137,459,344

(Concluded)

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

FIRST COMMUNITY FOUNDATION PARTNERSHIP OF PENNSYLVANIA

STATEMENTS OF ACTIVITIES

YEARS ENDED DECEMBER 31, 2023 AND 2022

	2023	2022
Changes in Net Assets Without Donor Restrictions:		
Revenues, gains, and other support:		
Contributions	$ 3,305,612	$ 4,851,670
Royalty income	1,342,263	5,436,469
Investment return, net	17,731,237	(20,176,980)
Other sources:		
Administrative fee revenue	57,329	44,933
Miscellaneous	1,054	637
Event revenue (net of expenses of $19,281 and $26,177)	45,226	38,814
Change in value of split-interest agreements	(11,995)	(19,225)
Net assets released from restrictions	2,176,654	2,792,758
Total revenues, gains, and other support	24,647,380	(7,030,924)
Expenses:		
Program services:		
Grants approved	5,421,195	5,228,447
Grants returned or cancelled	(125,890)	(92,223)
Total grant expense, net	5,295,305	5,136,224
Grantmaking expenses	306,419	287,470
Direct program expenses	601,416	602,250
Total program services	6,203,140	6,025,944
General and administration	452,143	457,584
Development and donor relations	575,369	567,765
Total expenses	7,230,652	7,051,293
Change in Net Assets Without Donor Restrictions	17,416,728	(14,082,217)

(Continued)

FIRST COMMUNITY FOUNDATION PARTNERSHIP OF PENNSYLVANIA

STATEMENTS OF ACTIVITIES

YEARS ENDED DECEMBER 31, 2023 AND 2022
(Continued)

	2023	2022
Changes in Net Assets With Donor Restrictions:		
Change in value of split-interest agreements	127,146	(266,700)
Contributions	83,150	21,572,879
Gain (loss) on beneficial interest in perpetual trusts	217,140	(714,826)
Net assets released from restrictions	(2,176,654)	(2,792,758)
Change in Net Assets With Donor Restrictions	(1,749,218)	17,798,595
Change in Net Assets	15,667,510	3,716,378
Net Assets:		
Beginning of year	$129,951,454	126,235,076
End of year	$ 145,618,964	$ 129,951,454

(Concluded)

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

FIRST COMMUNITY FOUNDATION PARTNERSHIP OF PENNSYLVANIA

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED DECEMBER 31, 2023

	Program Services				
	Grants and Direct Program	Grantmaking	General and Administration	Development and Donor Relations	Total 2023
Expenses:					
Grants, net of cancellations	$ 5,295,305	$ -	$ -	$ -	$ 5,295,305
Salaries and benefits	161,929	244,817	302,514	415,269	1,124,529
Office expenses	61,007	17,792	30,014	85,011	193,824
Professional services	15,174	-	37,712	-	52,886
Occupancy and insurance	5,593	18,795	47,704	18,795	90,887
Marketing and donor services	35,058	17,206	7,798	15,380	75,442
Depreciation	147,778	1,944	5,831	1,943	157,496
Other expenses	174,877	5,865	20,570	38,971	240,283
Total Expenses	$ 5,896,721	$ 306,419	$ 452,143	$ 575,369	$ 7,230,652

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

FIRST COMMUNITY FOUNDATION PARTNERSHIP OF PENNSYLVANIA

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED DECEMBER 31, 2022

	Program Services				
	Grants and Direct Program	Grantmaking	General and Administration	Development and Donor Relations	Total 2022
Expenses:					
Grants, net of cancellations	$ 5,136,224	$ -	$ -	$ -	$ 5,136,224
Salaries and benefits	162,571	204,611	280,990	477,707	1,125,879
Office expenses	54,150	38,612	32,071	34,185	159,018
Professional services	-	-	35,125	-	35,125
Occupancy and insurance	24,014	17,594	43,710	17,594	102,912
Marketing and donor services	41,686	6,415	3,904	12,360	64,365
Depreciation	145,842	1,755	5,264	1,755	154,616
Other expenses	173,987	18,483	56,520	24,164	273,154
Total Expenses	$ 5,738,474	$ 287,470	$ 457,584	$ 567,765	$ 7,051,293

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

FIRST COMMUNITY FOUNDATION PARTNERSHIP OF PENNSYLVANIA

STATEMENTS OF CASH FLOWS

YEARS ENDED DECEMBER 31, 2023 AND 2022

	2023	2022
Cash Flows From Operating Activities:		
Change in net assets	$ 15,667,510	$ 3,716,378
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	157,496	154,616
Loss on disposal of fixed assets	16,713	
Donated stock	-	(58,684)
Net realized and unrealized gains (losses) on investments	(12,418,551)	27,041,928
Changes in value of split-interest agreements	(344,286)	981,526
(Increase) decrease in:		
Accrued interest and dividends receivable	(19,258)	(175,446)
Pledges receivable	2,093,504	(18,780,122)
Prepaid expenses	(186)	5,835
Increase (decrease) in:		
Accounts payable	(16,504)	28,680
Grants payable	28,312	161,728
Accrued interest	671	2,879
Other liabilities	21,913	5,873
Funds held as agency endowments	728,131	14,802
Net cash provided by (used in) operating activities	5,915,465	$13,099,993
Cash Flows From Investing Activities:		
Purchase of fixed assets	(24,364)	(89,958)
Proceeds from sale or maturities of investments	9,615,177	22,054,490
Purchase of investments	(17,905,763)	(33,483,676)
Net cash provided by (used in) investing activities	(8,314,950)	(11,519,144)

(Continued)

FIRST COMMUNITY FOUNDATION PARTNERSHIP OF PENNSYLVANIA

STATEMENTS OF CASH FLOWS

YEARS ENDED DECEMBER 31, 2023 AND 2022
(Continued)

	2023	2022
Cash Flows From Financing Activities:		
Payments on note payable	(24,978)	(78,409)
Payments of annuity obligations	(516)	(477)
Net cash provided by (used in) financing activities	(25,494)	(78,886)
Net Increase (Decrease) in Cash and Cash Equivalents	(2,424,979)	1,501,963
Cash and Cash Equivalents:		
Beginning of year	6,883,512	5,381,549
End of year	$ 4,458,533	$ 6,883,512
Cash and Cash Equivalents consists of:		
Cash and cash equivalents	$ 785,025	$ 4,544,586
Investment cash pool	3,673,508	2,338,926
	$ 4,458,533	$ 6,883,512
Supplemental disclosure of cash flow information:		
Interest paid	$ 61,152	$ 26,573

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

1. Nature of Operations and Summary of Significant Accounting Policies

A. *Nature of Operations*

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

The Foundation administers more than 430 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, 2023 and 2022, the Foundation made grants of $5,295,305 and $5,136,224, respectively, to non-profit programs and organizations in Lycoming County, Union County, Montour County, Northumberland County, Snyder County, and surrounding areas.

The Foundation 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, the Foundation 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 files Form 990 – Return of Organization Exempt from Income Tax on an annual basis.

FCFPA Properties, Inc. was formed to hold title to property, collect the income therefrom, and turn over the entire amount less expenses to the Foundation. 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. The Foundation is the sole member of FCFPA Properties, Inc.

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, 2023 and 2022 are reported in the financial statements as follows:

	2023	2022
Net realized and unrealized gains (losses)	$ 12,418,551	$ (25,824,446)
Attributable to assets held for resource providers	(573,547)	(1,217,482)
	$ 11,845,004	$ (27,041,928)

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.

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 includes 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.

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, real estate 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, 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

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, 2023 and 2022, depreciation expense was $157,496 and $154,616, 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 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. ***Conditional Promises, Legacies, and Bequests***

The Foundation does not recognize conditional promises, that is, those with a measurable performance or other barrier and a right of return, as revenue until the condition is met.

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 $77,562 and $68,389 at December 31, 2023 and 2022, 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 8.04% is $3,308 and $3,825 at December 31, 2023 and 2022, respectively.

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 $341,739 and $310,219 at December 31, 2023 and 2022, 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, 2023 and 2022 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, 2023 and 2022, the Foundation's estimated beneficial interest in these perpetual trusts amounted to $2,825,860 and $2,608,720, 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. ***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 a portion 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.

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.

For funds less than twenty quarters old, the fair value will be the average of all quarterly fair values to date.

P. ***Adoption of Accounting Standards***

The provisions of these Standards Updates have been adopted and incorporated into these financial statements:

ASU 2016-13, "*Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*." These amendments and related amendments require a financial asset (or a group of financial assets) measured at amortized cost basis to be presented at the net amount expected to be collected. This includes loans, debt securities, trade receivables, net investments in leases, off-balance-sheet credit exposures, reinsurance receivables, and any other financial assets not excluded from the scope that have the contractual right to receive cash. The impact of the adoption was not considered material to the financial statements.

Q. ***Pending Accounting Standards Updates***

The Financial Accounting Standard Board (FASB) has issued Accounting Standards Updates (individually and collectively, ASU) that will become effective in future years as outlined below. Management has not yet determined the impact of these updates on the financial statements.

ASU 2021-08, "*Business Combinations (Topic 805) Accounting for Contract Assets and Contract Liabilities from Contracts with Customers,"* is effective for reporting periods beginning after December 15, 2023. The amendments in this update require that an entity (acquirer) recognize and measure contract assets and contract liabilities acquired in a business combination in accordance with Topic 606.

ASU 2022-03, "*Fair Value Measurement (Topic 820): Fair Value Measurement of Equity Securities Subject to Contractual Sale Restrictions*," is effective for fiscal years beginning after December 15, 2024. The amendments in this update clarify that a contractual restriction on the sale of an equity security is not considered part of the unit of account of the equity security and, therefore, is not considered in measuring fair value.

ASU 2023-08 "*Intangibles – Goodwill and Other – Crypto Assets (Subtopic 350-60): Accounting for and Disclosure of Crypto Assets*," is effective for fiscal years beginning after December 15, 2024. The amendments in this update require that an entity measure crypto assets at fair value in the statement of financial position each reporting period and recognize changes from remeasurement in net income.

ASU 2023-09 "*Income Taxes (Topic 740): Improvements to Income Tax Disclosures*," is effective for fiscal years beginning after December 15, 2025 for entities other than public business entities. The amendments in this update improve tax related disclosures primarily related to the rate reconciliation and income taxes paid information.

R. ***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 $4,458,533 and $4,527,265, respectively, at December 31, 2023, consisted of deposits of $3,552,328 that were uninsured by the Federal Deposit Insurance Corporation (FDIC). Cash and cash equivalents, with a book value and bank balance of $6,515,963 and $6,577,917, respectively, at December 31, 2022, consisted of deposits of $5,892,807 that were uninsured by the Federal Deposit Insurance Corporation (FDIC).

3. Pledges Receivable

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

	2023	2022
Individuals	$ 20,000	$ 20,600
Businesses	17,644,115	19,754,023
Discount	(418,116)	(435,120)
	$ 17,245,999	$ 19,339,503
Amounts due in:		
Less than one year	$ 2,174,500	$ 2,181,703
One to five years	15,071,499	17,157,800
Total	$ 17,245,999	$ 19,339,503

In July 2022, as a result of a settlement agreement between the Commonwealth of Pennsylvania (Commonwealth) and a non-profit Company, the non-profit Company was required to relinquish its tax-exempt status as a Section 501 (c)(3) organization and convert to a for-profit entity. At the time of the conversion, the for-profit Company (Company) was required to transfer to the Foundation the principal sum of $21,804,000 plus annual interest for a three-year period at an annual interest rate of 1.5%. The remaining payments are as follows:

Year	Amount
2024	$ 2,349,377
2025	15,602,436
	$ 17,951,813

The Company is to obtain commercial financing proposals for the full amount of the balloon payment noted above on financing terms and conditions as per the settlement agreement. If no financing proposal meets the criteria of the settlement agreement, the scheduled payments will be extended for an additional term of no more than ten years at the annual interest rate of 5.5% in equal installments as follows:

2025	$ 2,031,929
2026	2,031,929
2027	2,031,929
2028	2,031,929
2029	2,031,929
2030	2,031,929
2031	2,031,929
2032	2,031,929
2033	2,031,929
2034	2,031,929
	$ 20,319,290

Funds received under the settlement agreement are to be disbursed in the amount of $40,000 per month to a designated Section 501 (c)(3) nonprofit organization. If the funds exceed specified financial thresholds, funds can be disbursed to nonprofits that meet specific criteria as clearly defined in the settlement agreement.

Included as part of the pledges receivable at December 31, 2023, is the outstanding pledge from the Company discounted at .85% to be collected as follows:

Year	Amount
2024	$ 2,069,971
2025	15,357,094
	17,427,065
Less: discount	(418,116)
	$ 17,008,949

All pledges receivable at December 31, 2023 and 2022 were reported in net assets with donor restrictions due to time and purpose restrictions.

4. 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, 2023:

	Level	Fair Value	Cost	Unrealized Appreciation (Depreciation)
Investments measured at fair value:				
Mutual funds:				
Growth:				
Equities	1	$ 84,876,785	$ 81,998,194	$ 2,878,591
Fixed income	1	6,486,808	7,380,767	(893,959)
Risk reduction:				
Fixed income	1	23,646,563	25,722,084	(2,075,521)
Inflation protection:				
Fixed income	1	1,406,781	1,423,642	(16,861)
Real estate	1	4,985,129	4,832,045	153,084
Total investments measured at fair value		121,402,066	$ 121,356,732	$ 45,334
Investments measured at NAV:				
SEI Global Private Assets V, L.P.		3,268,588		
Total investments measured at NAV		3,268,588		
Total		$ 124,670,654		

The investment in SEI Global Private Assets V, L.P. (Partnership) was measured at net asset value per share (or its equivalent) and has not been classified in the fair value hierarchy. The Partnership was organized to invest directly and indirectly in a diversified pool of private investment vehicles (Investment Funds). The Partnership seeks to shorten the duration of the typical private assets fund of funds through a dedicated focus on secondaries strategies and income-producing investment strategies.

The Partnership will dissolve within one year following the date on which it no longer holds an interest in or has any obligation to an Investment Funds, unless earlier dissolved in accordance with the Limited Partnership Agreement. The Foundation has no unfunded commitments.

	Level	Fair Value	Cost	Unrealized Appreciation (Depreciation)
Assets Held under Split-Interest Agreements:				
Mutual funds:				
Growth:				
Equities	1	$ 694,603	$ 661,157	$ 33,446
Fixed income	1	54,818	63,365	(8,547)
Risk reduction:				
Fixed income	1	135,965	150,792	(14,827)
Inflation protection:				
Real estate	1	37,209	37,691	(482)
		$ 922,595	$ 913,005	$ 9,590
Contributions due from remainder trusts	3	$ 813,348		
Beneficial interest in perpetual trusts	3	$ 2,825,860		

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

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

	2023	2022
Interest and dividends	$ 6,303,955	$ 6,068,146
Net realized and unrealized gains	11,845,004	(25,824,446)
Investment management fees	(417,722)	(420,680)
Total	$ 17,731,237	$ (20,176,980)

5. Property, Plant, and Equipment

Property, plant, and equipment at December 31, 2023 and 2022 consists of the following:

	2023	2022
Land	$ 160,960	$ 160,960
Construction-in-progress	59,721	64,658
Buildings and improvements	3,189,808	3,187,431
Furniture and fixtures	308,022	301,485
Equipment and software	117,109	114,954
Total	3,835,620	3,829,488
Less: accumulated depreciation	(1,232,012)	(1,076,035)
Total fixed assets, net of accumulated depreciation	$ 2,603,608	$ 2,753,453

6. Grants Payable

If payment of a grant is conditional upon the recipient meeting certain criteria or barriers and the Foundation has a right of return of the grant funds, the grant expense is not recognized until that barrier has been met. Grants are authorized by the Board with consideration of the donor's recommendation. Grant expense, net of grant cancellations, was $5,295,305 and $5,136,224 for the years ended December 31, 2023 and 2022, respectively. At December 31, 2023 and 2022, $277,439 and $252,837, respectively, of grant awards were approved by the Board; however, barriers for payment had not been met. The conditions for payment are related to various scholastic requirements.

Grants payable totaling $1,261,356 and $1,233,044 at December 31, 2023 and 2022, respectively, represents amounts approved by the Board, but not yet disbursed as of December 31 of each year. Barriers for payment for these grant awards have been met or the grant award had been recognized prior to the year ended December 31, 2023.

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. 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 prescribed 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, 2023 and 2022, the Foundation recognized $1,342,263 and $5,436,469, respectively, in royalty income from oil or gas extracted from the property.

8. Line of Credit

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 plus .75%.

In June 2022, the Foundation amended the line of credit agreement in the principal amount of $1,000,000, with interest now at Term Secured Overnight Financing Rate (SOFR) plus .75%. Term SOFR is a variable rate per annum equal to the one-month CME Term SOFR. The line of credit is secured by certain investments of the Foundation. The balance on the line of credit at December 31, 2023 and 2022 was $0 and $0, respectively.

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 plus .75%, for costs related to the new building. The note payable is secured by certain investments of the Foundation. The Foundation was to pay 59 monthly principal payments of $8,889, plus interest, and one final principal payment of $1,075,549 plus interest.

In June 2022, the Foundation amended the note payable agreement. Under the amended agreement, the note payable balance was $1,084,444 bearing interest at the one-month CME Term SOFR plus .75%, At December 31, 2023 and 2022, the interest rate was 6.12% and 4.98%, respectively. The Foundation will pay 61 monthly principal and interest payments of $7,122, and one final principal and interest payment of $952,603 plus interest. The note payable matures in July 2027. The note payable balance at December 31, 2023 and 2022 was $1,034,391 and $1,059,369, respectively.

Interest expense for the line of credit and the note payable for the years ended December 31, 2023 and 2022 was $61,152 and $26,573, respectively.

Principal payments in subsequent years are as follows:

Year	Principal
2024	$ 22,597
2025	24,019
2026	25,529
2027	962,246
	$ 1,034,391

In November 2023, the Foundation entered into a Letter of Credit agreement for $500,000 to secure funding for the Rider Park construction project. The letter of credit expires the earlier of November 22, 2024 or the date at which the full amount of the letter is credit is drawn.

10. Net Assets

At December 31, 2023 and 2022, net assets consist of the following:

	2023	2022
Without Donor Restrictions:		
Undesignated - non-permanent	$ 16,453,722	$ 14,761,593
Designated by the Board for Endowment	107,699,179	91,974,580
	$ 124,152,901	$ 106,736,173
With Donor Restrictions:		
Pledges receivable	$ 17,245,999	$ 19,339,503
Charitable remainder trusts	1,394,204	1,267,058
Beneficial interest in perpetual trusts	2,825,860	2,608,720
	$ 21,466,063	$ 23,215,281

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, 2023 and 2022, rounded to the nearest $1,000, is as follows:

	2023	2022
Beginning balance	$ 91,975,000	$ 105,709,000
Contributions	487,000	3,255,000
Royalty income	1,342,000	5,436,000
Investment return, net	16,352,000	(20,846,000)
Expenses	(4,634,000)	(4,372,000)
Release from net assets with donor restrictions	2,177,000	2,793,000
Ending balance	$ 107,699,000	$ 91,975,000

11. 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 at December, 31:

	2023	2022
Cash and liquid investments	$ 32,800,106	$ 27,200,740
Accrued interest and dividends	116,226	75,762
Pledges receivable without donor restrictions, current portion	-	50,000
Endowments subject to spending policy	4,816,451	4,182,214
Distributions from beneficial interest in in perpetual trusts	95,231	88,305
Total	$ 37,828,014	$ 31,597,021

The Foundation's Board-designated endowment funds consist of donor-directed endowment funds for which the Foundation has variance power, and funds designated by the Board as endowments. For certain donor directed 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. In addition, certain donor directed non-permanent funds held for a specific project purpose are not considered available for general expenditures. As described in Note 8, the Foundation also has a line of credit with a remaining available balance at December 31, 2023 and 2022 of $1,000,000 and $1,000,000, respectively, 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.