

**REPORT OF
CENTRAL PENNSYLVANIA COMMUNITY FOUNDATION
ALTOONA, PENNSYLVANIA**

**AS OF DECEMBER 31, 2019
(WITH COMPARATIVE TOTALS FOR 2018)**

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Central Pennsylvania Community Foundation
1330 11th Avenue
Altoona, Pennsylvania 16601

We have audited the accompanying financial statements of the Central Pennsylvania Community Foundation (a nonprofit organization), which comprise the statement of financial position as of December 31, 2019, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Central Pennsylvania Community Foundation as of December 31, 2019, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited the Central Pennsylvania Community Foundation's 2018 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated July 16, 2019. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2018, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Young, Baker, Brown & Company, P.C.

**CENTRAL PENNSYLVANIA COMMUNITY FOUNDATION
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2019
(WITH COMPARATIVE TOTALS FOR 2018)**

	<u>2019</u>	<u>2018</u>
<u>ASSETS</u>		
<u>Current Assets</u>		
Cash and Cash Equivalents	\$ 792,186	\$ 981,912
Investments, including Agency Funds	<u>9,416,744</u>	<u>7,647,521</u>
Total Current Assets	\$10,208,930	\$ 8,629,433
<u>Property and Equipment</u>		
Property and Equipment	\$ 37,823	\$ 37,823
Less: Accumulated Depreciation	(<u>35,968</u>)	(<u>34,009</u>)
Total Property and Equipment	\$ 1,855	\$ 3,814
<u>Long-Term Assets</u>		
Endowment Investments - Donor Restricted Funds Held in Trust	\$ 8,603,411	\$ 7,029,040
	<u>3,119,626</u>	<u>2,804,981</u>
Total Long-Term Assets	\$11,723,037	\$ 9,834,021
TOTAL ASSETS	\$21,933,822	\$18,467,268
<u>LIABILITIES AND NET ASSETS</u>		
<u>Current Liabilities</u>		
Accounts Payable and Accrued Payroll Taxes	\$ 6,883	\$ 15,094
Total Current Liabilities	\$ 6,883	\$ 15,094
<u>Long-Term Liabilities</u>		
Agency Funds	\$ 144,374	\$ 125,612
Charitable Remainder Unitrust	757,482	690,094
Charitable Remainder Annuity Trust	<u>2,362,144</u>	<u>2,114,887</u>
Total Long-Term Liabilities	\$ 3,264,000	\$ 2,930,593
Total Liabilities	\$ 3,270,883	\$ 2,945,687
<u>Net Assets</u>		
Without Donor Restrictions	\$10,059,528	\$ 8,492,541
With Donor Restrictions	<u>8,603,411</u>	<u>7,029,040</u>
Total Net Assets	\$18,662,939	\$15,521,581
TOTAL LIABILITIES AND NET ASSETS	\$21,933,822	\$18,467,268

See Accompanying Notes and Independent Auditor's Report

**CENTRAL PENNSYLVANIA COMMUNITY FOUNDATION
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2019
(WITH COMPARATIVE TOTALS FOR 2018)**

	<u>Net Assets Without Donor Restrictions</u>	<u>Net Assets With Donor Restrictions</u>	<u>2019 Total</u>	<u>2018 Total</u>
<u>Revenue and Other Support</u>				
Contributions	\$ 1,309,344	\$ 648,285	\$ 1,957,629	\$ 1,248,226
Other Revenue and Gains (Losses):				
Investment Return – Net	1,560,095	1,333,820	2,893,915	(870,487)
EITC Program Revenue	0	462,126	462,126	504,000
Administration and Agency Fee Revenue	<u>66,679</u>	<u>0</u>	<u>66,679</u>	<u>62,986</u>
Total Revenue and Other Support	<u>\$ 2,936,118</u>	<u>\$2,444,231</u>	<u>\$ 5,380,349</u>	<u>\$ 944,725</u>
Net Assets Released from Restrictions (including \$120,500 in administrative fees)	<u>\$ 869,860</u>	<u>(\$ 869,860)</u>	<u>\$ 0</u>	<u>\$ 0</u>
<u>Expenses</u>				
Program Services	\$ 2,009,768	\$ 0	\$ 2,009,768	\$ 1,625,404
Management and General	103,165	0	103,165	129,300
Fundraising	<u>126,058</u>	<u>0</u>	<u>126,058</u>	<u>84,990</u>
Total Expenses	<u>\$ 2,238,991</u>	<u>\$ 0</u>	<u>\$ 2,238,991</u>	<u>\$ 1,839,694</u>
Change in Net Assets	\$ 1,566,987	\$1,574,371	\$ 3,141,358	(\$ 894,969)
<u>Net Assets</u> - Beginning of Year	<u>8,492,541</u>	<u>7,029,040</u>	<u>15,521,581</u>	<u>16,416,550</u>
<u>Net Assets</u> - End of Year	<u>\$10,059,528</u>	<u>\$8,603,411</u>	<u>\$18,662,939</u>	<u>\$15,521,581</u>

See Accompanying Notes and Independent Auditor's Report

**CENTRAL PENNSYLVANIA COMMUNITY FOUNDATION
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2019
(WITH COMPARATIVE TOTALS FOR 2018)**

	----- Support Services -----				
	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>2019 Total Expenses</u>	<u>2018 Total Expenses</u>
Grants and Related Expenses	\$1,945,180	\$ 0	\$ 0	\$1,945,180	\$1,562,623
Salaries and Wages	48,908	55,909	75,301	180,118	171,781
Payroll Taxes	4,277	5,193	5,804	15,274	14,325
Rent	0	8,400	0	8,400	8,253
Conferences and Meetings	6,475	0	6,475	12,950	12,810
Travel and Meals	0	0	937	937	983
Parking	0	2,164	0	2,164	2,160
Postage	479	320	2,396	3,195	2,966
Office Supplies	2,702	2,702	0	5,404	5,779
Dues and Subscriptions	0	0	2,072	2,072	1,927
Printing	0	2,343	0	2,343	2,029
Telephone	0	1,886	0	1,886	1,889
Insurance	0	3,388	0	3,388	2,902
Professional Services	0	10,975	0	10,975	18,078
Software Services	0	5,638	0	5,638	4,767
Cleaning and Maintenance	0	1,088	0	1,088	909
Reception Expense	0	0	4,350	4,350	4,248
Awards and Sponsorships	1,747	0	0	1,747	1,178
Project Expenses	0	0	0	0	408
Advertising and Marketing	0	0	28,723	28,723	13,536
Depreciation Expense	0	1,959	0	1,959	1,959
Miscellaneous	0	1,200	0	1,200	4,184
	<u>0</u>	<u>1,200</u>	<u>0</u>	<u>1,200</u>	<u>4,184</u>
Total Functional Expenses	\$2,009,768	\$103,165	\$126,058	\$2,238,991	\$1,839,694

See Accompanying Notes and Independent Auditor's Report

**CENTRAL PENNSYLVANIA COMMUNITY FOUNDATION
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2019
(WITH COMPARATIVE TOTALS FOR 2018)**

	<u>2019</u>	<u>2018</u>
<u>Cash Flows from Operating Activities</u>		
Change in Net Assets	\$3,141,358	(\$ 894,969)
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:		
Depreciation	1,959	1,959
Net Unrealized (Gains) Losses on Investments	(1,969,408)	1,538,723
Net Realized (Gains) on Investments	(539,206)	(202,249)
Increase (Decrease) in Agency Funds	18,762	(11,233)
(Decrease) Increase in Accrued Liabilities	(8,211)	8,932
(Decrease) in Grants Payable	<u>0</u>	(<u>8,700</u>)
Net Cash Provided by Operating Activities	<u>\$ 645,254</u>	<u>\$ 432,463</u>
<u>Cash Flows from Investing Activities</u>		
Acquisition of Investments	(\$6,039,756)	(\$2,452,252)
Proceeds from Sales of Investments	<u>5,204,776</u>	<u>2,063,592</u>
Net Cash (Used) by Investing Activities	<u>(\$ 834,980)</u>	<u>(\$ 388,660)</u>
Net (Decrease) Increase in Cash and Cash Equivalents	(\$ 189,726)	\$ 43,803
<u>Cash and Cash Equivalents</u> - January 1	<u>981,912</u>	<u>938,109</u>
<u>Cash and Cash Equivalents</u> - December 31	<u>\$ 792,186</u>	<u>\$ 981,912</u>

See Accompanying Notes and Independent Auditor's Report

CENTRAL PENNSYLVANIA COMMUNITY FOUNDATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019
(WITH COMPARATIVE TOTALS FOR 2018)

Note 1: Nature of Activities and Summary of Significant Accounting Policies

a. Nature of Activities

The Central Pennsylvania Community Foundation (the Foundation) was established in 1995 to improve the quality of life in the Central PA region and to promote effective philanthropy. The Foundation accomplishes its purpose by building a permanent endowment for the benefit of the community through the support of its philanthropically-minded donors. Funds are contributed by individuals, corporations, and non-profit agencies and support a wide range of organizations that promote the educational, cultural, health, social, and civic development of the region.

b. Basis of Accounting

The financial statements are presented on an accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America, which recognizes income when earned, and expenses when incurred.

c. Basis of Presentation

The Foundation reports information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions.

Net Assets Without Donor Restrictions: These net assets generally result from revenues generated by receiving contributions that have no donor restrictions, providing services, and receiving interest from operating investments, less expenses incurred in providing program-related services, raising contributions, and performing administrative functions.

Net Assets With Donor Restrictions: These net assets result from gifts of cash and other assets that are received with donor stipulations that limit the use of the donated assets, either temporarily or permanently, until the donor restriction expires, that is until the stipulated time restriction ends or the purpose of the restriction is accomplished, the net assets are restricted.

d. 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 and disclosures in the financial statements. Actual results could differ from those estimates.

e. Cash and Cash Equivalents

Cash and cash equivalents consist of cash held in checking and money market accounts with maturities of less than three months unless they are held as part of the long-term investments of the endowment. Management believes the Foundation is not exposed to any significant credit risk on cash and cash equivalents.

CENTRAL PENNSYLVANIA COMMUNITY FOUNDATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019
(WITH COMPARATIVE TOTALS FOR 2018)
(CONTINUED)

Note 1: Nature of Activities and Summary of Significant Accounting Policies (Continued)

f. Summarized Comparative Information

The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Foundation's audited financial statements for the year ended December 31, 2018, from which the summarized information was derived.

g. Investments

The Foundation's investments are stated at fair value in the statement of financial position, with all gains and losses included in the statement of activities. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Investments acquired by gift are recorded at their fair value at the date of the gift. The Foundation's policy is to liquidate all gifts of investments as soon as possible after the gift.

Investments are made according to the investment policies adopted by the Foundation's Board of Directors. These guidelines provide for a balanced diversified portfolio with investments in equities, fixed income, and other securities with performance measured against appropriate indices. Outside parties are contracted by the Foundation for the purpose of providing investment management.

Purchases and sales of securities are recorded on a trade-date basis. Interest income is recorded on the accrual basis. Dividends are recorded on the ex-dividend date. Realized gains or losses on the sale of marketable securities are calculated using the specific-identification method. Unrealized gains and losses represent the change in the fair value of the individual investments for the year, or since the acquisition date, if acquired during the year.

h. Income Tax Status

The Foundation is exempt from income tax under Section 501(c)(3) of the Internal Revenue Code. In addition, the Foundation has been classified as an entity that is not a private foundation within the meaning of Section 509(a) and qualifies for deductible contributions as provided in Section 170(b)(1)(A)(vi). Accordingly, no provision has been made for income taxes in the financial statements. There was no unrelated business income for the years ended December 31, 2019 and 2018. The Foundation's federal income tax returns for the tax years 2016 and beyond remain subject to examination by the Internal Revenue Service.

The Foundation has filed for and received state income tax exemptions in the jurisdictions where it is required to do so. As of and during the years ended December 31, 2019 and 2018, the Foundation did not have a liability for any tax benefits that would not be sustained upon examination.

CENTRAL PENNSYLVANIA COMMUNITY FOUNDATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019
(WITH COMPARATIVE TOTALS FOR 2018)
(CONTINUED)

Note 1: Nature of Activities and Summary of Significant Accounting Policies (Continued)

i. Property and Equipment

The Foundation follows the practice of capitalizing expenditures in excess of \$500 for property and equipment at cost; the fair market value of donated fixed assets is similarly capitalized. Depreciation is provided over the estimated useful lives of the respective assets on a straight-line basis. Amortization of leasehold improvements and software costs are computed using the straight-line method over an estimated useful life of five years. Routine repairs and maintenance are expensed as incurred.

j. Split Interest Agreements and Perpetual Trust

The Foundation accepts gifts subject to split interest agreements. These gifts may be in the form of annuities, charitable lead trusts, or charitable remainder trusts. At the time of receipt, a gift is recorded based upon the fair value of assets donated less any applicable liabilities. Liabilities include the present value of projected future distributions to the annuity or trust beneficiary and are determined using appropriate discount rates. For certain split interest agreements where the measurement objective is fair value, the discount rate is adjusted to a current market rate at each reporting date. The gift portion of net assets subject to split interest agreements are classified as contributions with donor restrictions.

k. Grants

Grants are recorded as expenses when they are approved by the Board of Directors for payment.

l. Endowment Investment and Spending Policies

The Board of Directors has the ability to distribute from donor advised funds both principal and income at such times, in such ways and for such purposes as the Board in its sole discretion shall determine. As a result of the ability to distribute the original principal, all contributions to these funds are classified as being without donor restrictions for financial statement purposes.

The Foundation has adopted investment and spending policies, approved by the Board of Directors for endowment assets that attempt to ensure maximum income on a "total return" basis while protecting the assets of the Foundation through prudent investment practice. The investment policy establishes an achievable return objective through diversification of asset classes. Although investment and market conditions may dictate some tactical variation, the strategies asset mix, consistent with the long-term objective of the Foundation is as follows:

Class I - Conservative (income driven): 0%-35% equities; 65%-100% fixed income

Class II - Moderate (balance of growth and income): 40%-60% equities; 40%-60% fixed income

Class III - Growth emphasis: 60%-80% equities; 20%-40% fixed income

CENTRAL PENNSYLVANIA COMMUNITY FOUNDATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019
(WITH COMPARATIVE TOTALS FOR 2018)
(CONTINUED)

Note 1: Nature of Activities and Summary of Significant Accounting Policies (Continued)

I. Endowment Investment and Spending Policies (Continued)

A portion of Endowment funds are maintained in a pooled investment portfolio. Interest, dividends, and realized and unrealized gains and losses in the investment pools are allocated quarterly to the Foundation and agency endowment funds in proportion to each fund's share in the investment pool.

m. Advertising Costs

Advertising costs are charged to expense when incurred. Advertising expense was \$28,723 and \$13,536 for the years ending December 31, 2019 and 2018, respectively.

n. Adopted Accounting Pronouncements

Fair Value of Financial Instruments

In January 2016, the Financial Accounting Standards Board (FASB) issued ASU No. 2016-01, *Financial Instruments – Overall (Subtopic 825-10)*. The Foundation adopted ASU No. 2016-01 during 2019, which modifies the guidance related to the measurement of equity securities that do not have readily determinable fair values. There was no change to the presentation of the financial statements as a result of adopting ASU No. 2016-01.

Contributions

In June 2018, the FASB issued ASU 2018-08, *Not-for-Profit Entities (Topic 958), Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The ASU clarifies and improves guidance for contributions received and contributions made, and provides guidance to organizations on how to account for certain exchange transactions. This change is preferable in that it clarifies whether to account for transactions as contributions or as exchange transactions. In addition, it clarifies whether a contribution is conditional. As a result, it enhances comparability of financial information among not-for-profit entities. The Foundation adopted this ASU on January 1, 2019, with no change to the presentation of the financial statements as a result of adoption.

Note 2: Subsequent Events

The Foundation has evaluated events and transactions for potential recognition or disclosure through June 17, 2020, the date the financial statements were available to be issued.

On March 11, 2020, the World Health Organization declared the outbreak of a coronavirus (COVID-19) pandemic. As a result, economic uncertainties have arisen which are likely to negatively impact net assets. Other financial impact could occur though such potential impact is unknown at this time.

**CENTRAL PENNSYLVANIA COMMUNITY FOUNDATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019
(WITH COMPARATIVE TOTALS FOR 2018)
(CONTINUED)**

Note 3: Administration and Agency Fee Revenue

The Foundation earns fees from administering funds received through the Educational Improvement Tax Credit program. The Foundation is permitted to retain 20% of the amount received for administrative purposes while distributing the remaining 80% to qualified educational institutions. In addition, the Foundation charges fees for administering agency endowments and providing contracted services to manage a separate non-profit foundation. The fees collected for the years ending December 31, 2019 and 2018 totaled \$66,679 and \$62,986, respectively.

The Foundation assesses an administrative fee on each fund held within the Foundation. The fee is collected at the end of each quarter and based on the following scale:

1.5% of the first \$100,000 or \$150, whichever is greater

1.25% of the next \$100,001 - \$499,999

1% of any amount over \$500,000

These fees from component funds are eliminated in the financial statements. The amounts collected for the years ended December 31, 2019 and 2018 totaled \$240,881 and \$242,655, respectively.

Note 4: Functional Allocation of Expenses

The Foundation's operating costs have been allocated between program, management and general, and fundraising expenses based on direct identification when possible, and allocation if a single expenditure benefits more than one program or function. Expenditures that require allocation are allocated on either a square-footage basis, as well as those which are allocated on the basis of estimates of time and effort.

Note 5: Investments and Fair Value Measurements

Investments consist of the following at December 31, 2019 and 2018:

	<u>2019</u>		<u>2018</u>	
	<u>Cost</u>	<u>Market Value</u>	<u>Cost</u>	<u>Market Value</u>
Cash and Cash Equivalents	\$ 473,593	\$ 473,593	\$ 734,289	\$ 734,289
Bonds	446,391	447,345	575,500	552,159
Fixed Income Mutual Funds	7,009,917	7,382,166	6,573,146	6,340,450
Equities	<u>7,639,717</u>	<u>9,717,051</u>	<u>6,325,531</u>	<u>7,049,663</u>
	<u>\$15,569,618</u>	<u>\$18,020,155</u>	<u>\$14,208,466</u>	<u>\$14,676,561</u>

**CENTRAL PENNSYLVANIA COMMUNITY FOUNDATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019
(WITH COMPARATIVE TOTALS FOR 2018)
(CONTINUED)**

Note 5: Investments and Fair Value Measurements (Continued)

The Foundation pools a portion of its investments for portfolio management purposes. The pool units are assigned to the individual endowment funds and the agency endowments based on the fair value of the cash and securities placed in the pool by each fund. At December 31, the ownership of the investment pool is as follows:

	<u>2019</u>	<u>2018</u>
Foundation Endowment Funds	\$17,875,781	\$14,550,949
Agency Endowment	<u>144,374</u>	<u>125,612</u>
	<u>\$18,020,155</u>	<u>\$14,676,561</u>

Fair Value Measurements

U.S. GAAP provides a framework for measuring fair value. To increase consistency and comparability in fair value measurements, the framework requires fair value to be determined based on the exchange price that would be received for an asset or paid to transfer a liability (exit price) in the primary or most advantageous market for the asset or liability in an orderly transaction between market participants.

The framework uses a three-level valuation hierarchy based on observable and non-observable inputs. Observable inputs consist of data obtained from independent sources. Non-observable inputs reflect industry assumptions. These two types of inputs are used to create the fair value hierarchy, giving preference to observable inputs. The three levels of fair value hierarchy are as follows:

- Level 1 inputs are unadjusted quoted market prices in active markets for identical assets or liabilities that the Foundation has the ability to access at the measurement date. Level 1 inputs provide the most reliable measure of fair value as of the measurement date.
- Level 2 inputs are based on significant observable inputs, including unadjusted quoted market prices for similar assets and liabilities in active markets, unadjusted quoted prices for identical or similar assets or liabilities in markets that are not active, or inputs other than quoted prices that are observable for the asset or liability.
- Level 3 inputs are significant unobservable inputs for the asset or liability.

All investments of the Foundation are valued using Level 1 inputs. The valuation methodologies used by the Foundation may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Foundation's management believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

CENTRAL PENNSYLVANIA COMMUNITY FOUNDATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019
(WITH COMPARATIVE TOTALS FOR 2018)
(CONTINUED)

Note 5: Investments and Fair Value Measurements (Continued)

Investment return consists of the following:

	<u>2019</u>	<u>2018</u>
Investment Income	\$ 385,301	\$ 465,987
Net Realized Gain on Sales of Investments	539,206	202,249
Net Unrealized (Loss) Gain on Investments	<u>1,969,408</u>	<u>(1,538,723)</u>
	<u>\$2,893,915</u>	<u>(\$ 870,487)</u>

Note 6: Property and Equipment

Property and equipment at December 31, 2019 and 2018, are summarized as follows by major classification:

	<u>2019</u>	<u>2018</u>
Furniture and Fixtures	\$11,584	\$11,584
Computer Software	<u>26,239</u>	<u>26,239</u>
	\$37,823	\$37,823
Less: Accumulated Depreciation	<u>(35,968)</u>	<u>(34,009)</u>
Net Property and Equipment	<u>\$ 1,855</u>	<u>\$ 3,814</u>

Note 7: Net Assets

As required by GAAP, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions. Donor-restricted endowments are classified as net assets with donor restrictions. Undesignated operating funds, board-designated and donor advised endowments are classified as net assets without donor restrictions.

Net assets with donor restrictions were restricted for the following purposes at December 31:

	<u>2019</u>	<u>2018</u>
Designated Scholarships	\$4,675,275	\$4,008,327
Fields of Interest	2,352,220	1,635,287
Other Various	1,069,245	939,708
	<u>506,671</u>	<u>445,718</u>
Total Net Assets With Donor Restrictions	<u>\$8,603,411</u>	<u>\$7,029,040</u>

CENTRAL PENNSYLVANIA COMMUNITY FOUNDATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019
(WITH COMPARATIVE TOTALS FOR 2018)
(CONTINUED)

Note 7: Net Assets (Continued)

Net assets without donor restrictions were for the following purposes at December 31:

	<u>2019</u>	<u>2018</u>
Undesignated Operating Funds	\$ 595,147	\$ 507,453
Donor Advised Endowments	<u>9,464,381</u>	<u>7,985,088</u>
Total Net Assets Without Donor Restrictions	<u>\$10,059,528</u>	<u>\$8,492,541</u>

Note 8: Endowment Funds

The Foundation's endowment consists of 263 individual funds established within a specific framework to support various philanthropic programs and needs within the community. The funds include both donor-restricted endowment funds, one fund designated by the Board to function as an endowment for operating purposes and donor advised funds. Contributions made to donor-restricted funds are maintained in perpetuity, the income of which is expendable for the donor's intended purpose. Annual distributions are in accordance with the Foundation's investment and spending policy and subject to Pennsylvania law.

Changes in endowment net assets as of December 31, 2019 and 2018 are as follows:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total Net Assets 2019</u>	<u>Total Net Assets 2018</u>
Endowment Net Assets - December 31, 2018	\$ 8,243,082	\$ 7,029,040	\$15,272,122	\$16,216,739
Contributions	1,295,753	1,110,411	2,406,164	1,733,329
Investment Return, Net	1,553,081	1,333,820	2,886,901	(872,668)
Amounts Appropriated for Expenditure	(1,268,415)	(869,860)	(2,138,275)	(1,805,278)
Other Changes:				
Distribution from Board-Designated Endowment Pursuant to Distribution Policy	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Endowment Net Assets - December 31, 2019 with Summarized Total for 2018	<u>\$ 9,823,501</u>	<u>\$ 8,603,411</u>	<u>\$18,426,912</u>	<u>\$15,272,122</u>
Operating Funds	<u>\$ 236,027</u>	<u>\$ 0</u>	<u>\$ 236,027</u>	<u>\$ 249,459</u>
Total Net Assets	<u>\$10,059,528</u>	<u>\$ 8,603,411</u>	<u>\$18,662,939</u>	<u>\$15,521,581</u>

The Foundation held certain donor-restricted endowment funds in which year end values had fallen below the original gift amounts. Funds with original gift values of \$1,086,974 and fair values of \$837,954, resulted in deficiencies of \$249,020 as of December 31, 2019. Funds with original gift values of \$1,354,928 and fair values of \$994,031, resulted in deficiencies of \$360,897 as of December 31, 2018. These amounts were reported in net assets with donor restrictions on the statement of financial position. During the year ended December 31, 2019, the Board appropriated \$41,125 from underwater endowment funds. These amounts were fully recovered during 2019 due to favorable market conditions.

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(CONTINUED)**

Note 9: Concentration of Credit Risk

The Central Pennsylvania Community Foundation maintains bank accounts at two financial institutions. Accounts at an institution are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. Cash maintained at one institution exceeds federally insured limits. The amount in excess of the FDIC limit totaled \$750,592 and \$840,656 as of December 31, 2019 and 2018, respectively.

Note 10: Fair Value of Financial Instruments

The Foundation did not hold financial instruments for trading purposes at December 31, 2019 and 2018. Also, the Foundation does not invest in derivative financial instruments.

The carrying amount of cash approximates fair value. The carrying amount of investments (which is fair value) is based upon quoted market values.

The Foundation's financial instruments at December 31 are as follows:

	<u>2019</u>		<u>2018</u>	
	<u>Fair Value</u>	<u>Carrying Amount</u>	<u>Fair Value</u>	<u>Carrying Amount</u>
<u>Financial Assets</u>				
Cash and Cash Equivalents	\$ 792,186	\$ 792,186	\$ 981,912	\$ 981,912
Investments	18,020,155	15,569,618	14,676,561	14,208,466
Funds Held in Trust	3,119,626	2,772,256	2,804,981	2,792,249

Note 11: Related Party Transaction

The Foundation utilizes an investment manager whom also serves as a board member. The Foundation paid \$16,498 and \$17,522 in management fees to that firm, during the years ended December 31, 2019 and 2018, respectively.

In 2019, the Foundation also paid \$3,076 in premiums to an insurance company owned by a board member.

Note 12: Funds Held in Trust

Funds Held in Trust by the Foundation consist of both Annuity Trusts and a Unitrust for which the Foundation serves as co-trustee. The Foundation records an asset for the estimated market value of trust investments. Offsetting liabilities are recorded as well so that no impact is made on the statement of activities. As of December 31, 2019 and 2018, assets consisted of \$3,119,626 and \$2,804,981 in investments and cash of \$0 and \$0, respectively.

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Note 13: Agency Funds

Agency endowments held for others are transactions in which the Foundation accepts assets from a donor and agrees to transfer those assets, the return on investment of those assets, or both, to a not-for-profit organization that is specified by the donor. Many of these arrangements are agreements in which another not-for-profit organization establishes a fund at the Foundation with its own funds and specifies itself or its affiliate as the beneficiary of that fund. The transferred funds are managed along with the Foundation's investments, and the fact that they ultimately benefit the other not-for-profit organization is reflected as a liability. There were \$0 and \$0 of deposits made by not-for-profit organizations into agency endowments during the years ended December 31, 2019 and 2018, respectively.

Note 14: Liquidity and Availability

The Foundations primary sources of support are contributions and income from investing. The following reflects the Foundation's financial assets as of the balance sheet date, reduced by amounts not available for general use because of donor-imposed restrictions within one year of the balance sheet date. As part of the Foundation's liquidity management, it has a policy to structure its financial assets to be available as general expenditures, liabilities, and other obligations come due. In addition, the Foundation invests cash in excess of daily requirements in short-term investments. Occasionally, the Board designates a portion of any surplus to its liquidity reserve. There is a fund established by the governing Board that may be drawn upon in the event of financial distress or an immediate liquidity need. The following table reflects the Foundation's financial assets (cash and cash equivalents and investments) as of December 31, 2019 and 2018, reduced by amounts not available for general expenditures within one year.

	<u>2019</u>	<u>2018</u>
Total Financial Assets	\$10,208,930	\$ 8,629,433
Less those Unavailable for General Expenditure within One Year Due to:		
Investments and Other Financial Assets Held for Others	(144,374)	(125,612)
Cash and Investments Subject to Appropriation	(<u>9,494,378</u>)	(<u>8,008,578</u>)
Financial Assets Available to Meet Cash Needs for General Expenditures Within One Year	\$ 570,178	\$ 495,243

Financial assets available to meet general expenditures within one year include cash of \$211,057 and investments of \$359,121 as of December 31, 2019.