

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

\*\*\*\*\*

**AS OF DECEMBER 31, 2021**  
**(WITH COMPARATIVE TOTALS FOR 2020)**

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**INDEPENDENT AUDITOR'S REPORT**

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

**Opinion**

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, 2021, and the related statements of activities, functional expenses, and cash flows for the year 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 Central Pennsylvania Community Foundation as of December 31, 2021, and the changes in net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

**Basis for Opinion**

We conducted our audit 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 Central Pennsylvania Community Foundation and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. 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 Central Pennsylvania Community 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 Central Pennsylvania Community 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 Central Pennsylvania Community 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.

### **Report on Summarized Comparative Information**

We have previously audited the Central Pennsylvania Community Foundation's 2020 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated July 8, 2021. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2020, is consistent, in all material respects, with the audited financial statements from which it has been derived.

*Young, Decker, Brown & Company, P.C.*

**Altoona, Pennsylvania  
August 17, 2022**

**CENTRAL PENNSYLVANIA COMMUNITY FOUNDATION  
STATEMENT OF FINANCIAL POSITION  
DECEMBER 31, 2021  
(WITH COMPARATIVE TOTALS AT DECEMBER 31, 2020)**

<u>ASSETS</u>	<u>2021</u>	<u>2020</u>
<b><u>Current Assets</u></b>		
Cash and Cash Equivalents - Unrestricted	\$ 727,845	\$ 503,280
Cash and Cash Equivalents - Restricted	168,683	195,631
Investments	14,170,967	11,547,345
Administrative Fee Receivable	<u>-</u>	<u>9,568</u>
Total Current Assets	<u>\$15,067,495</u>	<u>\$12,255,824</u>
<b><u>Property and Equipment</u></b>		
Property and Equipment	\$ 40,272	\$ 40,272
Less: Accumulated Depreciation	<u>( 38,410)</u>	<u>( 37,453)</u>
Total Property and Equipment, Net	<u>\$ 1,862</u>	<u>\$ 2,819</u>
<b><u>Other Assets</u></b>		
Endowment Investments - Donor Restricted	\$10,278,257	\$ 9,141,830
Funds Held in Trust	<u>3,236,101</u>	<u>3,012,322</u>
Total Other Assets	<u>\$13,514,358</u>	<u>\$12,154,152</u>
<b>TOTAL ASSETS</b>	<u><u>\$28,583,715</u></u>	<u><u>\$24,412,795</u></u>
<b><u>LIABILITIES AND NET ASSETS</u></b>		
<b><u>Current Liabilities</u></b>		
Accounts Payable and Accrued Payroll Taxes	\$ 5,034	\$ 7,438
Grants Payable	14,400	-
Refundable Advance (SBA - PPP Loan)	<u>-</u>	<u>38,559</u>
Total Current Liabilities	<u>\$ 19,434</u>	<u>\$ 45,997</u>
<b><u>Long-Term Liabilities</u></b>		
Agency Funds	\$ 145,094	\$ 132,773
Charitable Remainder Unitrust	787,811	728,699
Charitable Remainder Annuity Trust	<u>2,448,288</u>	<u>2,289,101</u>
Total Long-Term Liabilities	<u>\$ 3,381,193</u>	<u>\$ 3,150,573</u>
Total Liabilities	<u>\$ 3,400,627</u>	<u>\$ 3,196,570</u>
<b><u>Net Assets</u></b>		
Without Donor Restrictions	\$14,736,148	\$11,884,242
With Donor Restrictions	<u>10,446,940</u>	<u>9,331,983</u>
Total Net Assets	<u>\$25,183,088</u>	<u>\$21,216,225</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u><u>\$28,583,715</u></u>	<u><u>\$24,412,795</u></u>

**See Accompanying Notes and Independent Auditor's Report**

**CENTRAL PENNSYLVANIA COMMUNITY FOUNDATION  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2021  
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED DECEMBER 31, 2020)**

	<u>Net Assets Without Donor Restrictions</u>	<u>Net Assets With Donor Restrictions</u>	<u>2021 Total</u>	<u>2020 Total</u>
<b><u>Revenue and Other Support</u></b>				
Contributions	\$ 2,439,822	\$ 340,083	\$ 2,779,905	\$ 2,050,385
Other Revenue and Gains:				
Investment Return - Net	1,341,285	1,133,664	2,474,949	2,127,642
EITC Program Revenue	-	101,500	101,500	103,500
Administration and Agency Fee Revenue	<u>128,274</u>	<u>-</u>	<u>128,274</u>	<u>122,475</u>
Total Other Revenue and Gains	<u>\$ 1,469,559</u>	<u>\$ 1,235,164</u>	<u>\$ 2,704,723</u>	<u>\$ 2,353,617</u>
Total Revenue and Other Support	<u>\$ 3,909,381</u>	<u>\$ 1,575,247</u>	<u>\$ 5,484,628</u>	<u>\$ 4,404,002</u>
Net Assets Released from Restrictions (including \$119,906 in administrative fees)	<u>\$ 460,290</u>	<u>(\$ 460,290)</u>	<u>\$ -</u>	<u>\$ -</u>
<b><u>Expenses</u></b>				
Program Services	\$ 1,338,726	\$ -	\$ 1,338,726	\$ 1,617,195
Management and General	99,460	-	99,460	96,863
Fundraising	<u>147,323</u>	<u>-</u>	<u>147,323</u>	<u>136,658</u>
Total Expenses	<u>\$ 1,585,509</u>	<u>\$ -</u>	<u>\$ 1,585,509</u>	<u>\$ 1,850,716</u>
Change in Net Assets Before Other Revenues	<u>\$ 2,784,162</u>	<u>\$ 1,114,957</u>	<u>\$ 3,899,119</u>	<u>\$ 2,553,286</u>
<b><u>Other Revenues</u></b>				
PPP Loan - Grant Revenue	\$ 38,559	\$ -	\$ 38,559	\$ -
Employment Tax Refund	<u>29,185</u>	<u>-</u>	<u>29,185</u>	<u>-</u>
Total Other Revenues	<u>\$ 67,744</u>	<u>\$ -</u>	<u>\$ 67,744</u>	<u>\$ -</u>
Change in Net Assets	<u>\$ 2,851,906</u>	<u>\$ 1,114,957</u>	<u>\$ 3,966,863</u>	<u>\$ 2,553,286</u>
<b><u>Net Assets - Beginning of Year</u></b>	<u>11,884,242</u>	<u>9,331,983</u>	<u>21,216,225</u>	<u>18,662,939</u>
<b><u>Net Assets - End of Year</u></b>	<u>\$14,736,148</u>	<u>\$10,446,940</u>	<u>\$25,183,088</u>	<u>\$21,216,225</u>

**See Accompanying Notes and Independent Auditor's Report**

**CENTRAL PENNSYLVANIA COMMUNITY FOUNDATION  
STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED DECEMBER 31, 2021  
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED DECEMBER 31, 2020)**

	----- Support Services -----				
	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>2021 Total Expenses</u>	<u>2020 Total Expenses</u>
Grants and Related Expenses	\$1,266,942	\$ -	\$ -	\$1,266,942	\$1,543,160
Salaries and Wages	50,953	54,450	120,186	225,589	216,869
Payroll Taxes	5,483	6,658	7,442	19,583	17,019
Rent	-	7,780	-	7,780	8,400
Conferences and Meetings	676	-	675	1,351	2,018
Travel and Meals	-	-	580	580	692
Parking	-	2,212	-	2,212	2,576
Postage	455	304	2,277	3,036	3,058
Office Supplies	2,710	2,709	-	5,419	5,250
Dues and Subscriptions	-	-	2,885	2,885	1,530
Printing	-	1,658	-	1,658	2,955
Telephone	-	2,330	-	2,330	2,227
Insurance	-	3,827	-	3,827	3,459
Professional Services	8,590	12,885	-	21,475	16,250
Software Services	2,693	2,693	-	5,386	5,720
Cleaning and Maintenance	-	770	-	770	840
Reception Expense	-	-	4,546	4,546	500
Awards and Sponsorships	34	-	-	34	437
Project Expenses	190	-	-	190	204
Advertising and Marketing	-	-	8,732	8,732	15,960
Depreciation Expense	-	957	-	957	1,485
Miscellaneous	-	227	-	227	107
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Total Functional Expenses	\$1,338,726	\$99,460	\$147,323	\$1,585,509	\$1,850,716
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>

**See Accompanying Notes and Independent Auditor's Report**

**CENTRAL PENNSYLVANIA COMMUNITY FOUNDATION  
STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED DECEMBER 31, 2021  
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED DECEMBER 31, 2020)**

	<u>2021</u>	<u>2020</u>
<b><u>Cash Flows from Operating Activities</u></b>		
Change in Net Assets	\$3,966,863	\$ 2,553,286
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:		
Depreciation	957	1,485
Decrease (Increase) in Receivables	9,568	( 9,568)
Net Unrealized (Gains) on Investments	( 548,269)	( 688,385)
Net Realized (Gains) on Investments	( 1,188,370)	( 1,130,169)
Increase in Grants Payable	14,400	-
(Decrease) in Agency Funds	( 12,321)	( 11,601)
Increase in Accrued Liabilities	2,404	555
(Decrease) Increase in Refundable Advance (SBA - PPP Loan)	( 38,559)	38,559
Net Cash Provided by Operating Activities	<u>\$2,206,673</u>	<u>\$ 754,162</u>
<b><u>Cash Flows from Investing Activities</u></b>		
Acquisition of Investments	(\$8,714,490)	(\$10,747,923)
Proceeds from Sales of Investments	6,705,434	9,902,935
Purchase of Property and Equipment	<u>-</u>	<u>( 2,449)</u>
Net Cash (Used) in Investing Activities	<u>(\$2,009,056)</u>	<u>(\$ 847,437)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	\$ 197,617	(\$ 93,275)
<b><u>Cash and Cash Equivalents</u></b> - January 1	<u>698,911</u>	<u>792,186</u>
<b><u>Cash and Cash Equivalents</u></b> - December 31	<u>\$ 896,528</u>	<u>\$ 698,911</u>
<b><u>Reconciliation of Cash and Cash Equivalents</u></b>		
Amounts reported within the statement of financial position that sum to the total above:		
Cash and Cash Equivalents - Unrestricted	\$ 727,845	\$ 503,280
Cash and Cash Equivalents - Restricted	<u>168,683</u>	<u>195,631</u>
	<u>\$ 896,528</u>	<u>\$ 698,911</u>

**Supplemental Disclosure of Noncash Investing and Financing Activities**

The above cash flows include proceeds forgiven related to the Paycheck Protection Program (PPP) administered by the Small Business Administration (SBA). The Paycheck Protection Program funds (\$38,559) were received in 2020 and, subsequently, forgiven under the terms of the funding agreement in January 2021.

**See Accompanying Notes and Independent Auditor's Report**



CENTRAL PENNSYLVANIA COMMUNITY FOUNDATION  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2021  
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED DECEMBER 31, 2020)

**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. Cash and cash equivalents include restricted amounts of \$193,583 and \$195,631 as of December 31, 2021 and 2020. 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, 2021  
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED DECEMBER 31, 2020)  
(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, 2020, 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, 2021 and 2020. The Foundation's federal income tax returns for the tax years 2018 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, 2021 and 2020, 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, 2021**  
**(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED DECEMBER 31, 2020)**  
**(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

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.

CENTRAL PENNSYLVANIA COMMUNITY FOUNDATION  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2021  
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED DECEMBER 31, 2020)  
(CONTINUED)

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

**m. Advertising Costs**

Advertising costs are charged to expense when incurred. Advertising expense was \$8,732 and \$15,960 for the years ending December 31, 2021 and 2020, respectively.

**n. 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.

**o. Adopted Accounting Pronouncements**

In May 2014, the Financial Accounting Standards Board (FASB) issued accounting Standards Update 2014-09, ***Revenue from Contracts with Customer*** (Topic 606). The ASU implements a single framework for revenue recognition ensuring that revenue is recognized in a manner that reflects the consideration to which the entity expects to be entitled for goods or services. The core principle of the new standard is built on the contract between a vendor and a customer for goods and services. It attempts to depict the exchange of rights between the parties based on commensurate value. To accomplish this, the standard requires five steps: (i) identify the contract with the customer, (ii) identify the performance obligations in the contract, (iii) determine the transactions price, (iv) allocate the transaction price to the performance obligations in the contract, and (v) recognize revenue when the entity satisfies the performance obligation.

ASC 606 requires new, expanded disclosures regarding revenue recognition to ensure an understanding as to the nature, amount and timing of revenue and cash flows arising from contracts with customers.

Effective, January 1, 2020, the Foundation adopted ASU 2014-09 on a modified retrospective basis. The adoption of ASU 2014-09 did not have a material impact on the recognition of revenue from contracts. In accordance with FASB Accounting Standards Codification ("ASC") Topic 606, *Revenue from Contracts with Customers* (ASC 606), the Foundation recognized revenue when control of the services is transferred to outside parties in an amount that reflects the consideration the Foundation expects to be entitled to in exchange for the services.

The Foundation has identified administrative fees that are accounted for as exchange (reciprocal) transactions.

CENTRAL PENNSYLVANIA COMMUNITY FOUNDATION  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2021  
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED DECEMBER 31, 2020)  
(CONTINUED)

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

**p. Accounting Pronouncements Not Yet Adopted**

In February 2016, the FASB issued ASU 2016-02, *Leases* (Topic 842), as amended. Under the new provision, all lessees will report on the balance sheet a right-of-use asset and a liability for the obligation to make payments with the exception of those leases with a term of 12 months or less. The new provision will be effective for The Foundation in fiscal year 2022.

**Note 2: Subsequent Events**

The Foundation has evaluated events and transactions for potential recognition or disclosure through August 17, 2022, the date the financial statements were available to be issued.

**Note 3: Risks and Uncertainties**

On March 11, 2020, the World Health Organization declared COVID-19 a global pandemic. The pandemic has caused a substantial impact on the global economy, including significant volatility in the financial markets. The COVID-19 pandemic and government responses has created disruption in supply chains and has adversely affected industries as well as nonprofit organizations. The outbreak could continue to cause further economic slowdowns and alter business functionality. As of the date of this report, management has modified its program procedures to meet health and safety standards in delivery of its services.

The rapid development of fluidity of the situation precludes prediction as to the ultimate material adverse impact of COVID-19. Due to the material uncertainty and risk with COVID-19, the Foundation continues to examine its impact as well as resources under the CARES Act and the effect it may have on financial position, change in net assets or liquidity.

**Note 4: Administration and Agency Fee Revenue**

**Third-Party Administration Fees**

The Foundation earns fees from administering funds received through the Educational Improvement Tax Credit program and the Central Pennsylvania Scholarship Fund. 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, 2021 and 2020 totaled \$128,274 and \$122,475, respectively.

**Component Fund Fees**

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

**CENTRAL PENNSYLVANIA COMMUNITY FOUNDATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2021**  
**(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED DECEMBER 31, 2020)**  
**(CONTINUED)**

**Note 4: Administration and Agency Fee Revenue**

**Component Fund Fees** (Continued)

The fees from component funds are eliminated in the financial statements. The amounts collected for the years ended December 31, 2021 and 2020 totaled \$278,332 and \$264,229, respectively.

**Note 5: Other Revenues**

Other Revenues includes income of \$38,559 recognized from a loan obtained through the Paycheck Protection Program (PPP) in 2020 to assist with the payment of eligible expenses incurred during the coronavirus pandemic. Established as part of the Coronavirus Aid, Relief and Economic Security Act (CARES Act), PPP loans were forgivable after a "covered period" as long as the borrower maintained payroll levels and used the proceeds for qualifying expenses included payroll, benefits, rent, and utilities. The Foundation initially recorded the loan as a refundable advance in 2020 and, subsequently, recognized grant revenue in 2021 in accordance with guidance for conditional contributions; that is, once the measurable performance or other barrier and right of return of the PPP loan no longer exists. Advance proceeds are recognized as grant revenue.

In addition, Other Revenues includes \$29,185 in Employment Retention Credit (ERC) proceeds the Foundation received in July 2021 as part of a separate program established through the CARES Act which was intended to help organizations retain workforces and avoid layoffs during the coronavirus pandemic.

**Note 6: 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 or are allocated on the basis of estimates of time and effort.

**Note 7: Investments and Fair Value Measurements**

Investments at market value and cost at December 31, 2021 and 2020 were as follows:

	<u>2021</u>		<u>2020</u>	
	<u>Cost</u>	<u>Market Value</u>	<u>Cost</u>	<u>Market Value</u>
Money Market	\$ 2,949,120	\$ 2,949,120	\$ 722,578	\$ 722,578
Bonds	1,635,799	1,641,539	1,491,802	1,547,217
Fixed Income Mutual Funds	5,869,502	5,970,064	7,274,649	7,852,626
Equities	<u>10,303,598</u>	<u>13,888,501</u>	<u>8,060,999</u>	<u>10,566,754</u>
	<u>\$20,758,019</u>	<u>\$24,449,224</u>	<u>\$17,550,028</u>	<u>\$20,689,175</u>

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**Note 7: Investments and Fair Value Measurements** (Continued)

Investment return consists of the following:

	<u>2021</u>	<u>2020</u>
Investment Income	\$ 857,765	\$ 405,763
Net Realized Gain on Sales of Investments	1,188,370	1,130,169
Net Unrealized Gain on Investments	548,269	688,385
Investment Fees	( 119,455)	( 96,675)
	<u>\$2,474,949</u>	<u>\$2,127,642</u>

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.

**Fair Value Measurements**

The Foundation applies the provisions of ASC 820, Fair Value Measurements and Disclosures, for fair value measurements of investments that are recognized and disclosed at fair value price that would be received for an asset or liability in an orderly transaction between market participants on the measurement date. ASC 820 also establishes a fair value hierarchy that requires the Foundation to maximize the use of observable inputs when measuring fair value. Observable inputs reflect market data obtained from independent sources, while unobservable inputs reflect the Foundation's market assumptions.

The three levels of the fair value hierarchy are as follows:

**Level 1**

Quoted prices for identical assets or liabilities in active markets.

**Level 2**

Observable inputs other than Level 1 quoted prices for similar assets or liabilities; quoted prices for identical or similar assets or liabilities in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for the full term of the assets or liabilities.

**Level 3**

Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

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**Note 7: Investments and Fair Value Measurements** (Continued)

The following table represents investments that are measured at fair value on a recurring basis at December 31, 2021:

	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Money Market	\$ 2,949,120	\$ 2,949,120	\$ -	\$ -
Bonds	1,641,539	1,641,539	-	-
Fixed Income Mutual Funds	5,970,064	5,970,064	-	-
Equities	<u>13,888,501</u>	<u>13,888,501</u>	-	-
	<u>\$24,449,224</u>	<u>\$24,449,224</u>	\$ -	\$ -

The following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used as of December 31, 2021 and 2020.

Equities - Valued using quoted market prices for those of similar investments.

Fixed Income and Bond Funds - Valued using pricing information from various sources including pricing vendors and investment managers.

**Note 8: Property and Equipment**

Property and equipment at December 31, 2021 and 2020, are summarized as follows by major classification:

	<u>2021</u>	<u>2020</u>
Furniture and Fixtures	\$14,033	\$14,033
Computer Software	<u>26,239</u>	<u>26,239</u>
	\$40,272	\$40,272
Less: Accumulated Depreciation	( <u>38,410</u> )	( <u>37,453</u> )
Net Property and Equipment	<u>\$ 1,862</u>	<u>\$ 2,819</u>

**Note 9: Net Assets**

As required by generally accepted accounting principles, 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.



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**Note 9: Net Assets** (Continued)

Net assets with donor restrictions consist of funds which are available to support the following purposes at December 31:

	<u>2021</u>	<u>2020</u>
Designated	\$ 5,654,839	\$ 5,111,918
Scholarships	2,907,990	2,480,540
Fields of Interest	1,245,202	1,131,343
Other Various	<u>638,909</u>	<u>608,182</u>
Total Net Assets With Donor Restrictions	<u>\$10,446,940</u>	<u>\$ 9,331,983</u>

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

	<u>2021</u>	<u>2020</u>
Undesignated Operating Funds	\$ 913,264	\$ 702,869
Donor Advised Endowments	<u>13,822,884</u>	<u>11,181,373</u>
Total Net Assets Without Donor Restrictions	<u>\$14,736,148</u>	<u>\$11,884,242</u>

**Note 10: Endowment Funds**

The Foundation's endowment consists of 289 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, 2021 and 2020 are as follows:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total Net Assets 2021</u>	<u>Total Net Assets 2020</u>
Endowment Net Assets - December 31, 2020	\$11,556,803	\$ 9,331,983	\$20,888,786	\$18,662,939
Contributions	2,438,644	441,583	2,880,227	2,143,947
Investment Return, Net	1,339,353	1,133,664	2,473,017	2,123,996
Amounts Appropriated for Expenditure	( 1,037,513)	( 460,290)	( 1,497,803)	( 2,042,096)
Endowment Net Assets - December 31, 2021 with Summarized Total for 2020	<u>\$14,297,287</u>	<u>\$10,446,940</u>	<u>\$24,744,227</u>	<u>\$20,888,786</u>
Operating Net Assets	<u>\$ 438,861</u>	<u>\$ -</u>	<u>\$ 438,861</u>	<u>\$ 327,439</u>
Total Net Assets	<u>\$14,736,148</u>	<u>\$10,446,940</u>	<u>\$25,183,088</u>	<u>\$21,216,225</u>

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**Note 10: Endowment Funds** (Continued)

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 \$806,295 and fair values of \$607,842, resulted in deficiencies of \$198,453 as of December 31, 2021. Funds with original gift values of \$807,295 and fair values of \$583,316, resulted in deficiencies of \$223,979 as of December 31, 2020. These amounts were reported in net assets with donor restrictions on the statement of financial position. During the year ended December 31, 2021, the Board appropriated \$34,866 from underwater endowment funds. These amounts were fully recovered during 2021 due to favorable market conditions.

**Note 11: 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 \$1,867,104 and \$627,114 as of December 31, 2021 and 2020, respectively.

**Note 12: Fair Value of Financial Instruments**

The Foundation did not hold financial instruments for trading purposes at December 31, 2021 and 2020. 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>2021</u>		<u>2020</u>	
	<u>Fair Value</u>	<u>Carrying Amount</u>	<u>Fair Value</u>	<u>Carrying Amount</u>
<b><u>Financial Assets</u></b>				
Cash and Cash Equivalents	\$ 896,528	\$ 896,528	\$ 698,911	\$ 698,911
Investments	24,449,224	20,758,019	20,689,174	17,550,027
Funds Held in Trust	3,236,101	2,746,346	3,012,322	2,759,568

**Note 13: Related Party Transactions**

The Foundation utilizes an investment manager who also serves as a board member. The Foundation paid \$20,629 and \$16,829 in management fees to that firm, during the years ended December 31, 2021 and 2020, respectively. The Foundation utilizes another investment manager who also serves as a board member. The Foundation paid \$427 and \$459 in management fees to that firm, during the years ended December 31, 2021 and 2020, respectively.

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**Note 13: Related Party Transactions** (Continued)

In 2021 and 2020, the Foundation also paid \$3,506 and \$3,147, respectively, in premiums to an insurance company owned by a board member.

The Foundation received \$51,100 in administrative fee revenue from the Central Pennsylvania Scholarship Fund, a separate 501(c)(3) organization whose President serves as a board member at the Foundation.

**Note 14: 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, 2021 and 2020, assets consisted of \$3,211,201 and \$3,006,844 in investments and cash of \$24,900 and \$5,478, respectively.

**Note 15: Liquidity and Availability**

The following represents the Foundation's financial assets available to meet general expenditures as of December 31, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
Financial Assets:		
Cash and Cash Equivalents - Unrestricted	\$ 727,845	\$ 503,280
Investments	14,170,967	11,547,345
Administrative Fee Receivable	-	9,568
Less: Agency Funds	( 145,094)	( 132,773)
Cash and Investments Subject to Appropriation	( <u>13,875,473</u> )	( <u>11,225,306</u> )
 Total Financial Assets to meet Cash Needs for General Expenditures within One Year	 \$ 878,245	 \$ 702,114

The Foundation's primary sources of revenue are contributions, income from investments and fee income related to asset management and various management agreements. General expenditures include management, general expenses, and fundraising expenses. As part of the Foundation's liquidity management, it maintains adequate liquid assets to meet financial needs, adheres to distribution policies and maintains a liquidity reserve which can be drawn on to meet an immediate financial need. The market value of this reserve is \$474,403 and \$375,430 as of December 31, 2021 and 2020.