

REPORT OF
CENTRAL PENNSYLVANIA COMMUNITY FOUNDATION
ALTOONA, PENNSYLVANIA

AS OF DECEMBER 31, 2023
(WITH COMPARATIVE TOTALS FOR 2022)

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INDEPENDENT AUDITOR'S REPORT

To The Board of Directors
Central Pennsylvania Community Foundation
1616 E. Pleasant Valley Boulevard
Altoona, PA 16602

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, 2023, 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, 2023, 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 2022 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated August 10, 2023. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2022, 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
July 25, 2024

**CENTRAL PENNSYLVANIA COMMUNITY FOUNDATION
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2023
(WITH COMPARATIVE TOTALS AT DECEMBER 31, 2022)**

<u>ASSETS</u>	<u>2023</u>	<u>2022</u>
<u>Current Assets</u>		
Cash and Cash Equivalents - Unrestricted	\$ 256,304	\$ 1,051,809
Cash and Cash Equivalents - Restricted	476,976	175,527
Investments	14,233,659	12,166,198
Prepaid Insurance	<u>4,853</u>	<u>4,624</u>
Total Current Assets	\$14,971,792	\$13,398,158
<u>Property and Equipment</u>		
Property and Equipment	\$ 920,500	\$ 900,495
Less: Accumulated Depreciation	<u>(38,491)</u>	<u>(39,252)</u>
Total Property and Equipment, Net	\$ 882,009	\$ 861,243
<u>Other Assets</u>		
Endowment Investments - Donor Restricted Funds Held in Trust	\$ 9,664,747	\$ 8,580,200
	<u>2,835,150</u>	<u>2,832,459</u>
Total Other Assets	\$12,499,897	\$11,412,659
TOTAL ASSETS	\$28,353,698	\$25,672,060
<u>LIABILITIES AND NET ASSETS</u>		
<u>Current Liabilities</u>		
Accounts Payable and Accrued Payroll Taxes	\$ 6,514	\$ 1,529
Grants Payable	<u>14,400</u>	<u>14,400</u>
Total Current Liabilities	\$ 20,914	\$ 15,929
<u>Long-Term Liabilities</u>		
Agency Funds	\$ 83,669	\$ 77,598
Charitable Remainder Unitrust	701,236	700,976
Charitable Remainder Annuity Trust	<u>2,133,914</u>	<u>2,131,483</u>
Total Long-Term Liabilities	\$ 2,918,819	\$ 2,910,057
Total Liabilities	\$ 2,939,733	\$ 2,925,986
<u>Net Assets</u>		
Without Donor Restrictions	\$15,804,151	\$13,990,348
With Donor Restrictions	<u>9,609,814</u>	<u>8,755,726</u>
Total Net Assets	\$25,413,965	\$22,746,074
TOTAL LIABILITIES AND NET ASSETS	\$28,353,698	\$25,672,060

See Accompanying Notes and Independent Auditor's Report

**CENTRAL PENNSYLVANIA COMMUNITY FOUNDATION
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2023
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED DECEMBER 31, 2022)**

	<u>Net Assets Without Donor Restrictions</u>	<u>Net Assets With Donor Restrictions</u>	<u>2023 Total</u>	<u>2022 Total</u>
<u>Revenue and Other Support</u>				
Contributions	\$ 1,328,337	\$ 572,369	\$ 1,900,706	\$ 1,668,993
Other Revenue, Gains, and (Losses):				
Investment Return – Net	1,534,974	1,009,278	2,544,252	(3,449,978)
In-Kind Contributions	-	-	-	840,000
EITC Program Revenue	-	191,442	191,442	102,500
Annual Luncheon Revenue	5,045	-	5,045	4,095
Administration and Agency Fee Revenue	<u>122,070</u>	<u>-</u>	<u>122,070</u>	<u>147,739</u>
Total Other Revenue, Gains, and (Losses)	\$ 1,662,089	\$ 1,200,720	\$ 2,862,809	(\$ 2,355,644)
Total Revenue and Other Support	<u>\$ 2,990,426</u>	<u>\$ 1,773,089</u>	<u>\$ 4,763,515</u>	<u>(\$ 686,651)</u>
Net Assets Released from Restrictions (including \$113,340 in administrative fees)	<u>\$ 919,001</u>	<u>(\$ 919,001)</u>	<u>\$ -</u>	<u>\$ -</u>
<u>Expenses</u>				
Program Services	\$ 1,828,828	\$ -	\$ 1,828,828	\$ 1,479,514
Management and General	154,329	-	154,329	137,192
Fundraising	<u>122,217</u>	<u>-</u>	<u>122,217</u>	<u>133,657</u>
Total Expenses	\$ 2,105,374	\$ -	\$ 2,105,374	\$ 1,750,363
Change in Net Assets Before Other Revenues	<u>\$ 1,804,053</u>	<u>\$ 854,088</u>	<u>\$ 2,658,141</u>	<u>(\$ 2,437,014)</u>
<u>Other Revenues</u>				
Rental Income	<u>\$ 9,750</u>	<u>\$ -</u>	<u>\$ 9,750</u>	<u>\$ -</u>
Change in Net Assets	\$ 1,813,803	\$ 854,088	\$ 2,667,891	(\$ 2,437,014)
<u>Net Assets</u> - Beginning of Year	<u>13,990,348</u>	<u>8,755,726</u>	<u>22,746,074</u>	<u>25,183,088</u>
<u>Net Assets</u> - End of Year	<u>\$15,804,151</u>	<u>\$ 9,609,814</u>	<u>\$25,413,965</u>	<u>\$22,746,074</u>

See Accompanying Notes and Independent Auditor's Report

**CENTRAL PENNSYLVANIA COMMUNITY FOUNDATION
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2023
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED DECEMBER 31, 2022)**

	----- Support Services -----				
	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>2023 Total Expenses</u>	<u>2022 Total Expenses</u>
Grants and Related Expenses	\$1,713,774	\$ -	\$ -	\$1,713,774	\$1,433,031
Salaries and Wages	64,775	75,578	78,696	219,049	203,893
Payroll Taxes	5,837	6,616	7,005	19,458	18,390
IRA Employer Match	1,554	1,761	1,865	5,180	4,161
Rent	-	5,040	-	5,040	8,460
Real Estate Taxes	-	5,339	-	5,339	-
Conferences and Meetings	9,276	-	9,275	18,551	15,680
Travel and Meals	-	-	1,116	1,116	749
Training	-	99	-	99	1,500
Parking	-	288	-	288	1,645
Postage	520	347	2,600	3,467	3,881
Office Expenses and Supplies	4,980	4,980	-	9,960	7,500
Dues and Subscriptions	-	-	3,353	3,353	3,140
Printing	-	5,059	-	5,059	2,856
Telephone	-	2,950	-	2,950	2,490
Insurance	-	5,912	-	5,912	2,031
Professional Services	7,240	10,860	-	18,100	13,950
Software Services	3,556	3,557	-	7,113	5,950
Cleaning and Maintenance	-	10,641	-	10,641	850
Utilities	-	3,907	-	3,907	-
Independent Contractor	-	-	-	-	1,813
Reception Expense	-	-	3,730	3,730	3,534
Awards and Sponsorships	2,029	-	-	2,029	346
Advertising and Marketing	-	-	12,029	12,029	9,136
Penalties	-	-	-	-	4,318
Depreciation Expense	15,287	7,643	2,548	25,478	842
Miscellaneous	-	3,752	-	3,752	217
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Functional Expenses	\$1,828,828	\$154,329	\$122,217	\$2,105,374	\$1,750,363
	<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, 2023
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED DECEMBER 31, 2022)**

	<u>2023</u>	<u>2022</u>
<u>Cash Flows from Operating Activities</u>		
Change in Net Assets	\$ 2,667,891	(\$ 2,437,014)
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:		
Depreciation	25,478	842
Net Unrealized (Gains) Losses on Investments	(1,939,090)	4,608,492
Net Realized (Gains) on Investments	(58,285)	(764,368)
(Increase) in Prepaid Insurance	(229)	(4,624)
Increase (Decrease) in Agency Funds	6,071	(67,496)
Increase (Decrease) in Accrued Liabilities	<u>4,985</u>	<u>(3,505)</u>
Net Cash Provided by Operating Activities	<u>\$ 706,821</u>	<u>\$ 1,332,327</u>
<u>Cash Flows from Investing Activities</u>		
Acquisition of Investments	(\$ 7,379,507)	(\$14,871,246)
Proceeds from Sales of Investments	6,224,874	13,889,950
Purchase of Property and Equipment	<u>(46,244)</u>	<u>(20,223)</u>
Net Cash (Used) in Investing Activities	<u>(\$ 1,200,877)</u>	<u>(\$ 1,001,519)</u>
Net (Decrease) Increase in Cash and Cash Equivalents	(\$ 494,056)	\$ 330,808
<u>Cash and Cash Equivalents</u> - January 1	<u>1,227,336</u>	<u>896,528</u>
<u>Cash and Cash Equivalents</u> - December 31	<u>\$ 733,280</u>	<u>\$ 1,227,336</u>
<u>Reconciliation of Cash and Cash Equivalents</u>		
Amounts reported within the statement of financial position that sum to the total above:		
Cash and Cash Equivalents - Unrestricted	\$ 256,304	\$ 1,051,809
Cash and Cash Equivalents - Restricted	<u>476,976</u>	<u>175,527</u>
	<u>\$ 733,280</u>	<u>\$ 1,227,336</u>

See Accompanying Notes and Independent Auditor's Report

CENTRAL PENNSYLVANIA COMMUNITY FOUNDATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED DECEMBER 31, 2022)

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 \$476,976 and \$175,527 as of December 31, 2023 and 2022. 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, 2023
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED DECEMBER 31, 2022)
(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, 2022, 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.

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). However, income from certain rental activities not directly related to the Foundation's tax-exempt purpose is subject to taxation as unrelated business income. Income taxes for such unrelated business income totaled \$69 and \$0 in 2023 and 2022, respectively. The Foundation's federal income tax returns for the tax years 2020 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, 2023 and 2022, 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, 2023
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED DECEMBER 31, 2022)
(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 \$3,000 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, 2023
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED DECEMBER 31, 2022)
(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 \$12,029 and \$9,136 for the years ending December 31, 2023 and 2022, 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. Reclassifications

Certain reclassifications have been made to the 2022 financial statement presentation to correspond to the current years format. Net assets and changes in net assets are unchanged due to these reclassifications.

Note 2: Subsequent Events

The Foundation has evaluated events and transactions for potential recognition or disclosure through July 25, 2024, the date the financial statements were available to be issued.

Note 3: 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, 2023 and 2022 totaled \$122,070 and \$147,739, 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

CENTRAL PENNSYLVANIA COMMUNITY FOUNDATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED DECEMBER 31, 2022)
(CONTINUED)

Note 3: Administration and Agency Fee Revenue (Continued)

Component Fund Fees (Continued)

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

1% of any amount over \$500,000 - \$999,999

Flat 1% for any funds between \$1,000,000 - \$2,999,999

Flat .75% for any funds between \$3,000,000 - \$4,999,999

Flat .50% for any funds over \$5,000,000

The fees from component funds are eliminated in the financial statements. The amounts collected for the years ended December 31, 2023 and 2022 totaled \$289,639 and \$281,775, respectively.

Note 4: In-Kind Contributions

In-kind contributions recognized within the statement of activities consisted of a one-acre parcel of land and office building reported at estimated fair value of \$840,000. The Foundation is utilizing the building to carry on its operations. No in-kind contributions were restricted. The valuation was calculated based on an external professional appraisal completed November 23, 2022.

Note 5: 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 6: Investments and Fair Value Measurements

Investments at market value and cost at December 31, 2023 and 2022 were as follows:

	<u>2023</u>		<u>2022</u>	
	<u>Cost</u>	<u>Market Value</u>	<u>Cost</u>	<u>Market Value</u>
Money Market	\$ 2,820,576	\$ 2,820,576	\$ 1,969,607	\$ 1,969,607
Certificates of Deposit	300,000	300,055	-	-
Bonds	-	-	556,634	513,260
Fixed Income/Mutual Funds	9,903,435	9,842,806	7,135,161	6,583,010
Equities	<u>9,804,279</u>	<u>10,934,969</u>	<u>11,955,574</u>	<u>11,680,521</u>
	<u>\$22,828,290</u>	<u>\$23,898,406</u>	<u>\$21,616,976</u>	<u>\$20,746,398</u>

CENTRAL PENNSYLVANIA COMMUNITY FOUNDATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED DECEMBER 31, 2022)
(CONTINUED)

Note 6: Investments and Fair Value Measurements (Continued)

Investment return consists of the following:

	<u>2023</u>	<u>2022</u>
Investment Income	\$ 657,293	\$ 509,036
Net Realized Gain on Sales of Investments	58,285	764,368
Net Unrealized (Loss) Gain on Investments	1,939,090	(4,608,492)
Investment Fees	(110,416)	(114,890)
	<u>\$2,544,252</u>	<u>(\$3,449,978)</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.

CENTRAL PENNSYLVANIA COMMUNITY FOUNDATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED DECEMBER 31, 2022)
(CONTINUED)

Note 6: Investments and Fair Value Measurements (Continued)

Fair Value Measurements (Continued)

The following table represents investments that are measured at fair value on a recurring basis at December 31, 2023:

	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Money Market	\$ 2,820,576	\$ 2,820,576	\$ -	\$ -
Certificates of Deposit	300,055	300,055	-	-
Bonds	-	-	-	-
Fixed Income/Mutual Funds	9,842,806	9,842,806	-	-
Equities	<u>10,934,969</u>	<u>10,934,969</u>	<u>-</u>	<u>-</u>
	<u>\$23,898,406</u>	<u>\$23,898,406</u>	<u>\$ -</u>	<u>\$ -</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, 2023 and 2022.

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

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

Note 7: Property and Equipment

Property and equipment at December 31, 2023 and 2022, are summarized as follows by major classification:

	<u>2023</u>	<u>2022</u>
Building	\$877,798	\$862,009
Furniture and Fixtures	12,247	12,247
Computer Software	<u>30,455</u>	<u>26,239</u>
	\$920,500	\$900,495
Less: Accumulated Depreciation	(<u>38,491</u>)	(<u>39,252</u>)
Net Property and Equipment	<u>\$882,009</u>	<u>\$861,243</u>

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Note 8: 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.

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

	<u>2023</u>	<u>2022</u>
Designated Scholarships	\$ 5,136,022	\$ 4,489,241
Fields of Interest	2,959,185	2,334,314
Pass Through	1,098,260	1,098,284
Other Various	416,347	353,568
	<u>0</u>	<u>480,319</u>
Total Net Assets With Donor Restrictions	<u>\$ 9,609,814</u>	<u>\$ 8,755,726</u>

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

	<u>2023</u>	<u>2022</u>
Undesignated Operating Funds	\$ 1,864,327	\$ 1,790,865
Donor Advised Endowments	<u>13,939,824</u>	<u>12,199,483</u>
Total Net Assets Without Donor Restrictions	<u>\$15,804,151</u>	<u>\$13,990,348</u>

Note 9: Net Assets Received With Donor Restrictions

Subject to Expenditure for a Specified Purpose:

	<u>2023</u>	<u>2022</u>
Program Activities:		
Contributions - Designated by Donor	\$ 572,369	\$ 211,327
EITC Program Revenue	191,442	102,500
Investment Return - Net Restricted	<u>1,009,278</u>	<u>(1,486,846)</u>
Total Net Assets Received With Donor Restrictions	<u>\$ 1,773,089</u>	<u>(\$ 1,173,019)</u>

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Note 10: Net Assets Released from Restrictions

Purpose Restriction Accomplished:

	<u>2023</u>	<u>2022</u>
Expenditure of Funds Contributed to Donees, Designated by Donors	\$805,661	\$400,873
Administrative Fees Paid by Component Funds with Restrictions	<u>113,340</u>	<u>117,322</u>
Total Restrictions Released	<u>\$919,001</u>	<u>\$518,195</u>

Note 11: Endowment Funds

The Foundation's endowment consists of 298 individual funds established within a specific framework to support various philanthropic programs and needs within the community. The funds include 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, 2023 and 2022 are as follows:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total Net Assets 2023</u>	<u>Total Net Assets 2022</u>
Endowment Net Assets - Beginning of Year	\$12,698,491	\$ 8,755,726	\$21,454,217	\$24,744,227
Contributions	1,328,337	763,811	2,092,148	1,910,331
Investment Return, Net	1,534,974	1,009,278	2,544,252	(3,449,978)
Amounts Appropriated for Expenditure	(<u>1,098,419</u>)	(<u>919,001</u>)	(<u>2,017,420</u>)	(<u>1,750,363</u>)
Endowment Net Assets - End of Year	<u>\$14,463,383</u>	<u>\$ 9,609,814</u>	<u>\$24,073,197</u>	<u>\$21,454,217</u>
Operating Net Assets	<u>\$ 1,340,768</u>	<u>\$ -</u>	<u>\$ 1,340,768</u>	<u>\$ 1,291,857</u>
Total Net Assets	<u>\$15,804,151</u>	<u>\$ 9,609,814</u>	<u>\$25,413,965</u>	<u>\$22,746,074</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 \$850,615 and fair values of \$622,526 resulted in deficiencies of \$228,089 as of December 31, 2023. These amounts were reported in net assets with donor restrictions on the statement of financial position.

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Note 12: 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 \$577,172 and \$1,150,362 as of December 31, 2023 and 2022, respectively.

Note 13: Fair Value of Financial Instruments

The Foundation did not hold financial instruments for trading purposes at December 31, 2023 and 2022. Also, the Foundation does not invest in derivative financial instruments.

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

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

	<u>2023</u>		<u>2022</u>	
	<u>Fair Value</u>	<u>Cost</u>	<u>Fair Value</u>	<u>Cost</u>
<u>Financial Assets</u>				
Cash and Cash Equivalents	\$ 733,280	\$ 733,280	\$ 1,227,336	\$ 1,227,336
Investments	23,898,406	22,828,290	20,746,398	21,616,976
Funds Held in Trust	2,835,150	2,667,585	2,832,459	2,742,108

Note 14: Related Party Transactions

The Foundation utilizes an investment manager who serves as a board member. The Foundation paid \$18,913 and \$20,266 in management fees to that member's firm, during the years ended December 31, 2023 and 2022, respectively.

In 2023 and 2022, the Foundation also paid \$6,140 and \$6,327, respectively, in premiums to an insurance company owned by a board member.

In 2023 and 2022, the Foundation received \$55,369 and \$72,818, respectively, 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 15: Retirement Plan

In 2022, the Foundation adopted a Simple Individual Retirement Account Program which provides a matching provision from the Foundation on employee contributions up to 3% of the employee's compensation. Match contributions totaled \$5,180 and \$4,161 at December 31, 2023 and 2022, respectively.

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Note 16: 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, 2023 and 2022, assets consisted of \$2,782,466 and \$2,804,334 in investments and cash of \$52,684 and \$28,125, respectively.

Note 17: Liquidity and Availability

The following represents the Foundation's financial assets available to meet general expenditures as of December 31, 2023 and 2022:

	<u>2023</u>	<u>2022</u>
Financial Assets:		
Cash and Cash Equivalents - Unrestricted	\$ 256,304	\$ 1,051,809
Investments	14,233,659	12,166,198
Less: Agency Funds	(83,669)	(77,598)
Cash and Investments Subject to Appropriation	(<u>13,586,066</u>)	(<u>12,246,804</u>)
 Total Financial Assets to meet Cash Needs for General Expenditures within One Year	 \$ 820,228	 \$ 893,605
	<u> </u>	<u> </u>

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 \$563,924 and \$499,008 as of December 31, 2023 and 2022.