

ARMSTRONG COUNTY COMMUNITY FOUNDATION

**FINANCIAL STATEMENTS
FOR THE YEARS ENDED
DECEMBER 31, 2022 AND 2021
&
INDEPENDENT AUDITORS' REPORT**



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McCall Scanlon & Tice, LLC
Certified Public Accountants

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Armstrong County Community Foundation:

Opinion

We have audited the financial statements of the Armstrong County Community Foundation (the "Foundation"), which comprise the statements of financial position as of December 31, 2022 and 2021, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Foundation as of December 31, 2022 and 2021, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

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

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

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Auditors' 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 auditors' 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 U.S. GAAS 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 U.S. GAAS, we:

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

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

Emphasis of Matter

As discussed in Note 7 to the financial statements, the Foundation adopted a new accounting policy relating to leases. Our opinion is not modified with respect to this matter.

McCall Scaron & Tice, LLC

Kittanning, Pennsylvania

March 23, 2023

ARMSTRONG COUNTY COMMUNITY FOUNDATION

STATEMENTS OF FINANCIAL POSITION DECEMBER 31, 2022 AND 2021

	<u>ASSETS</u>	
	<u>2022</u>	<u>2021</u>
CURRENT ASSETS:		
Cash	\$ 132,714	\$ 62,478
Restricted cash	<u>326,776</u>	<u>230,023</u>
Total cash	459,490	292,501
Prepaid expenses	<u>2,798</u>	<u>2,807</u>
Total current assets	462,288	295,308
RIGHT OF USE ASSETS	10,951	-
INVESTMENTS	15,289,927	17,756,140
COMPUTER SOFTWARE, NET	<u>-</u>	<u>-</u>
TOTAL	<u>\$ 15,763,166</u>	<u>\$ 18,051,448</u>
	<u>LIABILITIES AND NET ASSETS</u>	
CURRENT LIABILITIES:		
Accounts payable	\$ 269	\$ -
Funds payable	101,841	94,468
Scholarship payable	-	1,000
YMCA grants payable	38,246	38,208
Lease liabilities	<u>10,951</u>	<u>-</u>
Total current liabilities	151,307	133,676
NET ASSETS:		
Without donor restrictions	678,112	513,772
With donor restrictions	<u>14,933,747</u>	<u>17,404,000</u>
Total net assets	<u>15,611,859</u>	<u>17,917,772</u>
TOTAL	<u>\$ 15,763,166</u>	<u>\$ 18,051,448</u>

See Notes To Financial Statements

ARMSTRONG COUNTY COMMUNITY FOUNDATION

STATEMENT OF ACTIVITIES FOR THE YEAR ENDED DECEMBER 31, 2022

	Without Donor	With Donor Restrictions		Total
	Restrictions	Programs	Endowment	
REVENUES, GAINS AND OTHER SUPPORT:				
Direct public support	\$ 133,665	\$ 354,306	\$ 849,930	\$ 1,337,901
Special events and activities	21,694	-	-	21,694
Interest income	4,623	-	-	4,623
Investment income (loss)	1,212	-	(2,566,302)	(2,565,090)
Net assets released from restrictions	1,108,187	(264,926)	(843,261)	-
Total revenues, gains and other support	1,269,381	89,380	(2,559,633)	(1,200,872)
EXPENSES:				
Tuition Scholarship Program and grants to charitable agencies	874,560	-	-	874,560
Salaries and wages	108,858	-	-	108,858
Special events and activities	30,595	-	-	30,595
Office equipment and supplies	26,403	-	-	26,403
Printing and publications	3,148	-	-	3,148
Marketing	6,497	-	-	6,497
Lease	6,378	-	-	6,378
Telephone and internet	2,405	-	-	2,405
Utilities	5,304	-	-	5,304
Taxes	9,171	-	-	9,171
Insurance	3,207	-	-	3,207
Postage	1,173	-	-	1,173
Employee benefits	3,056	-	-	3,056
Professional fees	17,950	-	-	17,950
Dues and subscriptions	2,229	-	-	2,229
Travel/meals	517	-	-	517
Payroll services	1,755	-	-	1,755
Education/training	299	-	-	299
Depreciation	-	-	-	-
Miscellaneous	1,536	-	-	1,536
Total expenses	1,105,041	-	-	1,105,041
INCREASE (DECREASE) IN NET ASSETS	164,340	89,380	(2,559,633)	(2,305,913)
NET ASSETS, BEGINNING OF YEAR	513,772	135,555	17,268,445	17,917,772
NET ASSETS, END OF YEAR	\$ 678,112	\$ 224,935	\$ 14,708,812	\$ 15,611,859

See Notes To Financial Statements

ARMSTRONG COUNTY COMMUNITY FOUNDATION

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2021

	Without Donor Restrictions	With Donor Restrictions		Total
		Programs	Endowment	
REVENUES, GAINS AND OTHER SUPPORT:				
Direct public support	\$ 43,812	\$ 134,680	\$ 2,871,547	\$ 3,050,039
PPP grant	22,319	-	-	22,319
Special events and activities	13,899	-	-	13,899
Interest income	531	-	-	531
Investment income (loss)	-	-	2,043,195	2,043,195
Net assets released from restrictions	913,602	(199,215)	(714,387)	-
Total revenues, gains and other support	994,163	(64,535)	4,200,355	5,129,983
EXPENSES:				
Tuition Scholarship Program and grants to charitable agencies	751,533	-	-	751,533
Salaries and wages	100,602	-	-	100,602
Special events and activities	13,444	-	-	13,444
Office equipment and supplies	20,421	-	-	20,421
Printing and publications	2,964	-	-	2,964
Marketing	3,333	-	-	3,333
Lease	6,229	-	-	6,229
Telephone and internet	2,451	-	-	2,451
Utilities	4,854	-	-	4,854
Taxes	7,954	-	-	7,954
Insurance	3,226	-	-	3,226
Postage	877	-	-	877
Employee benefits	2,726	-	-	2,726
Professional fees	17,100	-	-	17,100
Dues and subscriptions	2,438	-	-	2,438
Travel/meals	400	-	-	400
Payroll services	1,631	-	-	1,631
Education/training	2,035	-	-	2,035
Miscellaneous	1,428	-	-	1,428
Total expenses	945,646	-	-	945,646
INCREASE (DECREASE) IN NET ASSETS	48,517	(64,535)	4,200,355	4,184,337
NET ASSETS, BEGINNING OF YEAR	465,255	200,090	13,068,090	13,733,435
NET ASSETS, END OF YEAR	\$ 513,772	\$ 135,555	\$ 17,268,445	\$ 17,917,772

See Notes To Financial Statements

ARMSTRONG COUNTY COMMUNITY FOUNDATION

STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES:		
Increase (decrease) in net assets	\$ (2,305,913)	\$ 4,184,337
Adjustments to reconcile increase (decrease) in net assets to net cash provided by (used in) operating activities:		
Net realized and unrealized (gains) losses on investments	2,850,057	(1,855,050)
Contribution of noncash gifts	-	(92,498)
(Increase) decrease in, Prepaid expenses	9	18
Increase (decrease) in:		
Accounts payable	269	(333)
Funds payable	7,373	90,327
Scholarship payable	(1,000)	(1,000)
YMCA grants payable	38	9,583
Net cash provided by (used in) operating activities	550,833	2,335,384
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of investments	(1,329,301)	(3,203,176)
Proceeds from sales of investments	945,457	908,661
Net cash provided by (used in) investing activities	(383,844)	(2,294,515)
NET INCREASE (DECREASE) IN CASH	166,989	40,869
CASH, BEGINNING OF YEAR	292,501	251,632
CASH, END OF YEAR	\$ 459,490	\$ 292,501
NONCASH OPERATING ACTIVITIES:		
Right of use assets	\$ (10,951)	\$ -
Lease liabilities	10,951	-
Total noncash operating activities	\$ -	\$ -

See Notes To Financial Statements

ARMSTRONG COUNTY COMMUNITY FOUNDATION
NOTES TO FINANCIAL STATEMENTS

1. NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

NATURE OF OPERATIONS

The Armstrong County Community Foundation (the "Foundation"), formerly Community Foundation Serving the Heart of Western Pennsylvania, is a nonprofit organization incorporated to meet the needs of individuals and charitable agencies within mid-Western Pennsylvania. Since inception, the Foundation has allowed donors and nonprofit organizations to work together to improve the quality of life in the area. The purpose of the Foundation is to develop, manage, and distribute charitable funding to meet existing and changing community needs.

BASIS OF ACCOUNTING

The financial statements of the Foundation have been prepared on the accrual basis of accounting and, accordingly, report all significant receivables, payables, and other liabilities as prescribed by accounting principles generally accepted in the United States of America ("U.S. GAAP").

FINANCIAL STATEMENT PRESENTATION

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

Net assets of the Foundation are reported in the following categories:

Net assets without donor restrictions consist of resources available for the various programs and administration of the Foundation, which have not been restricted by donors or grantors.

Net assets with donor restrictions are those assets subject to donor-imposed stipulations that may or will be met either by actions of the Foundation and/or the passage of time, or are those required to be maintained permanently by donors.

REVENUES AND OTHER SUPPORT

Grants and other contributions of cash and other assets are reported as net assets with donor restrictions if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions. Contributions received with donor-imposed restrictions that are met in the same year in which the contributions are received are classified as net assets without donor restrictions.

Unconditional promises to give are recorded when the pledge is received. Unconditional promises to give due in the next year are reflected as current promises to give and are recorded at their net realizable value. Unconditional promises to give due in subsequent years are reflected as long-term promises to give and are recorded at the present value of their net realizable value, using risk-free interest rates applicable to the years in which the promises are received to discount the amounts. An allowance for uncollectible promises is provided based on management's evaluation of potential uncollectible promises receivable at year end. The Foundation had no unconditional promises to give as of December 31, 2022 and 2021.

INVESTMENTS

Investments in marketable securities with readily determinable fair values and all investments in debt securities are recorded at fair value in the statements of financial position.

Although the Foundation's investments are invested in a variety of financial instruments managed by investment advisors, the fair values, reported in the statements of financial position, are subject to various market risks including changes in the equity markets, the interest rate environment, and economic conditions. Due to the level of risk associated with investment securities and the level of uncertainty related to changes in the fair value of investment securities, it is reasonably possible that the fair value of investments reported in the accompanying statements of financial position could change materially in the near term.

FAIR VALUE MEASUREMENTS

Accounting standards require the Foundation to measure various assets and liabilities at fair value. Fair value is defined as the price that would be received to sell an asset or the price that would be paid to dispose of a liability in an orderly transaction between market participants at the measurement date. The framework for measuring fair value includes a hierarchy used to classify the inputs used in measuring fair value.

The hierarchy prioritizes the inputs used in determining valuations into three levels. The level in the fair value hierarchy within which the fair value measurement falls is determined based on the lowest level input that is significant to the fair value measurement. The levels of the fair value hierarchy are as follows:

Level 1 – Fair value is based on unadjusted quoted prices in active markets that are accessible to the Foundation for identical assets. These generally provide the most reliable evidence and are used to measure fair value whenever available.

Level 2 – Fair value is based on significant inputs, other than Level 1 inputs, that are observable either directly or indirectly for substantially the full term of the asset through corroboration with observable market data. Level 2 inputs include quoted market prices in active markets for similar assets, quoted market prices in markets that are not active for identical or similar assets, and other observable inputs.

Level 3 – Fair value would be based on significant unobservable inputs. Examples of valuation methodologies that would result in Level 3 classification include option pricing models, discounted cash flows, and other techniques.

COMPUTER SOFTWARE

Computer software purchased is recorded at cost. Depreciation is computed using the straight-line method over the estimated useful lives of the software.

ENDOWMENT FUNDS

Accounting standards provide guidance on the net asset classification of donor restricted endowment funds for a nonprofit organization that is subject to an enacted version of the Uniform Prudent Management of Institutional Funds Act of 2006 (“UPMIFA”) and also improves disclosures about an organization’s endowment funds (both donor restricted endowment funds and board designated endowment funds) whether or not the organization is subject to UPMIFA.

The Commonwealth of Pennsylvania has not adopted UPMIFA. The Commonwealth of Pennsylvania has enacted Act 141 (the “Act”). The Act allows the Foundation to elect a “total return investment policy” in regard to its endowment. Income is defined by the Act to mean a fixed percentage of the “value of the assets” held by the Foundation, not less than 2% or more than 7%. The “value of the assets” for purposes of the Act, is the average fair value of the assets over a three-year period (or the average value of the assets over any shorter period in the cases of assets held less than three years). The Foundation adopted a total investment return policy with a spending policy of not more than 5% of the three-year average fair value of the endowment’s investments for 2022 and 2021. This spending policy determines the funds available for grant making and administrative expenses. This calculation excludes funds where the spending policy would reduce the individual fund balances below its stipulated minimum.

The Foundation’s investment objective is to maximize returns through a highly diversified portfolio of assets consisting of equity, fixed income and money market funds. The return objective of the Foundation is the desired annual payout, or spending policy, plus inflation plus growth. The Foundation maintains a prudent risk policy through its investment and the asset allocation policies that are consistent with its public nature and the position of the Foundation.

INCOME TAX STATUS

The Foundation has been classified as a tax-exempt, nonprofit organization under Section 501(c)(3) of the Internal Revenue Code. Accordingly, no provision for federal and state income taxes is required. In general, the Foundation's tax positions for open tax years remain subject to examination by the tax authorities in the jurisdictions in which the Foundation operates.

USE OF ESTIMATES

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

ADVERTISING

Advertising costs are expensed as incurred. Advertising expense was \$1,375 and \$15 for the years ended December 31, 2022 and 2021, respectively.

RECLASSIFICATIONS

Certain reclassifications were made to the 2021 financial statements to conform to the 2022 presentation.

SUBSEQUENT EVENTS

In preparing these financial statements, the Foundation has evaluated events and transactions for potential recognition or disclosure through March 23, 2023, the date the financial statements were available to be issued.

2. INVESTMENTS

Investments are measured at fair value using level 1 inputs and consist of the following at December 31, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Money market funds	\$ 768,125	\$ 472,819
Alternative investments	1,172,087	1,159,003
Equities	3,328,423	3,991,570
Mutual funds	5,139,866	6,658,287
Exchange traded products	1,174,455	889,061
Stocks	2,685,674	3,483,551
Bonds	<u>1,021,297</u>	<u>1,101,849</u>
Total	<u>\$ 15,289,927</u>	<u>\$ 17,756,140</u>

The Foundation does not have any investments measured using level 2 or 3 inputs.

Investment income (loss) is comprised of the following for the years ended December 31, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Dividends and interest income	\$ 384,745	\$ 277,805
Net unrealized/realized gain (loss) on investments	(2,850,057)	1,855,050
Investment fees	<u>(99,778)</u>	<u>(89,660)</u>
Total	<u>\$ (2,565,090)</u>	<u>\$ 2,043,195</u>

3. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions have been restricted by donors for the following purposes at December 31, 2022 and 2021:

	2022		2021	
	<u>Programs</u>	<u>Endowment</u>	<u>Programs</u>	<u>Endowment</u>
Administration	\$ -	\$ 556,763	\$ -	\$ 598,034
Organizational	-	1,277,156	-	1,440,644
Scholarship	224,935	3,921,703	135,555	4,795,071
Donor advised	-	7,661,075	-	8,847,860
Donor designated	<u>101,841</u>	<u>1,330,361</u>	<u>94,468</u>	<u>1,626,044</u>
Total	326,776	14,747,058	230,023	17,307,653
Less payables	<u>(101,841)</u>	<u>(38,246)</u>	<u>(94,468)</u>	<u>(39,208)</u>
Total	<u>\$ 224,935</u>	<u>\$ 14,708,812</u>	<u>\$ 135,555</u>	<u>\$ 17,268,445</u>

4. ENDOWMENT NET ASSETS

The Foundation's endowment consists of various investment funds established for a variety of purposes. Its endowment includes donor restricted endowment funds. As required by U.S. GAAP, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

The Foundation's endowment-related activity during the years ended December 31, 2022 and 2021 is as follows:

	With Donor Restrictions	
	2022	2021
Beginning endowment net assets	\$ 17,268,445	\$ 13,068,090
Contributions	849,930	2,871,547
Income on investments	375,943	277,805
Expenses	(81,401)	(89,660)
Net assets released from restrictions	(843,261)	(714,387)
Net (depreciation)/appreciation in investments	<u>(2,860,844)</u>	<u>1,855,050</u>
Change in endowment net assets	<u>(2,559,633)</u>	<u>4,200,355</u>
Ending endowment net assets	<u>\$ 14,708,812</u>	<u>\$ 17,268,445</u>

Included in net assets released from restrictions is \$151,944 and \$178,569 or a 1% internal fee charged for management of the endowment funds as of December 31, 2022 and 2021, respectively. The fees are transferred to net assets without donor restrictions to help offset expenses of the Foundation. The Foundation has no endowment funds without donor restrictions.

5. FUNDS PAYABLE

As a party to agreements with local nonprofit organizations, the Foundation serves as an administrator for funds.

The Foundation accepts grants and donations on behalf of the nonprofit organizations, and disburses funds for approved expenses as directed by the nonprofit organizations.

ARMSTRONG COUNTY COMMUNITY FOUNDATION
NOTES TO FINANCIAL STATEMENTS

Activity related to these funds during 2022 and 2021 is summarized as follows:

	<u>2022</u>	<u>2021</u>
Beginning balance, reserved for future commitments	\$ 94,468	\$ 4,141
Grants and donations received	32,651	102,195
Expenses disbursed	<u>(25,278)</u>	<u>(11,868)</u>
Ending balance, reserved for future commitments	<u>\$ 101,841</u>	<u>\$ 94,468</u>

6. FUNCTIONAL EXPENSES

The Foundation incurred expenses in the following functional areas during the years ended December 31, 2022 and 2021:

	<u>2022</u>			<u>Total</u>
	<u>Program services</u>	<u>General and administrative</u>	<u>Fundraising</u>	
Tuition Scholarship Program and grants to charitable agencies	\$ 874,560	\$ -	\$ -	\$ 874,560
Salaries and wages	45,359	36,285	27,214	108,858
Special events and activities	-	-	30,595	30,595
Office equipment and supplies	6,601	13,201	6,601	26,403
Printing and publications	1,259	315	1,574	3,148
Marketing	2,599	649	3,249	6,497
Lease	2,552	1,275	2,551	6,378
Telephone and internet	962	481	962	2,405
Utilities	2,122	1,061	2,121	5,304
Taxes	3,668	3,210	2,293	9,171
Insurance	1,284	642	1,281	3,207
Postage	469	117	587	1,173
Employee benefits	1,308	984	764	3,056
Professional fees	-	17,950	-	17,950
Dues and subscriptions	558	1,116	555	2,229
Travel/meals	207	104	206	517
Payroll services	702	351	702	1,755
Education/training	74	150	75	299
Miscellaneous	384	768	384	1,536
Total expenses	<u>\$ 944,668</u>	<u>\$ 78,659</u>	<u>\$ 81,714</u>	<u>\$ 1,105,041</u>

ARMSTRONG COUNTY COMMUNITY FOUNDATION
NOTES TO FINANCIAL STATEMENTS

	2021			
	Program services	General and administrative	Fundraising	Total
Tuition Scholarship Program and grants to charitable agencies	\$ 751,533	\$ -	\$ -	\$ 751,533
Salaries and wages	42,457	32,995	25,150	100,602
Special events and activities	-	-	13,444	13,444
Office equipment and supplies	5,105	10,211	5,105	20,421
Printing and publications	1,186	296	1,482	2,964
Marketing	1,333	333	1,667	3,333
Lease	2,492	1,246	2,491	6,229
Telephone and internet	981	490	980	2,451
Utilities	1,942	971	1,941	4,854
Taxes	3,181	2,784	1,989	7,954
Insurance	1,291	646	1,289	3,226
Postage	351	88	438	877
Employee benefits	1,201	844	681	2,726
Professional fees	-	17,100	-	17,100
Dues and subscriptions	609	1,221	608	2,438
Travel/meals	160	80	160	400
Payroll services	653	326	652	1,631
Education/training	508	1,018	509	2,035
Miscellaneous	357	714	357	1,428
Total expenses	\$ 815,340	\$ 71,363	\$ 58,943	\$ 945,646

Expenses are summarized and categorized based upon their functional classification as either program services, general and administrative, or fundraising. Specific expenses that are readily identifiable to program services are charged directly to that function. Certain categories of expenses are attributable to more than one program or supporting function. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. These expenses are allocated on the basis of estimates of time and effort.

7. LEASES

In February 2016, the Financial Accounting Standards Board established Topic 842, "Leases", by issuing Accounting Standards Update ("ASU") No. 2016-02, which requires lessees to recognize leases on the statement of financial position and disclose key information about leasing arrangements. The Foundation adopted the new guidance effective January 1, 2022 and has elected to apply the guidance to existing leases on a modified retrospective basis with the cumulative-effect adjustment from transition recognized as of December 31, 2022.

Under ASC 842-10-65-1(f), the Foundation has elected the following practical expedients, which must be elected as a package and applied consistently to all of its leases:

The Foundation need not reassess whether any expired or existing contracts are or contain leases.

The Foundation need not reassess the lease classification for any expired or existing leases. All existing leases that were classified as operating leases in accordance with Topic 840 will be classified as operating leases, and all existing leases that were classified as capital leases in accordance with Topic 840 will be classified as finance leases.

The Foundation need not reassess initial direct costs for any existing leases.

The new standard establishes a right of use (“ROU”) model that requires a lessee to recognize an ROU asset and lease liability on the statement of financial position. ROU assets and lease liabilities are recognized at the commencement date based on the present value of lease payments over the lease term. ROU assets are reduced each period by an amount equal to the difference between the operating lease expense and the amount of accretion on the lease liability, using the effective interest method. The Foundation uses the incremental borrowing rate, which is derived using a collateralized borrowing rate for the same currency and term as the associated lease. The Foundation recognizes lease expense on a straight-line basis over the leased term on the statement of activities. The Foundation recognized \$10,951 of ROU assets with corresponding lease liabilities based on the present value of the remaining minimum rental payments under the current leasing standards for existing operating leases.

The Foundation leases office space and software under two operating leases as follows:

The office space lease is a twelve month lease requiring monthly installments of \$532, expiring in September 2023.

The software lease is a twelve month lease requiring monthly installments of \$1,590, expiring in April 2023.

Lease expense for the years ended December 31, 2022 and 2021 was \$25,215 and \$24,361, respectively. At December 31, 2022, the Foundation’s future non-cancellable minimum lease payments under these operating leases are \$11,144.

8. RETIREMENT PLAN

The Foundation has a retirement plan covering all employees. Retirement plan expense was \$3,056 and \$2,726 for the years ended December 31, 2022 and 2021, respectively.

9. CONCENTRATION OF CREDIT RISK

The Foundation maintains cash accounts, which, at times, may exceed federally insured limits. The Foundation has not experienced losses from maintaining cash accounts in excess of federally insured limits. Management believes it is not subject to any significant credit risk on cash accounts.

10. LIQUIDITY

In managing the Foundation's financial assets, an important consideration is to ensure sufficient liquidity. Financial asset liquidity as of December 31, 2022 is as follows:

Financial assets, at year end:

Cash	\$ 459,490
Investments	<u>15,289,927</u>
Total financial assets at year-end	<u>15,749,417</u>

Less those unavailable for general expenditures within one year, due to, donor restrictions:

Cash	326,776
Investments	<u>14,708,812</u>
	<u>15,035,588</u>

Financial assets available to meet cash needs for general expenditures within one year

\$ 713,829

The Foundation is primarily supported by direct public support which is used to develop, manage, and distribute charitable funding to meet existing and changing community needs, as well as pay for the management and administrative expenses of the Foundation. As part of the Foundation's liquidity management, the Board invests excess funds into an investment account to provide financial stability to the Foundation that can be used to meet any immediate liquidity need.
