INDEPENDENT AUDITOR’S REPORT

To the Board of Directors
Armstrong County Community Foundation

We have audited the accompanying financial statements of the Armstrong County Community Foundation (a non-profit organization), which comprise the statement of assets, liabilities, and net assets – modified cash basis as of December 31, 2012, the related statement of support, revenue, and expenses – modified cash basis, and the related statement of cash flows for the year then ended, and the related notes to the financial statements.

Management’s Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the modified cash basis of accounting as described in Note A; this includes determining that the modified cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible 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.

Auditor’s Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the assets, liabilities, and net assets of the Armstrong County Community Foundation as of December 31, 2012, and its support, revenue, expenses, and cash flows for the year then ended in accordance with the modified cash basis of accounting as described in Note A.

Basis of Accounting

We draw attention to Note A of the financial statements, which describes the basis of accounting. The financial statements are prepared on the modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to that matter.

September 20, 2013
Kittanning, Pennsylvania
ARMSTRONG COUNTY COMMUNITY FOUNDATION

STATEMENT OF ASSETS, LIABILITIES AND NET ASSETS – MODIFIED CASH BASIS

DECEMBER 31, 2012

ASSETS

Cash and cash equivalents $ 482,140
Investments (at fair value) 5,635,217

Total Assets $ 6,117,357

LIABILITIES AND NET ASSETS

Liabilities: $ -0-

Net Assets:
Permanently restricted 6,117,357

Total Liabilities and Net Assets $ 6,117,357

See accompanying notes.
ARMSTRONG COUNTY COMMUNITY FOUNDATION

STATEMENT SUPPORT, REVENUE AND EXPENSES – MODIFIED CASH BASIS

FOR THE YEAR ENDED DECEMBER 31, 2012

REVENUE:
  Direct public support $ 910,149
  Special events and activities 31,981
  Interest income 1,868
  Investment earnings 629,754

  TOTAL REVENUE 1,573,752

EXPENSES:

Program services:
  Tuition Scholarship Program and grants to charitable agencies 639,795

Support services:
  Schedule following 170,307

  TOTAL EXPENSES 810,102

CHANGE IN NET ASSETS 763,650

NET ASSETS, BEGINNING OF YEAR 5,353,707

NET ASSETS, END OF YEAR $6,117,357

See accompanying notes.
ARMSTRONG COUNTY COMMUNITY FOUNDATION

STATEMENT OF SUPPORT, REVENUE AND EXPENSES – MODIFIED CASH BASIS

SUPPORTING SCHEDULE

FOR THE YEAR ENDED DECEMBER 31, 2012

<table>
<thead>
<tr>
<th>Support services</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Salaries and wages</td>
<td>$89,086</td>
</tr>
<tr>
<td>Special events and activities</td>
<td>16,728</td>
</tr>
<tr>
<td>Office equipment and supplies</td>
<td>1,803</td>
</tr>
<tr>
<td>Printing and publications</td>
<td>1,728</td>
</tr>
<tr>
<td>Marketing</td>
<td>13,293</td>
</tr>
<tr>
<td>Rent</td>
<td>6,480</td>
</tr>
<tr>
<td>Telephone and internet</td>
<td>1,864</td>
</tr>
<tr>
<td>Utilities</td>
<td>3,030</td>
</tr>
<tr>
<td>Taxes</td>
<td>8,371</td>
</tr>
<tr>
<td>Insurance</td>
<td>2,653</td>
</tr>
<tr>
<td>Postage</td>
<td>1,770</td>
</tr>
<tr>
<td>Employee benefits</td>
<td>4,677</td>
</tr>
<tr>
<td>Professional fees</td>
<td>11,000</td>
</tr>
<tr>
<td>Dues and subscriptions</td>
<td>1,996</td>
</tr>
<tr>
<td>Travel/Meals</td>
<td>2,210</td>
</tr>
<tr>
<td>Payroll services</td>
<td>1,248</td>
</tr>
<tr>
<td>Education/Training</td>
<td>1,211</td>
</tr>
<tr>
<td>Miscellaneous</td>
<td>1,159</td>
</tr>
</tbody>
</table>

$170,307

See accompanying notes.
ARMSTRONG COUNTY COMMUNITY FOUNDATION

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31, 2012

Cash flows from operating activities:

Change in net assets $ 763,650

Adjustments to reconcile change in net assets to net cash provided by operating activities:
  Investment (gains) losses (629,754)

Net cash provided by operating activities 133,896

Cash flows from investing activities:

Purchase of investments (610,798)
Redemption of investments 456,157

Net cash from investing activities (154,641)

NET (DECREASE) IN CASH AND CASH EQUIVALENTS (20,745)

CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR 502,885

CASH AND CASH EQUIVALENTS, END OF YEAR $ 482,140

See accompanying notes.
ARMSTRONG COUNTY COMMUNITY FOUNDATION

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2012

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1. Nature of Activities
   Armstrong County Community Foundation is a nonprofit organization incorporated to meet the needs of individuals and charitable agencies within the county. 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 organization is to develop, manage and distribute charitable funding to meet existing and changing community needs.

2. Basis of Accounting
   The Organization's policy is to prepare its financial statements on the modified basis of cash receipts and disbursements. Consequently, certain revenues and related assets are recognized when received rather than when earned, and certain expenses are recognized when paid rather than when the obligation is incurred. This policy constitutes a departure from generally accepted accounting principles. Accordingly, the accompanying financial statements are not intended to present statements of financial position, activities, and cash flows in conformity with generally accepted accounting principles.

3. Fixed Assets
   Fixed assets acquired by the Organization are expensed when purchased. Although this is not in accordance with generally accepted accounting principles, the amounts expended annually are insignificant.

4. Federal Income Taxes
   The Organization qualifies as a tax-exempt non-profit organization under Section 501 (c)(3) of the Internal Revenue Code. Accordingly, no provision for federal income taxes has been recorded. The Organization's Form 990, Return of Organization Exempt from Income Taxes, for the years ending December 31, 2010, 2011 and 2012 are subject to examination by the IRS, generally for three years after they were filed.

5. Cash and Cash Equivalents
   Cash and cash equivalents include all monies in banks and highly liquid investments with maturity dates of less than three months. Fair value approximates carrying amounts.

6. Financial Statement Presentation
   The Organization is required to report information regarding its financial position and activities according to three classes of net assets:
unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. In addition, the Organization is required to present a statement of cash flows.

7. Investment Securities
Investments in marketable securities with readily determinable fair values and all investments in debt securities are valued at their fair values in the statement of financial position. Unrealized gains and losses are included in the change in net assets.

Fair value of the Organization’s investments is based on quoted prices in active markets for identical assets, which is Level 1 of the fair value hierarchy established under accounting principles generally accepted in the United States of America.

8. Contributions
Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence or nature of any donor restrictions.

9. Estimates
The preparation of financial statements in conformity with generally accepted accounting principles requires the use of management’s estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

B. RENT COMMITMENT

The Organization leased its office facilities at 160 North McKean Street, Kittanning, Pennsylvania, under a lease agreement dated September 1, 2005. On July 10, 2008, the Organization entered into an extension of this lease agreement thru September 30, 2013. The agreement required monthly rental payments of $520. In addition, it required the Organization to be responsible for 25% of the increase in the real estate taxes over and above the 2008 county and borough tax and the 2008-2009 school tax.

On September 13, 2013 the Organization entered into a lease agreement for office facilities at 220 South Jefferson Street, Suite B, Kittanning, Pennsylvania. The agreement requires monthly rental payments of ( $5,400 per year). This lease ends September 30, 2016, and may be renewed annually at an increased rate of 2.5% per year.
C. INVESTMENTS

The Organization’s investment accounts consisted of the following at December 31, 2012:

<table>
<thead>
<tr>
<th>Account</th>
<th>Cost</th>
<th>Market</th>
</tr>
</thead>
<tbody>
<tr>
<td>Money Market</td>
<td>$36,846</td>
<td>$36,846</td>
</tr>
<tr>
<td>Stocks/Bonds</td>
<td>-0-</td>
<td>-0-</td>
</tr>
<tr>
<td>Mutual Funds</td>
<td>4,227,759</td>
<td>5,598,371</td>
</tr>
<tr>
<td>Limited Partnership</td>
<td>-0-</td>
<td>-0-</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$4,264,605</strong></td>
<td><strong>$5,635,217</strong></td>
</tr>
</tbody>
</table>

A summary of investment earnings included in the Statement of Activities is as follows:

- Interest and dividends: $127,791
- Realized gains (losses): $137,986
- Unrealized gains (losses): $363,977

**Total:** $629,754

D. EVALUATION OF SUBSEQUENT EVENTS

The Organization has evaluated subsequent events through September 20, 2013, the date which the financial statements were available to be issued. A subsequent event involving a new lease commitment is described in Note B.