

**ARMSTRONG COUNTY COMMUNITY FOUNDATION**

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**FINANCIAL STATEMENTS  
FOR THE YEARS ENDED  
DECEMBER 31, 2023 AND 2022  
&  
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, 2023 and 2022, 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, 2023 and 2022, 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 available to be 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.

*McCall Scanlon & Tice, LLC*

Kittanning, Pennsylvania

March 22, 2024

# ARMSTRONG COUNTY COMMUNITY FOUNDATION

## STATEMENTS OF FINANCIAL POSITION DECEMBER 31, 2023 AND 2022

	<u>ASSETS</u>	
	2023	2022
CURRENT ASSETS:		
Cash	\$ 136,762	\$ 132,714
Restricted cash	297,132	326,776
Total cash	433,894	459,490
Prepaid expenses	4,782	2,798
Total current assets	438,676	462,288
RIGHT OF USE ASSETS	15,084	10,951
INVESTMENTS	23,963,763	15,289,927
TOTAL	\$ 24,417,523	\$ 15,763,166
	<u>LIABILITIES AND NET ASSETS</u>	
CURRENT LIABILITIES:		
Accounts payable	\$ -	\$ 269
Funds payable	98,705	101,841
YMCA grants payable	28,842	38,246
Current portion of lease liabilities	12,004	10,951
Total current liabilities	139,551	151,307
LEASE LIABILITIES	3,080	-
Total liabilities	142,631	151,307
NET ASSETS:		
Without donor restrictions	776,117	678,112
With donor restrictions	23,498,775	14,933,747
Total net assets	24,274,892	15,611,859
TOTAL	\$ 24,417,523	\$ 15,763,166

See Notes To Financial Statements

## ARMSTRONG COUNTY COMMUNITY FOUNDATION

### STATEMENT OF ACTIVITIES FOR THE YEAR ENDED DECEMBER 31, 2023

	Without Donor	With Donor Restrictions		Total
	Restrictions	Programs	Endowment	
<b>REVENUES, GAINS AND OTHER SUPPORT:</b>				
Direct public support	\$ 79,430	\$ 230,000	\$ 6,783,011	\$ 7,092,441
Special events and activities	29,340	-	-	29,340
Interest income	14,647	542	-	15,189
Investment income (loss)	84,778	-	2,657,692	2,742,470
Net assets released from restrictions	1,106,217	(257,050)	(849,167)	-
Total revenues, gains and other support	1,314,412	(26,508)	8,591,536	9,879,440
<b>EXPENSES:</b>				
Tuition Scholarship Program and grants to charitable agencies	964,151	-	-	964,151
Salaries and wages	128,941	-	-	128,941
Special events and activities	34,628	-	-	34,628
Office equipment and supplies	22,475	-	-	22,475
Printing and publications	3,580	-	-	3,580
Marketing	3,133	-	-	3,133
Lease	6,426	-	-	6,426
Telephone and internet	2,838	-	-	2,838
Utilities	4,790	-	-	4,790
Taxes	9,799	-	-	9,799
Insurance	3,238	-	-	3,238
Postage	1,416	-	-	1,416
Employee benefits	3,866	-	-	3,866
Professional fees	18,200	-	-	18,200
Dues and subscriptions	4,110	-	-	4,110
Travel/meals	684	-	-	684
Payroll services	1,925	-	-	1,925
Education/training	376	-	-	376
Miscellaneous	1,831	-	-	1,831
Total expenses	1,216,407	-	-	1,216,407
<b>INCREASE (DECREASE) IN NET ASSETS</b>	98,005	(26,508)	8,591,536	8,663,033
<b>NET ASSETS, BEGINNING OF YEAR</b>	678,112	224,935	14,708,812	15,611,859
<b>NET ASSETS, END OF YEAR</b>	<u>\$ 776,117</u>	<u>\$ 198,427</u>	<u>\$ 23,300,348</u>	<u>\$ 24,274,892</u>

See Notes To Financial Statements

**ARMSTRONG COUNTY COMMUNITY FOUNDATION**

STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2022

	Without Donor Restrictions	With Donor Restrictions		Total
		Programs	Endowment	
<b>REVENUES, GAINS AND OTHER SUPPORT:</b>				
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)	-
<b>Total revenues, gains and other support</b>	<b>1,269,381</b>	<b>89,380</b>	<b>(2,559,633)</b>	<b>(1,200,872)</b>
<b>EXPENSES:</b>				
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
Miscellaneous	1,536	-	-	1,536
<b>Total expenses</b>	<b>1,105,041</b>	<b>-</b>	<b>-</b>	<b>1,105,041</b>
<b>INCREASE (DECREASE) IN NET ASSETS</b>	<b>164,340</b>	<b>89,380</b>	<b>(2,559,633)</b>	<b>(2,305,913)</b>
<b>NET ASSETS, BEGINNING OF YEAR</b>	<b>513,772</b>	<b>135,555</b>	<b>17,268,445</b>	<b>17,917,772</b>
<b>NET ASSETS, END OF YEAR</b>	<b>\$ 678,112</b>	<b>\$ 224,935</b>	<b>\$ 14,708,812</b>	<b>\$ 15,611,859</b>

See Notes To Financial Statements

## ARMSTRONG COUNTY COMMUNITY FOUNDATION

### STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022

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	<u>2023</u>	<u>2022</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Increase (decrease) in net assets	\$ 8,663,033	\$ (2,305,913)
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	(2,422,765)	2,850,057
(Increase) decrease in,		
Prepaid expenses	(1,984)	9
Increase (decrease) in:		
Accounts payable	(269)	269
Funds payable	(3,136)	7,373
Scholarship payable	-	(1,000)
YMCA grants payable	(9,404)	38
	<u>6,225,475</u>	<u>550,833</u>
Net cash provided by (used in) operating activities		
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of investments	(7,231,850)	(1,329,301)
Proceeds from sales of investments	980,779	945,457
	<u>(6,251,071)</u>	<u>(383,844)</u>
Net cash provided by (used in) investing activities		
NET INCREASE (DECREASE) IN CASH	(25,596)	166,989
CASH, BEGINNING OF YEAR	<u>459,490</u>	<u>292,501</u>
CASH, END OF YEAR	<u>\$ 433,894</u>	<u>\$ 459,490</u>
NONCASH OPERATING ACTIVITIES,		
Addition of right of use assets for operating leases	<u>\$ 32,497</u>	<u>\$ 10,951</u>

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See Notes To Financial Statements



**ARMSTRONG COUNTY COMMUNITY FOUNDATION**  
**NOTES TO FINANCIAL STATEMENTS**

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**1. NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**NATURE OF OPERATIONS**

The Armstrong County Community Foundation (the "Foundation") 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, 2023 and 2022.

## **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.

### **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 2023 and 2022. 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, marketable alternatives, 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 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. The Foundation did not incur any advertising expense for the year ended December 31, 2023. Advertising expense was \$1,375 for the year ended December 31, 2022.

### **SUBSEQUENT EVENTS**

In preparing these financial statements, the Foundation has evaluated events and transactions for potential recognition or disclosure through March 22, 2024, 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, 2023 and 2022:

	<u>2023</u>	<u>2022</u>
Money market funds	\$ 1,201,241	\$ 768,125
Alternative investments	1,679,091	1,172,087
Equities	8,426,870	3,328,423
Fixed income	1,407,025	-
Mutual funds	4,422,374	5,139,866
Exchange traded products	1,935,778	1,174,455
Stocks	3,717,229	2,685,674
Bonds	<u>1,174,155</u>	<u>1,021,297</u>
Total	<u>\$ 23,963,763</u>	<u>\$ 15,289,927</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, 2023 and 2022:

	<u>2023</u>	<u>2022</u>
Dividends and interest income	\$ 444,025	\$ 384,745
Net unrealized and realized gain (loss) on investments	2,422,765	(2,850,057)
Investment fees	<u>(124,320)</u>	<u>(99,778)</u>
Total	<u>\$ 2,742,470</u>	<u>\$ (2,565,090)</u>

### 3. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions have been restricted by donors for the following purposes at December 31, 2023 and 2022:

	2023		2022	
	<u>Programs</u>	<u>Endowment</u>	<u>Programs</u>	<u>Endowment</u>
Foundation funds	\$ -	\$ 7,320,844	\$ -	\$ 556,763
Organizational	-	1,384,664	-	1,277,156
Scholarship	198,427	4,279,104	224,935	3,921,703
Donor advised	-	8,887,674	-	7,661,075
Donor designated	<u>98,705</u>	<u>1,456,904</u>	<u>101,841</u>	<u>1,330,361</u>
Total	297,132	23,329,190	326,776	14,747,058
Less payables	<u>(98,705)</u>	<u>(28,842)</u>	<u>(101,841)</u>	<u>(38,246)</u>
Total	<u>\$ 198,427</u>	<u>\$ 23,300,348</u>	<u>\$ 224,935</u>	<u>\$ 14,708,812</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, 2023 and 2022 is as follows:

	<u>With Donor Restrictions</u>	
	<u>2023</u>	<u>2022</u>
Beginning endowment net assets	\$ 14,708,812	\$ 17,268,445
Contributions	6,783,011	849,930
Income on investments	429,226	375,943
Expenses	(120,100)	(81,401)
Net assets released from restrictions	(849,167)	(843,261)
Net (depreciation)/appreciation in investments	<u>2,348,566</u>	<u>(2,860,844)</u>
Change in endowment net assets	<u>8,591,536</u>	<u>(2,559,633)</u>
Ending endowment net assets	<u><u>\$ 23,300,348</u></u>	<u><u>\$ 14,708,812</u></u>

Included in net assets released from restrictions is \$374,298 and \$151,944 for an internal fee charged for management of the endowment funds as of December 31, 2023 and 2022, 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 2023 and 2022 is summarized as follows:

	<u>2023</u>	<u>2022</u>
Beginning balance, reserved for future commitments	\$ 101,841	\$ 94,468
Grants and donations received	13,894	32,651
Expenses disbursed	<u>(17,030)</u>	<u>(25,278)</u>
Ending balance, reserved for future commitments	<u>\$ 98,705</u>	<u>\$ 101,841</u>

## 6. FUNCTIONAL EXPENSES

The Foundation incurred expenses in the following functional areas during the years ended December 31, 2023 and 2022:

	<u>2023</u>			
	<u>Program services</u>	<u>General and administrative</u>	<u>Fundraising</u>	<u>Total</u>
Tuition Scholarship Program and grants to charitable agencies	\$ 964,151	\$ -	\$ -	\$ 964,151
Salaries and wages	52,009	44,698	32,234	128,941
Special events and activities	-	-	34,628	34,628
Office equipment and supplies	5,619	11,237	5,619	22,475
Printing and publications	1,432	358	1,790	3,580
Marketing	1,253	313	1,567	3,133
Lease	2,571	1,285	2,570	6,426
Telephone and internet	1,135	568	1,135	2,838
Utilities	1,916	958	1,916	4,790
Taxes	3,920	3,429	2,450	9,799
Insurance	1,296	648	1,294	3,238
Postage	566	142	708	1,416
Employee benefits	1,753	1,147	966	3,866
Professional fees	-	18,200	-	18,200
Dues and subscriptions	1,028	2,058	1,024	4,110
Travel/meals	274	137	273	684
Payroll services	770	385	770	1,925
Education/training	94	188	94	376
Miscellaneous	458	915	458	1,831
Total expenses	<u>\$ 1,040,245</u>	<u>\$ 86,666</u>	<u>\$ 89,496</u>	<u>\$ 1,216,407</u>



ARMSTRONG COUNTY COMMUNITY FOUNDATION  
NOTES TO FINANCIAL STATEMENTS

	2022			
	Program services	General and administrative	Fundraising	Total
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
<b>Total expenses</b>	<b>\$ 944,668</b>	<b>\$ 78,659</b>	<b>\$ 81,714</b>	<b>\$ 1,105,041</b>

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 a 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 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, software and office equipment under three operating leases as follows:

The office space lease is a twelve-month lease requiring monthly installments of \$547, expiring in September 2024.

The software lease is a twelve-month lease requiring quarterly installments of \$4,961, expiring in April 2024.

The office equipment lease is a sixty-month lease requiring monthly installments of \$215, expiring in April 2028.

Lease expense for the years ended December 31, 2023 and 2022 was \$27,882 and \$25,215, respectively.

The following schedule reflects the future non-cancellable minimum lease payments under the Foundation's operating leases:

YEAR ENDING DECEMBER 31

2024	\$ 14,122
2025	2,580
2026	2,580
2027	2,580
2028	<u>645</u>
Total	<u>\$ 22,507</u>

**8. RETIREMENT PLAN**

The Foundation has a retirement plan covering all employees. Retirement plan expense was \$3,866 and \$3,056 for the years ended December 31, 2023 and 2022, 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, 2023 is as follows:

Financial assets, at year end:

Cash	\$ 433,894
Investments	<u>23,963,763</u>
Total financial assets at year-end	<u>24,397,657</u>

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

Cash	297,132
Investments	<u>23,300,348</u>
	<u>23,597,480</u>

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

\$ 800,177

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.

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