The Foundation for Enhancing Communities

Financial Statements

Year Ended December 31, 2019
with Independent Auditor's Report

MaherDuessel
Certified Public Accountants

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THE FOUNDATION FOR ENHANCING COMMUNITIES

YEAR ENDED DECEMBER 31, 2019

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Independent Auditor's Report

Board of Directors
The Foundation for
Enhancing Communities

We have audited the accompanying financial statements of The Foundation for Enhancing Communities (Foundation), which comprise the statement of financial position as of December 31, 2019, and the related statements of activities, functional expenses, and 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 accounting principles generally accepted in the United States of America; this includes 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 financial position of the Foundation as of December 31, 2019, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Change in Accounting Principle

As described in Note 1 to the financial statements, the Foundation adopted Accounting Standards Update 2018-08, *"Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made (Topic 958),"* which provides guidance for characterizing grants and similar contracts with government agencies and others as reciprocal transactions (exchanges) or nonreciprocal transactions (contributions) and distinguishing between conditional and unconditional contributions. Our opinion is not modified with respect to this matter.

Report on Summarized Comparative Information

We previously audited the Foundation's December 31, 2018 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated March 21, 2019. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2018, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Maher Duessel

Harrisburg, Pennsylvania
March 30, 2020

THE FOUNDATION FOR ENHANCING COMMUNITIES

STATEMENT OF FINANCIAL POSITION

DECEMBER 31, 2019

(With Comparative Totals at December 31, 2018)

	2019	2018
Assets		
Current assets:		
Cash and cash equivalents	$ 2,308,345	$ 2,740,174
Receivables:		
Accounts	73,149	86,399
Pledges	10,150	-
Contributions	983,658	458,170
Prepaid expenses	30,811	31,324
Total current assets	3,406,113	3,316,067
Noncurrent assets:		
Pledges receivable	103,126	131,267
Property and equipment, net	34,640	51,140
Investments	95,251,491	77,882,644
Split-interest agreements	9,854,158	9,159,071
Total Assets	$ 108,649,528	$ 90,540,189
Liabilities and Net Assets		
Liabilities:		
Current liabilities:		
Accounts payable and accrued expenses	$ 9,651	$ 14,812
Grants payable	773,183	1,334,932
Total current liabilities	782,834	1,349,744
Noncurrent liabilities:		
Liability to resource providers	6,285,421	5,155,913
Liabilities under split-interest agreements	6,841,674	5,342,880
Total Liabilities	13,909,929	11,848,537
Net Assets:		
Without donor restrictions:		
Designated by the Board for Endowment	76,631,789	59,961,317
Undesignated	13,328,814	13,349,281
	89,960,603	73,310,598
With donor restrictions:		
Split-interest agreements	3,012,484	3,816,191
Fiscal sponsorships	1,766,512	1,564,863
	4,778,996	5,381,054
Total Net Assets	94,739,599	78,691,652
Total Liabilities and Net Assets	$ 108,649,528	$ 90,540,189

The accompanying notes are an integral part of these financial statements.

THE FOUNDATION FOR ENHANCING COMMUNITIES

STATEMENT OF ACTIVITIES

YEAR ENDED DECEMBER 31, 2019

(With Comparative Totals For Year Ended December 31, 2018)

	Without Donor Restrictions	With Donor Restrictions	Total 2019	Total 2018
Revenue, Gains, and Other Support:				
Contributions	$ 7,938,299	$ 503,517	$ 8,441,816	$ 8,690,783
Investment income (loss), net	17,911,205	-	17,911,205	(5,763,011)
Fee income	354,328	-	354,328	411,814
Other income	151,991	-	151,991	129,166
Split-interest agreements	-	3,753	3,753	65,470
Change in value of split-interest agreements	-	1,295,638	1,295,638	(1,326,229)
Net assets released from restriction	2,404,966	(2,404,966)	-	-
Total revenue, gains, and other support	28,760,789	(602,058)	28,158,731	2,207,993
Expenses:				
Asset development	302,937	-	302,937	439,530
General and administrative	1,141,560	-	1,141,560	953,499
Program services	10,666,287	-	10,666,287	6,037,368
Total expenses	12,110,784	-	12,110,784	7,430,397
Change in Net Assets	16,650,005	(602,058)	16,047,947	(5,222,404)
Net Assets:				
Beginning of year	73,310,598	5,381,054	78,691,652	83,914,056
End of year	$ 89,960,603	$ 4,778,996	$ 94,739,599	$ 78,691,652

The accompanying notes are an integral part of these financial statements.

THE FOUNDATION FOR ENHANCING COMMUNITIES

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED DECEMBER 31, 2019

(With Comparative Totals For Year Ended December 31, 2018)

	Asset Development	General and Adminis-trative	Program Services	Total 2019	Total 2018
Expenses:					
Fund Administration:					
Fees	$ 5,970	$ 30,423	$ 22,921	$ 59,314	$ 91,779
Grants	-	-	7,843,790	7,843,790	3,392,183
In-kind	7,968	40,604	30,592	79,164	67,425
Projects and events	78,912	-	1,962,432	2,041,344	1,913,211
Office:					
Depreciation	2,943	15,001	11,302	29,246	28,877
General	31,019	158,070	119,092	308,181	381,269
Occupancy	11,726	59,747	45,014	116,487	123,231
Professional fees	10,486	53,434	40,258	104,178	69,161
Salaries, benefits, and professional development	153,913	784,281	590,886	1,529,080	1,363,261
Total expenses	$ 302,937	$ 1,141,560	$10,666,287	$12,110,784	$ 7,430,397

The accompanying notes are an integral part of these financial statements.

THE FOUNDATION FOR ENHANCING COMMUNITIES

STATEMENT OF CASH FLOWS

YEAR ENDED DECEMBER 31, 2019

(With Comparative Totals For Year Ended December 31, 2018)

	2019	2018
Reconciliation of Change in Net Assets to Net Cash Provided by (Used in) Operating Activities:		
Change in net assets	$ 16,047,947	$ (5,222,404)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Net realized and unrealized (gain) loss on investments	(16,892,685)	8,327,822
Split-interest agreements	(3,753)	(65,470)
Net change in value of split-interest agreements	807,460	1,326,229
Donated investments	(843,453)	(1,869,776)
Depreciation	29,246	28,877
(Increase) decrease in:		
Receivables	(494,247)	1,010,181
Prepaid expenses	513	(2,695)
Increase (decrease) in:		
Accounts payable	(5,161)	6,547
Grants payable	(561,749)	51,101
Liability to resource providers	1,129,508	(664,989)
Net cash provided by (used in) operating activities	(786,374)	2,925,423
Cash Flows from Investing Activities:		
Purchase of equipment	(12,746)	(29,099)
Purchase of investments	(8,236,099)	(21,910,160)
Proceeds from the sale of investments	8,603,390	19,050,513
Net cash provided by (used in) investing activities	354,545	(2,888,746)
Net Increase (Decrease) in Cash and Cash Equivalents	(431,829)	36,677
Cash and Cash Equivalents		
Beginning of year	2,740,174	2,703,497
End of year	$ 2,308,345	$ 2,740,174

The accompanying notes are an integral part of these financial statements.

1. Organization and Summary of Significant Accounting Policies

Organization

The Foundation for Enhancing Communities (the Foundation) is a non-profit community foundation. Its primary purpose is to attract, manage, and disburse funds for philanthropic purposes to organizations and provide scholarships in the Central Pennsylvania area.

Basis of Accounting

The Foundation prepares its financial statements on the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded when liabilities are incurred.

Statement of Cash Flows

For the purpose of the Statement of Cash Flows, the Foundation considers all highly liquid investments with an initial maturity of three months or less to be cash equivalents.

The net realized and unrealized loss on investments presented in the Statement of Cash Flows for the year ended December 31, 2019 is reported in the financial statements as follows:

Net realized and unrealized gain on investments	$ 16,892,685
Attributable to assets held for resource providers	(1,133,783)
	$ 15,758,902

Receivables

The Foundation considers all contributions and pledges receivable to be fully collectible. Accordingly, no allowance for doubtful accounts is reported. If amounts become uncollectible, they will be charged to the change in net assets when that determination is made.

Investments

Fair Value Measurements

The Foundation records its investments based on fair value. The use of observable inputs is maximized, and the use of unobservable inputs are minimized by using observable inputs when available.

Observable inputs are inputs that market participants would use in pricing the asset or liability based on market data obtained from independent sources. Unobservable inputs reflect assumptions that market participants would use in pricing the asset or liability based on the best information available in the circumstances. The hierarchy is broken down into three levels based on the transparency of inputs as follows:

Level 1 — Quoted prices are available in active markets for identical assets or liabilities as of the report date. A quoted price for an identical asset or liability in an active market provides the most reliable fair value measurement because it is directly observable to the market.

Level 2 — Pricing inputs are other than quoted prices in active markets, which are either directly or indirectly observable as of the report date. The nature of these securities includes investments for which quoted prices are available, but traded less frequently, and investments that are fair valued using other securities, the parameters of which can be directly observed.

Level 3 — Securities that have little to no pricing observability as of the report date. These securities are measured using management's best estimate of fair value, where the inputs into the determination of fair value are not observable and require significant management judgment or estimation.

Inputs are used in applying the various valuation techniques and broadly refer to the assumptions that market participants use to make valuation decisions, including assumptions about risk. Inputs may include price information, volatility statistics, specific and broad credit data, liquidity statistics, and other factors. A financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. However, the determination of what constitutes "observable" requires significant judgment by the Foundation. The Foundation considers observable data to be that market data that is readily available, regularly distributed or updated, reliable and verifiable, not proprietary, and provided by independent sources that are actively involved in the relevant market. The categorization of a financial instrument within the hierarchy is based upon the pricing transparency of the instrument and does not necessarily correspond to the Foundation's perceived risk of that instrument.

Valuation of Investments

Investments whose values are based on quoted market prices in active markets, and are therefore classified within Level 1, include active listed equities and equity and fixed income mutual funds.

Investments that trade in markets that are not considered to be active, but are valued based on quoted market prices, dealer quotations, or alternative pricing sources supported by observable inputs are classified within Level 2. Level 2 instruments include life insurance annuities and beneficial interests in life insurance policies. As Level 2 investments include positions that are not traded in active markets and/or are subject to transfer restrictions, valuations may be adjusted to reflect illiquidity and/or non-transferability, which are generally based on available market information.

Investments classified within Level 3 have significant unobservable inputs, as they trade infrequently or not at all. Level 3 instruments include tuition credits. When observable prices are not available for Level 3 securities, the Foundation uses one or more valuation techniques (e.g., the market approach, the income approach, or the cost approach) for which sufficient and reliable data is available. Within Level 3, the use of the market approach generally consists of using comparable market transactions, while the use of the income approach generally consists of the net present value of estimated future cash flows, adjusted as appropriate for liquidity, credit, market, and/or other risk factors.

The inputs used by the Foundation in estimating the value of Level 3 investments may include the original transaction price, recent transactions in the same or similar instruments, completed or pending third-party transactions in the underlying investment or comparable issuers, subsequent rounds of financing, recapitalizations, other transactions across the capital structure, offerings in the equity or debt capital markets, and changes in financial ratios or cash flows. Level 3 investments may also be adjusted to reflect illiquidity and/or non-transferability, with the amount of such discount estimated by the Foundation in the absence of market information. The fair value measurement of Level 3 investments does not include transaction costs that may have been capitalized as part of the security's cost basis. Assumptions used by the Foundation due to the lack of observable inputs may significantly impact the resulting fair value and, therefore, the Foundation’s results of operations.

Investments in marketable securities with readily determinable fair values are recorded at fair value in the Statement of Financial Position. Unrealized gains and losses are included in the change in net assets in the accompanying Statement of Activities.

Property and Equipment

Land, furniture, and equipment are recorded at cost or fair value (if donated), less accumulated depreciation. Donated assets are reported as contributions without donor restrictions unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use are reported as contributions with donor restrictions. Depreciation policies reflect the use of the straight-line method with useful lives ranging from two to ten years. When assets are retired or otherwise disposed of, the cost and the related accumulated depreciation are removed from the accounts and any resulting gain or loss is recognized in income for the period. The cost of maintenance and repairs is charged to expense as incurred; significant renewals and betterments are capitalized. Deductions are made for retirements resulting from renewals or betterments.

Liability to Resource Providers

Liability to resource providers consists of assets transferred from non-profit organizations that specified itself or an affiliate as the beneficiary of the fund created.

Revenue and Support

For financial statement purposes, support that is restricted by the donor is reported as an increase in net assets without donor restrictions if the restriction expires in the same period. Restrictions not met in the same period are reported as an increase in net assets with donor restrictions. When a 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 Statement of Activities as net assets released from restrictions.

Net Assets

Net assets without donor restrictions - Net assets available for use in general operations and not subject to donor restrictions. The Board has designated, from net assets without donor restrictions, net assets for an operating reserve and Board-designated endowments.

Net assets with donor restrictions - Net assets with donor restrictions result from contributions and other inflows of assets, other asset enhancements and diminishments, and reclassifications to (or from) other classes of net assets whose use is limited by donor-imposed stipulations that either expire by passage of time, can be fulfilled and removed by actions of the Foundation pursuant to those stipulations, or those that must be maintained permanently by the Foundation.

Conditional Promises and Indications of Intentions to Give

The Foundation does not recognize conditional promises as revenue until the condition is met.

From time to time, the Foundation is the beneficiary under various wills, the total value of which is not determinable. Such amounts are recorded as contributions when clear title is established and the proceeds are clearly measurable.

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 certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Functional Expense Allocation

The costs of providing various programs and other activities have been summarized on a functional basis in the Statement of Activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

The Foundation allocates expenses into three categories: Asset Development; General and Administrative; and Program Services. Asset Development includes activities undertaken to encourage potential donors to contribute cash, securities, property, and other assets to the Foundation. These activities include maintaining donor mailing lists, preparing and distributing fund information, and conducting other activities involved in soliciting contributions from individuals, foundations, government agencies, and others. General and administrative includes activities undertaken for specific operational activities of the Foundation. These activities include oversight, payroll, budgeting, investment management, contract administration, collecting fees, disseminating information to inform the public about the Foundation’s stewardship of contributions, producing annual reports, human resource management, and all other management and administration functions which do not fall into the categories of Asset Development or Program Services. Program service includes activities undertaken in fulfilling the Foundation's mission and purpose, and are the major purpose for, and output of, the Foundation. These activities include direct and indirect costs related to providing program services.

Expenses are allocated using an on-line time tracking system whereby all employees log time for the various programs and tasks related to Asset Development, General and Administrative, or Program Services. At the end of each year, percentages are calculated based on the time summaries, and certain expenses are allocated based on these calculated percentages. Certain expenses are directly charged to a specific function; however, the majority of expenses are allocated based on the calculated percentages.

Endowment Investment and Spending Policies

The Board of Directors, on the advice of legal counsel, has determined that the majority of the Foundation's contributions are subject to the terms of its governing documents. Certain contributions are received subject to other gift instruments or are subject to specific agreements with the Foundation. Under the terms of the Foundation's governing documents, the Board of Directors has the ability to distribute all or a portion of the original principal of any trust or separate gift, device, bequest, or fund as the Board of Directors shall determine. As a result of the ability to distribute the original principal, all contributions not classified as net assets with donor restrictions are classified as net assets 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 provide a predictable stream of funding to programs supported by its endowments while seeking to maintain the purchasing power of those endowment assets over the long-term. The Foundation's spending and investment policies work together to achieve this objective. The investment policy establishes an achievable return objective through diversification of asset classes. To satisfy its long-term rate-of-return objectives, the Foundation relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Foundation targets a diversified asset allocation to achieve its long-term return objectives with prudent risk parameters.

The spending policy calculates the amount of money annually distributed from the Foundation's various endowed funds for grant-making and administration. Based on the investment model selected by the donor, the current spending policy is to distribute between 3.0% and 6.2% of a moving five-year trailing average of the fair value of the endowment funds plus a historical performance factor. Accordingly, over the long-term, the Foundation expects its current spending policy to allow its endowment assets to grow. This is consistent with the Foundation's objective to maintain the purchasing power of endowment assets as well as to provide additional real growth through investment return.

Tax Status

The Foundation is exempt under Section 501(c)(3) of the Internal Revenue Code (Code) and is a publicly supported organization as described in Section 509(a)(1) of the Code. Contributions to the Foundation are deductible for federal income tax purposes because it is an organization described in Section 170(c)(2). The Foundation files Form 990 - Return of Organization Exempt from Income Tax, on an annual basis.

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 accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Foundation's financial statements for the year ended December 31, 2018, from which the summarized information was derived.

Risks and Uncertainties

Financial instruments, which potentially expose the Foundation to concentrations of credit risk, include cash and investments in marketable securities. As a matter of policy, the Foundation maintains cash balances only with financial institutions having a high credit quality. Concentration of credit risk for investments in marketable securities is mitigated by the overall diversification of managed investment portfolios. Investment securities are also exposed to various other risks such as interest rate and market risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in values of investment securities will occur in the near-term and that such changes could materially affect the amount reported on the Statement of Financial Position.

Adoption of Accounting Standard

The requirements of the following Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) were adopted during the year ended December 31, 2019:

Accounting Standards Update (ASU) 2018-08, *"Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made (Topic 958),"* which provides guidance for characterizing grants and similar contracts with government agencies and others as reciprocal transactions (exchanges) or nonreciprocal transactions (contributions) and distinguishing between conditional and unconditional contributions. The Foundation has implemented this new standard under a modified prospective basis. Accordingly, there is no effect on the net assets related to the implementation of this standard.

Pending Standards Update

ASU 2016-02, *"Leases (Topic 842),"* is effective for the Foundation's financial statements for the year ending December 31, 2020. This amendment will require lessees to recognize assets and liabilities on the Statement of Financial Position for the rights and obligations created by all leases with terms of more than twelve months. Disclosures also will be required by lessees to meet the objective of enabling users of financial statements to assess the amount, timing, and uncertainty of cash flows arising from leases. Early application of the amendments in the ASU is allowed.

Management has not yet determined the impact of this amendment on the Foundation's financial statements.

Subsequent Events

Subsequent events have been evaluated through the Independent Auditor's Report date, which is the date the financial statements were available to be issued.

2. Deposits

Cash and cash equivalents with a book value and bank balance of $2,308,345 and $1,436,868, respectively, at December 31, 2019 consist of $366,628 of deposits that are insured by the Federal Deposit Insurance Corporation (FDIC) and $1,070,240 of checking account and money market account deposits that are uninsured.

3. Contributions and Pledges Receivable

Contributions receivable consists of amounts due to the Foundation through wills, estates, or other agreements. Included in contributions receivable is $400,000 that is subject to final settlement of the estate and $515,000 that is subject to final dissolution of a scholarship foundation. All contributions receivable are considered to be current.

Pledges receivable, summarized by donor type, consist of the following at December 31, 2019:

Individuals	$ 113,276
Amounts due in:	
Less than one year	$ 10,150
One to five years	103,126
	$ 113,276

4. Investments

The Foundation's investments are, in part, comprised of funds held awaiting distribution to approved recipients of such funds and investments held under custodial agreements.

Fair Value of Financial Instruments

The following tables summarize the valuation of the Foundation's investments subject to measurements at fair value as of December 31, 2019:

	Level	Fair Value
Common stock:		
Financials	1	$ 62,675
Equity mutual funds:		
Large cap funds	1	40,961,528
Mid cap funds	1	10,047,635
Small cap funds	1	13,953,076
International developed	1	12,988,216
Emerging markets	1	3,179,276
Fixed mutual funds:		
Corporate bonds	1	10,720,851
U.S. Agency obligations	1	2,661,347
Tuition credits	3	676,887
Total Investments		$ 95,251,491

The following table summarizes the changes in fair values associated with Level 3 assets:

	December 31, 2018	Contributions/ Purchases	Withdrawals/ Payments	Change in Value	December 31, 2019
Tuition credits	$ 723,311	$ -	$ -	$ (46,424)	$ 676,887

Tuition credits represent an investment in the Pennsylvania 529 Guaranteed Savings Plan fund, a separate fund established by the Commonwealth of Pennsylvania and managed by the Pennsylvania Department of the Treasury, to be used for qualified college expenses. Contributions to the account must be held for approximately one year before withdrawn.

The following table represents the Foundation's Level 3 financial instruments, the valuation techniques used to measure the fair value of those financial instruments, and the significant unobservable inputs and the ranges of values for those inputs.

Instrument	Fair Value	Principal Valuation Technique	Unobservable Inputs	Range of Significant Input Values	Weighted Average
Tuition Credits	$ 676,887	Income approach	Tuition inflation projections	4.00% to 6.25%	4.98%
			Investment return, net of investment expense	6.00%	6.00%

The following changes in assumptions were noted from December 31, 2018. The investment return assumption, net of investment expense, remained 6.00%. The weighted average of tuition inflation projections decreased from 5.03% to 4.98%.

The Investment Advisory Committee (IAC), which reports to the Board of Directors of the Foundation, is responsible for determining the valuation of the tuition credits. The IAC reviews the tuition credit valuation as reported on the quarterly statements received from the fund and compares this information to the benchmarks reported in the Annual Report for the PA 529 College Savings program and other information as it related to the current level of tuition costs within the Commonwealth of Pennsylvania.

The following table summarizes the valuation of the Foundation's split-interest agreements subject to measurements at fair value as of December 31, 2019:

	Level	Fair Value
Cash and cash equivalents	1	$ 481,434
Equity mutual funds:		
Large cap funds	1	5,665,183
Mid cap funds	1	492,025
Small cap funds	1	755,418
International developed	1	1,160,984
Emerging markets	1	167,438
Fixed mutual funds:		
Intermediate bonds	1	742,747
Short-term bonds	1	176,160
Life insurance annuities	2	206,852
		9,848,241
Beneficial interest in life insurance policy cash surrender value	2	5,917
Total Split-Interest Agreements		$ 9,854,158

Fair value of life insurance annuities categorized as Level 2 is determined based on the life of the contract and an interest rate that is equal to the yield of a comparable U.S. Treasury Strip. Fair value of the beneficial interest in life insurance policies is based on the amount of available cash upon cancellation of the insurance policy before maturity. The fair value is determined by the insurer.

All change in value of split-interest agreements in the table above is reflected in the accompanying Statement of Activities.

Income on investments consists of the following for the year ended December 31, 2019:

Interest and dividends	$	2,152,303
Net realized and unrealized gain (not including assets held for resource providers)		15,758,902
	$	17,911,205

5. Split-Interest Agreements

The Foundation is trustee for several charitable remainder unitrusts and annuity trusts with a fair value of the assets at December 31, 2019 of $9,854,158. The unitrusts and annuity trusts require annual distributions to the donors or other listed beneficiaries and the remainder is distributed to the Foundation at termination of the trust. The present value of future payment liabilities on unitrusts and annuity trusts, based on the donors' ages and a discount factor of 1.2% to 8.0% is $6,841,674 at December 31, 2019.

Fair value of split-interest agreements at December 31, 2019	$ 9,854,158
Present value of contributions to the Foundation	3,012,484
Present value of future liabilities under split-interest agreements at December 31, 2019	$ 6,841,674

6. Grants Payable

In accordance with ASU 2018-08, if payment of a grant is conditional upon the recipient meeting certain criteria or barriers, the grant expense is not recognized until that barrier has been met. However, ASU 2018-08 has been applied on a modified prospective basis. As such, grants that were recognized as grants expense in a prior year, will continue to be reported in grants payable even if the barriers for payment have not yet been met.

Grants are authorized by the Board of Directors with consideration of the donor's recommendation. During the year ended December 31, 2019, grant expense was $7,843,790.

At December 31, 2019, $542,139 of grants awards were approved by the Board; however, barriers for payment had not been met. The conditions for payment of the grants are as follows:

Scholarships	$	423,005
Programmatic requirements		119,134
	$	542,139

Grants payable, totaling $773,183 at December 31, 2019, represents amounts approved by the Board of Directors, for which the barriers for payment have been met or for which the grant awards had been recognized in a prior year.

7. Restrictions on Net Assets

For financial statement purposes, at December 31, 2019, net assets without donor restrictions of $89,960,603 include approximately $13,329,000 in non-permanent funds and $76,630,000 in Board-designated endowment funds, of which approximately $1,270,000 is maintained in an Operating Reserve fund. While the Foundation retains variance power in its Bylaws to change conditions and restrictions on a fund under certain circumstances, except at the request of the donor, the Foundation may not change the purpose or a specific beneficiary of a fund without court approval.

Board-designated endowment net asset activity for the year ended December 31, 2019 is as follows:

Beginning balance	$ 59,961,000
Contributions	2,186,000
Other income	506,000
Investment income	15,179,000
Release of funds from charitable remainder trusts	2,103,000
Program/grant expenses	(3,305,000)
Ending balance	$ 76,630,000

For financial statement purposes, at December 31, 2019, net assets with donor restrictions consist of split-interest agreements which are subject to time restrictions totaling

$3,012,484 and fiscal sponsorships which are subject to purpose restrictions totaling $1,766,512.

Net assets with donor restrictions released from restriction during the year ended December 31, 2019 consist of $2,103,098 released as a result of the termination of split-interest agreements, and $301,868 released for time or purpose restrictions met within the current year.

8. Availability and Liquidity

The following represents the Foundation's financial assets available to meet general expenditures as of December 31, 2019:

Financial Assets:	
Cash and cash equivalents	$ 2,308,345
Receivables:	
Accounts receivable	73,149
Contributions receivable	983,658
Pledges receivable	113,276
Investments	95,251,491
Split-interest agreements	9,854,158
	108,584,077
Less: amounts not available for general expenditures:	
Fiscal sponsorships - cash	1,744,751
Pledges receivable scheduled to be collected in more than one year	66,393
Pledges receivable related to fiscal sponsorships	36,733
Contributions receivable related to fiscal sponsorships	2,382
Investments not available for spending	95,251,491
Add back: Non-permanent fund investments	(13,266,814)
Add back: Endowment spending policy	(4,739,363)
Add back: Operating reserve	(1,269,699)
Split-interest agreements	9,854,158
	87,680,032
Financial assets available to meet cash needs for general expenditures within one year	$ 20,904,045

The Foundation receives contributions with donor restrictions to be used in accordance with the associated purpose. The Foundation also receives contributions without donor restrictions to establish Board-designated endowment funds that will be held in perpetuity and non-permanent funds. In addition, the Foundation receives fee income related to asset management and various management agreements.

The Foundation considers investment income without donor restrictions, appropriated earnings from the Board-designated endowment funds, amounts held in non-permanent funds, and fee income to be available to meet cash needs for general expenditures. General expenditures expected to be paid in the subsequent year include general and administrative expenses, asset development expenses, and program service expenses, excluding grants and expenses related to fiscal sponsorship funds. Annual operations are defined as activities occurring during the Foundation's fiscal year.

The Foundation manages its cash available to meet general expenditures following three guiding principles:

- Operating with a prudent range of financial soundness and stability;
- Maintaining adequate liquid assets; and
- Maintaining sufficient reserves to provide reasonable assurance that long-term grant commitments and obligations under Board-designated endowments that support mission fulfillment will continue to be met, ensuring the sustainability of the Foundation.

9. Office Lease

The Foundation conducts its operations from an office that is leased under an operating lease. The original operating lease also includes parking. In July 2018, the operating lease was amended to include 12 additional parking spaces. In December 2019, the lease was amended to include additional office space as well as three additional parking spaces. All other terms of the operating lease remained the same. The lease term for the additional space is April 1, 2020 through March 31, 2027. The lease term for the original leased space is October 1, 2016 through September 30, 2021. During the year ended December 31, 2019, rent and parking under the current long-term lease was $91,834.

Future minimum rental payments under the operating lease are as follows:

2020	$ 148,347
2021	139,924
2022	89,451
2023	91,001
2024-2027	310,012
Total	$ 778,735

10. Subsequent Event

In December 2019, a novel strain of coronavirus (COVID-19) surfaced in China. The COVID-19 virus subsequently spread into the United States, including Pennsylvania. The federal government and the Commonwealth of Pennsylvania subsequently initiated unprecedented public health measures to limit the virus' spread, along with various financial stimuli to mitigate the economic impact to commerce, families, and individuals. The ultimate financial impact of COVID-19 cannot be reasonably estimated at this time.