The Foundation for Enhancing Communities

Financial Statements

Year Ended December 31, 2020
with Independent Auditor's Report

MaherDuessel

THE FOUNDATION FOR ENHANCING COMMUNITIES

YEAR ENDED DECEMBER 31, 2020

TABLE OF CONTENTS

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, 2020, 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, 2020, 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.

Report on Summarized Comparative Information

We previously audited the Foundation's December 31, 2019 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated March 30, 2020. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2019, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Maher Duessel

Harrisburg, Pennsylvania
March 18, 2021

THE FOUNDATION FOR ENHANCING COMMUNITIES

STATEMENT OF FINANCIAL POSITION

DECEMBER 31, 2020

(With Comparative Totals at December 31, 2019)

	2020	2019
Assets		
Current assets:		
Cash and cash equivalents	$ 1,162,815	$ 2,308,345
Receivables:		
Accounts	72,806	73,149
Pledges	10,000	10,150
Contributions	560,042	983,658
Prepaid expenses	33,184	30,811
Total current assets	1,838,847	3,406,113
Noncurrent assets:		
Pledges receivable	57,303	103,126
Property and equipment, net	60,107	34,640
Investments	110,625,853	95,251,491
Split-interest agreements	10,527,981	9,854,158
Total Assets	$ 123,110,091	$108,649,528
Liabilities and Net Assets		
Liabilities:		
Current liabilities:		
Accounts payable and accrued expenses	$ 862	$ 9,651
Grants payable	295,796	369,844
Total current liabilities	296,658	379,495
Noncurrent liabilities:		
Grants payable, net of current portion	398,339	403,339
Liability to resource providers	6,547,713	6,285,421
Liabilities under split-interest agreements	7,220,052	6,841,674
Total Liabilities	14,462,762	13,909,929
Net Assets:		
Without donor restrictions:		
Designated by the Board for Endowment	84,483,010	76,631,789
Undesignated	19,141,348	13,328,814
	103,624,358	89,960,603
With donor restrictions:		
Split-interest agreements	3,307,929	3,012,484
Fiscal sponsorships	1,715,042	1,766,512
	5,022,971	4,778,996
Total Net Assets	108,647,329	94,739,599
Total Liabilities and Net Assets	$ 123,110,091	$108,649,528

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

THE FOUNDATION FOR ENHANCING COMMUNITIES

STATEMENT OF ACTIVITIES

YEAR ENDED DECEMBER 31, 2020

(With Comparative Totals For Year Ended December 31, 2019)

	Without Donor Restrictions	With Donor Restrictions	Total 2020	Total 2019
Revenue, Gains, and Other Support:				
Contributions	$ 8,006,955	$ 414,086	$ 8,421,041	$ 8,441,816
Investment income, net	12,845,965	-	12,845,965	17,911,205
Fee income	405,182	-	405,182	354,328
Other income	405,691	-	405,691	151,991
Split-interest agreements	-	118,561	118,561	3,753
Change in value of split-interest agreements	-	176,884	176,884	1,295,638
Net assets released from restrictions	465,556	(465,556)	-	-
Total revenue, gains, and other support	22,129,349	243,975	22,373,324	28,158,731
Expenses:				
Asset development	264,833	-	264,833	302,937
General and administrative	947,145	-	947,145	1,141,560
Program services	7,253,616	-	7,253,616	10,666,287
Total expenses	8,465,594	-	8,465,594	12,110,784
Change in Net Assets	13,663,755	243,975	13,907,730	16,047,947
Net Assets:				
Beginning of year	89,960,603	4,778,996	94,739,599	78,691,652
End of year	$ 103,624,358	$ 5,022,971	$ 108,647,329	$ 94,739,599

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

THE FOUNDATION FOR ENHANCING COMMUNITIES

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED DECEMBER 31, 2020

(With Comparative Totals For Year Ended December 31, 2019)

	Asset Development	General and Adminis-trative	Program Services	Total 2020	Total 2019
Expenses:					
Fund Administration:					
Fees	$ 3,062	$ 17,375	$ 22,885	$ 43,322	$ 59,314
Grants	-	-	4,208,352	4,208,352	7,843,790
In-kind	1,080	6,130	8,073	15,283	79,164
Projects and events	97,912	-	1,797,740	1,895,652	2,041,344
Office:					
Depreciation	2,128	12,073	15,903	30,104	29,246
General	27,620	156,712	206,413	390,745	308,181
Occupancy	13,570	76,997	101,417	191,984	116,487
Professional fees	6,934	39,347	51,826	98,107	104,178
Salaries, benefits, and professional development	112,527	638,511	841,007	1,592,045	1,529,080
Total expenses	$ 264,833	$ 947,145	$ 7,253,616	$ 8,465,594	$12,110,784

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

THE FOUNDATION FOR ENHANCING COMMUNITIES

STATEMENT OF CASH FLOWS

YEAR ENDED DECEMBER 31, 2020

(With Comparative Totals For Year Ended December 31, 2019)

	2020	2019
Reconciliation of Change in Net Assets to Net Cash Used in Operating Activities:		
Change in net assets	$ 13,907,730	$ 16,047,947
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Net realized and unrealized gain on investments	(11,839,369)	(16,892,685)
Split-interest agreements	(118,561)	(3,753)
Net change in value of split-interest agreements	(176,884)	807,460
Donated investments	(2,837,025)	(843,453)
Depreciation	30,104	29,246
(Increase) decrease in:		
Receivables	469,932	(494,247)
Prepaid expenses	(2,373)	513
Increase (decrease) in:		
Accounts payable	(8,789)	(5,161)
Grants payable	(79,048)	(561,749)
Liability to resource providers	262,292	1,129,508
Net cash used in operating activities	(391,991)	(786,374)
Cash Flows from Investing Activities:		
Purchase of equipment	(55,571)	(12,746)
Purchase of investments	(3,194,929)	(8,236,099)
Proceeds from the sale of investments	2,496,961	8,603,390
Net cash provided by (used in) investing activities	(753,539)	354,545
Net Decrease in Cash and Cash Equivalents	(1,145,530)	(431,829)
Cash and Cash Equivalents		
Beginning of year	2,308,345	2,740,174
End of year	$ 1,162,815	$ 2,308,345

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 gain on investments presented in the Statement of Cash Flows for the year ended December 31, 2020 is reported in the financial statements as follows:

Net realized and unrealized gain on investments	$ 11,839,369
Attributable to assets held for resource providers	(575,333)
	$ 11,264,036

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.

Payroll Protection Program Loan

The Foundation has elected to derecognize the Paycheck Protection Program Loan (PPP Loan), and recorded revenue on the statement of activities, as the conditions of the loan are met. As a conditional contribution, the portion of the PPP Loan proceeds received prior to incurring qualifying expenditures and meeting the full-time equivalent head count would be reported as refundable advance on the statement of financial position. As of December 31, 2020, all conditions related to recognizing the loan had been met, and no refundable advance was required to be reported.

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, 2019, 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, 2020:

ASU 2018-13, *"Changes to the Disclosure Requirements for Fair Value Measurement (Topic 820),"*. The amendment removes and modifies certain fair value hierarchy leveling disclosures. Implementation resulted in financial statement disclosure modifications only.

Pending Standards Update

ASU 2016-02, *"Leases (Topic 842),"* is effective, as delayed, for the financial statements for the year beginning after December 15, 2021. These amendments and related amendments 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.

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

Reclassifications

Certain prior year amounts were reclassified to conform to the current year presentation.

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 $1,212,815, including $50,000 reported as cash and cash equivalents in split-interest agreements, and $1,114,295, respectively, at December 31, 2020 consist of $483,074 of deposits that are insured by the Federal Deposit Insurance Corporation (FDIC) and $631,221 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. All contributions receivable are considered to be current.

Pledges receivable, summarized by donor type, consist of the following at December 31, 2020:

Individuals	$ 67,303
Amounts due in:	
Less than one year	$ 10,000
One to five years	57,303
	$ 67,303

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, 2020:

	Level	Fair Value
Equity mutual funds:		
Large cap funds	1	$ 47,753,284
Mid cap funds	1	12,215,098
Small cap funds	1	17,289,368
International developed	1	15,415,726
Emerging markets	1	3,926,758
Fixed mutual funds:		
Corporate bonds	1	10,674,607
U.S. Agency obligations	1	2,709,276
Tuition credits	3	641,736
Total Investments		$ 110,625,853

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

	December 31, 2019	Contributions/ Purchases	Withdrawals/ Payments	Change in Value	December 31, 2020
Tuition credits	$ 676,887	$ -	$ -	$ (35,151)	$ 641,736

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	$ 641,736	Income approach	Tuition inflation projections	3.50% to 5.25%	4.95%
			Investment return, net of investment expense	5.50%	5.50%

The following changes in assumptions were noted from December 31, 2019. The investment return assumption, net of investment expense, decreased from 6.00% to 5.50%. The weighted average of tuition inflation projections decreased from 4.98% to 4.95%.

The following table summarizes the valuation of the Foundation's split-interest agreements subject to measurements at fair value as of December 31, 2020:

	Level	Fair Value
Cash and cash equivalents	1	$ 107,313
Equity mutual funds:		
Large cap funds	1	6,195,566
Mid cap funds	1	623,984
Small cap funds	1	931,439
International developed	1	1,258,876
Emerging markets	1	202,827
Fixed mutual funds:		
Intermediate bonds	1	801,824
Short-term bonds	1	199,299
Life insurance annuities	2	206,853
Total Split-Interest Agreements		$ 10,527,981

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.

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, 2020:

Interest and dividends	$	1,581,929
Net realized and unrealized gain (not including assets held for resource providers)		11,264,036
	$	12,845,965

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, 2020 of $10,527,981. 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 $7,220,052 at December 31, 2020.

Fair value of split-interest agreements at December 31, 2020	$ 10,527,981
Present value of contributions to the Foundation	3,307,929
Present value of future liabilities under split-interest agreements at December 31, 2020	$ 7,220,052

6. Grants Payable

The Foundation adopted ASU 2018-08, "*Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made (Topic 958)*" during the year ended December 31, 2019. 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 prior to January 1, 2019, 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, 2020, grant expense was $4,208,352.

At December 31, 2020, $787,554 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	$	564,496
Programmatic requirements		223,058
	$	787,554

Grants payable, totaling $694,135 at December 31, 2020, 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, 2020, net assets without donor restrictions of $103,624,358 include approximately $19,141,000 in non-permanent funds and $84,483,000 in Board-designated endowment funds, of which approximately $1,639,000 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, 2020 is as follows:

Beginning balance	$ 76,630,000
Contributions	656,000
Other income	743,000
Investment income	10,591,000
Program/grant expenses	(4,137,000)
Ending balance	$ 84,483,000

For financial statement purposes, at December 31, 2020, net assets with donor restrictions consist of split-interest agreements which are subject to time restrictions totaling $3,307,929 and fiscal sponsorships which are subject to purpose restrictions totaling $1,715,042.

8. Availability and Liquidity

The following represents the Foundation's financial assets available to meet general expenditures as of December 31, 2020:

Financial Assets:	
Cash and cash equivalents	$ 1,162,815
Receivables:	
Accounts receivable	72,806
Contributions receivable	560,042
Pledges receivable	67,303
Investments	110,625,853
Split-interest agreements	10,527,981
	123,016,800
Less: amounts not available for general expenditures:	
Pledges receivable scheduled to be collected in more than one year	45,809
Pledges receivable related to fiscal sponsorships	11,494
Contributions receivable related to fiscal sponsorships	6,404
Investments not available for spending	110,625,853
Add back: Non-permanent fund investments	(19,521,691)
Add back: Endowment spending policy	(4,805,857)
Add back: Operating reserve	(1,638,522)
Split-interest agreements	10,527,981
	95,251,471
Financial assets available to meet cash needs for general expenditures within one year	$ 27,765,329

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 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, 2020, rent and parking under the current long-term lease was $111,222.

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

2021	$ 139,924
2022	89,451
2023	91,001
2024	92,597
2025	94,241
2026-2027	123,174
Total	$ 630,388

10. Contingencies

The coronavirus pandemic remains a rapidly evolving situation. The extent of the impact of the coronavirus on our business and financial results will depend on future developments, including the duration and spread of the outbreak within the markets in which we operate, the related impact on the federal budget, and the state of Pennsylvania's budget, all of which are highly uncertain.

In April 2020, the Foundation qualified for and received a loan pursuant to the Paycheck Protection Program (PPP), a program implemented by the United States Small Business Administration (SBA) under the Coronavirus Aid, Relief, and Economic Security Act, from a qualified lender (Fulton Bank), for an aggregate principal amount of $272,447. The PPP loan bears interest at a fixed rate of 1% per annum. As of December 31, 2020, the full amount of the loan met the conditions set forth by the SBA and was expended in 24 weeks. As of January 28, 2021, the full amount of the loan has been forgiven by both the lender and the SBA.