The Foundation for Enhancing Communities

Financial Statements

Year Ended December 31, 2022
with Independent Auditor's Report

MaherDuessel

THE FOUNDATION FOR ENHANCING COMMUNITIES

YEAR ENDED DECEMBER 31, 2022

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Independent Auditor's Report

Board of Directors
The Foundation for Enhancing Communities

Report on the Audit of the Financial Statements

Opinion

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, 2022, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

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, 2022, 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.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's 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 audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Change in Accounting Principle

As described in Note 1 to the financial statements, the Foundation adopted Accounting Standards Update 2016-02, "*Leases (Topic 842)*," which requires 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. Our opinion is not modified with respect to this matter.

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 within one year after the date that the financial statements are available to be issued.

Auditor's 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 auditor's 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 generally accepted auditing standards 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, including omissions, 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 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.

Report on Summarized Comparative Information

We have previously audited the Foundation's 2021 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated March 17, 2022. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2021, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Maher Duessel

Harrisburg, Pennsylvania
March 16, 2023

THE FOUNDATION FOR ENHANCING COMMUNITIES

STATEMENT OF FINANCIAL POSITION

DECEMBER 31, 2022

(With Comparative Totals at December 31, 2021)

	2022	2021
Assets		
Current assets:		
Cash and cash equivalents	$ 2,063,146	$ 2,228,958
Receivables:		
Accounts	67,014	92,085
Pledges	-	10,000
Contributions	58,070	67,350
Prepaid expenses	91,746	44,252
Total current assets	2,279,976	2,442,645
Noncurrent assets:		
Pledges receivable	50,475	37,090
Operating lease right of use asset	723,894	906,590
Property and equipment, net	42,722	65,166
Investments	104,495,417	131,511,936
Split-interest agreements	9,502,666	11,760,448
Total Assets	$ 117,095,150	$146,723,875
Liabilities and Net Assets		
Liabilities:		
Current liabilities:		
Accounts payable and accrued expenses	$ 3,832	$ 250,646
Grants payable	317,289	187,417
Deferred revenue	48,205	17,500
Current portion of operating lease liability	167,568	163,220
Total current liabilities	536,894	618,783
Noncurrent liabilities:		
Grants payable, net of current portion	431,632	359,339
Noncurrent portion of operating lease liability	575,802	743,370
Liability to resource providers	6,397,855	8,070,892
Liabilities under split-interest agreements	6,193,337	7,953,972
Total Liabilities	14,135,520	17,746,356
Net Assets:		
Without donor restrictions:		
Designated by the Board for Endowment	77,786,955	97,726,000
Undesignated	19,875,184	24,924,754
	97,662,139	122,650,754
With donor restrictions:		
Split-interest agreements	3,309,329	3,806,476
Fiscal sponsorships	1,988,162	2,520,289
	5,297,491	6,326,765
Total Net Assets	102,959,630	128,977,519
Total Liabilities and Net Assets	$ 117,095,150	$146,723,875

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

THE FOUNDATION FOR ENHANCING COMMUNITIES

STATEMENT OF ACTIVITIES

YEAR ENDED DECEMBER 31, 2022
(With Comparative Totals For Year Ended December 31, 2021)

	Without Donor Restrictions	With Donor Restrictions	Total 2022	Total 2021
Revenue, Gains, and Other Support:				
Contributions	$ 4,982,353	$ 253,285	$ 5,235,638	$ 7,265,894
Investment income (loss), net	(21,048,722)	-	(21,048,722)	20,685,359
Fee income	486,893	-	486,893	457,710
Other income	133,741	-	133,741	116,051
Split-interest agreements	-	317,705	317,705	-
Change in value of split-interest agreements	-	(814,852)	(814,852)	498,547
Net assets released from restrictions	785,412	(785,412)	-	-
Total revenue, gains, and other support	(14,660,323)	(1,029,274)	(15,689,597)	29,023,561
Expenses:				
Asset development	468,950	-	468,950	428,713
General and administrative	1,058,701	-	1,058,701	937,310
Program services	8,800,641	-	8,800,641	7,327,348
Total expenses	10,328,292	-	10,328,292	8,693,371
Change in Net Assets	(24,988,615)	(1,029,274)	(26,017,889)	20,330,190
Net Assets:				
Beginning of year	122,650,754	6,326,765	128,977,519	108,647,329
End of year	$ 97,662,139	$ 5,297,491	$ 102,959,630	$128,977,519

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

THE FOUNDATION FOR ENHANCING COMMUNITIES

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED DECEMBER 31, 2022

(With Comparative Totals For Year Ended December 31, 2021)

	Asset Development	General and Adminis-trative	Program Services	Total 2022	Total 2021
Expenses:					
Fund Administration:					
Fees	$ 7,456	$ 20,508	$ 25,180	$ 53,144	$ 54,116
Grants	-	-	5,532,808	5,532,808	4,236,626
Contributions of non-financial assets	963	2,648	3,251	6,862	7,735
Projects and events	84,043	-	1,968,003	2,052,046	2,039,007
Office:					
Depreciation	4,040	11,113	13,645	28,798	28,895
Amortization of right of use asset	25,632	70,503	86,561	182,696	170,328
General	66,052	181,680	223,058	470,790	364,213
Occupancy	4,615	12,694	15,584	32,893	16,037
Professional fees	15,468	42,546	52,237	110,251	131,545
Salaries, benefits, and professional development	260,681	717,009	880,314	1,858,004	1,644,869
Total expenses	$ 468,950	$ 1,058,701	$ 8,800,641	$10,328,292	$ 8,693,371

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

THE FOUNDATION FOR ENHANCING COMMUNITIES

STATEMENT OF CASH FLOWS

YEAR ENDED DECEMBER 31, 2022

(With Comparative Totals For Year Ended December 31, 2021)

	2022	2021
Reconciliation of Change in Net Assets to Net Cash Provided by (Used in) Operating Activities:		
Change in net assets	$(26,017,889)	$ 20,330,190
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Net realized and unrealized gain (loss) on investments	24,408,765	(20,310,294)
Split-interest agreements	(317,705)	-
Net change in value of split-interest agreements	814,852	(498,547)
Donated investments	(882,879)	(492,587)
Depreciation	28,798	28,895
Amortization of right of use asset	182,696	170,328
(Increase) decrease in:		
Receivables	30,966	493,626
Prepaid expenses	(47,494)	(11,068)
Increase (decrease) in:		
Accounts payable and accrued expenses	(246,814)	249,784
Grants payable	202,165	(147,379)
Deferred revenue	30,705	17,500
Operating lease liabilities	(163,220)	(170,328)
Liability to resource providers	(1,673,037)	1,523,179
Net cash provided by (used in) operating activities	(3,650,091)	1,183,299
Cash Flows from Investing Activities:		
Purchase of equipment	(6,354)	(33,954)
Purchase of investments	(83,396,895)	(31,646,395)
Proceeds from the sale of investments	86,887,528	31,563,193
Net cash provided by (used in) investing activities	3,484,279	(117,156)
Net Increase (Decrease) in Cash and Cash Equivalents	(165,812)	1,066,143
Cash and Cash Equivalents		
Beginning of year	2,228,958	1,162,815
End of year	$ 2,063,146	$ 2,228,958

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/(loss) on investments presented in the statement of cash flows for the year ended December 31, 2022 is reported in the financial statements as follows:

Net realized and unrealized loss on investments	$ (24,408,765)
Attributable to assets held for resource providers	1,489,811
	$ (22,918,954)

Receivables

The Foundation considers all accounts, 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. In such circumstances, the Foundation recognizes the fair value of the assets transferred as an increase in its investments and a liability to the not-for-profit. The liability established is generally equivalent to the present value of future payments expected to be made to the not-for-profit organization.

Deferred Revenue

The Foundation receives certain fee for service revenues in advance of services performed. When this occurs that revenue is treated as deferred until services are performed and then revenue is recognized.

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.

Management Service Agreement Revenue

Revenue received from the management service agreements is recognized when the Foundation performs the services per the specific agreements.

Leases

The Foundation leases certain office space and parking. The Foundation determines if an arrangement is a lease at inception. Operating leases are included in operating lease right-of-use (ROU) assets, other current liabilities, and operating lease liabilities on the statement of financial position.

ROU assets represent the Foundation's right to use an underlying asset for the lease term and lease liabilities represent the Foundation's obligation to make lease payments arising from the lease. Operating lease ROU assets and liabilities are recognized at commencement date based on the present value of lease payments over the lease term. As most of the Foundation's leases do not provide an implicit rate, the incremental borrowing rate is used which is based on the information available at commencement date in determining the present value of lease payments. The operating lease ROU asset also includes any lease payments made and excludes lease incentives. The Foundation's lease terms may include options to extend or terminate the lease when it is reasonably certain that they will exercise that option. Lease expense for lease payments is recognized on a straight-line basis over the lease term.

The Foundation's lease agreements do not contain any material residual value guarantees or material restrictive covenants.

In evaluating contracts to determine if they qualify as a lease, the Foundation considers factors such as if they have obtained substantially all of the rights to the underlying asset through exclusivity, if they can direct the use of the asset by making decisions about how and for what purpose the asset will be used and if the lessor has substantive substitution rights. This evaluation may require significant judgment.

In allocating consideration in the contract to the separate lease components and the non-lease components, the Foundation uses the standalone prices of the lease and non-lease components. Observable standalone prices are used, if available. If the standalone price for a component has a high level of variability or uncertainty, this allocation may require significant judgment.

In determining the discount rate used to measure the ROU asset and lease liability, the Foundation uses rates implicit in the lease, or if not readily available, they use their incremental borrowing rate. The incremental borrowing rate is based on an estimated secured rate comprised of a risk-free rate plus a credit spread as secured by the Foundation’s assets. Determining a credit spread as secured by the assets may require significant judgment.

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, that is those with a measurable performance or other barrier and a right of return, 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, 2021, 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 this Standards Update have been adopted and incorporated into these financial statements:

Accounting Standards Update (ASU) 2016-02, *"Leases (Topic 842),"* requires 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 are 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.

The Foundation adopted the standard effective January 1, 2021 and recognized and measured leases existing at, or entered into after, January 1, 2021 (the beginning of the period of adoption) through a cumulative effect adjustment. The adoption of this standard resulted in the presentation of ROU lease asset and related lease liabilities on the statements of financial position, and additional footnote disclosure. As the lease liability approximated the ROU asset as of January 1, 2021, there was no restatement to the net position.

As a result of the adoption of the new lease accounting guidance, the Foundation recognized on January 1, 2021, a lease liability of $1,064,550 which represents the present value of the remaining operating lease payments of $1,077,380, discounted using the incremental borrowing rate of .37%, and a ROU asset of $1,064,550.

The standard had a material impact on the Foundation's statement of financial position but did not have an impact on the statement of activities, nor the statement of cash flows. The most significant impact was the recognition of ROU asset and lease liability for operating lease.

ASU 2020-07, *"Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets,"* requires presentation of contributed nonfinancial assets as a separate line item in the statement of activities apart from contributions of cash and other nonfinancial assets. Additional disclosures included disaggregation of type, description of program if utilized, monetizing policy (if applicable), donor-imposed restrictions, and fair value measurement. The Foundation did not have any significant contributions of nonfinancial assets during the year ended December 31, 2022.

Reclassifications

Certain prior year amounts have been 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 $2,063,146, and $1,717,568, respectively, at December 31, 2022 consist of $429,510 of deposits that are insured by the Federal Deposit Insurance Corporation (FDIC), and $1,288,058 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. All contributions receivable are considered to be current.

Pledges receivable, summarized by donor type, consist of the following at December 31, 2022:

Individuals	$ 50,475
Amounts due in:	
Less than one year	$ -
One to five years	50,475
	$ 50,475

Any discounts on long-term pledges receivables would be considered immaterial to the financial statements.

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, 2022:

	Level	Fair Value
Equity mutual funds:		
Large cap funds	1	$ 55,358,056
Mid cap funds	1	15,185,257
Small cap funds	1	15,234,467
International developed	1	33,253
Emerging markets	1	4,554,701
Fixed mutual funds:		
Corporate bonds	1	11,445,604
U.S. Agency obligations	1	2,121,657
Tuition credits	3	562,422
Total Investments		$ 104,495,417

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

	December 31, 2021	Contributions/ Purchases	Withdrawals/ Payments	Change in Value	December 31, 2022
Tuition credits	$ 602,221	$ -	$ -	$ (39,799)	$ 562,422

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	$ 562,422	Income approach	Tuition inflation projections	3.00% to 5.25%	4.20%
			Investment return, net of investment expense	5.50%	5.50%

The weighted average of tuition inflation projections, consistent with 2021, is slightly lower at 4.20%.

The following table summarizes the valuation of the Foundation's split-interest agreements subject to measurements at fair value as of December 31, 2022:

	Level	Fair Value
Cash and cash equivalents	1	$ 139,187
Equity mutual funds:		
Large cap funds	1	4,627,041
Mid cap funds	1	1,122,585
Small cap funds	1	1,231,728
International developed	1	40,768
Emerging markets	1	458,912
Fixed mutual funds:		
Intermediate bonds	1	333,167
Short-term bonds	1	1,342,402
Life insurance annuities	2	206,876
Total Split-Interest Agreements		$ 9,502,666

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, 2022:

Interest and dividends	$ 1,870,232
Net realized and unrealized gain (not including assets held for resource providers)	(22,918,954)
	$ (21,048,722)

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, 2022 of $9,502,666. 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 8.1% is $6,193,337 at December 31, 2022.

Fair value of split-interest agreements at December 31, 2022	$ 9,502,666
Present value of contributions to the Foundation	3,309,329
Present value of future liabilities under split-interest agreements at December 31, 2022	$ 6,193,337

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, 2022, grant expense was $5,532,808.

At December 31, 2022, $713,575 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	$	642,967
Programmatic requirements		70,608
	$	713,575

Grants payable, totaling $748,921 at December 31, 2022, 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. Future payments for these amounts are as follows:

Less than one year	$	317,289
One to five years		431,632
	$	748,921

7. Restrictions on Net Assets

For financial statement purposes, at December 31, 2022, net assets without donor restrictions of $97,662,139 include approximately $19,875,000 in non-permanent funds and $77,787,000 in Board-designated endowment funds, of which approximately $2,011,000 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, 2022 is as follows:

Beginning balance	$ 97,726,000
Contributions	2,015,000
Other income	621,000
Investment loss	(16,101,000)
Program/grant expenses	(6,474,000)
Ending balance	$ 77,787,000

For financial statement purposes, at December 31, 2022, net assets with donor restrictions consist of split-interest agreements which are subject to time restrictions totaling $3,309,329 and fiscal sponsorships which are subject to purpose restrictions totaling $1,988,162.

8. Availability and Liquidity

The following represents the Foundation's financial assets available to meet general expenditures as of December 31, 2022:

Financial Assets:	
Cash and cash equivalents	$ 2,063,146
Receivables:	
Accounts receivable	67,014
Contributions receivable	58,070
Pledges receivable	50,475
Investments	104,495,417
Split-interest agreements	9,502,666
	116,236,788
Less: amounts not available for general expenditures:	
Fiscal sponsorships - cash	51,525
Pledges receivable scheduled to be collected in more than one year	41,709
Pledges receivable related to fiscal sponsorships	8,766
Investments not available for spending	104,495,417
Add back: Non-permanent fund investments	(19,866,633)
Add back: Endowment spending policy	(5,245,853)
Add back: Operating reserve	(2,010,923)
Split-interest agreements	9,502,666
	86,976,674
Financial assets available to meet cash needs for general expenditures within one year	$ 29,260,114

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. Leases

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 was October 1, 2016 through September 30, 2021. In July 2021, the lease term for the original leased space was amended to extend the lease term through March 2027 and to add one additional parking space. At December 31, 2022, the lease has a remaining lease term of 4 years and three months.

During the year ended December 31, 2022, the Foundation recognized rent expense associated with the operating leases of $166,298.

Future minimum rental payments under non-cancellable operating leases as of December 31, 2022 are as follows:

Year Ending December 31,		
2023	$	170,034
2024		173,886
2025		177,852
2026		181,938
2027		45,741
Total future minimum lease payments		749,451
Less: interest		(6,081)
Total	$	743,370

Because the Foundation does not have access to the rate implicit in the lease, it utilizes the US Treasury rate as the incremental borrowing rate. The weighted average discount rate associated with the operating leases at December 31, 2022 was .37%.