

**The Foundation for Enhancing  
Communities**

Consolidated Financial Statements and  
Supplementary Information

Year Ended December 31, 2025  
with Independent Auditor's Report

**MaherDuessel**

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# THE FOUNDATION FOR ENHANCING COMMUNITIES

YEAR ENDED DECEMBER 31, 2025

## TABLE OF CONTENTS

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### **Independent Auditor's Report**

### **Consolidated Financial Statements:**

Consolidated Statement of Financial Position	1
Consolidated Statement of Activities	2
Consolidated Statement of Functional Expenses	3
Consolidated Statement of Cash Flows	4
Notes to Consolidated Financial Statements	5

### **Supplementary Information:**

Consolidating Statement of Financial Position	23
Consolidating Statement of Activities	24

## Independent Auditor's Report

**Board of Directors  
The Foundation for Enhancing Communities**

### Report on the Audit of the Consolidated Financial Statements

#### **Opinion**

We have audited the accompanying consolidated financial statements of The Foundation for Enhancing Communities (Foundation), which comprise the consolidated statement of financial position as of December 31, 2025, and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Foundation as of December 31, 2025, 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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated 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.

#### **Responsibilities of Management for the Consolidated Financial Statements**

Management is responsible for the preparation and fair presentation of the consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated 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 consolidated financial statements are available to be issued.

### **Auditor's Responsibilities for the Audit of the Consolidated Financial Statements**

Our objectives are to obtain reasonable assurance about whether the consolidated 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 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 consolidated financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated 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 consolidated 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 consolidated 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 2024 consolidated financial statements, and we expressed an unmodified audit opinion on those audited consolidated financial statements in our report dated March 21, 2025. In our opinion, the summarized comparative information presented

herein as of and for the year ended December 31, 2024, is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.

### **Report on Supplementary Information**

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying supplementary information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

*Mahe Duessel*

Harrisburg, Pennsylvania  
March 23, 2026

# THE FOUNDATION FOR ENHANCING COMMUNITIES

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

DECEMBER 31, 2025

(With Comparative Totals at December 31, 2024)

<b>Assets</b>	2025	2024
<b>Current assets:</b>		
Cash and cash equivalents	\$ 1,965,161	\$ 921,513
Accounts receivable	33,811	43,018
Prepaid expenses	70,283	65,932
Total current assets	2,069,255	1,030,463
<b>Noncurrent assets:</b>		
Pledges receivable	56,916	51,764
Operating lease right of use asset	280,055	466,763
<b>Property and equipment:</b>		
Land	629,902	629,902
Buildings	944,852	944,852
Furniture and equipment	572,591	527,511
	2,147,345	2,102,265
Less: accumulated depreciation	530,898	465,753
Net property and equipment	1,616,447	1,636,512
Investments	158,542,580	140,441,490
Split-interest agreements	13,588,627	12,725,019
<b>Total Assets</b>	\$ 176,153,880	\$ 156,352,011
<b>Liabilities and Net Assets</b>		
<b>Liabilities:</b>		
<b>Current liabilities:</b>		
Accounts payable and accrued expenses	\$ 34,037	\$ 113,888
Grants payable	210,926	425,795
Deferred revenue	9,992	72,219
Current portion of loan payable	21,368	19,808
Current portion of operating lease liability	203,495	235,417
Total current liabilities	479,818	867,127
<b>Noncurrent liabilities:</b>		
Grants payable, net of current portion	608,354	355,695
Noncurrent portion of loan payable	1,137,604	1,164,192
Noncurrent portion of operating lease liability	101,907	267,394
Liability to resource providers	9,502,575	8,604,079
Liabilities under split-interest agreements	8,181,365	7,776,856
Total Liabilities	20,011,623	19,035,343
<b>Net Assets:</b>		
<b>Without donor restrictions:</b>		
Designated by the Board for Endowment	126,503,775	108,323,329
Undesignated	22,530,393	22,394,796
	149,034,168	130,718,125
<b>With donor restrictions:</b>		
Split-interest agreements	5,407,262	4,948,163
Fiscal sponsorships	1,700,827	1,650,380
	7,108,089	6,598,543
Total Net Assets	156,142,257	137,316,668
<b>Total Liabilities and Net Assets</b>	\$ 176,153,880	\$ 156,352,011

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

# THE FOUNDATION FOR ENHANCING COMMUNITIES

## CONSOLIDATED STATEMENT OF ACTIVITIES

YEAR ENDED DECEMBER 31, 2025

(With Comparative Totals For Year Ended December 31, 2024)

	Without Donor Restrictions	With Donor Restrictions	Total 2025	Total 2024
<b>Revenue, Gains, and Other Support:</b>				
Contributions	\$ 12,532,993	\$ 470,395	\$ 13,003,388	\$ 13,331,168
Investment income (loss), net	18,816,949	-	18,816,949	20,299,395
Fee income	544,922	-	544,922	500,886
Other income	264,538	-	264,538	155,578
Split-interest agreements	-	-	-	469,316
Change in value of split-interest agreements	-	494,206	494,206	476,093
Net assets released from restrictions	455,055	(455,055)	-	-
 Total revenue, gains, and other support	 32,614,457	 509,546	 33,124,003	 35,232,436
<b>Expenses:</b>				
Asset development	427,640	-	427,640	546,268
General and administrative	1,160,825	-	1,160,825	1,242,503
Program services	12,709,949	-	12,709,949	11,211,463
 Total expenses	 14,298,414	 -	 14,298,414	 13,000,234
 <b>Change in Net Assets</b>	 18,316,043	 509,546	 18,825,589	 22,232,202
<b>Net Assets:</b>				
Beginning of year	130,718,125	6,598,543	137,316,668	115,084,466
 End of year	 \$ 149,034,168	 \$ 7,108,089	 \$ 156,142,257	 \$ 137,316,668

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

# THE FOUNDATION FOR ENHANCING COMMUNITIES

## CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED DECEMBER 31, 2025

(With Comparative Totals For Year Ended December 31, 2024)

	Asset Development	General and Adminis- trative	Program Services	Total 2025	Total 2024
<b>Expenses:</b>					
Fund Administration:					
Fees	\$ 5,915	\$ 16,070	\$ 26,119	\$ 48,104	\$ 42,889
Grants	-	-	9,182,986	9,182,986	7,930,778
Contributions of non- financial assets	1,641	4,458	7,247	13,346	61,982
Projects and events	328	-	1,538,485	1,538,813	1,829,713
Office:					
Depreciation	8,011	21,762	35,372	65,145	32,341
General	66,610	180,949	294,112	541,671	464,245
Occupancy	28,043	76,178	225,510	329,731	245,038
Professional fees	24,635	66,924	108,776	200,335	171,953
Salaries, benefits, and professional development	292,457	794,484	1,291,342	2,378,283	2,221,295
<b>Total expenses</b>	<b>\$ 427,640</b>	<b>\$ 1,160,825</b>	<b>\$ 12,709,949</b>	<b>\$14,298,414</b>	<b>\$13,000,234</b>

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

# THE FOUNDATION FOR ENHANCING COMMUNITIES

## CONSOLIDATED STATEMENT OF CASH FLOWS

YEAR ENDED DECEMBER 31, 2025

(With Comparative Totals For Year Ended December 31, 2024)

	2025	2024
<b>Reconciliation of Change in Net Assets to Net Cash Provided by (Used in) Operating Activities:</b>		
Change in net assets	\$ 18,825,589	\$ 22,232,202
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Net realized and unrealized (gain) loss on investments	(17,627,473)	(19,504,785)
Split-interest agreements	-	(469,316)
Net change in value of split-interest agreements	(494,206)	(476,093)
Termination of split interest agreement	35,107	-
Donated investments	(1,981,313)	(825,820)
Depreciation	65,145	32,341
Amortization of right of use asset	186,708	186,708
(Increase) decrease in:		
Receivables	4,055	31,449
Prepaid expenses	(4,351)	(4,999)
Increase (decrease) in:		
Accounts payable and accrued expenses	(79,851)	106,307
Grants payable	37,790	55,067
Deferred revenue	(62,227)	6,242
Operating lease liabilities	(197,409)	(192,261)
Liability to resource providers	898,496	1,106,740
Net cash provided by (used in) operating activities	<u>(393,940)</u>	<u>2,283,782</u>
<b>Cash Flows from Investing Activities:</b>		
Purchase of property	-	(390,754)
Purchase of equipment	(45,080)	(26,386)
Purchase of investments	(9,905,377)	(8,127,538)
Proceeds from the sale of investments	11,413,073	5,644,217
Net cash provided by (used in) investing activities	<u>1,462,616</u>	<u>(2,900,461)</u>
<b>Cash Flows from Financing Activities:</b>		
Repayment of long-term borrowings	(25,028)	-
Net cash provided by (used in) financing activities	<u>(25,028)</u>	<u>-</u>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	1,043,648	(616,679)
<b>Cash and Cash Equivalents</b>		
Beginning of year	921,513	1,538,192
End of year	<u>\$ 1,965,161</u>	<u>\$ 921,513</u>
<b>Supplemental Disclosure of Cash Flow Information:</b>		
Cash paid during the year for interest	<u>\$ 84,128</u>	<u>\$ -</u>
<b>Noncash Capital Financing Activity:</b>		
Financed purchase of land and building	<u>\$ -</u>	<u>\$ (1,184,000)</u>

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

# THE FOUNDATION FOR ENHANCING COMMUNITIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2025

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### 1. Organization and Summary of Significant Accounting Policies

#### Organization

The consolidated financial statements (financial statements) of The Foundation for Enhancing Communities consist of The Foundation for Enhancing Communities and TFEC Properties, Inc. (collectively referred to as the Foundation). 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.

TFEC Properties, Inc. is a 501(c)(2) entity created in 2007 to hold real estate for the Foundation. The Foundation determines the direction of management and policies of TFEC Properties, Inc. and the TFEC Properties, Inc. Board of Directors is chosen by the Foundation's Governance Committee.

Prior to January 1, 2024, TFEC Properties, Inc. had no financial transactions. During the year ended December 31, 2024, TFEC Properties, Inc. purchased a property in the amount of \$1,550,000 that will be the future office of the Foundation. The property purchase was financed by a loan payable (see Note 9) in the amount of \$1,184,000, with the remaining contributed by the Foundation.

#### Principles of Consolidation

The financial statements include the accounts of The Foundation for Enhancing Communities and TFEC Properties, Inc. All material inter-company transactions and balances have been eliminated.

#### 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 FOUNDATION FOR ENHANCING COMMUNITIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2025

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The net realized and unrealized gain/(loss) on investments presented in the statement of cash flows for the year ended December 31, 2025 is reported in the financial statements as follows:

Net realized and unrealized gain on investments	\$ 17,627,473
Attributable to assets held for resource providers	<u>(1,091,260)</u>
	<u>\$ 16,536,213</u>

### 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.

# THE FOUNDATION FOR ENHANCING COMMUNITIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2025

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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 equity and fixed income exchange traded 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, beneficial interests in life insurance policies, and certificates of deposit recorded at face value which approximates fair value. 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

# THE FOUNDATION FOR ENHANCING COMMUNITIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2025

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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, building, 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 thirty-nine 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

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# THE FOUNDATION FOR ENHANCING COMMUNITIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2025

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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.

### 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 over time 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 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. 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

# THE FOUNDATION FOR ENHANCING COMMUNITIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2025

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spread as secured by the assets may require significant judgment. 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.

TFEC Properties, Inc. leases the property described in Note 8. Lease income is recognized on a straight-line basis over the lease term.

### 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.

# THE FOUNDATION FOR ENHANCING COMMUNITIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2025

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### 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.

# THE FOUNDATION FOR ENHANCING COMMUNITIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2025

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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.

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# THE FOUNDATION FOR ENHANCING COMMUNITIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2025

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### Tax Status

The Foundation for Enhancing Communities 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 (Form 990), on an annual basis.

TFEC Properties, Inc. is exempt under Section 501(c)(2) of the Code and files Form 990 annually.

### 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, 2024, 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.

### 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.

# THE FOUNDATION FOR ENHANCING COMMUNITIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2025

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### **2. Deposits**

Cash and cash equivalents with a book value and bank balance of \$1,965,161, and \$868,671, respectively, at December 31, 2025 consist of \$413,480 of deposits that are insured by the Federal Deposit Insurance Corporation (FDIC), \$306,736 that are insured by the Securities Investors Protection Corporation (SIPC), and \$148,455 of checking account and money market account deposits that are uninsured.

# THE FOUNDATION FOR ENHANCING COMMUNITIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2025

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### 3. 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, 2025:

	<u>Level</u>	<u>Fair Value</u>
Exchange Traded Funds - Equities:		
Large cap funds	1	82,538,354
Mid cap funds	1	21,815,388
Small cap funds	1	24,531,542
International developed	1	54,869
Emerging markets	1	8,230,960
Exchange Traded Funds - Fixed:		
Corporate bonds	1	18,907,591
Certificates of Deposit	2	2,000,102
Tuition credits	3	463,774
Total Investments		<u><u>\$ 158,542,580</u></u>

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. There were no transfers into or out of Level 3 investments for the year ended December 31, 2025.

# THE FOUNDATION FOR ENHANCING COMMUNITIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2025

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	\$ 463,774	Income approach	Tuition inflation projections	3.00% to 5.25%	4.18%
			Investment return, net of investment expense	5.50%	5.50%

The weighted average of tuition inflation projections remains virtually the same as 2024 at 4.18%.

The following table summarizes the valuation of the Foundation's split-interest agreements subject to measurements at fair value as of December 31, 2025:

	Level	Fair Value
Cash and cash equivalents	1	\$ 22,108
Exchange traded funds - equities:		
Large cap funds	1	7,162,811
Mid cap funds	1	\$1,566,608
Small cap funds	1	\$1,912,523
International developed	1	\$28,520
Emerging markets	1	\$719,255
Exchange traded funds - fixed income:		
Intermediate bonds	1	\$1,588,283
Short-term bonds	1	\$381,668
Life insurance annuities	2	\$206,851
Total Split-Interest Agreements		<u>\$ 13,588,627</u>

# THE FOUNDATION FOR ENHANCING COMMUNITIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2025

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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 changes in value of split-interest agreements in the table above is reflected in the accompanying statement of activities.

Income on investments, net of related expenses, consists of the following for the year ended December 31, 2025:

Interest and dividends	\$ 2,280,736
Net realized and unrealized gain (not including assets held for resource providers)	<u>16,536,213</u>
	<u>\$ 18,816,949</u>

#### 4. 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, 2025 of \$13,588,627. 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 1.0% to 8.0% is \$5,407,262 at December 31, 2025.

Fair value of split-interest agreements at December 31, 2025	\$ 13,588,627
Present value of contributions to the Foundation	<u>5,407,262</u>
Present value of future liabilities under split-interest agreements at December 31, 2025	<u>\$ 8,181,365</u>

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# THE FOUNDATION FOR ENHANCING COMMUNITIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2025

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### 5. Grants Payable

A grant is considered a conditional grant if the recipient is required to meet certain criteria or barriers. Grant expense is not recognized until that barrier has been met.

Grants are authorized by the Board of Directors with consideration of the donor's recommendation. During the year ended December 31, 2025, grant expense was \$9,182,986.

At December 31, 2025, \$868,871 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	\$	<u>868,871</u>
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Grants payable, totaling \$819,280 at December 31, 2025, 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	\$	210,926
One to five years		<u>608,354</u>
	\$	<u>819,280</u>

### 6. Restrictions on Net Assets

For financial statement purposes, at December 31, 2025, net assets without donor restrictions of \$149,034,168 include approximately \$22,530,000 in non-permanent funds and \$126,505,000 in Board-designated endowment funds, of which approximately \$2,233,000 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.

# THE FOUNDATION FOR ENHANCING COMMUNITIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2025

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Board-designated endowment net asset activity for the year ended December 31, 2025 is as follows:

Beginning balance	\$ 108,325,000
Contributions	9,884,000
Other income	251,000
Investment gain	16,409,000
Release of funds from charitable remainder trust	35,000
Program/grant expenses	<u>(8,399,000)</u>
Ending balance	<u>\$ 126,505,000</u>

For financial statement purposes, at December 31, 2025, net assets with donor restrictions consist of split-interest agreements which are subject to time restrictions totaling \$5,407,262 and fiscal sponsorships which are subject to purpose restrictions totaling \$1,700,827.

# THE FOUNDATION FOR ENHANCING COMMUNITIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2025

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### 7. Availability and Liquidity

The following represents the Foundation's financial assets available to meet general expenditures as of December 31, 2025:

<b>Financial Assets:</b>	
Cash and cash equivalents	\$ 1,965,161
Accounts receivable	33,811
Pledges receivable	56,916
Investments	158,542,580
Split-interest agreements	13,588,627
	<u>174,187,095</u>
<b>Less: amounts not available for general expenditures:</b>	
Fiscal sponsorships - cash	18,531
Pledges receivable scheduled to be collected in more than one year	56,916
Investments not available for spending	158,542,580
Add back: Non-permanent fund investments	(22,205,408)
Add back: Endowment spending policy	(6,487,486)
Add back: Operating reserve	(2,233,348)
Split-interest agreements	13,588,627
	<u>141,280,412</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 32,906,683</u>

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.

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# THE FOUNDATION FOR ENHANCING COMMUNITIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2025

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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.

### 8. 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. In July 2023, the lease was amended to include additional office space and the lease term for all leased space was extended through June 30, 2027.

During the year ended December 31, 2025, the Foundation recognized lease expense associated with the operating leases of \$226,042.

Future minimum rental payments under non-cancellable operating leases as of December 31, 2025 are as follows:

	Year Ending December 31,	
	2026	\$ 203,495
	2027	<u>102,905</u>
Total future minimum lease payments		306,400
Less: interest		<u>(998)</u>
Total		<u>\$ 305,402</u>

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# THE FOUNDATION FOR ENHANCING COMMUNITIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2025

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, 2025 was .37%. The remaining term of the lease is 1.5 years.

As disclosed in Note 9, the Foundation became a lessor in an operating lease for a property purchased during the year ended December 31, 2024. The operating lease agreement was executed in mid-December 2024 and ends January 1, 2027 with no options to extend or terminate. Annual rent to be paid to the Foundation is \$119,900, with amounts prorated in the first and last year of the agreement. For the year ended December 31, 2025, \$119,900 is recognized as revenue in the consolidated financial statements. Amounts to be received under this operating lease are: \$114,904 in 2026.

### 9. Debt

On December 17, 2024, TFEC Properties, Inc. entered into an agreement with the Home Builders Association of Metropolitan Harrisburg (HBA) for the real estate purchase and sale with lease-back where TFEC Properties, Inc. purchased property at 2416 Park Drive Harrisburg from HBA for \$1,550,000. TFEC Properties entered into a loan agreement and open-ended mortgage and security agreement with Mid Penn Bank for \$1,184,000 with an interest rate of 7.50% per annum to partially fund the purchase.

In accordance with the agreements with Mid Penn Bank, the Foundation assigns all lease revenue to be received by HBA to Mid Penn Bank and the loan is secured through the 2416 Park Drive property. Prepayment premiums are able to be imposed by the bank in the event of refunding through another financial institution and accelerated call option can be exercised by the bank in the event of default as in accordance with the loan agreement. Future payments on the loan are as follows:

<u>December 31,</u>	<u>Principal</u>	<u>Interest</u>
2026	\$ 21,368	\$ 87,788
2027	23,051	86,105
2028	24,620	84,536
2029	26,805	82,351
2030	28,916	80,240
Thereafter	1,034,212	816,215
	<u>\$ 1,158,972</u>	<u>\$ 1,237,235</u>

## **SUPPLEMENTARY INFORMATION**

# THE FOUNDATION FOR ENHANCING COMMUNITIES

## CONSOLIDATING STATEMENT OF FINANCIAL POSITION

DECEMBER 31, 2025

	The Foundation for Enhancing Communities	TFEC Properties, Inc.	Eliminations	Consolidated Total
<b>Assets</b>				
<b>Current assets:</b>				
Cash and cash equivalents	\$ 1,950,729	\$ 14,432	\$ -	\$ 1,965,161
Accounts receivable	33,811	-	-	33,811
Intra-entity receivable	4,536	-	(4,536)	-
Prepaid expenses	70,283	-	-	70,283
Total current assets	2,059,359	14,432	(4,536)	2,069,255
<b>Noncurrent assets:</b>				
Pledges receivable	56,916	-	-	56,916
Operating lease right of use asset	280,055	-	-	280,055
<b>Property and equipment:</b>				
Land	-	629,902	-	629,902
Buildings	-	944,852	-	944,852
Furniture and equipment	572,591	-	-	572,591
	572,591	1,574,754	-	2,147,345
Less: accumulated depreciation	506,671	24,227	-	530,898
Net property and equipment	65,920	1,550,527	-	1,616,447
Investments	158,542,580	-	-	158,542,580
Split-interest agreements	13,588,627	-	-	13,588,627
<b>Total Assets</b>	<u>\$ 174,593,457</u>	<u>\$ 1,564,959</u>	<u>\$ (4,536)</u>	<u>\$ 176,153,880</u>
<b>Liabilities and Net Assets</b>				
<b>Liabilities:</b>				
<b>Current liabilities:</b>				
Accounts payable and accrued expenses	\$ 34,037	\$ -	\$ -	\$ 34,037
Intra-entity payable	-	4,536	(4,536)	-
Grants payable	210,926	-	-	210,926
Deferred revenue	-	9,992	-	9,992
Current portion of loan payable	-	21,368	-	21,368
Current portion of operating lease liability	203,495	-	-	203,495
Total current liabilities	448,458	35,896	(4,536)	479,818
<b>Noncurrent liabilities:</b>				
Grants payable, net of current portion	608,354	-	-	608,354
Noncurrent portion of operating lease liability	101,907	-	-	101,907
Noncurrent portion of loan payable	-	1,137,604	-	1,137,604
Liability to resource providers	9,502,575	-	-	9,502,575
Liabilities under split-interest agreements	8,181,365	-	-	8,181,365
Total Liabilities	18,842,659	1,173,500	(4,536)	20,011,623
<b>Net Assets:</b>				
<b>Without donor restrictions:</b>				
Designated by the Board for Endowment	126,503,775	-	-	126,503,775
Undesignated	22,138,934	391,459	-	22,530,393
	148,642,709	391,459	-	149,034,168
<b>With donor restrictions:</b>				
Split-interest agreements	5,407,262	-	-	5,407,262
Fiscal sponsorships	1,700,827	-	-	1,700,827
	7,108,089	-	-	7,108,089
Total Net Assets	155,750,798	391,459	-	156,142,257
<b>Total Liabilities and Net Assets</b>	<u>\$ 174,593,457</u>	<u>\$ 1,564,959</u>	<u>\$ (4,536)</u>	<u>\$ 176,153,880</u>

# THE FOUNDATION FOR ENHANCING COMMUNITIES

## CONSOLIDATING STATEMENT OF ACTIVITIES

YEAR ENDED DECEMBER 31, 2025

	The Foundation for Enhancing Communities		TFEC Properties, Inc.	Consolidated Totals	
	Without Donor Restrictions	With Donor Restrictions	Without Donor Restrictions	Without Donor Restrictions	With Donor Restrictions
<b>Revenue, Gains, and Other Support:</b>					
Contributions	\$ 12,510,869	\$ 470,395	\$ 22,124	\$ 12,532,993	\$ 470,395
Investment income (loss), net	18,816,949	-	-	18,816,949	-
Fee income	544,922	-	-	544,922	-
Other income	144,581	-	119,957	264,538	-
Change in value of split-interest agreements	-	494,206	-	-	494,206
Net assets released from restrictions	455,055	(455,055)	-	455,055	(455,055)
<b>Total revenue, gains, and other support</b>	<b>32,472,376</b>	<b>509,546</b>	<b>142,081</b>	<b>32,614,457</b>	<b>509,546</b>
<b>Expenses:</b>					
Asset development	427,640	-	-	427,640	-
General and administrative	1,121,341	-	39,484	1,160,825	-
Program services	12,607,352	-	102,597	12,709,949	-
<b>Total expenses</b>	<b>14,156,333</b>	<b>-</b>	<b>142,081</b>	<b>14,298,414</b>	<b>-</b>
<b>Change in Net Assets</b>	<b>18,316,043</b>	<b>509,546</b>	<b>-</b>	<b>18,316,043</b>	<b>509,546</b>
<b>Net Assets:</b>					
Beginning of year	130,326,666	6,598,543	391,459	130,718,125	6,598,543
End of year	<u>\$ 148,642,709</u>	<u>\$ 7,108,089</u>	<u>\$ 391,459</u>	<u>\$ 149,034,168</u>	<u>\$ 7,108,089</u>