

Community Foundation of the Northern Alleghenies

Combined Financial Statements and
Supplementary Information

Years Ended December 31, 2019 and 2018
with Independent Auditor's Report

MaherDuessel

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COMMUNITY FOUNDATION OF THE NORTHERN ALLEGHENIES

YEARS ENDED DECEMBER 31, 2019 AND 2018

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Independent Auditor's Report

Board of Directors Community Foundation of the Northern Alleghenies

We have audited the accompanying combined financial statements (financial statements) of Community Foundation of the Northern Alleghenies (Foundation) and affiliates, a nonprofit organization, which comprise the combined statement of financial position as of December 31, 2019, and the related combined statement of activities, functional expenses, and cash flows for the year then ended, and the related notes to the combined financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Foundation as of December 31, 2019, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying supplementary information shown on pages 17 to 22 is presented for purposes of additional analysis and is not a required part of the 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 financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Report on Prior Year Information

The prior year information, which was audited by a predecessor auditor, has been derived from the Foundation's financial statements, dated July 5, 2019, expressed an unmodified opinion on those audited financial statements. In our opinion, the comparative information presented herein as of and for the year ended December 31, 2018, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Maher Duessel

Pittsburgh, Pennsylvania
June 3, 2020

COMMUNITY FOUNDATION OF THE NORTHERN ALLEGHENIES

COMBINED STATEMENTS OF FINANCIAL POSITION

DECEMBER 31, 2019 AND 2018

| | <u>2019</u> | <u>2018</u> |
|---|-----------------------------|-----------------------------|
| Assets | | |
| Cash and cash equivalents | \$ 122,980 | \$ 115,529 |
| Investments | 13,858,929 | 11,544,045 |
| Prepaid expenses | <u>1,507</u> | <u>1,434</u> |
| Total Assets | <u>\$ 13,983,416</u> | <u>\$ 11,661,008</u> |
| Liabilities and Net Assets | | |
| Liabilities: | | |
| Accounts payable | \$ 13,479 | \$ 5,108 |
| Funds held as agency endowments | <u>416,898</u> | <u>199,926</u> |
| Total Liabilities | <u>430,377</u> | <u>205,034</u> |
| Net Assets: | | |
| Without donor restrictions: | | |
| Undesignated | 13,538,310 | 11,439,721 |
| Designated by the board | <u>14,729</u> | <u>16,253</u> |
| Total Net Assets | <u>13,553,039</u> | <u>11,455,974</u> |
| Total Liabilities and Net Assets | <u>\$ 13,983,416</u> | <u>\$ 11,661,008</u> |

See accompanying notes to combined financial statements.

COMMUNITY FOUNDATION OF THE NORTHERN ALLEGHENIES

COMBINED STATEMENTS OF ACTIVITIES

YEARS ENDED DECEMBER 31, 2019 AND 2018

| | <u>2019</u> | <u>2018</u> |
|------------------------------------|----------------------|----------------------|
| Revenues and Support: | | |
| Contributions | \$ 808,494 | \$ 843,242 |
| Interest and dividends | 297,519 | 280,166 |
| Realized/unrealized gains (losses) | 1,857,631 | (969,892) |
| Total revenues and support | <u>2,963,644</u> | <u>153,516</u> |
| Expenses: | | |
| Program: | | |
| Grants and scholarships | 647,371 | 572,853 |
| Other program expenses | 59,515 | 56,763 |
| Total program | <u>706,886</u> | <u>629,616</u> |
| Administrative | 150,113 | 135,857 |
| Fundraising | 9,580 | 8,558 |
| Total expenses | <u>866,579</u> | <u>774,031</u> |
| Change in Net Assets | 2,097,065 | (620,515) |
| Net Assets: | | |
| Beginning of year | <u>11,455,974</u> | <u>12,076,489</u> |
| End of year | <u>\$ 13,553,039</u> | <u>\$ 11,455,974</u> |

See accompanying notes to combined financial statements.

COMMUNITY FOUNDATION OF THE NORTHERN ALLEGHENIES

COMBINED STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED DECEMBER 31, 2019

| | <u>Program</u> | <u>Administrative</u> | <u>Fundraising</u> | <u>Total</u> |
|---------------------------------|-------------------|-----------------------|--------------------|-------------------|
| Grants | \$ 647,371 | \$ - | \$ - | \$ 647,371 |
| Other expenses: | | | | |
| Director salary | 24,673 | 24,673 | 5,482 | 54,828 |
| Other salaries and wages | 6,025 | 24,101 | - | 30,126 |
| Employee benefits | 5,854 | 5,854 | 1,300 | 13,008 |
| Payroll taxes | 3,356 | 3,356 | 746 | 7,458 |
| Travel and meetings | 1,680 | 1,680 | 374 | 3,734 |
| Occupancy cost | 3,070 | 3,070 | 683 | 6,823 |
| Printing and publications | 10,381 | - | - | 10,381 |
| Insurance | 667 | 667 | 148 | 1,482 |
| Professional fees | - | 8,500 | - | 8,500 |
| Fund management expenses | - | 69,986 | - | 69,986 |
| Copier and computer maintenance | - | 4,417 | - | 4,417 |
| Other administrative expense | 3,809 | 3,809 | 847 | 8,465 |
| | <u>3,809</u> | <u>3,809</u> | <u>847</u> | <u>8,465</u> |
| Total expenses | <u>\$ 706,886</u> | <u>\$ 150,113</u> | <u>\$ 9,580</u> | <u>\$ 866,579</u> |

See accompanying notes to combined financial statements.

COMMUNITY FOUNDATION OF THE NORTHERN ALLEGHENIES

COMBINED STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED DECEMBER 31, 2018

| | <u>Program</u> | <u>Administrative</u> | <u>Fundraising</u> | <u>Total</u> |
|---------------------------------|-------------------|-----------------------|--------------------|-------------------|
| Grants | \$ 572,853 | \$ - | \$ - | \$ 572,853 |
| Other expenses: | | | | |
| Director salary | 21,590 | 21,590 | 4,798 | 47,978 |
| Other salaries and wages | 4,376 | 17,506 | - | 21,882 |
| Employee benefits | 4,780 | 4,780 | 1,062 | 10,622 |
| Payroll taxes | 2,748 | 2,748 | 611 | 6,107 |
| Travel and meetings | 1,615 | 1,614 | 359 | 3,588 |
| Occupancy cost | 3,026 | 3,026 | 672 | 6,724 |
| Printing and publications | 13,874 | - | - | 13,874 |
| Insurance | 660 | 660 | 146 | 1,466 |
| Professional fees | - | 6,000 | - | 6,000 |
| Fund management expenses | - | 69,935 | - | 69,935 |
| Copier and computer maintenance | - | 3,905 | - | 3,905 |
| Other administrative expense | 4,094 | 4,093 | 910 | 9,097 |
| Total expenses | <u>\$ 629,616</u> | <u>\$ 135,857</u> | <u>\$ 8,558</u> | <u>\$ 774,031</u> |

See accompanying notes to combined financial statements.

COMMUNITY FOUNDATION OF THE NORTHERN ALLEGHENIES

COMBINED STATEMENTS OF CASH FLOWS

YEARS ENDED DECEMBER 31, 2019 AND 2018

| | <u>2019</u> | <u>2018</u> |
|--|--------------------|-------------------|
| Cash Flows From Operating Activities: | | |
| Change in net assets | \$ 2,097,065 | \$ (620,515) |
| Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities: | | |
| Realized/unrealized (gains) losses | (1,857,631) | 969,892 |
| Change in: | | |
| Prepaid expenses | (73) | (172) |
| Accounts payable | 8,371 | 1,648 |
| Funds held as agency endowments | <u>216,972</u> | <u>(10,950)</u> |
| Net cash provided by (used in) operating activities | <u>464,704</u> | <u>339,903</u> |
| Cash Flows From Investing Activities: | | |
| Proceeds from the sale of investments | 625,632 | 587,430 |
| Purchases of investments | <u>(1,082,885)</u> | <u>(921,709)</u> |
| Net cash provided by (used in) investing activities | <u>(457,253)</u> | <u>(334,279)</u> |
| Net Increase (Decrease) in Cash and Cash Equivalents | 7,451 | 5,624 |
| Cash and Cash Equivalents: | | |
| Beginning of year | <u>115,529</u> | <u>109,905</u> |
| End of year | <u>\$ 122,980</u> | <u>\$ 115,529</u> |

See accompanying notes to combined financial statements.

COMMUNITY FOUNDATION OF THE NORTHERN ALLEGHENIES

NOTES TO COMBINED FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2019 AND 2018

1. Organization

The Community Foundation of the Northern Alleghenies (Foundation) is a public charitable foundation serving the people primarily of Elk and McKean Counties, Pennsylvania. The Community Foundation of the Northern Alleghenies is made up of two affiliates: the Elk County Community Foundation, which was established in 2000, and the McKean County Community Foundation, which was established in February of 2017.

Through donations from the general public, the Foundation contributes to community organizations in the areas of education, arts, health and human services, civic services, and economic development. It began its operations on January 20, 2000, but it did not engage in the active solicitation of funds or grantmaking activities until 2001.

During 2010, the Foundation amended its articles of incorporation to change its name from Elk County Community Foundation to Community Foundation of North Central PA. The former name continued to be utilized as Doing Business As (d/b/a) in the Elk County area and Elk County Community Foundation as an affiliate of Community Foundation of North Central PA. During September 2017, the Foundation amended its articles of incorporation to change its name from Community Foundation of North Central PA to Community Foundation of the Northern Alleghenies. Elk County Community Foundation (ECCF) and McKean County Community Foundation (MCCF) are affiliates of the Foundation.

2. Summary of Significant Accounting Policies

Basis of Presentation

The accompanying combined financial statements (financial statements) have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. The Foundation's net assets, revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Foundation and changes therein are reported as follows:

Net Assets Without Donor Restrictions

Net assets that are not subject to donor-imposed restrictions which include the Foundation's net assets available for Elk and McKean County community grants and

COMMUNITY FOUNDATION OF THE NORTHERN ALLEGHENIES

NOTES TO COMBINED FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2019 AND 2018

scholarships. The governing Board of Directors (Board) has designated, from net assets without donor restrictions, net assets for operating and administrative reserves.

While it is the intent of the Foundation to hold assets received from donors as endowment funds, its Board may modify any restriction or condition on the distribution of funds from its component funds if, in the Board's judgment, such restriction becomes unnecessary, incapable of fulfillment or inconsistent with the charitable needs of the community (i.e., variance power). Due to the governing body having variance power, contributions are classified as net assets without donor restrictions, if the ultimate beneficiary is not also the contributing entity. Accordingly, all net assets and related activity over which the management of the Foundation exercises direct control are classified as net assets without donor restrictions in the accompanying financial statements.

Net Assets With Donor Restrictions

Net assets that are subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will meet either the actions of the Foundation and/or the passage of time. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Generally, the donors of these assets permit the use of all or part of the income earned and capital gains, if any, on related investments for general or specific purposes. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both. The Foundation had no net assets with donor restrictions at December 31, 2019 or 2018.

Contributions

Unconditional promises to give (pledges) to the Foundation are recorded as receivables and revenues. Similarly, grants pledged by the Foundation are recorded as grant expense in the year pledged. Conditional promises to give - that is, those with a measurable performance or other barrier and a right of return - are not recognized until the conditions on which they depend have been met by the grantee organization.

The Foundation distinguishes between contributions received for each net asset category in accordance with donor-imposed restrictions. Resources are classified for accounting and reporting purposes into net asset categories according to externally (donor) imposed restrictions. The Foundation reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose

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NOTES TO COMBINED FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2019 AND 2018

restriction is accomplished, restricted net assets are reclassified to net assets without donor restrictions and reported in the combined statements of activities as net assets released from restrictions.

Cash and Cash Equivalents

The Foundation considers all investments purchased with an original maturity of three months or less to be cash equivalents. The Foundation maintains its cash in bank deposit accounts, which at times may exceed federally insured limits. The Foundation has not experienced any losses in such accounts. The Foundation believes it is not exposed to any significant credit risk on cash and cash equivalents.

Investments

The Foundation's investments are presented in the financial statements at fair value. Gains and losses on the disposition of investments are considered elements of revenue and expense when realized.

The Foundation's Board sets overall investment objectives. Specific security buy and sell decisions are made by the custodians of the Foundation funds. The Board reviews the investment performance of the advisors and also periodically meets with representatives of those advisors for the purpose of discussing investment performance and objectives. The Foundation's investments are comprised of a variety of financial instruments and are managed by investment advisors. There are no significant concentrations of investments by industry or company.

In accordance with accounting principles generally accepted in the United States of America, all investments of the Foundation are measured using Level 1, Level 2, and Level 3 fair value inputs. Level 1 fair value is defined as inputs based upon "measuring the value at quoted prices 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 is defined as inputs based upon "measuring pricing units other than at 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 is defined as inputs based upon "significant unobservable inputs, as they trade infrequently or not at all."

COMMUNITY FOUNDATION OF THE NORTHERN ALLEGHENIES

NOTES TO COMBINED FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2019 AND 2018

Furniture and Equipment

Furniture and equipment are carried at cost less accumulated depreciation. Depreciation is computed on a straight-line basis using the following estimated useful lives:

| | |
|------------------------|---------|
| Equipment | 5 years |
| Furniture and fixtures | 7 years |

The Foundation's fixed assets were fully depreciated at December 31, 2019 and 2018; accordingly, no value has been reported on the statements of financial position.

Agency Endowments

Assets transferred to the Foundation from other not-for-profit organizations for the purpose of establishing an endowment for the benefit of the not-for-profit organization are accounted for as funds held as agency endowments. 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.

Income Taxes

The Foundation is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and is classified by the Internal Revenue Service as an organization that is not a private foundation. Accordingly, no provision for income taxes is made in the financial statements. Further, the Foundation annually files a Form 990.

Use of 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 reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

COMMUNITY FOUNDATION OF THE NORTHERN ALLEGHENIES

NOTES TO COMBINED FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2019 AND 2018

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 change could materially affect the amount reported on the combined statements of financial position.

Administrative Fees

Administrative and Management Fees - Custodian, investment, administrative, and management fees are recognized in the fiscal year in which they occur. The Foundation charges an administrative fee internally for donor funds under management. These fees help fund general operations and are recorded internally both as revenue and expense. These fees have been netted for financial statement presentation because these fees do not come from sources external to the Foundation.

Expense Allocation

The Foundation allocates its expenses between its affiliates. Eighty-five percent of all expenses are allocated to ECCF, and the remaining fifteen percent is allocated to MCCF. Additionally, certain other costs have been allocated among the affiliates based on which affiliate the specific cost pertains to.

The costs of the program and supporting services have been summarized on a functional basis in the combined statements of activities. Further, the combined statements of functional expenses present the natural classification detail of expenses by function. Expenses directly related to a specific program are charged to that program. The financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. Allocations are based on the estimated time and effort spent related to each function.

COMMUNITY FOUNDATION OF THE NORTHERN ALLEGHENIES

NOTES TO COMBINED FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2019 AND 2018

Contributed Services

During the years ended December 31, 2019 and 2018, the Foundation was recipient to contributed services from various volunteers who donated their time for Foundation activities. These services do not meet the criteria for recognition in the Foundation's combined statements of activities under accounting principles generally accepted in the United States of America and are not recorded in the financial statements.

Adopted Accounting Standards Updates

The provisions of these Standards Updated have been adopted and incorporated into these financial statements.

ASU 2014-09, *"Revenue from Contracts with Customers (Topic 606)."* The amendment provides guidance for revenue recognition related to contracts involving the transfer of promised goods or services to customers and the related disclosures.

ASU 2018-08, *"Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made (Topic 958)."* The amendment provides guidance for characterizing grants and similar contracts with government agencies and others as reciprocal transactions (exchanges) or nonreciprocal transactions (contributions) and distinguishing between conditional and unconditional contributions.

These standards have no significant impact on the Foundation's financial statements for the year ended December 31, 2019.

Pending Accounting Standards Update

The Financial Accounting Standards Board (FASB) has issued Accounting Standards Updates (individually and collectively, ASU) that will become effective in future years as outlined below. Management has not yet determined the impact of these updates on the financial statements.

ASU 2018-13, *"Changes to the Disclosure Requirements for Fair Value Measurement (Topic 820),"* is effective for the financial statements for the year beginning after December 15, 2019. The amendment removes and modifies certain fair value hierarchy leveling disclosures.

COMMUNITY FOUNDATION OF THE NORTHERN ALLEGHENIES

NOTES TO COMBINED FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2019 AND 2018

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.

3. Liquidity and Availability

Grant liquidity is provided through either the Scholarship or Non-scholarship pools. The pool typically is accessed as needed, based on grant-making requests and Board approval. All funds are monitored on a quarterly basis to ensure the spending rates are in compliance with the gift instrument under which the fund was established.

Operating liquidity comes from fees, grants and donations, and distributions from the administrative reserve fund. Fee income and administrative reserve distributions are assessed annually and based on the year-end balance of funds administered by the Foundation. Donations and grants for the operating fund are placed in an operating checking account or money market account and used as needed. The Foundation's money market account has approximately 75% of their annual operating budget in reserve.

The table below presents the Foundation financial assets available for general expenditures within one year of the combined statements of financial position date:

| | <u>2019</u> |
|--|-------------------|
| Financial assets: | |
| Cash and cash equivalents | \$ 122,980 |
| Investments | <u>13,858,929</u> |
| Total financial assets | <u>13,981,909</u> |
| Monies not available to be used within one year, due to: | |
| Agency endowment funds | 416,898 |
| Donor advised funds | 13,442,031 |
| Board designated admin and operating reserves | <u>14,729</u> |
| Total monies not available | <u>13,873,658</u> |
| Financial assets available to meet general expenditures within on year | <u>\$ 108,251</u> |

COMMUNITY FOUNDATION OF THE NORTHERN ALLEGHENIES

NOTES TO COMBINED FINANCIAL STATEMENTS

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Although donor advised funds are not classified as net assets with donor restrictions based on a variance provision in the bylaws of the Foundation, those funds would not be considered as being available for general expenditures. However, annually, estimated fees are considered to be available to meet general expenditures requirements of the Foundation. Estimated fees between 0.75% and 2.0%, depending on the type of fund, are transferred for the Foundation's general operations, usually within the first quarter of the year.

4. Investments

The following table summarizes the fair value measurement categories of investments held as of December 31, 2019:

| | <u>Level 1</u> | <u>Level 2</u> | <u>Level 3</u> | <u>Total</u> |
|--------------------|----------------------|----------------|----------------|----------------------|
| Money Market Funds | \$ 414,109 | \$ - | \$ - | \$ 414,109 |
| Mutal Funds | 9,949,933 | - | - | 9,949,933 |
| Equities | 3,494,887 | - | - | 3,494,887 |
| Total Investments | <u>\$ 13,858,929</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 13,858,929</u> |

The following table summarizes the fair value measurement categories of investments held as of December 31, 2018:

| | <u>Level 1</u> | <u>Level 2</u> | <u>Level 3</u> | <u>Total</u> |
|--------------------|----------------------|----------------|----------------|----------------------|
| Money Market Funds | \$ 337,574 | \$ - | \$ - | \$ 337,574 |
| Mutal Funds | 8,300,532 | - | - | 8,300,532 |
| Equities | 2,905,939 | - | - | 2,905,939 |
| Total Investments | <u>\$ 11,544,045</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 11,544,045</u> |

Money market funds, reported with investments on the combined statements of financial position, are available to be invested, with the assistance of external advisors, in mutual funds. Since there is no intent to liquidate the cash equivalents for short-term operating needs, they are presented as long-term investments.

COMMUNITY FOUNDATION OF THE NORTHERN ALLEGHENIES

NOTES TO COMBINED FINANCIAL STATEMENTS

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A description of the valuation techniques applied to the major categories of investments measured at fair value is as follows: Fair market value was determined based upon quoted prices in active markets for identical assets or liabilities (Level 1 hierarchy). All of the Foundation's investments are Level 1.

5. Agency Endowment Funds

The following table summarizes the activity included in the agency endowment funds during the years ended December 31, 2019 and 2018:

| | <u>2019</u> | <u>2018</u> |
|---------------------------|-------------------|-------------------|
| Beginning balances | \$ 199,926 | \$ 210,876 |
| Contributions | 159,994 | 9,172 |
| Interest and dividends | 10,842 | 4,888 |
| Realized/unrealized gains | 59,359 | (18,434) |
| Withdrawals for grants | (9,861) | (5,564) |
| Fees | (3,362) | (2,213) |
| Adjustments | <u>-</u> | <u>1,201</u> |
| Ending balances | <u>\$ 416,898</u> | <u>\$ 199,926</u> |

6. Net Assets Without Donor Restrictions

The Foundation's assets as of December 31, 2019 consist of 196 individual funds, of which 171 correspond to ECCF and 25 of which correspond with MCCF, established by donors for a variety of purposes. The Foundation's assets as of December 31, 2018 consist of 174 individual funds, of which 158 correspond with ECCF and 16 correspond with MCCF, established by donors for a variety of purposes. As described in Note 2, the Foundation classifies these funds as net assets without donor restrictions; however, the Foundation manages funds established by donors in accordance with terms outlined in the individual fund agreements.

COMMUNITY FOUNDATION OF THE NORTHERN ALLEGHENIES

NOTES TO COMBINED FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2019 AND 2018

Accordingly, the Foundation further classifies its net assets without donor restrictions at December 31, 2019 and 2018, as follows:

| | <u>2019</u> | <u>2018</u> |
|---|----------------------|----------------------|
| Undesignated without Donor Restriction Funds: | | |
| Scholarship and non-scholarship funds | \$ 13,442,031 | \$ 11,344,119 |
| Undesignated | 96,279 | 95,602 |
| Designated by the Board: | | |
| Admin and operating reserve funds | <u>14,729</u> | <u>16,253</u> |
| Total net assets without donor restrictions | <u>\$ 13,553,039</u> | <u>\$ 11,455,974</u> |

Donor advised funds include scholarship and non-scholarship funds. The non-scholarship funds include: Donor Advised, Agency Endowments, Designated, and Unrestricted as described on our websites: www.elkcountyfoundation.org and www.mckeancountyfoundation.org.

7. Grants

Grants paid were as follows for the years ended December 31:

| | <u>2019</u> | <u>2018</u> |
|-----------------------|-------------------|-------------------|
| Scholarships | \$ 181,934 | \$ 188,268 |
| Non-scholarships | 460,437 | 368,185 |
| Passed-through grants | <u>5,000</u> | <u>16,400</u> |
| | <u>\$ 647,371</u> | <u>\$ 572,853</u> |

As of December 31, 2019, the Foundation had awarded \$72,000 in conditional scholarships which are not reflected in the accompanying financial statements due to barriers which must be met by the scholarship recipients. The barriers required to be met include various grade point average requirements which vary from scholarship to scholarship. The Foundation expects these conditional scholarships to be distributed through the year 2023.

COMMUNITY FOUNDATION OF THE NORTHERN ALLEGHENIES

NOTES TO COMBINED FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2019 AND 2018

8. Administrative Fees

The Foundation charges administrative fees computed at rates of 1.4% for ongoing scholarship funds, 2.0% for multi-year scholarship funds, and 0.75% for other grant funds. During 2019, the Foundation offered a startup fee incentive for nonprofit agencies. The fee would be .375% for a period of 24 months after the initial donation and would be subject to regular fees after the period ended. Fees are charged against the fair values of the various investments managed by the Foundation.

The total administrative fees, by affiliate, are as follows:

| | <u>2019</u> | <u>2018</u> |
|---------------------------|-------------------|-------------------|
| ECCF affiliate | \$ 114,778 | \$ 120,449 |
| MCCF affiliate | <u>2,688</u> | <u>2,599</u> |
| Total administrative fees | <u>\$ 117,466</u> | <u>\$ 123,048</u> |

9. Subsequent Events

In December 2019, a novel strain of coronavirus (COVID-19) was reported to have surfaced in China and has subsequently spread into the United States and specifically Pennsylvania. The outbreak in the United States has caused business disruption through mandated and voluntary closing of various non-essential services. While the disruption is currently expected to be temporary, there is considerable uncertainty around the duration of the closings. The related financial impact on the Foundation and duration cannot be reasonably estimated at this time.

SUPPLEMENTARY INFORMATION

COMMUNITY FOUNDATION OF THE NORTHERN ALLEGHENIES

COMBINING STATEMENT OF FINANCIAL POSITION

DECEMBER 31, 2019

| | Elk County Community Foundation | McKean County Community Foundation | Total |
|---|---------------------------------------|--|----------------------|
| Assets | | | |
| Cash and cash equivalents | \$ 113,630 | \$ 9,350 | \$ 122,980 |
| Investments | 13,205,600 | 653,329 | 13,858,929 |
| Prepaid expenses | 1,281 | 226 | 1,507 |
| Total Assets | \$ 13,320,511 | \$ 662,905 | \$ 13,983,416 |
| Liabilities and Net Assets | | | |
| Liabilities: | | | |
| Accounts payable | \$ 4,074 | \$ 9,405 | \$ 13,479 |
| Funds held as agency endowments | 411,180 | 5,718 | 416,898 |
| Total Liabilities | 415,254 | 15,123 | 430,377 |
| Net Assets: | | | |
| Without donor restrictions | 12,905,257 | 647,782 | 13,553,039 |
| Total Net Assets | 12,905,257 | 647,782 | 13,553,039 |
| Total Liabilities and Net Assets | \$ 13,320,511 | \$ 662,905 | \$ 13,983,416 |

COMMUNITY FOUNDATION OF THE NORTHERN ALLEGHENIES

COMBINING STATEMENT OF FINANCIAL POSITION

DECEMBER 31, 2018

| | Elk County Community Foundation | McKean County Community Foundation | Total |
|---|---------------------------------------|--|----------------------|
| Assets | | | |
| Cash and cash equivalents | \$ 115,529 | \$ - | \$ 115,529 |
| Investments | 11,328,976 | 215,069 | 11,544,045 |
| Prepaid expenses | 1,219 | 215 | 1,434 |
| Total Assets | \$ 11,445,724 | \$ 215,284 | \$ 11,661,008 |
| Liabilities and Net Assets | | | |
| Liabilities: | | | |
| Accounts payable | \$ 5,108 | \$ - | \$ 5,108 |
| Funds held as agency endowments | 195,103 | 4,823 | 199,926 |
| Total Liabilities | 200,211 | 4,823 | 205,034 |
| Net Assets: | | | |
| Without donor restrictions | 11,245,513 | 210,461 | 11,455,974 |
| Total Net Assets | 11,245,513 | 210,461 | 11,455,974 |
| Total Liabilities and Net Assets | \$ 11,445,724 | \$ 215,284 | \$ 11,661,008 |

COMMUNITY FOUNDATION OF THE NORTHERN ALLEGHENIES

COMBINING STATEMENT OF ACTIVITIES

YEAR ENDED DECEMBER 31, 2019

| | Elk County Community Foundation | McKean County Community Foundation | Eliminations* | Total |
|------------------------------------|---------------------------------------|--|-----------------|----------------------|
| Revenues and Support: | | | | |
| Contributions | \$ 393,711 | \$ 425,734 | \$ (10,951) | \$ 808,494 |
| Interest and dividends | 281,515 | 16,004 | - | 297,519 |
| Realized/unrealized gains (losses) | 1,824,052 | 33,579 | - | 1,857,631 |
| Total revenues and support | <u>2,499,278</u> | <u>475,317</u> | <u>(10,951)</u> | <u>2,963,644</u> |
| Expenses: | | | | |
| Program: | | | | |
| Grants and scholarships | 645,322 | 13,000 | (10,951) | 647,371 |
| Other program expenses | 48,223 | 11,292 | - | 59,515 |
| Total program | <u>693,545</u> | <u>24,292</u> | <u>(10,951)</u> | <u>706,886</u> |
| Administrative | 137,999 | 12,114 | - | 150,113 |
| Fundraising | 7,990 | 1,590 | - | 9,580 |
| Total expenses | <u>839,534</u> | <u>37,996</u> | <u>(10,951)</u> | <u>866,579</u> |
| Change in Net Assets | 1,659,744 | 437,321 | - | 2,097,065 |
| Net Assets: | | | | |
| Beginning of year | <u>11,245,513</u> | <u>210,461</u> | - | <u>11,455,974</u> |
| End of year | <u>\$ 12,905,257</u> | <u>\$ 647,782</u> | <u>\$ -</u> | <u>\$ 13,553,039</u> |

* This represents operating expenditures paid by ECCF for its affiliate MCCF. The amount is included in MCCF's cash contributions revenue and in ECCF's grant expenditures.

COMMUNITY FOUNDATION OF THE NORTHERN ALLEGHENIES

COMBINING STATEMENT OF ACTIVITIES

YEAR ENDED DECEMBER 31, 2018

| | Elk County Community Foundation | McKean County Community Foundation | Eliminations* | Total |
|-----------------------------------|---------------------------------------|--|-----------------|----------------------|
| Revenues and Support: | | | | |
| Contributions | \$ 782,401 | \$ 75,418 | \$ (14,577) | \$ 843,242 |
| Interest and dividends | 275,179 | 4,987 | - | 280,166 |
| Realized/unrealized gains(losses) | (954,180) | (15,712) | - | (969,892) |
| Total revenues and support | <u>103,400</u> | <u>64,693</u> | <u>(14,577)</u> | <u>153,516</u> |
| Expenses: | | | | |
| Program: | | | | |
| Grants and scholarships | 576,026 | 11,404 | (14,577) | 572,853 |
| Other program expenses | 46,595 | 10,168 | - | 56,763 |
| Total program | <u>622,621</u> | <u>21,572</u> | <u>(14,577)</u> | <u>629,616</u> |
| Administrative | 125,730 | 10,127 | - | 135,857 |
| Fundraising | 7,157 | 1,401 | - | 8,558 |
| Total expenses | <u>755,508</u> | <u>33,100</u> | <u>(14,577)</u> | <u>774,031</u> |
| Change in Net Assets | (652,108) | 31,593 | - | (620,515) |
| Net Assets: | | | | |
| Beginning of year | <u>11,897,621</u> | <u>178,868</u> | - | <u>12,076,489</u> |
| End of year | <u>\$ 11,245,513</u> | <u>\$ 210,461</u> | <u>\$ -</u> | <u>\$ 11,455,974</u> |

* This represents operating expenditures paid by ECCF for its affiliate MCCF. The amount is included in MCCF's cash contributions revenue and in ECCF's grant expenditures.

COMMUNITY FOUNDATION OF THE NORTHERN ALLEGHENIES

COMBINED STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED DECEMBER 31, 2019

| | Elk County Community Foundation | | | |
|---------------------------------|---------------------------------|-------------------|-----------------|-------------------|
| | Program | Administrative | Fundraising | Total |
| Grants | \$ 645,322 | \$ - | \$ - | \$ 645,322 |
| Other expenses: | | | | |
| Director salary | 20,767 | 20,767 | 4,614 | 46,148 |
| Other salaries and wages | 5,434 | 21,736 | - | 27,170 |
| Employee benefits | 4,976 | 4,976 | 1,105 | 11,057 |
| Payroll taxes | 2,907 | 2,907 | 646 | 6,460 |
| Travel and meetings | 1,044 | 1,044 | 233 | 2,321 |
| Occupancy cost | 2,609 | 2,609 | 581 | 5,799 |
| Printing and publications | 6,837 | - | - | 6,837 |
| Insurance | 567 | 567 | 126 | 1,260 |
| Professional fees | - | 7,225 | - | 7,225 |
| Fund management expenses | - | 69,370 | - | 69,370 |
| Copier and computer maintenance | - | 3,716 | - | 3,716 |
| Other administrative expense | 3,082 | 3,082 | 685 | 6,849 |
| Total expenses | <u>\$ 693,545</u> | <u>\$ 137,999</u> | <u>\$ 7,990</u> | <u>\$ 839,534</u> |

COMMUNITY FOUNDATION OF THE NORTHERN ALLEGHENIES

COMBINED STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED DECEMBER 31, 2019

| | McKean County Community Foundation | | | |
|---------------------------------|------------------------------------|------------------|-----------------|------------------|
| | Program | Administrative | Fundraising | Total |
| Grants | \$ 13,000 | \$ - | \$ - | \$ 13,000 |
| Other expenses: | | | | |
| Director salary | 3,906 | 3,906 | 868 | 8,680 |
| Other salaries and wages | 591 | 2,365 | - | 2,956 |
| Employee benefits | 878 | 878 | 195 | 1,951 |
| Payroll taxes | 449 | 449 | 100 | 998 |
| Travel and meetings | 636 | 636 | 141 | 1,413 |
| Occupancy cost | 461 | 461 | 102 | 1,024 |
| Printing and publications | 3,544 | - | - | 3,544 |
| Insurance | 100 | 100 | 22 | 222 |
| Professional fees | - | 1,275 | - | 1,275 |
| Fund management expenses | - | 616 | - | 616 |
| Copier and computer maintenance | - | 701 | - | 701 |
| Other administrative expense | 727 | 727 | 162 | 1,616 |
| Total expenses | <u>\$ 24,292</u> | <u>\$ 12,114</u> | <u>\$ 1,590</u> | <u>\$ 37,996</u> |