COMMUNITY FOUNDATION FOR THE ALLEGHENIES

THE COMMUNITY FOUNDATION OF GREATER JOHNSTOWN
d/b/a COMMUNITY FOUNDATION FOR THE ALLEGHENIES

CONSOLIDATED FINANCIAL REPORT
June 30, 2023 and 2022

THE COMMUNITY FOUNDATION OF GREATER JOHNSTOWN
d/b/a COMMUNITY FOUNDATION FOR THE ALLEGHENIES

CONSOLIDATED FINANCIAL REPORT
June 30, 2023 and 2022

TABLE OF CONTENTS

Barnes Saly & Company P.C.
CERTIFIED PUBLIC ACCOUNTANTS & CONSULTANTS
www.barnessaly.com

INDEPENDENT AUDITOR'S REPORT

Board of Directors
The Community Foundation of Greater Johnstown
d/b/a Community Foundation for the Alleghenies
Johnstown, Pennsylvania

Opinion

We have audited the accompanying consolidated financial statements of the Community Foundation of Greater Johnstown (d/b/a Community Foundation for the Alleghenies) (a non-profit organization), which comprise the consolidated statements of financial position as of June 30, 2023 and 2022, and the related consolidated statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Community Foundation of Greater Johnstown (d/b/a Community Foundation for the Alleghenies) and its supporting organizations as of June 30, 2023 and 2022, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Organization and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. 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 Financial Statements

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

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern within one year after the date that the consolidated financial statements are issued.

Johnstown Location:
637 Ferndale Avenue, Suite 100
Johnstown, PA 15905
814.288.1544
Fax: 814.288.4999

Somerset Location:
423 Georgian Place
Somerset, PA 15501
814.445.2030
Fax 814.445.2370

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS 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 financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization'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.

Barnes Saly & Company PC

Johnstown, Pennsylvania
November 3, 2023

THE COMMUNITY FOUNDATION OF GREATER JOHNSTOWN
d/b/a COMMUNITY FOUNDATION FOR THE ALLEGHENIES

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
June 30, 2023 and 2022

Assets

	2023	2022
Assets:		
Cash and cash equivalents	$ 16,703,067	$ 11,672,894
Investments	104,981,813	81,528,220
Contributions and grants receivable	742,179	752,987
Pledges receivable	70,123	115,710
Loans receivable, net	323,130	401,669
Interest income receivable, net	128,635	118,989
Prepaid expenses	81,922	77,791
Property and equipment, net	761,384	794,634
Cash surrender value of life insurance policies	60,237	62,803
Total assets	$ 123,852,490	$ 95,525,697

Liabilities and Net Assets

	2023	2022
Liabilities:		
Accounts payable and accrued liabilities	$ 509,126	$ 425,852
Grants payable	1,738,442	1,993,034
Deferred revenue	1,166,274	1,257,064
Agency and trust funds liability	9,706,226	8,898,928
Other liabilities	450,922	374,098
Total liabilities	13,570,990	12,948,976
Net Assets:		
Net assets without donor restrictions	3,221,204	2,550,940
Net assets with donor restrictions:		
Restricted by purpose	57,912,410	47,396,932
Restricted in perpetuity	49,147,886	32,628,849
Total net assets with donor restrictions	107,060,296	80,025,781
Total net assets	110,281,500	82,576,721
Total liabilities and net assets	$ 123,852,490	$ 95,525,697

See Notes to Consolidated Financial Statements

THE COMMUNITY FOUNDATION OF GREATER JOHNSTOWN
d/b/a COMMUNITY FOUNDATION FOR THE ALLEGHENIES

CONSOLIDATED STATEMENT OF ACTIVITIES
Year Ended June 30, 2023

	Without Donor Restrictions	With Donor Restrictions	Total
Public Support and Revenues:			
Grants and contributions	$ (1,870)	$ 34,740,411	$ 34,738,541
Special event revenue	17,966	704,732	722,698
Net investment income	39,452	1,613,705	1,653,157
Realized gains on investments	10,134	315,179	325,313
Unrealized gains on investments	218,159	6,795,460	7,013,619
Other income	62,955	352,716	415,671
In-kind contributions	52,209	2,200	54,409
Interest income - other	-	40,511	40,511
Fund balance reclassifications	4,458	(4,458)	-
Net assets released from restrictions	17,525,941	(17,525,941)	-
Total Public Support and Revenues	17,929,404	27,034,515	44,963,919
Expenses:			
Program	16,165,210	-	16,165,210
Administrative	790,776	-	790,776
Fundraising	303,154	-	303,154
Total Expenses	17,259,140	-	17,259,140
Change in Net Assets	670,264	27,034,515	27,704,779
Net assets, beginning of year	2,550,940	80,025,781	82,576,721
Net assets, end of year	$ 3,221,204	$ 107,060,296	$ 110,281,500

See Notes to Consolidated Financial Statements

THE COMMUNITY FOUNDATION OF GREATER JOHNSTOWN
d/b/a COMMUNITY FOUNDATION FOR THE ALLEGHENIES

CONSOLIDATED STATEMENT OF ACTIVITIES
Year Ended June 30, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
Public Support and Revenues:			
Grants and contributions	$ 6,449	$ 20,284,120	$ 20,290,569
Special event revenue	13,474	805,994	819,468
Net investment income	33,517	1,045,282	1,078,799
Realized gains on investments	21,085	2,464,738	2,485,823
Unrealized losses on investments	(356,821)	(14,094,512)	(14,451,333)
Other income	50,427	265,014	315,441
In-kind contributions	53,174	27,008	80,182
Interest income - other	-	44,001	44,001
Fund balance reclassifications	435,663	(435,663)	-
Net assets released from restrictions	15,562,362	(15,562,362)	-
Total Public Support and Revenues	15,819,330	(5,156,380)	10,662,950
Expenses:			
Program	14,621,295	-	14,621,295
Administrative	453,173	-	453,173
Fundraising	308,850	-	308,850
Total Expenses	15,383,318	-	15,383,318
Change in Net Assets	436,012	(5,156,380)	(4,720,368)
Net assets, beginning of year as previously reported	2,114,928	85,089,603	87,204,531
Adjustments (See Note 17)	-	92,558	92,558
Net assets, beginning of year as restated	2,114,928	85,182,161	87,297,089
Net assets, end of year	$ 2,550,940	$ 80,025,781	$ 82,576,721

See Notes to Consolidated Financial Statements

THE COMMUNITY FOUNDATION OF GREATER JOHNSTOWN
d/b/a COMMUNITY FOUNDATION FOR THE ALLEGHENIES

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
Year Ended June 30, 2023

	Program	Administrative	Fundraising	Total
Grants and charitable distributions	$ 11,111,431	$ -	$ -	$ 11,111,431
Supporting organization grants	994,487	-	-	994,487
Total grants and charitable distributions	12,105,918	-	-	12,105,918
Supporting organization program distributions	3,154,825	-	-	3,154,825
Other fund program distributions	424,536	-	-	424,536
Operating salaries and payroll taxes	170,475	471,165	89,085	730,725
Operating employee benefits	38,458	106,291	20,097	164,846
Contract labor and professional fees	107,689	83,757	47,862	239,308
Occupancy costs	23,615	18,368	10,496	52,479
Bedford and Somerset County expenses	-	5,068	1,430	6,498
Insurance	12,013	9,343	5,339	26,695
Office expense	89,656	69,732	39,847	199,235
Program and marketing	-	-	79,782	79,782
Memberships	6,963	19,246	4,734	30,943
Total program and operating expenses	4,028,230	782,970	298,672	5,109,872
Bad debt expense	16,635	-	-	16,635
Depreciation	13,559	7,130	4,096	24,785
In-kind contributions	868	676	386	1,930
Total expenses	$ 16,165,210	$ 790,776	$ 303,154	$ 17,259,140

See Notes to Consolidated Financial Statements

THE COMMUNITY FOUNDATION OF GREATER JOHNSTOWN
d/b/a COMMUNITY FOUNDATION FOR THE ALLEGHENIES

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
Year Ended June 30, 2022

	Program	Administrative	Fundraising	Total
Grants and charitable distributions	$ 9,634,501	$ -	$ -	$ 9,634,501
Supporting organization grants	746,468	-	-	746,468
Total grants and charitable distributions	10,380,969	-	-	10,380,969
Supporting organization program distributions	3,290,732	-	-	3,290,732
Other fund program distributions	357,042	-	-	357,042
Operating salaries and payroll taxes	291,977	223,067	128,168	643,212
Operating employee benefits	74,072	56,591	32,516	163,179
Contract labor and professional fees	15,898	74,608	5,740	96,246
Occupancy costs	23,822	18,200	10,457	52,479
Bedford and Somerset County expenses	268	1,606	3,480	5,354
Insurance	12,049	8,060	4,631	24,740
Office expense	46,045	54,002	38,909	138,956
Program and marketing	450	-	74,636	75,086
Memberships	12,059	9,214	6,217	27,490
Total program and operating expenses	4,124,414	445,348	304,754	4,874,516
Bad debt	79,717	-	-	79,717
Depreciation	9,332	7,130	4,096	20,558
In-kind contributions	26,863	695	-	27,558
Total expenses	$ 14,621,295	$ 453,173	$ 308,850	$ 15,383,318

See Notes to Consolidated Financial Statements

THE COMMUNITY FOUNDATION OF GREATER JOHNSTOWN
d/b/a COMMUNITY FOUNDATION FOR THE ALLEGHENIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
Years Ended June 30, 2023 and 2022

	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	$ 27,704,779	$ (4,720,368)
Adjustments to reconcile change in net assets to cash used in operating activities:		
Depreciation expense	24,785	20,558
Depreciation expense of supporting organizations	26,810	28,418
Additions (reduction) to allowance for loan losses, net	16,635	79,717
Realized (gains) on investments	(325,313)	(2,485,823)
Unrealized (gains) losses on investments	(7,013,619)	14,451,333
(Gain) on forgiveness of PPP loans	-	(104,900)
(Increase) decrease in assets:		
Contributions and grants receivable	10,808	(336,460)
Pledges receivable	45,587	31,561
Investment income receivable, net	(35,110)	(28,576)
Prepaid expenses	(4,131)	(15,264)
Cash surrender value of life insurance policies	2,566	(19,660)
Increase (decrease) in liabilities:		
Grants payable	(254,592)	(422,429)
Accounts payable and accrued liabilities	83,274	(187,390)
Agency and trust funds liability	807,299	(1,586,637)
Deferred revenue	(90,790)	(239,412)
Other liabilities	76,822	1,431
Net cash provided by operating activities	21,075,810	4,466,099
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of property and equipment	(18,345)	(14,190)
Notes receivable advances	(329)	(1,668)
Payments received on notes receivable	87,698	478,010
Net increase/purchases in investments	(16,114,661)	(2,938,598)
Net cash (used) in investing activities	(16,045,637)	(2,476,446)
Net increase in cash and cash equivalents	5,030,173	1,989,653
Cash and cash equivalents, beginning of year	11,672,894	9,683,241
Cash and cash equivalents, end of year	$ 16,703,067	$ 11,672,894
Cash and cash equivalents are composed of:		
Cash and cash equivalents - unrestricted	$ 145,583	$ 264,474
Cash and cash equivalents - restricted	16,557,484	11,408,420
	$ 16,703,067	$ 11,672,894

See Notes to Consolidated Financial Statements

THE COMMUNITY FOUNDATION OF GREATER JOHNSTOWN
d/b/a COMMUNITY FOUNDATION FOR THE ALLEGHENIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2023 and 2022

Note 1: Nature of Activities and Summary of Significant Accounting Policies

Organization

The Community Foundation of Greater Johnstown d/b/a Community Foundation for the Alleghenies (Foundation), was incorporated on July 16, 1990. The Foundation is recognized as a publicly supported charitable organization under Section 501(c)(3) of the Internal Revenue Code and is not a private foundation as defined in Sections 509(a)(1) and 170(b)(1)(A)(vi) of the Code. The Foundation's primary goal is to serve the best interest of donors in perpetuating their philanthropic interest in financially supporting the communities located primarily in the Pennsylvania counties of Bedford, Cambria, Somerset and Indiana.

The consolidated financial statements include the operations of these supporting organizations: Foundation for Pennsylvania Watersheds (FPW), FracTracker Alliance (FTA), Southwest Pennsylvania Environmental Health Project (SPEHP), John P. Murtha Foundation (JPMF), Regional Property Holding Company, Inc (RPHC), Pittsburgh Food Policy Council (PFPC), and Southwestern Pennsylvania Water Network Fund (SWPA WN).

FPW, FTA and SPEHP are Type 1 supporting organizations of the Foundation under Section 509(a)(3) of the Internal Revenue Code (IRC). These entities are organized and operate exclusively for the benefit of, to perform the function of and to carry out the purposes of the Foundation specifically working with protecting Pennsylvania's water resources and watersheds. JPMF is a Type 1 supporting organization of the Foundation under Section 509(a)(3) of the Internal Revenue Code. JPMF was organized to preserve historical materials, promote research through educational facilities and materials and to provide forums and venues for public debate, research and academic inquiry into local, regional and national public service issues. RPHC was formed as a 501(c)(2) tax-exempt organization of the Foundation to hold title to property on behalf of the Foundation. PFPC was created to build a food system that promotes access to healthy food, particularly in low income communities. SWPA WN was organized to provide support for impactful, sustainable and equitable networked action around integrated water resource management in Southwestern Pennsylvania. As defined by the Internal Revenue Service, a Type 1 supporting organization is controlled by the Foundation through operation, supervision, or control by appointing the majority of the supporting organization's board members.

All material inter-organization balances and transactions have been eliminated in the preparation of the accompanying consolidated financial statements.

Basis of Accounting

The consolidated financial statements of the Foundation have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

In accordance with the Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) 2016-14, Presentation of Financial Statements of Not-for-Profit Entities, the Foundation is required to report information regarding its financial position according to two classes of net assets.

Note 1: Nature of Activities and Summary of Significant Accounting Policies (continued)

Basis of Accounting (continued)

Net assets and revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. In the accompanying consolidated financial statements, net assets that have similar characteristics have been combined into similar categories as follows:

> *Net assets without donor restrictions* - Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the organization. These net assets may be used at the discretion of the Foundation's management and the board of directors.
>
> *Net assets with donor restrictions* - Net assets subject to stipulations imposed by donors, and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Foundation or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

In accordance with ASC 958.225 *Classification of Revenues, Expenses, Gains and Losses*, the Foundation reports gifts of cash and other assets as restricted support if they are restricted 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 for the restriction is accomplished, net assets with donor restrictions are released from restrictions to net assets without donor restrictions and reported in the consolidated statements of activities as net assets released from restrictions.

Expenses are reported as decreases in net assets without donor restrictions. Expirations of donor-imposed stipulations that simultaneously increase one class of net assets and decrease another are reported as reclassifications between the applicable classes of net assets (net assets released from restrictions) in the consolidated statements of activities.

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 the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting periods. Accordingly, actual results could differ from those estimates.

Cash and Cash Equivalents

The Foundation considers short-term investments with initial maturities of three months or less to be cash equivalents, excluding cash equivalents held temporarily for investment purposes by investment custodians. Temporary cash positions in investment portfolios are considered investments and are not included in cash and cash equivalents in the accompanying consolidated financial statements. A portion of cash is restricted by donors and grantees for various specific purposes.

Note 1: Nature of Activities and Summary of Significant Accounting Policies (continued)

Contributions Receivable

Unconditional promises to give are recognized as revenue in the period received and as assets.

Investments

Investments are reported at their fair values in the consolidated statements of financial position with unrealized gains and losses included in the consolidated statement of activities and changes in net assets. The Foundation follows the established fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value.

Investments, except for real estate, are held in trusts administered by various local banks and major brokerage firms, which are responsible for custody and investment management. The Board of Directors sets investment policy, selects the financial institutions and reviews investment performance based on investment policies adopted by the Board. The Foundation contracts the investment services of a professional consulting firm to provide chief investment officer oversight and an additional layer of fiduciary responsibility. The goal is for the Foundation to achieve greater professional investment management for all its donors' funds, now and in the future.

Realized gains or losses from redemption or sale of investments is determined based on specific cost. Unrealized gains or losses represents the gains or losses on investments held throughout the year and are included in the change in net assets in the accompanying consolidated statements of activities. Investment management and custodial fees are netted against investment income. Management and custodial fees were $401,497 and $425,226 for the years ended June 30, 2023 and 2022, respectively.

The Foundation's investments are exposed to various risks, such as interest rate, market, and credit. Due to the level of risk associated with investments and the level of uncertainty related to changes in the value of investments, it is at least reasonably possible that significant changes in risks in the near term may materially affect the amounts reported in the financial statements.

Property and Equipment

Property and equipment are recorded at cost at date of acquisition, or if donated, at fair market value at the date of donation. Property and equipment are depreciated using the straight-line method over the estimated useful lives of the depreciable assets ranging from five to seven years. Amortization of leasehold improvements is provided on a straight-line basis over the remaining term of the lease or the useful life of the improvement, whichever is shorter.

Loans Receivable

Loans extended from several funds are reported on the consolidated statements of financial position at the outstanding principal balance. The Foundation has adjusted notes receivables for all known uncollectible amounts. An allowance of $201,016 and $184,381 was recorded as of June 30, 2023 and 2022, respectively. An allowance for loan losses is a valuation for probable loan losses and

Note 1: Nature of Activities and Summary of Significant Accounting Policies (continued)

Loans Receivable (continued)

related accrued interest receivable recorded on notes receivable. Management estimates the allowance balance using information about specific borrower's current and projected financial condition and operating results, their payment history, and their ability to generate sufficient cash flow to make payments when due.

Management believes the allowance for loan losses is adequate. While management uses the best information available to make evaluations, future adjustments may be necessary if economic and other conditions differ from the assumptions used.

Grants Payable

Unconditional promises to give are recognized as grants payable and expensed in the period the grant award is approved by the Foundation.

Agency and Trust Funds

FASB ASC 958-605, *Transfer of Assets to a Not-for-Profit Entity or Charitable Trust that Raises or Holds Contributions for Others,* establishes standards for transactions in which a not-for-profit organization accepts a contribution from a donor and agrees to transfer those assets, the return on investment of those assets or both to another entity that is specified by the donor. The Foundation recognizes a liability for those funds in which it does not have variance power over the use of the transferred assets. Variance power is a power explicitly granted in the donor agreement permitting the Foundation to redirect the use of the assets transferred to the Foundation to a beneficiary other than the one stated in the donor agreement. The Foundation has determined the funds for which a variance power does not exist. The transactions of these funds are not reflected in the statement of activities as the Foundation is acting as an agent for these funds. For those funds, the unexpended portion of such funds is reported as a liability instead of as a net asset of the Foundation.

Advertising

The policy of the Foundation is to expense advertising costs, as they are incurred. Costs incurred amounted to $79,782 and $75,313 for the years ended June 30, 2023 and 2022, respectively.

Income Taxes

The Foundation and its supporting organizations are not-for-profit organizations that are exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. The Regional Property Holding Company, Inc. is a holding corporation exempt from income taxes under Section 501(c)(2) of the Internal Revenue Code. No income taxes have been paid or accrued in the consolidated financial statements.

Management has analyzed the tax positions taken by the Foundation and its supporting organizations and has concluded that as of June 30, 2023, there are no uncertain positions taken or

Note 1: Nature of Activities and Summary of Significant Accounting Policies (continued)

Income Taxes (continued)

expected to be taken that would require recognition of a liability or disclosure in the consolidated financial statements. The Foundation's income tax returns are subject to review and examination by federal and state authorities. The Foundation is not aware of any activities that would jeopardize their tax-exempt statuses. The Foundation's tax returns for the years ending June 30, 2020 and forward are open to examination by federal and state authorities.

Donated Services and In-Kind Contributions

Donated services are recognized as contributions in accordance with generally accepted accounting principles, if the services (a) create or enhance non-financial assets or (b) require specialized skills, are performed by people with those skills and would otherwise be purchased by the Foundation. The consolidated statements of activities include in-kind contributions totaling $1,930 and $27,558 for donated goods and services for the years ended June 30, 2023 and 2022, respectively. The Foundation is provided office space free of charge for offices located in Cambria, Bedford and Somerset Counties. The consolidated statements of activities include in-kind contributions and occupancy expense in the amount of $52,479 and $52,479 for this office space for the years ended June 30, 2023 and 2022, respectively.

A number of unpaid volunteers donated their time and performed a variety of tasks that assist the Foundation in implementing various projects and programs throughout the year. However, these services are not recognized as contributions in the financial statements since the recognition criteria under current accounting standards were not met.

Functional Expense Allocation

The costs of providing the various programs and other activities are summarized on a functional basis in the accompanying consolidated statements of activities. Directly identifiable expenses are charged to the applicable programs and supporting services. Expenses related to more than one function are allocated among the programs and supporting services benefited based on management's time and service estimates. Management and general expense include those expenses that are not directly identifiable with any other specific functions, but provide for the overall support and direction of the Foundation. All expenses incurred by the Foundation's supporting organizations and those funds where the Foundation acts as the fiscal sponsor are recorded as program expenses within these consolidated financial statements. Fundraising expenses include originating and maintaining relationships with donors.

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

Note 1: Nature of Activities and Summary of Significant Accounting Policies (continued)

Risks and Uncertainties (continued)

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 consolidated statements of financial position.

Deferred Funds and Bequests

Contributions such as a bequest or a residual trust distribution contingent upon the occurrence of some future event have not been included in the accompanying consolidated financial statements.

Recent Accounting Pronouncements

The Financial Accounting Standards Board (FASB) issued ASU 2016-02, *Leases* (Topic ASC 842) in February 2016. Under the new guidance, lessees are required to recognize lease assets (right-of-use assets) and lease liabilities on the statement of financial position for all lease terms longer than twelve months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the statement of activities. After many delays, ASC 842 became effective for the Foundation for the fiscal year beginning July 1, 2022. The Foundation had no material leases meeting the recognition criteria of the standard and, therefore, the ASC 842 had no significant effect on the financial statements for the year ended June 30, 2023. Management will evaluate future lease arrangements for possible recognition criteria under ASC 842.

Subsequent Events

The Foundation has evaluated subsequent events through the date of the audit report, which is the date the financial statements were available to be issued. The results of this evaluation indicated that there are no subsequent events or transactions that are required to be disclosed in the consolidated financial statements.

Note 2: Cash and Cash Equivalents

Cash and cash equivalents consisted of the following as of June 30, 2023 and 2022:

	2023	2022
Unrestricted cash	$ 145,583	$ 264,474
Restricted cash	16,557,484	11,408,420
Total	$ 16,703,067	$ 11,672,894

The Foundation maintains its cash balances at several financial institutions. Accounts at each institution are insured by the Federal Deposit Insurance Corporation up to $250,000. The Foundation's uninsured cash bank balances were $15,988,528 and $11,038,251 as of June 30, 2023 and 2022, respectively. The Foundation mitigates its risk by investing with reputable commercial institutions with satisfactory credit ratings. The Foundation has never experienced any losses in such accounts and believes it is not exposed to any significant risk therein.

Note 3: Investments and Fair Value

Foundation investments are generally pooled. Segregated accounts are created at the Foundation's discretion, generally at the request of donor or due to the nature of the gift. Investments are summarized as follows as of June 30, 2023 and 2022:

	2023	2022
Investments at fair value:		
Cash and cash equivalents	$ 11,801,421	$ 1,841,957
Government securities and government agencies	4,497,967	3,383,868
Corporate bonds and notes	7,153,495	8,118,506
Common and preferred stock	22,520,679	14,859,482
Mutual funds-fixed income	6,220,576	7,018,111
Mutual funds-equity	51,211,705	45,484,554
Real estate and other	1,575,970	821,742
	$ 104,981,813	$ 81,528,220

FASB Accounting Standards Codification (ASC) 820, Fair Value Measurements requires that assets and liabilities reported at fair value be classified in one of three levels. ASC 820 defines fair value, establishes a framework for measuring fair value, and mandates disclosures about fair value for assets and liabilities carried at fair value. ASC 820 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. ASC 820 also establishes a fair value hierarchy which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value.

Note 3: Investments and Fair Value (continued)

ASC 820 describes three levels of inputs that may be used to measure fair value:

- Level 1 - Quoted prices in active markets for identical assets and liabilities.

- Level 2 - Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in active markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

- Level 3 - Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies as of June 30, 2023 and 2022.

Cash and cash equivalents – These investments are valued at the net asset of the units held by the Foundation at year-end.

Government securities, government agencies and corporate bonds and notes – Securities for which quotations are readily available in active markets are valued at the most recent quote in the principal market in which securities are normally traded. These investments may also include securities valued on the basis of information provided by pricing services that employ valuation models reflecting such factors as benchmark yields, reported trades, broker/dealer quotes, bid/offer data and other relevant elements.

Common stock and preferred stock – Corporate stocks traded in active markets are valued based on quoted prices of the shares held by the Foundation at year-end.

Mutual funds – Investments in these funds are valued using the net asset value per unit as quoted in active markets at the valuation date.

Common trust fund – Value based on the fair value of the securities within the common trust fund at the daily closing price as reported and valued by the fund.

Real estate and other – Investments consist primarily of real estate and are valued based on appraisals and other estimated methods.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Foundation believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different estimate of fair value at the reporting date.

Note 3: Investments and Fair Value (continued)

The following table represents fair value of assets measured as of June 30, 2023:

	Level 1	Level 2	Level 3	Total
Fair Value Measurements on a Recurring Basis:				
Cash and cash equivalents	$ 11,801,421	$ -	$ -	$ 11,801,421
Government securities and government agencies	-	4,497,967	-	4,497,967
Corporate bonds and notes	-	7,153,495	-	7,153,495
Common trust fund	-	762,110	-	762,110
Common and preferred stocks	22,520,679	-	-	22,520,679
Equity mutual funds	51,211,705	-	-	51,211,705
Fixed income mutual funds	6,220,576	-	-	6,220,576
Total-recurring basis	91,754,381	12,413,572	-	104,167,953
Fair Value Measurements on a Nonrecurring Basis:				
Real estate and other	-	-	813,860	813,860
Total-nonrecurring basis	-	-	813,860	813,860
	$ 91,754,381	$ 12,413,572	$ 813,860	$104,981,813

The following table represents fair value of assets measured as of June 30, 2022:

	Level 1	Level 2	Level 3	Total
Fair Value Measurements on a Recurring Basis:				
Cash and cash equivalents	$ 1,841,957	$ -	$ -	$ 1,841,957
Government securities and government agencies	-	3,383,868	-	3,383,868
Corporate bonds and notes	-	8,118,506	-	8,118,506
Common trust fund	-	726,888	-	726,888
Common and preferred stocks	14,859,482	-	-	14,859,482
Equity mutual funds	44,757,666	-	-	44,757,666
Fixed income mutual funds	7,018,111	-	-	7,018,111
Total-recurring basis	68,477,216	12,229,262	-	80,706,478
Fair Value Measurements on a Nonrecurring Basis:				
Real estate and other	-	-	821,742	821,742
Total-nonrecurring basis	-	-	821,742	821,742
	$ 68,477,216	$ 12,229,262	$ 821,742	$ 81,528,220

Note 3: Investments and Fair Value (continued)

The following reconciles the beginning and ending balances of financial assets measured at fair value using significant unobservable (Level 3) inputs during the years ended June 30, 2023 and 2022:

	2023	2022
Balance, beginning of year	$ 821,742	$ 1,111,449
Purchases/contributions	-	230,293
Sales/disposals/write-downs	(7,882)	(520,000)
Balance, end of year	$ 813,860	$ 821,742

A portion of these investments includes investments held for others as Agency and Trust funds, which are reflected as a corresponding liability on the consolidated statements of financial position.

The Foundation maintains investment balances at various brokerage and investment companies. These investments consist of cash, money market funds and other short-term investments, various mutual funds, stocks, and bonds. Generally, they are not insured by the FDIC or any other government agency and are subject to investment risk, including the risk of loss of principal. Investors are provided limited protection by the Securities Investor Protection Corporation, a nonprofit membership corporation funded by its member securities broker dealers.

Note 4: Property and Equipment

Property, plant and equipment consisted of the following as of June 30, 2023 and 2022:

	2023	2022
Office equipment	$ 154,330	$ 135,985
Building	737,265	737,265
Leasehold improvements	124,807	124,807
	1,016,402	998,057
Less: Accumulated depreciation	(255,018)	(203,423)
Total	$ 761,384	$ 794,634

Depreciation expense amounted to $51,595 and $48,976 for the years ended June 30, 2023 and 2022, respectively. The depreciation expense includes $26,810 and $28,418 of depreciation on assets held by supporting organizations as of June 30, 2023 and 2022, respectively, which were reclassified as program expenses in the preparation of the consolidated financial statements.

Note 5: Pledges Receivable

Pledges receivable consist of unconditional promises to give stated amounts over future periods. None of the amounts included are contingent upon any donor conditions and none of these receivables are pledged in any way. The consolidated statements of financial position reflect no allowance for any uncollectible promises and no discount of the pledge due to the future collection of these funds. As of June 30, 2023, the total pledges receivable of $70,123 are estimated to be collectible as follows: $9,200 within the next year, $17,000 in one to five years and $43,923 after five years. As of June 30, 2022, the

Note 5: Pledges Receivable (continued)

total pledges receivable of $115,710 are estimated to be collectible as follows: $46,387 within the next year, $23,000 in one to five years and $46,323 after five years.

Note 6: Loans and Interest Receivable

The Foundation has loans outstanding to businesses, non-profit organizations and students from several funds. Repayment terms vary from five to fifteen years with interest rates ranging from 2% to 12%.

Loans and interest receivable are as follows as of June 30, 2023 and 2022:

	2023	2022
Loans receivable in less than one year	$ 128,925	$ 122,326
Loans receivable in one to five years	177,175	256,651
Loans receivable in more than five years	78,051	92,543
Total loans receivable	384,151	471,520
Less: allowance for loan losses	(61,021)	(69,851)
Net loans receivable	323,130	401,669
Interest receivable	141,059	116,522
Less: allowance for interest receivable	(139,994)	(114,530)
Net interest receivable	1,065	1,992
Net loans and interest receivable	$ 324,194	$ 403,661

Management determined the need for an allowance based on review of the individual loans outstanding. Management has established an allowance for loan and interest losses of $201,016 and $184,381 as of June 30, 2023 and 2022, respectively.

During the years ended June 30, 2023 and 2022, the Foundation received principal payments of $87,698 and $478,010, respectively, and recorded interest income on these loans receivable in the amounts of $40,511 and $44,001, respectively.

Activity in the allowance was as follows in the years ending June 30, 2023 and 2022:

	2023	2022
Beginning balance	$ 184,381	$ 470,063
Loans and accrued interest charged against allowance	-	(365,399)
Losses (recovery) charged to current expense	16,635	79,717
Ending balance	$ 201,016	$ 184,381

Note 7: Grants and Grants Payable

Grants approved by the Distribution Committee are recorded as grant expenses. Included within this category are grants and scholarships awarded under donor advised and donor designated funds. Grant expense by category is as follows for the years ended June 30, 2023 and 2022:

	2023	2022
Arts and Culture	$ 73,522	$ 117,230
Education and Scholarships	1,362,016	1,390,573
Children and Youth	250,745	110,932
Health, Human Services and Religion	1,533,180	1,098,826
Heritage and Civic Affairs	28,135	93,803
Environmental Development and Economic Community Development	2,628,943	3,124,539
Total grants paid	5,876,541	5,935,903
Less: grants paid from agency and trust funds	(80,780)	(122,967)
Total grant expense	$ 5,795,761	$ 5,812,936

Grants authorized but unpaid at year end are reported as liabilities. In accordance with ASU 2018-08, grants payable represents amounts approved by the Distribution Committee for which the barriers for payment have been met. Grants to be paid in more than one year were not discounted since the discount amount was deemed to be insignificant. The following is a summary of grants authorized and payable as of June 30, 2023 and 2022:

	2023	2022
To be paid within one year	$ 1,393,502	$ 1,619,744
To be paid in one to five years	344,940	365,290
To be paid after five years	-	8,000
Grants authorized and unpaid	$ 1,738,442	$ 1,993,034

Note 8: Deferred Revenue

During the years ended June 30, 2023 and 2022, various operating and flow-through grants were received which are to be expended in subsequent periods. Scheduled below are the grants received which were not expended as of June 30, 2023 and 2022, and are classified as deferred revenue:

	2023	2022
Genon NRG Energy, Inc.	$ 877,523	$ 997,536
Various other grants/fund gifts under $100,000	109,561	106,374
Various deferred flow-through fees	179,190	153,154
Total	$ 1,166,274	$ 1,257,064

Note 9: Agency and Trust Funds

Agency funds are those funds where the donor charity created the fund for their own benefit. Trust funds are those funds where the donor that created the fund specifies a beneficiary, other than the donor, to receive the income or principal of the fund and the Foundation does not have the ability to designate another beneficiary. Since the Foundation maintains legal ownership of these funds, the assets are reported as assets of the Foundation. However, a liability has been established for the fair value of the funds amounting to $9,706,226 and $8,991,486 as of June 30, 2023 and 2022, respectively.

Activity within these funds in the years ended June 30, 2023 and 2022 consisted of the following:

	2023	2022
Beginning balance	$ 8,991,486	$ 10,670,681
Contributions and gifts	64,067	31,965
Investment income	208,807	213,538
Realized and unrealized gains (losses)	840,214	(1,508,541)
Grants and distributions	(398,348)	(323,599)
Reclassifications of funds	-	(92,558)
Ending balance	$ 9,706,226	$ 8,991,486

Note 10: Net Assets Released from Restrictions

Net assets of $17,525,941 and $15,562,362 were released from restrictions during the years ended June 30, 2023 and 2022, respectively, by incurring expenses satisfying the restricted purposes or by the occurrence of other events specified by the donors. These expenses included the payment of grants and distributions disbursed directly by the Foundation and to fund the payment of endowment related expenses and expenses incurred by its supporting organizations.

Note 11: Management Fees

The Foundation assesses management fees on funds which are used to support the operations of the Foundation. This inter-company activity is eliminated in the preparation of the consolidated financial statements. The Foundation received $1,793,829 and $1,479,678 in management fees from the funds for the years ended June 30, 2023 and 2022, respectively.

Note 12: Retirement and Deferred Compensation Plan

The Foundation has a 401(k) pension plan ("Plan") covering eligible employees age 21 years or older who have been employed by the Foundation for at least one year. Currently, the Foundation will match 100% of the employee's deferrals up to a maximum of $5,000. The Foundation amended the Plan effective July 1, 2006 which provided for, based on Board approval, discretionary contributions in excess of the previous $5,000 limit. The Foundation's contributions to the Plan for the years ended June 30, 2023 and 2022 was $68,392 and $76,975, respectively. There was no discretionary contribution for the years ended June 30, 2023 and 2022. Contributions paid for supporting organizations amounting to $65,106 and $30,343 for the years ended June 30, 2023 and

Note 12: Retirement and Deferred Compensation Plan (continued)

2022, respectively, are recorded as program expenses and not employee benefits within the consolidated statements of activities.

The Foundation has a deferred compensation plan for the Foundation's President. The liability of $450,918 and $374,098 as of June 30, 2023 and 2022, respectively, is included in other liabilities within the statements of financial position. The deferred compensation plan is fully funded.

Note 13: Concentration of Credit Risk

The majority of the Foundation's operations is funded by management fees generated from endowment funds maintained within the Foundation. A significant decline in the market value of the investments could have an adverse impact on these management fees and on the Foundation's operations.

Note 14: Cash Surrender Value of Life Insurance Policies

The Foundation is the owner and beneficiary of an insurance policy on the life of a supporter of the Foundation with a face value of $500,000 and a cash surrender value of $60,237 and $62,803 as of June 30, 2023 and 2022, respectively. This policy is accounted for under the investment method and recorded at its cash surrender value. There are no contractual restrictions on the ability to surrender this policy.

Note 15: Endowments

Interpretation of Relevant Law

Current authoritative accounting guidance provides guidance on the net asset classification of donor-restricted endowment funds for a not-for-profit organization that is subject to an enacted version of the Uniform Prudent Management of Institutional Funds Act of 2006 (UPMIFA). Current authoritative accounting guidance also requires enhanced disclosures about an organization's endowment funds (both donor restricted endowment funds and board designated endowment funds) whether or not the organization is subject to UPMIFA.

The Commonwealth of Pennsylvania has not adopted UPMIFA. The Commonwealth of Pennsylvania has enacted Act 141 (the Act). The Act permits the Foundation to elect a "total return policy." The Act allows an organization's trustees to define "income" as a stipulated percentage of endowment assets (between 2% and 7% of the fair value of assets averaged over a period of the three preceding years or over a shorter period in cases of assets held less than three years) without regard to actual interest, dividends, or realized or unrealized capital gains. Income derived from the endowments is used to support operations and programs which meet the Foundation's mission.

Consistent with governing law, the Foundation has interpreted relevant law as requiring the preservation of the fair value of the original gift and subsequent gifts as of the gift date of the donor-restricted endowment fund absent explicit donor stipulations to the contrary. Unless the terms of the gift instrument state otherwise, accumulated net investment income may be spent over time by the Foundation. Therefore, in accordance with Commonwealth of Pennsylvania law regarding the

Note 15: Endowments (continued)

investment of trust funds, investment income and net appreciation on endowment funds are classified as net assets with donor restrictions. Gains and losses attributable to donor-restricted endowed funds are recorded as net assets with donor restrictions.

Spending Policy

The Foundation will provide distributions of 4.5% of its endowment funds based on a 3-year moving average market value on an annual basis. The Foundation expects the current spending policy to allow its endowment funds to grow at an average rate over the long term. This is consistent with the Foundation's objective to maintain the purchasing power of the endowment assets held in perpetuity as well as to provide additional real growth over time through investment return.

Strategies Employed for Achieving Objectives

The Foundation's investment objective is to maximize returns through a diversified portfolio of assets consisting of equity, fixed income and cash. The Foundation's endowment funds are collectively managed in this diversified portfolio. The board of directors is responsible for the approval of investment policies and for reviewing the selection of investment advisors and investment performance. The endowment assets are invested in a manner that is intended to produce growth and income while assuming a moderate investment risk. Annual returns in any given year may vary from this amount. The Foundation relies on an active asset allocation strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends).

The following tables provide a summary of the changes in value of endowment net assets, which are all classified as net assets with donor restrictions for the years ending June 30, 2023 and 2022:

	2023	2022
Endowment net assets, beginning of year	$ 49,853,826	$ 55,492,294
Gifts and contributions	18,648,202	5,162,346
Other income	201,225	111,449
Transfers between funds	149,942	(219,397)
Investment return:		
Investment income	1,527,245	1,098,434
Net appreciation (depreciation)	5,449,748	(8,591,772)
Total investment return (losses)	6,976,993	(7,493,338)
Amounts appropriated for expenditures	(3,711,952)	(3,199,528)
Endowment net assets, end of year	$ 72,118,236	$ 49,853,826

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or Pennsylvania Act 141 requires the Foundation to retain as a fund of perpetual duration. As of June 30, 2023, deficiencies of this nature exist in 24

Note 15: Endowments (continued)

donor-established endowment funds, which together had an original gift value of $6,940,850, a current fair value of $6,292,845, and a deficiency of $648,005. Deficiencies of this nature existed in 31 donor-established endowment funds, which together had an original gift value of $8,830,987, a current fair value of $7,873,743 and a deficiency of $957,244 as of June 30, 2022.

Note 16: Availability and Liquidity

The Foundation's financial assets available within one year of the consolidated statements of financial position date for general expenditure are as follows as of June 30, 2023:

Cash and cash equivalents	$	624,345
Investments		2,708,008
Accounts receivable and other assets		8,373
	$	3,340,726

The Foundation manages its cash available to meet general expenditures and grants operating within a prudent range of financial soundness and stability and maintaining adequate liquid assets.

In addition to these funds available for general expenditures, the Foundation charges an administrative fee to all funds based on the funds' average balance for the month of the fee to cover general expenditures.

The Foundation manages its cash available for grant purposes by reviewing cash needs on an ongoing basis. Funds are invested in the Foundation's investment pool which holds a diversified mix of marketable, liquid, equity and fixed income funds along with cash investments. The allocation is designed to achieve the dual objective of growing the corpus of the pool for the future while providing necessary liquidity for grants and operational purposes.

Note 17: Restatement of Net Assets

The Foundation will periodically review various Agency and Trust Funds and reclassify them as net assets. For the year ended June 30, 2023, the Foundation reclassified $92,558 of Trust and Agency Funds (liability) to net assets with donor restrictions.