

# Central Susquehanna Community Foundation

## Financial Statements

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

**MaherDuessel**  
Certified Public Accountants

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# CENTRAL SUSQUEHANNA COMMUNITY FOUNDATION

YEARS ENDED DECEMBER 31, 2019 AND 2018

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## Independent Auditor's Report

**Board of Directors  
Central Susquehanna  
Community Foundation**

### *Report on the Financial Statements*

We have audited the accompanying financial statements of the Central Susquehanna Community Foundation (Foundation), which comprise the statements of financial position as of December 31, 2019 and 2018, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

### *Management's Responsibility for the Financial Statements*

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

### *Auditor's Responsibility*

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits 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.

### ***Basis for Qualified Opinion***

At December 31, 2019, we were unable to obtain sufficient appropriate audit evidence regarding the value of certain non-voting common stock of which the Foundation is the beneficiary. As further discussed in Note 3, we were unable to determine whether any adjustments regarding these amounts were necessary.

### ***Qualified Opinion***

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion paragraph, the financial statement referred to above presents fairly, in all material respects, the financial position of the Foundation as of December 31, 2019 and 2018, 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.

### ***Change in Accounting Principle***

As described in Note 1 to the financial statements, the Foundation has adopted the account provisions of the Financial Accounting Standards Board (FASB) Accounting Standards Update 2018-08, "*Clarifying the Scope and the Accounting Guidance for Contributions Received (Topic 958)*." Our opinion is not modified with respect to this matter.

### ***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated July 29, 2020, on our consideration of the Foundation's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Foundation's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Foundation's internal control over financial reporting and compliance.

*Maher Duessel*

Harrisburg, Pennsylvania  
July 29, 2020

# CENTRAL SUSQUEHANNA COMMUNITY FOUNDATION

## STATEMENTS OF FINANCIAL POSITION

DECEMBER 31, 2019 AND 2018

	2019	2018
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 806,739	\$ 1,045,400
Pledges receivable	78,950	48,825
Accrued interest receivable	57,400	61,572
Prepaid expense	30	30
Total current assets	943,119	1,155,827
Noncurrent assets:		
Land, buildings, and equipment:		
Land	95,324	95,324
Land improvements	224,502	224,502
Building and building improvements	1,417,493	1,417,493
Furniture and fixtures	67,211	67,211
Equipment	31,424	31,424
Less: accumulated depreciation	(580,201)	(536,969)
Land, buildings, and equipment, net	1,255,753	1,298,985
Investments	58,273,331	47,974,653
Beneficial interest in charitable remainder trust	11,119	11,051
Beneficial interest in perpetual trusts held by others	342,649	301,421
Total noncurrent assets	59,882,852	49,586,110
<b>Total Assets</b>	<b>\$ 60,825,971</b>	<b>\$ 50,741,937</b>

(Continued)

	<u>2019</u>	<u>2018</u>
<b>Liabilities and Net Assets</b>		
<b>Liabilities:</b>		
Current liabilities:		
Accounts payable	\$ 60,813	\$ 30,743
Accrued expenses	25	-
Grants payable	512,652	556,339
Total current liabilities	<u>573,490</u>	<u>587,082</u>
Noncurrent liabilities:		
Grants payable, net of current portion	15,600	-
Funds held as agency endowments	12,137,064	11,763,661
Total noncurrent liabilities	<u>12,152,664</u>	<u>11,763,661</u>
Total Liabilities	<u>12,726,154</u>	<u>12,350,743</u>
<b>Net Assets:</b>		
Without donor restrictions	47,746,049	38,078,722
With donor restrictions	353,768	312,472
Total Net Assets	<u>48,099,817</u>	<u>38,391,194</u>
<b>Total Liabilities and Net Assets</b>	<u>\$ 60,825,971</u>	<u>\$ 50,741,937</u>
		(Concluded)

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

# CENTRAL SUSQUEHANNA COMMUNITY FOUNDATION

## STATEMENT OF ACTIVITIES

YEAR ENDED DECEMBER 31, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
<b>Revenues and Other Support:</b>			
Contributions	\$ 2,380,976	\$ -	\$ 2,380,976
Grant revenue	755,663	-	755,663
Medical Assistance grant revenue	102,333	-	102,333
Trust income	8,875	-	8,875
Investment return, net	8,350,935	-	8,350,935
Change in value of charitable remainder trust	-	68	68
Gain on beneficial interest in perpetual trusts held by others	-	41,228	41,228
Gain on cancellation of grants	22,875	-	22,875
Other income	177,698	-	177,698
Total revenues and other support	11,799,355	41,296	11,840,651
Transfer of assets from another community foundation	1,845,616	-	1,845,616
Total revenues, other support, and transfer	13,644,971	41,296	13,686,267
<b>Expenses:</b>			
Program	3,211,257	-	3,211,257
Development	364,335	-	364,335
Administrative	402,052	-	402,052
Total expenses	3,977,644	-	3,977,644
<b>Change in Net Assets</b>	9,667,327	41,296	9,708,623
<b>Net Assets:</b>			
Beginning of year	38,078,722	312,472	38,391,194
End of year	\$ 47,746,049	\$ 353,768	\$ 48,099,817

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

# CENTRAL SUSQUEHANNA COMMUNITY FOUNDATION

## STATEMENT OF ACTIVITIES

YEAR ENDED DECEMBER 31, 2018

	Without Donor Restrictions	With Donor Restrictions	Total
<b>Revenues and Other Support:</b>			
Contributions	\$ 1,520,213	\$ -	\$ 1,520,213
Grant revenue	620,524	-	620,524
Medical Assistance grant revenue	179,458	-	179,458
Trust income	18,446	-	18,446
Investment return, net	(2,598,074)	-	(2,598,074)
Change in value of charitable remainder trust	-	(833)	(833)
Loss on beneficial interest in perpetual trusts held by others	-	(41,442)	(41,442)
Gain on cancellation of grants	151	-	151
Other income	164,491	-	164,491
	<u>(94,791)</u>	<u>(42,275)</u>	<u>(137,066)</u>
<b>Expenses:</b>			
Program	2,671,687	-	2,671,687
Development	247,702	-	247,702
Administrative	410,337	-	410,337
	<u>3,329,726</u>	<u>-</u>	<u>3,329,726</u>
<b>Change in Net Assets</b>	<b>(3,424,517)</b>	<b>(42,275)</b>	<b>(3,466,792)</b>
<b>Net Assets:</b>			
Beginning of year	<u>41,503,239</u>	<u>354,747</u>	<u>41,857,986</u>
End of year	<u>\$ 38,078,722</u>	<u>\$ 312,472</u>	<u>\$ 38,391,194</u>

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



# CENTRAL SUSQUEHANNA COMMUNITY FOUNDATION

## STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED DECEMBER 31, 2019

	<u>Program</u>	<u>Development</u>	<u>Administrative</u>	<u>Total</u>
<b>Expenses:</b>				
Community events	\$ 7,722	\$ 11,513	\$ 14,457	\$ 33,692
Dues and subscriptions	5,440	8,110	10,185	23,735
Employee benefits	38,753	65,215	74,949	178,917
Grants approved	2,902,244	-	-	2,902,244
Special projects	27,221	47,548	2,850	77,619
Insurance	3,281	4,891	6,141	14,313
Marketing expense	5,243	7,816	9,815	22,874
Meeting supplies	2,511	3,744	4,701	10,956
Miscellaneous	1,826	2,723	3,420	7,969
Office expenses	2,712	4,044	5,078	11,834
Printing	166	248	311	725
Professional fees	16,019	23,882	29,992	69,893
Repairs and maintenance	5,225	7,790	9,782	22,797
Salaries and wages	92,962	156,438	179,786	429,186
Telephone	1,471	2,193	2,754	6,418
Utilities	2,286	3,408	4,280	9,974
Workers' compensation claim	-	-	25,000	25,000
Loss on uncollectible pledges	86,266	-	-	86,266
Depreciation expense	9,909	14,772	18,551	43,232
Total expenses	<u>\$ 3,211,257</u>	<u>\$ 364,335</u>	<u>\$ 402,052</u>	<u>\$ 3,977,644</u>

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

# CENTRAL SUSQUEHANNA COMMUNITY FOUNDATION

## STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED DECEMBER 31, 2018

	<u>Program</u>	<u>Development</u>	<u>Administrative</u>	<u>Total</u>
<b>Expenses:</b>				
Board development	\$ 975	\$ 922	\$ 1,826	\$ 3,723
Community events	10,619	10,039	19,888	40,546
Dues and subscriptions	3,262	3,084	6,108	12,454
Employee benefits	35,533	46,643	70,779	152,955
Grants approved	2,410,351	-	-	2,410,351
Special projects	68,676	20,795	-	89,471
Insurance	4,827	4,564	9,041	18,432
Marketing expense	10,604	10,025	19,859	40,488
Meeting supplies	848	801	1,588	3,237
Miscellaneous	1,638	1,548	3,067	6,253
Office expenses	3,526	3,333	6,604	13,463
Printing	148	140	279	567
Professional fees	7,341	6,940	13,749	28,030
Repairs and maintenance	11,443	10,818	21,431	43,692
Salaries and wages	86,365	113,367	172,029	371,761
Telephone	1,630	1,541	3,054	6,225
Utilities	2,579	2,438	4,829	9,846
Workers' compensation claim	-	-	35,000	35,000
Depreciation expense	11,322	10,704	21,206	43,232
Total expenses	<u>\$ 2,671,687</u>	<u>\$ 247,702</u>	<u>\$ 410,337</u>	<u>\$ 3,329,726</u>

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

# CENTRAL SUSQUEHANNA COMMUNITY FOUNDATION

## STATEMENTS OF CASH FLOWS

YEARS ENDED DECEMBER 31, 2019 AND 2018

	2019	2018
<b>Cash Flows From Operating Activities:</b>		
Change in net assets	\$ 9,708,623	\$ (3,466,792)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Net realized and unrealized (gain) loss on investments	(9,276,661)	4,543,962
Net change in beneficial interest in charitable remainder trust	(68)	833
(Gain) loss on beneficial interest in perpetual trusts held by others	(41,228)	41,442
Gain on cancellation of grants	(22,875)	(151)
Depreciation expense	43,232	43,232
Donated stock	(1,200,270)	(41,246)
(Increase) decrease in:		
Pledges receivable	(30,125)	11,450
Accrued interest receivable	4,172	(54,622)
Prepaid expenses	-	5
Increase (decrease) in:		
Accounts payable	30,070	19,734
Accrued expenses	25	(13,850)
Grants payable	(5,212)	(154,607)
Funds held as agency endowments	373,403	(120,595)
Net cash provided by (used in) operating activities	(416,914)	808,795
<b>Cash Flows From Investing Activities:</b>		
Proceeds from the sale of investments	5,399,435	17,867,266
Purchases of investments	(5,221,182)	(18,560,632)
Net cash provided by (used in) investing activities	178,253	(693,366)
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	<b>(238,661)</b>	<b>115,429</b>
<b>Cash and Cash Equivalents:</b>		
Beginning of year	1,045,400	929,971
End of year	\$ 806,739	\$ 1,045,400

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

# CENTRAL SUSQUEHANNA COMMUNITY FOUNDATION

## NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2019 AND 2018

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### 1. Nature of Operations and Summary of Significant Accounting Policies

#### A. *Nature of Operations*

The Central Susquehanna Community Foundation (Foundation) was organized in March 1999 as the Berwick Health and Wellness Foundation with the proceeds from the sale of the Berwick Hospital. The Foundation's mission was to improve the health and welfare of the Berwick area community.

During 2003, the Foundation changed its name to reflect a greater mission and area to be served. The Foundation now serves Columbia, Montour, Union, Snyder, Northumberland, and Lower-Luzerne Counties in Pennsylvania and encourages philanthropy to benefit the charities and communities within this region to improve the quality of life of the residents of these communities. The Foundation's support comes primarily from contributions and investment income. The original Berwick Health and Wellness Fund is reserved for promoting health and wellness in the Berwick area community, comprising boroughs and townships in eastern Columbia County and western Luzerne County.

The Foundation administers 83 agency endowment funds and 142 other charitable endowment funds; each established with an instrument of gift describing either the general or specific purposes for which the grants are to be made.

The Foundation is a nonprofit organization, as described in Section 501(c)(3) of the Internal Revenue Code and is exempt from federal and state income taxes. In addition, the Foundation qualifies for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified as an organization other than a private foundation. Further, the Foundation annually files a Form 990.

#### B. *Basis of Accounting*

The Foundation prepares its financial statements on the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded when liabilities are incurred.

# CENTRAL SUSQUEHANNA COMMUNITY FOUNDATION

## NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2019 AND 2018

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### C. *Statements of Cash Flows*

For the purpose of the statements of cash flows, the Foundation considers all highly liquid investments with an initial maturity of three months or less to be cash equivalents.

The net realized and unrealized gain (loss) on investments presented in the statements of cash flows for the years ended December 31, 2019 and 2018 is reported in the financial statements as follows:

	2019	2018
Net realized and unrealized gain (loss) on investments	\$ 7,399,122	\$ (3,450,526)
Attributable to assets held in agency endowment funds	1,877,539	(1,093,436)
	<u>\$ 9,276,661</u>	<u>\$ (4,543,962)</u>

### D. *Investments*

#### *Fair Value Measurements*

The Foundation records its investments based on fair value. The use of observable inputs is maximized, and the use of unobservable inputs is minimized by using observable inputs when available.

Observable inputs are inputs that market participants would use in pricing the asset or liability based on market data obtained from independent sources. Unobservable inputs reflect assumptions that market participants would use in pricing the asset or liability based on the best information available in the circumstances. The hierarchy is broken down into three levels based on the transparency of inputs as follows:

Level 1 — Quoted prices are available in active markets for identical assets or liabilities as of the report date. A quoted price for an identical asset or liability in an active market provides the most reliable fair value measurement because it is directly observable to the market.

Level 2 — Pricing inputs are other than quoted prices in active markets, which are either directly or indirectly observable as of the report date. The nature of

# CENTRAL SUSQUEHANNA COMMUNITY FOUNDATION

## NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2019 AND 2018

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these securities includes investments for which quoted prices are available, but traded less frequently, and investments that are fair valued using other securities, the parameters of which can be directly observed.

Level 3 — Securities that have little to no pricing observability as of the report date. These securities are measured using management's best estimate of fair value, where the inputs into the determination of fair value are not observable and require significant management judgment or estimation.

Inputs are used in applying the various valuation techniques and broadly refer to the assumptions that market participants use to make valuation decisions, including assumptions about risk. Inputs may include price information, volatility statistics, specific and broad credit data, liquidity statistics, and other factors. A financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. However, the determination of what constitutes "observable" requires significant judgment by the Foundation. The Foundation considers observable data to be that market data that is readily available, regularly distributed or updated, reliable and verifiable, not proprietary, and provided by independent sources that are actively involved in the relevant market. The categorization of a financial instrument within the hierarchy is based upon the pricing transparency of the instrument and does not necessarily correspond to the Foundation's perceived risk of that instrument.

### ***Valuation of Investments***

Investments whose values are based on quoted market prices in active markets, and are therefore classified within Level 1, include active listed equities, certain U.S. government, U.S. agency and sovereign obligations, certain money market securities, and certain mutual funds.

Investments that trade in markets that are not considered to be active, but are valued based on quoted market prices, dealer quotations, or alternative pricing sources supported by observable inputs are classified within Level 2. These include investment-grade corporate bonds. The Foundation's Level 2 investments are valued using the market approach based on current exchange prices. For securities that do not trade on exchanges, the dealer utilizes a modeling system based on current market data including benchmark yields, reported trades, and broker-dealer quotes. As Level 2 investments include positions that are not traded in active markets and/or are subject

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# CENTRAL SUSQUEHANNA COMMUNITY FOUNDATION

## NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2019 AND 2018

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to transfer restrictions, valuations may be adjusted to reflect illiquidity and/or non-transferability, which are generally based on available market information.

Investments classified within Level 3 have significant unobservable inputs, as they trade infrequently or not at all. Level 3 instruments include beneficial interest in charitable trusts and in perpetual trusts. When observable prices are not available for Level 3 securities, the Foundation uses one or more valuation techniques (e.g., the market approach, the income approach, or the cost approach) for which sufficient and reliable data is available. Within Level 3, the use of the market approach generally consists of using comparable market transactions, while the use of the income approach generally consists of the net present value of estimated future cash flows, adjusted as appropriate for liquidity, credit, market, and/or other risk factors.

The inputs used by the Foundation in estimating the value of Level 3 investments may include the original transaction price, recent transactions in the same or similar instruments, completed or pending third-party transactions in the underlying investment or comparable issuers, subsequent rounds of financing, recapitalizations, and other transactions across the capital structure, offerings in the equity or debt capital markets, and changes in financial ratios or cash flows. Level 3 investments may also be adjusted to reflect illiquidity and/or non-transferability, with the amount of such discount estimated by the Foundation in the absence of market information. The fair value measurement of Level 3 investments does not include transaction costs that may have been capitalized as part of the security's cost basis. Assumptions used by the Foundation due to the lack of observable inputs may significantly impact the resulting fair value and, therefore, the Foundation's results of operations.

The Foundation's investments are exposed to various risks, including interest rate, currency, market, and credit. Due to these risks and the level of uncertainty related to changes in the value of individual investments, it is at least reasonably possible that significant changes can occur in fair value that may materially affect the amounts reported in the financial statements.

### **E. *Land, Buildings, Furniture and Fixtures, and Equipment***

Land, buildings, furniture and fixtures, and equipment are recorded at cost or fair value (if donated), less accumulated depreciation. Donated assets are reported as contributions without donor restrictions unless the donor has restricted the donated asset to a specific

# CENTRAL SUSQUEHANNA COMMUNITY FOUNDATION

## NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2019 AND 2018

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purpose. Land improvements, buildings, furniture and fixtures, and equipment are being depreciated over their estimated useful lives by the straight-line method as follows:

Computers	3 years
Equipment	3 - 7 years
Furniture and fixtures	5 - 7 years
Land improvements	15 - 40 years
Buildings and building improvements	7 - 40 years

When assets are retired or disposed of, the cost and the related accumulated depreciation are removed from the accounts and any resulting gain or loss is recognized in income for the period. The cost of maintenance and repairs is charged to expense as incurred; significant renewals and betterments are capitalized.

For the years ended December 31, 2019 and 2018, depreciation expense was \$43,232.

### **F. *Net Assets***

Net assets without donor restrictions are those whose use by the Foundation is not subject to donor-imposed restrictions. Net assets with donor restrictions are those whose use by the Foundation has been limited by donors to a specific time period or purpose or have been restricted by donors to investments held in perpetuity, the income from which is expendable to support the activities of the Foundation.

Pursuant to donor instructions, the Foundation has classified each of its component funds into six types: unrestricted funds, field of interest funds, donor advised, scholarship funds, agency endowment, and acorn funds. While it is the intent of the Foundation to hold these assets as endowment funds, its Board of Directors may, by majority vote, modify any restriction or condition on the distribution of funds from its component funds if, in the Board of Directors' 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.

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# CENTRAL SUSQUEHANNA COMMUNITY FOUNDATION

## NOTES TO FINANCIAL STATEMENTS

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### **G. Contributions**

The Foundation reports gifts of cash and other assets as contributions with donor restrictions when they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires (such as when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are released to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions. However, if a restriction is fulfilled in the same time period in which the contribution is received, the Foundation reports the support as net assets without donor restrictions.

### **H. Contributed Services, Facilities, and Equipment**

A number of unpaid volunteers, which include the Board of Directors of the Foundation, have made significant contributions of their time toward developing and achieving the Foundation's goals and objectives. Contributions of donated services that create or enhance nonfinancial assets, or that require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation, are recorded at their fair values in the period received. During the years ended December 31, 2019 and 2018, there were no donated services that met the reporting requirements.

### **I. Functional Expense Allocations**

The cost of providing the various program and supporting services have been summarized on a functional basis in the statement of functional expenses. This statement reports expenses that are attributed to more than one program or supporting function. Therefore, some expenses require allocation on a reasonable basis that is consistently applied. These expenses are allocated based upon a time and cost study of where efforts are made.

### **J. Affiliation Agreement**

The Foundation entered into agreements with the Bloomsburg Area Community Foundation (Bloomsburg Foundation) (a 501(c)(3) organization), the Sunbury Area Community Foundation (Sunbury Foundation) (a 501(c)(3) organization), and the Selinsgrove Area Community Foundation (Selinsgrove Foundation) (a 501(c)(3) organization) to administer their assets for investment purposes. These agreements also

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# CENTRAL SUSQUEHANNA COMMUNITY FOUNDATION

## NOTES TO FINANCIAL STATEMENTS

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provide for the Foundation to perform administrative tasks on behalf of the Bloomsburg Foundation, the Sunbury Foundation, and the Selinsgrove Foundation. The agreements for the Bloomsburg Foundation and the Sunbury Foundation may be terminated at any time. The Sunbury Foundation agreement has been approved by the Attorney General of the Commonwealth of Pennsylvania. The Selinsgrove Foundation was dissolved on January 21, 2019. See Note 12 related to the transfer of the Selinsgrove Foundation assets to the Foundation.

### **K. *Administrative Fees***

The Foundation charges an administrative fee of between one and one-half and two percent of a 16-quarter trailing average of the fund balance to all permanent endowed funds, agency endowment funds, and certain non-permanent funds. The fees are included in other income in the statements of activities to the extent that they are earned from outside parties.

### **L. *Funds Held as Agency Endowments***

Assets transferred to the Foundation from other nonprofit organizations for the purpose of establishing an endowment for the benefit of the nonprofit 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 payable to the nonprofit.

### **M. *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 and disclosures in the financial statements. Actual results could differ from those estimates.

### **N. *Endowment Investment and Spending Policy***

The Foundation has adopted investment and spending policies, approved by the Board of Directors, for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment. The goal of the Foundation's investment policy is to maintain the purchasing power of the current assets and all future contributions, to maintain the level of services and programs, and to maximize

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# CENTRAL SUSQUEHANNA COMMUNITY FOUNDATION

## NOTES TO FINANCIAL STATEMENTS

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return within reasonable and prudent levels of risk. Under the current investment policy approved by the Board of Directors in September 2017, the endowment assets have a strategic target of 70% equity securities, 24% fixed income securities, 4% alternative securities, and 2% cash and cash equivalents. The allowable investment bounds are 50% to 85% in equity securities, 15% to 40% in fixed income securities, 0% to 20% in alternative investments, and 0% to 15% in cash and cash equivalents.

The Foundation expects its endowment funds, over time, to provide an average rate of return that exceeds a weighted index comprised of 36% of the Russell 1000, 9% of the Russell 2000, 18% MSCI EAFE (net), 7% MSCI Emerging Markets (net), 22% Barclays Aggregate, 2% Barclays High Yield, 0.75% Barclays US Gov't ILB, 0.75% S&P US REITS, 2.5% DJ Global REIT ex US (net), and 2% IA SBBI US 30 day T-Bill. The Foundation's actual returns may vary from this amount in any given year.

The spending policy calculates the amount of money annually distributed from the Foundation's various endowed funds for grant-making and administration. Based on the investment model selected by the donor, the current spending policy is to distribute not in excess of 4.25% of a 16-quarter trailing average of the fund balance of the endowment funds. For funds less than four years old, the fair value will be the average of all quarterly market values to date.

### **O. Adoption of Accounting Standard**

The requirements of the following Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) were adopted during the year ended December 31, 2019:

ASU 2018-08, "*Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made (Topic 958)*," which 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. The Foundation has elected to only adopt the contributions received portion of this standard for the year ended December 31, 2019, as permitted by ASU 2018-08. The Foundation has implemented this new standard under a modified prospective basis. Accordingly, there is no effect on the net assets related to the implementation of this standard. The contributions made portion of the standard will be adopted during the year ended December 31, 2020.

# CENTRAL SUSQUEHANNA COMMUNITY FOUNDATION

## NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2019 AND 2018

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### **P. Pending Standards Update**

ASU 2016-02, "*Leases (Topic 842)*," is effective for the Foundation's financial statements for the year ending December 31, 2021. This amendment will require lessees to recognize assets and liabilities on the statement of financial position for the rights and obligations created by all leases with terms of more than twelve months. Disclosures also will be required by lessees to meet the objective of enabling users of financial statements to assess the amount, timing, and uncertainty of cash flows arising from leases.

ASU 2018-13, "*Fair Value Measurement (Topic 820)*," is effective for the Foundation's financial statements for the year beginning after December 15, 2019. The amendments remove and modify certain fair value hierarchy leveling disclosures.

Management has not yet determined the impact of these amendments on the Foundation's financial statements.

### **Q. Subsequent Events**

Subsequent events have been evaluated through the Independent Auditor's Report date, which is the date the financial statements are available to be issued.

## **2. Deposits**

Cash and cash equivalents at December 31, 2019 had a book value and bank balance of \$806,739 and \$781,360, respectively. Cash and cash equivalents at December 31, 2018 had a book value and bank balance of \$1,045,400 and \$301,518, respectively. Deposits held in financial institutions are insured up to \$250,000 by the Federal Deposit Insurance Corporation (FDIC). At various times during the years ended December 31, 2019 and 2018, the Foundation had cash balances in excess of the federally insured limit.

# CENTRAL SUSQUEHANNA COMMUNITY FOUNDATION

## NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2019 AND 2018

### 3. Investments

The following tables set forth by level, within the fair value hierarchy, the investments at fair value, cost, and unrealized appreciation (depreciation) as of December 31, 2019 and 2018:

	2019			Unrealized Appreciation (Depreciation)
	Level	Fair Value	Cost	
Money market funds	1	\$ 2,309,060	\$ 2,309,060	\$ -
Common stock:				
Communication services	1	220,323	209,734	10,589
Consumer discretionary	1	539,848	436,904	102,944
Consumer staples	1	384,457	314,223	70,234
Energy	1	252,353	275,170	(22,817)
Financials	1	1,466,183	1,358,530	107,653
Health care	1	717,378	603,285	114,093
Industrials	1	907,271	728,779	178,492
Information technology	1	1,018,598	745,743	272,855
International	1	6,971,686	5,867,870	1,103,816
Materials	1	161,160	162,513	(1,353)
Real estate	1	258,055	268,431	(10,376)
Utilities	1	362,004	267,185	94,819
Equity mutual funds:				
Large cap funds	1	17,862,426	14,498,233	3,364,193
Small cap funds	1	2,965,571	2,578,498	387,073
International developed	1	4,110,120	4,246,743	(136,623)
Emerging markets	1	3,795,456	4,185,160	(389,704)
Equity REITs	1	989,851	951,001	38,850
Other	1	422,675	432,838	(10,163)
Fixed income mutual funds:				
Domestic bond market	1	3,836,424	3,813,341	23,083
Taxable pooled	1	3,195,163	3,116,923	78,240
Inflation hedge funds	1	425,493	425,000	493
High yield pooled	1	837,694	848,547	(10,853)
Debt securities:				
Corporate bonds	2	3,348,337	3,265,885	82,452
U.S. Treasury	1	915,745	895,968	19,777
		<u>\$ 58,273,331</u>	<u>\$ 52,805,564</u>	<u>\$ 5,467,767</u>
Beneficial interest in:				
Charitable remainder trust	3	<u>\$ 11,119</u>		
Perpetual trusts	3	<u>\$ 342,649</u>		

# CENTRAL SUSQUEHANNA COMMUNITY FOUNDATION

## NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2019 AND 2018

2018				
	Level	Fair Value	Cost	Unrealized Appreciation (Depreciation)
Money market funds	1	\$ 1,578,309	\$ 1,578,309	\$ -
Common stock:				
Communication services	1	164,451	189,262	(24,811)
Consumer discretionary	1	437,689	457,643	(19,954)
Consumer staples	1	356,298	404,318	(48,020)
Energy	1	285,612	357,191	(71,579)
Financials	1	1,329,260	1,557,196	(227,936)
Health care	1	670,834	630,939	39,895
Industrials	1	723,601	779,944	(56,343)
Information technology	1	671,377	692,039	(20,662)
International	1	5,540,764	6,253,597	(712,833)
Materials	1	63,778	76,740	(12,962)
Utilities	1	304,984	282,136	22,848
Equity mutual funds:				
Large cap funds	1	13,739,132	13,372,212	366,920
Small cap funds	1	2,362,518	2,498,377	(135,859)
International developed	1	3,465,000	4,246,743	(781,743)
Emerging markets	1	3,328,790	4,185,160	(856,370)
Equity REITs	1	839,299	955,244	(115,945)
Other	1	383,985	438,210	(54,225)
Fixed income mutual funds:				
Domestic bond market	1	3,465,291	3,640,109	(174,818)
Taxable pooled	1	3,011,735	3,090,000	(78,265)
Inflation hedge funds	1	402,476	425,000	(22,524)
High yield pooled	1	793,744	850,000	(56,256)
Debt securities:				
Corporate bonds	2	3,160,010	3,133,465	26,545
U.S. Treasury	1	895,716	895,968	(252)
		\$ 47,974,653	\$ 50,989,802	\$ (3,015,149)
Beneficial interest in:				
Charitable remainder trust	3	\$ 11,051		
Perpetual trusts	3	\$ 301,421		

Marketable securities are in the custody of a bank contracted by the Foundation's investment advisor. The custodian provides insurance coverage up to \$500,000 on securities, including up to \$250,000 on cash, through the Securities Investor Protection Corporation and supplemental coverage up to the full net equity value of the assets held in these accounts. Such coverage, however, does not insure against losses resulting from changes in securities markets.

# CENTRAL SUSQUEHANNA COMMUNITY FOUNDATION

## NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2019 AND 2018

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### Fair Value of Financial Instruments

The following is a description of the valuation methodologies used for Level 3 investments.

### Beneficial Interest in Charitable Remainder Trust and Perpetual Trusts

The Foundation is the beneficiary of several trusts which are managed by various financial institutions. The financial institutions hold the investments in diversified and balanced portfolios consisting of cash and money market funds, corporate debt securities, equity securities and equity mutual funds, fixed income mutual funds, real asset funds, and other funds with complementary investment strategies. The Foundation uses the income approach to value the beneficial interest in charitable remainder trust. Fair value of the beneficial interest in perpetual trusts is based on fair value information received from the trustee.

The methods described previously 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 reliance on these 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 fair value measurement at the reporting date.

The following tables summarize the changes in fair values associated with Level 3 assets:

	Balance as of January 1, 2019	Contributions/ Purchases	Withdrawals/ Redemptions/ Donations	Change in Value	Balance as of December 31, 2019
Charitable remainder trust	\$ 11,051	\$ -	\$ -	\$ 68	\$ 11,119
Perpetual trusts	301,421	-	-	41,228	342,649
	<u>\$ 312,472</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 41,296</u>	<u>\$ 353,768</u>

# CENTRAL SUSQUEHANNA COMMUNITY FOUNDATION

## NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2019 AND 2018

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	Balance as of January 1, 2018	Contributions/ Purchases	Withdrawals/ Redemptions/ Payments	Change in Value	Balance as of December 31, 2018
Charitable remainder trust	\$ 11,884	\$ -	\$ -	\$ (833)	\$ 11,051
Perpetual trusts	342,863	-	-	(41,442)	301,421
	\$ 354,747	\$ -	\$ -	\$ (42,275)	\$ 312,472

The Foundation is a beneficiary of the C. Kenneth Battram Living Trust including 453,519 shares of non-voting stock of a private company. The fair value of the non-voting stock has not been determined as of December 31, 2019. Upon the death of C. Kenneth Battram's wife, Dora Battram, all 453,519 shares of the non-voting stock are to be distributed to the Foundation for the creation of the C. K. Battram Fund. Dora Battram died on April 29, 2020 and a valuation of the non-voting stock will be obtained and recorded when available.

#### 4. Beneficial Interest in Perpetual Trusts Held by Others

The Foundation is a beneficiary of two irrevocable trusts held by a financial institution's trust department. Under the terms of the trust agreements, the Foundation has the irrevocable right to receive a portion of the income earned on trust assets in perpetuity, but never receives the assets held in the trusts. The Foundation recorded its proportionate share of the fair value of the principal of the trusts when received. Distributions from the trusts are recorded as trust income in net assets without donor restrictions. Distributions for the trusts for the years ended December 31, 2019 and 2018 were \$8,875 and \$18,446, respectively. The Foundation's estimated beneficial interest in these perpetual trusts as of December 31, 2019 and 2018 is \$342,649 and \$301,421, respectively.

#### 5. Grants Payable

Grants are recorded as expenses when authorized by the Board of Directors and the grant agreement is signed with the recipient agency. Grants authorized but not paid at December 31 of each year are recorded as liabilities in accordance with accounting principles generally accepted in the United States of America.



# CENTRAL SUSQUEHANNA COMMUNITY FOUNDATION

## NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2019 AND 2018

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Total cash flow requirements in subsequent years are as follows:

	2019	2018
2019	\$ -	\$ 556,339
2020	512,652	-
2021	9,400	-
2022	6,200	-
Total	<u>\$ 528,252</u>	<u>\$ 556,339</u>

### 6. Funds Held as Agency Endowments

The Foundation holds funds on behalf of other organizations. In accordance with accounting principles generally accepted in the United States of America, the Foundation is reporting the funds it has received and all earnings on these funds as liabilities. The Foundation administers and invests these funds in accordance with the agreements established with each organization. At December 31, 2019 and 2018, the Foundation has recorded \$12,137,064 and \$11,763,661, respectively, in investments and funds held as agency endowments for these organizations.

### 7. Restrictions on Net Assets

At December 31, 2019, net assets without donor restrictions consist of approximately of \$47,746,000, including approximately \$1,349,900 in non-permanent funds and \$46,396,100 in Board-designated endowment funds. While the Foundation retains variance power, it is Foundation policy that the donors' intention will be honored unless it is impossible, impractical, undesirable, or inadvisable to do so. Therefore, the principal of the endowment funds will remain intact.

At December 31, 2019 and 2018, net assets with donor restrictions consist of a beneficial interest in a charitable remainder trust subject to time restrictions totaling \$11,119 and \$11,051, respectively, and \$342,649 and \$301,421, respectively, in beneficial interests in perpetual trusts, the income from which is expendable to support the activities of the Foundation.

# CENTRAL SUSQUEHANNA COMMUNITY FOUNDATION

## NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2019 AND 2018

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

	2019	2018
Beginning balance	\$ 37,039,000	\$ 40,566,100
Contributions	1,476,300	759,100
Trust income	8,800	18,400
Gain on grant cancellations	22,900	200
Investment return, net	8,228,100	(2,567,800)
Other income	11,400	-
Transfer of assets from another community foundation	1,845,600	-
Expenses	(2,236,000)	(1,737,000)
Endowment funds with variance power - end of year	\$ 46,396,100	\$ 37,039,000

### 8. Liquidity and Availability

The Foundation considers investment income without donor restrictions, appropriated earnings from the Board-designated endowment funds, amounts held in non-permanent funds, and fee income to be available to meet cash needs for general expenditures. General expenditures expected to be paid in the subsequent year include program expenses, excluding grants, development expenses, and administrative expenses. Annual operations are defined as activities occurring during the Foundation's fiscal year.

As part of the Foundation's liquidity management, its policy is to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. At December 31, 2019, these liquid financial assets include a non-endowed operating fund of \$171,000 and estimated fund administration fee income of \$812,000 expected to be earned in 2020. The Foundation also has a non-permanent fund over which the Foundation has the ability to modify the fund's distribution if deemed appropriate by the Foundation's Board of Directors. Although the Foundation does not intend to spend from this non-permanent fund, amounts could be made available, if necessary.

# CENTRAL SUSQUEHANNA COMMUNITY FOUNDATION

## NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2019 AND 2018

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### **9. Commitments and Contingencies**

The Foundation has an employment agreement with the Chief Executive Officer (CEO). The agreement began June 22, 2015 and remained in effect until June 22, 2016. The agreement is automatically extended annually, until terminated by either party upon sixty (60) days' written notice to the other party. In the event of termination, the CEO will receive severance equal to one month's current salary for each full year of employment with the Foundation, not to exceed an amount equal to six month's salary. Additionally, the CEO will receive six months of health insurance benefits at the existing coverage levels.

The Foundation is liable for any excess liability resulting from claims against the Berwick Healthcare Corporation (Corporation), not to exceed the amount originally transferred to the Foundation. During 2007, the Corporation transferred the remaining funds to the Foundation. In September 2015, the Foundation became the administrator and began handling the Corporation's claims. As of December 31, 2019 and 2018, the Foundation paid \$25,000 and \$35,000, respectively, for claims and related expenses. The Corporation and now the Foundation have attempted to settle any outstanding claims to no avail. The Foundation cannot determine the potential liability and will continue to remit amounts to the third-party insurance trust as funds are needed. The Foundation will continue to record these amounts as expenses are incurred. The Foundation receives periodic reimbursement from an insurance carrier for a portion of the expenses and records the revenue when received.

The Foundation is not aware of any material pending claims against the Corporation. In the opinion of the Board of Directors of the Foundation, the Foundation's liability will not materially affect its financial position.

### **10. Potential Dissolution of Sunbury Foundation**

In January 2017, the Sunbury Foundation's Board of Directors approved the dissolution of the Sunbury Foundation and the transfer of the Sunbury Foundation assets to the Foundation. The dissolution requires the approval of the Court of Common Pleas before the transfer of assets can be finalized. As of the date of issuance, final approval of the dissolution has not been received.

# CENTRAL SUSQUEHANNA COMMUNITY FOUNDATION

## NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2019 AND 2018

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### **11. Related Party Transactions**

First Keystone Community Bank (First Keystone) provides banking, investment, and loan services to the Foundation. One of the Foundation's Board members is a Board Member of First Keystone. Total cash held by First Keystone as of December 31, 2019 and 2018 was \$799,679 and \$301,518, respectively. Total investments held by First Keystone as of December 31, 2019 and 2018 were \$8,288,980 and \$7,780,921, respectively.

### **12. Transfer of Assets from Another Community Foundation**

In January 2015, Selinsgrove Foundation's Board of Directors approved the dissolution of the Selinsgrove Foundation. Final dissolution of the Selinsgrove Foundation was approved by the Commonwealth of Pennsylvania, Bureau of Corporations and Charitable Organizations on January 21, 2019. As of January 21, 2019, the Selinsgrove Foundation had assets of \$1,845,616, after payment of expenses. All remaining assets were transferred to the Foundation on January 21, 2019. The transfer is reported as Transfer of assets from a community foundation in the Statement of Activities for the year ended December 31, 2019.

### **13. Subsequent Event**

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 Foundation expects this matter to negatively impact its financial performance. However, the related financial impact and duration cannot be reasonably estimated at this time.

**Central Susquehanna  
Community Foundation**

Independent Auditor's Report In  
Accordance with *Government Auditing  
Standards*

Year Ended December 31, 2019

**Independent Auditor’s Report on Internal Control over Financial Reporting and on  
Compliance and Other Matters Based on an Audit of Financial Statements  
Performed in Accordance with Government Auditing Standards**

**Board of Directors  
Central Susquehanna  
Community Foundation**

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the

United States, the financial statements of the Central Susquehanna Community Foundation (Foundation), which comprise the statement of financial position as of December 31, 2019, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated July 29, 2020.

## **Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Foundation’s internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Foundation’s internal control. Accordingly, we do not express an opinion on the effectiveness of the Foundation’s internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity’s financial statements will not be prevented, or detected and corrected, on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Foundation's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Foundation's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Foundation's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Mahe Duessel*

Harrisburg, Pennsylvania  
July 29, 2020

**CENTRAL SUSQUEHANNA  
COMMUNITY FOUNDATION**

SCHEDULE OF FINDINGS AND RESPONSES

YEAR ENDED DECEMBER 31, 2019

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**NONE**