

Sunbury Area Community Foundation

Financial Statements

Years Ended December 31, 2015 and 2014
with Independent Accountant's Review Report

MaherDuessel
Certified Public Accountants

Pittsburgh | Harrisburg | Butler

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SUNBURY AREA COMMUNITY FOUNDATION

YEARS ENDED DECEMBER 31, 2015 AND 2014

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Independent Accountant's Review Report

Board of Directors
Sunbury Area Community Foundation

We have reviewed the accompanying financial statements of Sunbury Area Community Foundation (Foundation), which comprise the statements of financial position as of December 31, 2015 and 2014, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements. A review includes primarily applying analytical procedures to management's financial data and making inquiries of management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion.

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.

Accountant's Responsibility

Our responsibility is to conduct the review engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. Those standards require us to perform procedures to obtain limited assurance as a basis for reporting whether we are aware of any material modifications that should be made to the financial statements for them to be in accordance with accounting principles generally accepted in the United States of America. We believe that the results of our procedures provide a reasonable basis for our conclusion.

Accountant's Conclusion

Based on our review, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in accordance with accounting principles generally accepted in the United States of America.

Maher Duessel

Harrisburg, Pennsylvania
May 12, 2016

SUNBURY AREA COMMUNITY FOUNDATION

STATEMENTS OF FINANCIAL POSITION

DECEMBER 31, 2015 AND 2014

	<u>2015</u>	<u>2014</u>
Assets		
<hr/>		
Current assets:		
Cash and cash equivalents	\$ 5,249	\$ 4,806
Noncurrent assets:		
Beneficial interest in net assets of a community foundation	4,578,937	4,714,530
Beneficial interest in perpetual trusts held by others	404,027	432,802
Beneficial interest in remainder trusts held by others	374,354	403,178
Beneficial interest in lead trust held by others	335,885	357,536
Total noncurrent assets	<u>5,693,203</u>	<u>5,908,046</u>
Total Assets	<u><u>\$ 5,698,452</u></u>	<u><u>\$ 5,912,852</u></u>
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Liabilities and Net Assets		
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Liabilities:		
Current liabilities:		
Accounts payable	\$ -	\$ 1,890
Grants payable	137,428	152,498
Total Liabilities	<u>137,428</u>	<u>154,388</u>
Net Assets:		
Unrestricted	5,249	4,806
Permanently restricted	5,555,775	5,753,658
Total Net Assets	<u>5,561,024</u>	<u>5,758,464</u>
Total Liabilities and Net Assets	<u><u>\$ 5,698,452</u></u>	<u><u>\$ 5,912,852</u></u>

See independent accountant's review report.

SUNBURY AREA COMMUNITY FOUNDATION

STATEMENT OF ACTIVITIES

YEAR ENDED DECEMBER 31, 2015

	Unrestricted	Permanently Restricted	Total
Revenues, Gains, and Other Support:			
Contributions	\$ -	\$ 71,890	\$ 71,890
Trust income	-	65,916	65,916
Investment income	289,191	-	289,191
Change in beneficial interest in net assets of a community foundation	-	(262,742)	(262,742)
Change in value of perpetual, remainder, and lead trusts	-	(79,250)	(79,250)
Other income	-	6,303	6,303
Auxiliary income, net	443	-	443
	<u>289,634</u>	<u>(197,883)</u>	<u>91,751</u>
Total revenues, gains, and other support			
Expenses:			
Grants	184,600	-	184,600
Fund management	85,595	-	85,595
Professional fees	12,365	-	12,365
Insurance	6,531	-	6,531
Miscellaneous expenses	100	-	100
	<u>289,191</u>	<u>-</u>	<u>289,191</u>
Total expenses			
Change in Net Assets	443	(197,883)	(197,440)
Net Assets:			
Beginning of year	<u>4,806</u>	<u>5,753,658</u>	<u>5,758,464</u>
End of year	<u>\$ 5,249</u>	<u>\$ 5,555,775</u>	<u>\$ 5,561,024</u>

See independent accountant's review report.

SUNBURY AREA COMMUNITY FOUNDATION

STATEMENT OF ACTIVITIES

YEAR ENDED DECEMBER 31, 2014

	Unrestricted	Permanently Restricted	Total
Revenues, Gains, and Other Support:			
Contributions	\$ -	\$ 9,968	\$ 9,968
Trust income	-	42,811	42,811
Investment income	269,231	-	269,231
Change in beneficial interest in net assets of a community foundation	-	(5,551)	(5,551)
Change in value of perpetual, remainder, and lead trusts	-	2,267	2,267
Auxiliary income, net	1,510	-	1,510
	<u>270,741</u>	<u>49,495</u>	<u>320,236</u>
Total revenues, gains, and other support			
Expenses:			
Grants	161,725	-	161,725
Fund management	85,147	-	85,147
Professional fees	15,415	-	15,415
Insurance	6,719	-	6,719
Miscellaneous expenses	225	-	225
	<u>269,231</u>	<u>-</u>	<u>269,231</u>
Total expenses			
Change in Net Assets	1,510	49,495	51,005
Net Assets:			
Beginning of year	<u>3,296</u>	<u>5,704,163</u>	<u>5,707,459</u>
End of year	<u>\$ 4,806</u>	<u>\$ 5,753,658</u>	<u>\$ 5,758,464</u>

See independent accountant's review report.

SUNBURY AREA COMMUNITY FOUNDATION

STATEMENTS OF CASH FLOWS

YEARS ENDED DECEMBER 31, 2015 AND 2014

	<u>2015</u>	<u>2014</u>
Cash Flows From Operating Activities:		
Change in net assets	\$ (197,440)	\$ 51,005
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Change in beneficial interest in net assets of a community foundation	135,593	(124,326)
Change in value of perpetual, remainder, and lead trusts	79,250	(2,267)
Increase (decrease) in:		
Accounts payable	(1,890)	1,248
Grants payable	<u>(15,070)</u>	<u>75,850</u>
Net cash provided by operating activities	<u>443</u>	<u>1,510</u>
Net Increase in Cash and Cash Equivalents	443	1,510
Cash and Cash Equivalents:		
Beginning of year	<u>4,806</u>	<u>3,296</u>
End of year	<u><u>\$ 5,249</u></u>	<u><u>\$ 4,806</u></u>

See independent accountant's review report.

SUNBURY AREA COMMUNITY FOUNDATION

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2015 AND 2014

1. NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. *Nature of Operations*

The Sunbury Area Community Foundation (Foundation) was organized in December 2005 as the Sunbury Area Health Foundation with the proceeds from the sale of the Sunbury Hospital. During 2009, the Foundation changed its name to the Sunbury Area Community Foundation to reflect a broader mission of improving the lives of the residents of Sunbury and the surrounding community.

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.

C. *Statement of Cash Flows*

For the purposes 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.

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

SUNBURY AREA COMMUNITY FOUNDATION

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2015 AND 2014

based on the best information available in the circumstances. The hierarchy is broken down into three levels based on the transparency of inputs as follows:

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

Level 2 — Pricing inputs are other than quoted prices in active markets, which are either directly or indirectly observable as of the report date. The nature of these securities includes investments for which quoted prices are available, but traded less frequently, and investments that are fair valued using other securities, the parameters of which can be directly observed.

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

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

Valuation of Investments

Investments whose values are based on quoted market prices in active markets are classified within Level 1. The Foundation has no Level 1 investments.

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. As Level 2 investments include positions that are not traded in active markets and/or are subject to transfer restrictions,

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valuations may be adjusted to reflect illiquidity and/or non-transferability, which are generally based on available market information. The Foundation has no Level 2 investments.

Investments classified within Level 3 have significant unobservable inputs, as they trade infrequently or not at all. Level 3 instruments include beneficial interest in net assets of a community foundation, beneficial interest in perpetual trusts, beneficial interest in remainder trusts, and beneficial interest in lead trust. When observable prices are not available for these 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.

E. Unrestricted, Temporarily, and Permanently Restricted Net Assets

Unrestricted net assets are those whose use by the Foundation is not subject to donor-imposed restrictions. Temporarily restricted net assets are those whose use by the Foundation has been limited by donors to a specific time period or purpose. Permanently restricted net assets have been restricted by donors to be maintained in perpetuity, the income from which is expendable to support the activities of the Foundation.

SUNBURY AREA COMMUNITY FOUNDATION

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2015 AND 2014

F. Contributions

The Foundation reports gifts of cash and other assets as restricted contributions 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), temporarily restricted net assets are released to unrestricted net assets and reported in the statements 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 unrestricted.

G. Contributed Services

A number of unpaid volunteers, which include the 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, 2015 and 2014, there were no donated services that met the reporting requirements.

H. Functional Expenses

The Foundation primarily provides support to other nonprofit organizations through grants. The costs of providing the programs and activities of the Foundation are summarized and allocated to the programs and supporting services benefited.

I. Affiliate Fund Agreement

The Foundation entered into an agreement with Central Susquehanna Community Foundation (a 501(c)(3) organization) (CSCF) to administer the assets of the Foundation for investment purposes. The agreement also provides for CSCF to perform program, development, and administrative services on behalf of the Foundation. The agreement may be terminated by the Foundation at any time and has been approved by the Attorney General of the Commonwealth of Pennsylvania, who is responsible to oversee the Foundation's transition from the former hospital. For the years ended December 31, 2015 and 2014, administrative fees amounted to \$65,622 and \$62,315, respectively.

J. 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

SUNBURY AREA COMMUNITY FOUNDATION

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YEARS ENDED DECEMBER 31, 2015 AND 2014

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 period. Actual results could differ from those estimates.

K. Subsequent Events

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

2. CASH AND CASH EQUIVALENTS

Cash and cash equivalents, which consist of accounts held by the Foundation's Auxiliary, had a book value and bank balance of \$5,249 and \$4,806 at December 31, 2015 and 2014, respectively, and are insured by the Federal Deposit Insurance Corporation (FDIC).

3. INVESTMENTS

Fair Value of Financial Instruments

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at December 31, 2015.

Beneficial Interests in Perpetual, Remainder, and Lead Trusts:

The Foundation is the beneficiary of five perpetual trusts, five charitable remainder trusts, and one charitable lead trust, which are managed by outside trustees. Fair value of the beneficial interest in perpetual trusts is determined based on fair value information received from the trustee. Fair value of the beneficial interest in remainder and lead annuity trusts are determined using the income approach based on calculating the present value of the annuity using published life expectancy tables and discount rates ranging from 5.0% - 6.6292%.

Beneficial Interests in Net Assets of a Community Foundation:

The Foundation has a beneficial interest in net assets of a community foundation, CSCF. Fair value of the beneficial interest is determined using the income approach based on the fair value of the assets held by the community foundation.

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The Foundation's beneficial interest in net assets of a community foundation are part of CSCF's investments, whose audited financial statements show the underlying investments.

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 is 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 table summarizes the fair value of all Level 3 financial instruments:

<u>December 31, 2015</u>	<u>Fair Value</u>
Beneficial interest in:	
Net assets of a community foundation	<u>\$ 4,578,937</u>
Perpetual trusts	<u>\$ 404,027</u>
Remainder trusts	<u>\$ 374,354</u>
Lead trust	<u>\$ 335,885</u>
<u>December 31, 2014</u>	<u>Fair Value</u>
Beneficial interest in:	
Net assets of a community foundation	<u>\$ 4,714,530</u>
Perpetual trusts	<u>\$ 432,802</u>
Remainder trusts	<u>\$ 403,178</u>
Lead trust	<u>\$ 357,536</u>

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

	Balance as of January 1, 2015	Contributions/ Purchases	Withdrawals/ Payments	Change in Value	Balance as of December 31, 2015
Beneficial interest in net assets of a community foundation	\$ 4,714,530	\$ 144,109	\$ -	\$ (279,702)	\$ 4,578,937
Beneficial interest in perpetual trusts	432,802	-	-	(28,775)	404,027
Beneficial interest in remainder trusts	403,178	-	-	(28,824)	374,354
Beneficial interest in lead trust	357,536	-	-	(21,651)	335,885
	<u>\$ 5,908,046</u>	<u>\$ 144,109</u>	<u>\$ -</u>	<u>\$ (358,952)</u>	<u>\$ 5,693,203</u>
	Balance as of January 1, 2014	Contributions/ Purchases	Withdrawals/ Payments	Change in Value	Balance as of December 31, 2014
Beneficial interest in net assets of a community foundation	\$ 4,590,204	\$ 52,779	\$ -	\$ 71,547	\$ 4,714,530
Beneficial interest in perpetual trusts	419,551	-	-	13,251	432,802
Beneficial interest in remainder trusts	393,542	-	-	9,636	403,178
Beneficial interest in lead trust	378,156	-	-	(20,620)	357,536
	<u>\$ 5,781,453</u>	<u>\$ 52,779</u>	<u>\$ -</u>	<u>\$ 73,814</u>	<u>\$ 5,908,046</u>

All change in value of beneficial interests in the table above are reflected in the accompanying statements of activities.

SUNBURY AREA COMMUNITY FOUNDATION

NOTES TO FINANCIAL STATEMENTS

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4. BENEFICIAL INTEREST IN NET ASSETS OF A COMMUNITY FOUNDATION

The Foundation has certain assets held by CSCF. CSCF administers the Foundation's assets for investment purposes and performs administrative tasks on behalf of the Foundation. CSCF will distribute funds to the Foundation in accordance with CSCF's spending policy. 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 4.5% of a 12-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. The Foundation's beneficial interest in net assets of a community foundation is determined based on the Foundation's share of the fair value of the underlying investments of the assets held by CSCF. As of December 31, 2015 and 2014, the Foundation's beneficial interest in net assets of a community foundation is \$4,578,937 and \$4,714,530, respectively.

5. BENEFICIAL INTEREST IN PERPETUAL TRUSTS

The Foundation is a beneficiary in certain perpetual trusts. 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 permanently restricted net assets. During the years ended December 31, 2015 and 2014, distributions amounted to \$17,111 and \$13,528, respectively, and the Foundation's estimated beneficial interest in these perpetual trusts is \$404,027 and \$432,802, respectively.

6. BENEFICIAL INTEREST IN REMAINDER TRUSTS

The Foundation is a beneficiary under charitable remainder trusts arrangements in which a donor establishes and funds a trust with specified distributions to be made to a designated beneficiary over the trust's term. Upon termination of these trusts, the Foundation will receive the assets remaining in the trusts. As of December 31, 2015 and 2014, the Foundation's beneficial interest in these remainder trusts is \$374,354 and \$403,178, respectively.

SUNBURY AREA COMMUNITY FOUNDATION

NOTES TO FINANCIAL STATEMENTS

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7. BENEFICIAL INTEREST IN LEAD TRUST

The Foundation is a beneficiary under a charitable lead trust arrangement, which requires annual distributions to the Foundation. The remainder is distributed to another beneficiary at termination of the trust. During the years ended December 31, 2015 and 2014, distributions amounted to \$48,805 and \$29,283, respectively, and the Foundation's estimated beneficial interest in the lead trust is \$335,885 and \$357,536, respectively.

8. GRANTS PAYABLE

Grants are recorded as expenses when authorized by the Board of Directors (Board) and the grant agreement is signed with the recipient agency. Grants authorized but not paid at December 31, 2015 and 2014 are recorded as liabilities in accordance with accounting principles generally accepted in the United States of America. At December 31, 2015 and 2014, grants payable were \$137,428 and \$152,498, respectively. All amounts are to be paid within one year.

9. RESTRICTIONS ON NET ASSETS

Permanently restricted net assets at December 31, 2015 were the beneficial interest in the net assets of a community foundation and the beneficial interest in perpetual, remainder, and lead trusts in the amount of \$4,441,509, \$404,027, \$374,354, and \$335,885, respectively.

Permanently restricted net assets at December 31, 2014 were the beneficial interest in the net assets of a community foundation and the beneficial interest in perpetual, remainder, and lead trusts in the amount of \$4,560,142, \$432,802, \$403,178, and \$357,536, respectively.

SUNBURY AREA COMMUNITY FOUNDATION

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2015 AND 2014

10. FUNCTIONAL EXPENSES

The cost of providing the various programs and other activities of the Foundation is summarized on a functional basis below. The functional expense classifications for providing these services for December 31 are as follows:

	<u>2015</u>	<u>2014</u>
Program and related services	\$ 238,103	\$ 220,275
Supporting services:		
Management and general	28,383	24,722
Fundraising	<u>22,705</u>	<u>24,234</u>
	<u>\$ 289,191</u>	<u>\$ 269,231</u>