

# **Central Susquehanna Community Foundation**

## Financial Statements

Years Ended December 31, 2016 and 2015 with  
Independent Auditor's Reports

**MaherDuessel**  
Certified Public Accountants

Pittsburgh | Harrisburg | Butler

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# CENTRAL SUSQUEHANNA COMMUNITY FOUNDATION

YEARS ENDED DECEMBER 31, 2016 AND 2015

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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, 2016 and 2015, 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.

***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Foundation as of December 31, 2016 and 2015, 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.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated May 31, 2017, 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 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 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  
May 31, 2017

# CENTRAL SUSQUEHANNA COMMUNITY FOUNDATION

## STATEMENTS OF FINANCIAL POSITION

DECEMBER 31, 2016 AND 2015

<b>Assets</b>	<b>2016</b>	<b>2015</b>
Current assets:		
Cash and cash equivalents	\$ 368,697	\$ 128,966
Pledges receivable	28,920	20,145
Grants receivable	-	95,594
Other receivable	29	-
Accrued interest receivable	9,151	55,946
Total current assets	406,797	300,651
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	76,662
Equipment	31,424	56,583
Less: accumulated depreciation	(450,505)	(441,882)
Land, buildings, and equipment, net	1,385,449	1,428,682
Investments	47,135,895	45,808,922
Investments - property	153,496	-
Beneficial interest in charitable remainder trust	12,294	12,611
Beneficial interest in perpetual trusts held by others	325,472	330,975
Total noncurrent assets	49,012,606	47,581,190
<b>Total Assets</b>	<b>\$ 49,419,403</b>	<b>\$ 47,881,841</b>

(Continued)

<b>Liabilities and Net Assets</b>	<u>2016</u>	<u>2015</u>
<b>Liabilities:</b>		
Current liabilities:		
Accounts payable	\$ 22,468	\$ 8,498
Accrued expenses	16,646	13,438
Grants payable	940,641	1,416,471
Current portion of note payable	<u>79,776</u>	<u>75,982</u>
Total current liabilities	<u>1,059,531</u>	<u>1,514,389</u>
Noncurrent liabilities:		
Grants payable, net of current portion	94,197	193,918
Note payable, net of current portion	243,750	323,521
Funds held as agency endowments	<u>10,442,677</u>	<u>9,790,375</u>
Total noncurrent liabilities	<u>10,780,624</u>	<u>10,307,814</u>
Total Liabilities	<u>11,840,155</u>	<u>11,822,203</u>
<b>Net Assets:</b>		
Unrestricted	37,241,482	35,716,052
Temporarily restricted	12,294	12,611
Permanently restricted	<u>325,472</u>	<u>330,975</u>
Total Net Assets	<u>37,579,248</u>	<u>36,059,638</u>
<b>Total Liabilities and Net Assets</b>	<u><u>\$ 49,419,403</u></u>	<u><u>\$ 47,881,841</u></u>
		(Concluded)

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

# CENTRAL SUSQUEHANNA COMMUNITY FOUNDATION

## STATEMENT OF ACTIVITIES

YEAR ENDED DECEMBER 31, 2016

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
<b>Revenues and Other Support:</b>				
Contributions	\$ 1,258,468	\$ -	\$ -	\$ 1,258,468
Grant revenue	603,516	-	-	603,516
Medical Assistance revenue	115,731	-	-	115,731
Trust income	19,506	-	-	19,506
Interest and dividends	746,210	-	-	746,210
Realized and unrealized gain on investments	1,603,333	-	-	1,603,333
Change in value of charitable remainder trust	-	(317)	-	(317)
Loss on beneficial interest in perpetual trusts held by others	-	-	(5,503)	(5,503)
Gain on cancellation of grants	71,804	-	-	71,804
Other income	157,708	-	-	157,708
<b>Total revenues and other support</b>	<b>4,576,276</b>	<b>(317)</b>	<b>(5,503)</b>	<b>4,570,456</b>
<b>Expenses:</b>				
Program expenses	2,290,905	-	-	2,290,905
Development	226,996	-	-	226,996
Administrative expenses	532,945	-	-	532,945
<b>Total expenses</b>	<b>3,050,846</b>	<b>-</b>	<b>-</b>	<b>3,050,846</b>
<b>Change in Net Assets</b>	<b>1,525,430</b>	<b>(317)</b>	<b>(5,503)</b>	<b>1,519,610</b>
<b>Net Assets:</b>				
Beginning of year	35,716,052	12,611	330,975	36,059,638
End of year	<u>\$ 37,241,482</u>	<u>\$ 12,294</u>	<u>\$ 325,472</u>	<u>\$ 37,579,248</u>

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

# CENTRAL SUSQUEHANNA COMMUNITY FOUNDATION

## STATEMENT OF ACTIVITIES

YEAR ENDED DECEMBER 31, 2015

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
<b>Revenues and Other Support:</b>				
Contributions	\$ 413,888	\$ -	\$ -	\$ 413,888
Grant revenue	690,097	-	-	690,097
Medical Assistance revenue	91,861	-	-	91,861
Trust income	15,299	-	-	15,299
Interest and dividends	1,176,902	-	-	1,176,902
Realized and unrealized loss on investments	(961,741)	-	-	(961,741)
Change in value of charitable remainder trust	-	(683)	-	(683)
Loss on beneficial interest in perpetual trusts held by others	-	-	(28,251)	(28,251)
Gain on cancellation of grants	268,245	-	-	268,245
Other income	153,685	-	-	153,685
	<b>1,848,236</b>	<b>(683)</b>	<b>(28,251)</b>	<b>1,819,302</b>
<b>Expenses:</b>				
Program expenses	2,315,472	-	-	2,315,472
Development	203,604	-	-	203,604
Administrative expenses	425,612	-	-	425,612
	<b>2,944,688</b>	<b>-</b>	<b>-</b>	<b>2,944,688</b>
<b>Change in Net Assets</b>	<b>(1,096,452)</b>	<b>(683)</b>	<b>(28,251)</b>	<b>(1,125,386)</b>
<b>Net Assets:</b>				
Beginning of year	36,812,504	13,294	359,226	37,185,024
End of year	<b>\$ 35,716,052</b>	<b>\$ 12,611</b>	<b>\$ 330,975</b>	<b>\$ 36,059,638</b>

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



# CENTRAL SUSQUEHANNA COMMUNITY FOUNDATION

## STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED DECEMBER 31, 2016

<b>Expenses:</b>	<u>Program Expenses</u>	<u>Development</u>	<u>Administrative Expenses</u>	<u>Total</u>
Board development	\$ 1,069	\$ 1,017	\$ 2,647	\$ 4,733
Community events	5,359	5,096	13,267	23,722
Dues and subscriptions	2,547	2,422	6,307	11,276
Employee benefits	28,349	36,694	54,054	119,097
Grants approved	2,018,083	-	-	2,018,083
Special projects	101,498	25,883	-	127,381
Insurance	3,760	3,575	9,309	16,644
Interest expense	3,983	3,788	9,861	17,632
Investment fees	-	-	147,087	147,087
Marketing expense	5,606	5,330	13,877	24,813
Meeting supplies	513	488	1,271	2,272
Miscellaneous	631	600	1,563	2,794
Office expenses	3,710	3,528	9,184	16,422
Printing	691	657	1,711	3,059
Professional fees	6,769	6,436	16,755	29,960
Repairs and maintenance	11,797	11,217	29,205	52,219
Salaries and wages	82,877	107,273	158,022	348,172
Telephone	1,688	1,605	4,180	7,473
Utilities	2,208	2,100	5,467	9,775
Workers' compensation claim	-	-	25,000	25,000
Depreciation expense	9,767	9,287	24,178	43,232
 Total expenses	 <u>\$ 2,290,905</u>	 <u>\$ 226,996</u>	 <u>\$ 532,945</u>	 <u>\$ 3,050,846</u>

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

# CENTRAL SUSQUEHANNA COMMUNITY FOUNDATION

## STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED DECEMBER 31, 2015

<b>Expenses:</b>	<u>Program Expenses</u>	<u>Development</u>	<u>Administrative Expenses</u>	<u>Total</u>
Board development	\$ 1,477	\$ 1,590	\$ 1,533	\$ 4,600
Community events	397	428	413	1,238
Dues and subscriptions	1,478	1,592	1,535	4,605
Employee benefits	26,579	25,976	34,307	86,862
Grants approved	2,059,327	-	-	2,059,327
Special projects	56,144	-	-	56,144
Insurance	3,533	3,804	3,669	11,006
Interest expense	6,788	7,308	7,049	21,145
Investment fees	-	-	156,773	156,773
Marketing expense	15,369	16,546	15,959	47,874
Meeting supplies	1,135	1,222	1,179	3,536
Miscellaneous	657	708	683	2,048
Office expenses	6,041	6,503	6,273	18,817
Printing	1,189	1,280	1,234	3,703
Professional fees	10,878	11,710	11,294	33,882
Repairs and maintenance	11,818	12,722	12,271	36,811
Salaries and wages	91,419	89,346	118,003	298,768
Telephone	2,272	2,447	2,360	7,079
Travel	1,410	1,519	1,465	4,394
Utilities	3,681	3,962	3,822	11,465
Workers' compensation claim	-	-	31,379	31,379
Depreciation expense	13,880	14,941	14,411	43,232
<b>Total expenses</b>	<b><u>\$ 2,315,472</u></b>	<b><u>\$ 203,604</u></b>	<b><u>\$ 425,612</u></b>	<b><u>\$ 2,944,688</u></b>

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

# CENTRAL SUSQUEHANNA COMMUNITY FOUNDATION

## STATEMENTS OF CASH FLOWS

YEARS ENDED DECEMBER 31, 2016 AND 2015

	2016	2015
<b>Cash Flows From Operating Activities:</b>		
Change in net assets	\$ 1,519,610	\$ (1,125,386)
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Net realized and unrealized (gain) loss on investments	(2,062,275)	1,154,480
Net change in beneficial interest in charitable remainder trust	317	683
Loss on beneficial interest in perpetual trusts held by others	5,503	28,251
Gain on cancellation of grants	(71,804)	(268,245)
Depreciation expense	43,232	43,232
Donated stock	(68,192)	-
Donated property	(153,496)	-
(Increase) decrease in:		
Pledges receivable	(8,775)	17,969
Grants receivable	95,594	(95,594)
Other receivable	(29)	-
Accrued interest receivable	46,795	9,126
Prepaid expenses	-	3,237
Increase (decrease) in:		
Accounts payable	13,970	(5,465)
Accrued expenses	3,208	13,438
Grants payable	(503,747)	217,720
Funds held as agency endowments	652,302	(80,730)
Net cash used in operating activities	(487,787)	(87,284)
<b>Cash Flows From Investing Activities:</b>		
Proceeds from the sale of investments	25,982,558	13,468,260
Purchases of investments	(25,179,063)	(13,651,362)
Net cash provided by (used in) investing activities	803,495	(183,102)
<b>Cash Flows From Financing Activities:</b>		
Repayments on note payable	(75,977)	(72,463)
Net cash used in financing activities	(75,977)	(72,463)
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	239,731	(342,849)
<b>Cash and Cash Equivalents:</b>		
Beginning of year	128,966	471,815
End of year	\$ 368,697	\$ 128,966
<b>Supplemental Disclosure of Cash Flow Information:</b>		
Cash paid during the year for interest	\$ 17,632	\$ 21,145

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

# CENTRAL SUSQUEHANNA COMMUNITY FOUNDATION

## NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2016 AND 2015

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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 35 agency endowment funds and 163 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, 2016 AND 2015

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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 or loss on investments presented in the statements of cash flows for the years ended December 31, 2016 and 2015 is reported in the financial statements as follows:

	<u>2016</u>	<u>2015</u>
Net realized and unrealized gain (loss)	\$ 1,603,333	\$ (961,741)
Attributable to assets held in agency endowment funds	<u>458,942</u>	<u>(192,739)</u>
	<u>\$ 2,062,275</u>	<u>\$ (1,154,480)</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 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.

# CENTRAL SUSQUEHANNA COMMUNITY FOUNDATION

## NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2016 AND 2015

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

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

### *Valuation of Investments*

Investments whose values are based on quoted market prices in active markets, and are therefore classified within Level 1, include active 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 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 and investment property. 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

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# CENTRAL SUSQUEHANNA COMMUNITY FOUNDATION

## NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2016 AND 2015

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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. Land, Buildings, and Equipment***

Land, buildings, and equipment are recorded at cost or fair value (if donated), less accumulated depreciation. Donated assets are reported as unrestricted contributions unless the donor has restricted the donated asset to a specific purpose. Land improvements, buildings, 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, 2016 and 2015, depreciation expense was \$43,232.

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# CENTRAL SUSQUEHANNA COMMUNITY FOUNDATION

## NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2016 AND 2015

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### ***F. 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 are 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 unrestricted net assets 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 unrestricted net assets in the accompanying financial statements.

### ***G. 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 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 unrestricted.

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

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, 2016 and 2015, there were no donated services that met the reporting requirements.

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# CENTRAL SUSQUEHANNA COMMUNITY FOUNDATION

## NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2016 AND 2015

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

The costs of providing the programs and activities of the Foundation are summarized and allocated on the statements of functional expenses among the programs and supporting services benefited.

### **J. *Affiliation Agreement***

The Foundation entered into agreements with 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 provide for the Foundation to perform administrative tasks on behalf of the Sunbury Foundation and the Selinsgrove Foundation. These agreements may be terminated by the Sunbury Foundation and the Selinsgrove Foundation at any time. The Sunbury Foundation agreement has been approved by the Attorney General of the Commonwealth of Pennsylvania.

### **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 and agency endowment funds. These fees are included in other income in the statements of activities.

### **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.

# CENTRAL SUSQUEHANNA COMMUNITY FOUNDATION

## NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2016 AND 2015

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### **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 return within reasonable and prudent levels of risk. Under the current investment policy approved by the Board of Directors, the endowment assets have a strategic target of 60% equity securities, 25% fixed income securities, 10% alternative securities, and 5% cash and cash equivalents. The allowable investment bounds are 40% to 80% in equity securities, 10% to 40% in fixed income securities, 0% to 20% in alternative investments, and 0% to 10% in cash and cash equivalents. The Foundation expects its endowment funds, over time, to provide an average rate of return that exceeds the Callan's median Small Endowment/Foundation Fund database or a weighted index comprised of 36% of the CRSP US Large Cap, 10% of the Russell 2000, 14% MSCI ACWI ex US, 25% of the Barclays Capital Aggregate Bond Index, 10% Blended Alternative Benchmark, and 5% of the 90-day U.S. Treasury 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 4.5% 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. *Reclassifications***

Certain prior year amounts were reclassified to conform to the current year presentation.

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

Accounting Standards Update (ASU) 2016-02, "*Leases (Topic 842)*," is effective for the Foundation's financial statements for the year ending December 31, 2020. 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. Early application of the amendments in the ASU is allowed.

# CENTRAL SUSQUEHANNA COMMUNITY FOUNDATION

## NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2016 AND 2015

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ASU 2016-14, “*Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*,” is effective for the Foundation’s financial statements for the year ending December 31, 2018. This amendment aims to improve how a nonprofit organization classifies its net assets and provides information in its financial statements and notes about its financial performance, cash flow, and liquidity. The ASU changes the net asset classification, how underwater donor-restricted endowment funds are treated, increases the information available about liquidity and the availability of resources, requires financial statements for not-for-profits to provide expenses both by nature and function, as well as an analysis of those expenses by both nature and function, along with disclosures of the methods used to allocate those costs among the various functions, and standardizes how organizations present investment returns and what expenses should be netted against those returns. There are qualitative and quantitative requirements in a number of areas, including net asset classes, investment return, expenses, liquidity and availability of resources, and presentation of operating cash flows. Early application of the amendments in the ASU is allowed.

ASU 2014-09, “*Revenue from Contracts with Customers*,” is effective for the Foundation’s financial statements for the year ending December 31, 2019 (as amended by ASU 2015-14). This amendment provides guidance for revenue recognition related to contracts with the transfer of promised goods or services to customers and related disclosures. Early application of the amendments in the ASU is not allowed.

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, 2016 had a book value and bank balance of \$368,697 and \$278,530, respectively. Cash and cash equivalents at December 31, 2015 had a book value and bank balance of \$128,966 and \$115,345, 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, 2016 and 2015, the Foundation had cash balances in excess of the federally insured limit.

# CENTRAL SUSQUEHANNA COMMUNITY FOUNDATION

## NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2016 AND 2015

### 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, 2016 and 2015:

2016				
	Level	Fair Value	Cost	Unrealized Appreciation (Depreciation)
Money market funds	1	\$ 1,625,537	\$ 1,625,537	\$ -
Common stock:				
Basic materials	1	132,237	66,559	65,678
Consumer discretionary	1	468,198	290,888	177,310
Consumer staples	1	188,713	108,944	79,769
Energy	1	27,563	18,023	9,540
Financials	1	424,144	301,153	122,991
Healthcare	1	199,170	132,829	66,341
Industrials	1	641,756	372,825	268,931
Technology	1	413,499	182,797	230,702
Equity mutual funds:				
Large cap funds	1	18,232,041	17,405,311	826,730
Small cap funds	1	1,735,706	1,639,330	96,376
International developed	1	6,461,319	6,164,481	296,838
Emerging markets	1	1,213,347	1,281,819	(68,472)
Equity REITs	1	1,459,981	1,637,507	(177,526)
Other	1	2,885,715	2,910,511	(24,796)
Fixed income mutual funds:				
Domestic bond market	1	3,367,150	3,490,160	(123,010)
Taxable pooled	1	3,304,378	3,378,260	(73,882)
High yield pooled	1	1,058,000	1,000,000	58,000
Debt securities:				
Corporate bonds	2	1,993,437	2,012,480	(19,043)
U.S. Treasury	1	1,304,004	1,314,422	(10,418)
		\$ 47,135,895	\$ 45,333,836	\$ 1,802,059
Investment - property	3	\$ 153,496		
Beneficial interest in:				
Charitable remainder trust	3	\$ 12,294		
Perpetual trusts	3	\$ 325,472		

# CENTRAL SUSQUEHANNA COMMUNITY FOUNDATION

## NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2016 AND 2015

2015				
	Level	Fair Value	Cost	Unrealized Appreciation (Depreciation)
Money market funds	1	\$ 871,565	\$ 871,565	\$ -
Common stock:				
Basic materials	1	367,377	264,948	102,429
Consumer discretionary	1	1,112,296	638,750	473,546
Consumer staples	1	756,837	556,816	200,021
Energy	1	373,326	208,109	165,217
Financials	1	1,329,183	1,029,663	299,520
Healthcare	1	786,038	794,595	(8,557)
Industrials	1	1,131,448	864,671	266,777
Technology	1	1,287,011	742,178	544,833
Utilities	1	303,575	388,192	(84,617)
Equity mutual funds:				
Large cap funds	1	11,894,264	9,665,974	2,228,290
Small cap funds	1	1,159,047	1,266,942	(107,895)
International developed	1	5,920,535	5,216,338	704,197
Emerging markets	1	1,188,466	1,413,255	(224,789)
Equity REITs	1	1,339,338	1,442,879	(103,541)
Other	1	3,802,476	4,015,611	(213,135)
Fixed income mutual funds:				
Domestic bond market	1	3,365,592	3,490,161	(124,569)
Taxable pooled	1	3,982,436	4,049,733	(67,297)
High yield pooled	1	1,000,000	1,000,000	-
Debt securities:				
Corporate bonds	2	1,423,790	1,417,920	5,870
U.S. Treasury	1	1,799,382	1,814,109	(14,727)
U.S. Agency obligation	1	614,940	609,000	5,940
		<u>\$ 45,808,922</u>	<u>\$ 41,761,409</u>	<u>\$ 4,047,513</u>
Beneficial interest in:				
Charitable remainder trust	3	<u>\$ 12,611</u>		
Perpetual trusts	3	<u>\$ 330,975</u>		

Marketable securities are in the custody of a custodial 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, 2016 AND 2015

### 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.

### Investment Property

The Foundation received a donation of certain property. The Foundation uses the market approach to value the property.

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

	Balance as of January 1, 2016	Contributions/ Purchases	Withdrawals/ Redemptions/ Payments	Change in Value	Balance as of December 31, 2016
Investment - property	\$ -	\$ 153,496	\$ -	\$ -	\$ 153,496
Charitable remainder trust	12,611	-	-	(317)	12,294
Perpetual trusts	330,975	-	-	(5,503)	325,472
	<u>\$ 343,586</u>	<u>\$ 153,496</u>	<u>\$ -</u>	<u>\$ (5,820)</u>	<u>\$ 491,262</u>

# CENTRAL SUSQUEHANNA COMMUNITY FOUNDATION

## NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2016 AND 2015

	Balance as of January 1, 2015	Contributions/ Purchases	Withdrawals/ Redemptions/ Payments	Change in Value	Balance as of December 31, 2015
Charitable remainder trust	\$ 13,294	\$ -	\$ -	\$ (683)	\$ 12,611
Perpetual trusts	359,226	-	-	(28,251)	330,975
	\$ 372,520	\$ -	\$ -	\$ (28,934)	\$ 343,586

#### 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 unrestricted net assets. Distributions for the trusts for the years ended December 31, 2016 and 2015 were \$19,506 and \$15,299, respectively. The Foundation's estimated beneficial interest in these perpetual trusts as of December 31, 2016 and 2015 is \$325,472 and \$330,975, 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. Grants to be paid in more than one year are discounted using the U.S. Treasury one-year rate, which was negligible at December 31, 2016 and 2015, as the one-year rate was less than 1%.

Total cash flow requirements in subsequent years are as follows:

	December 31, 2016	December 31, 2015
2016	\$ -	\$ 1,416,471
2017	940,641	99,721
2018	94,197	94,197
Total	\$ 1,034,838	\$ 1,610,389

# CENTRAL SUSQUEHANNA COMMUNITY FOUNDATION

## NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2016 AND 2015

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### 6. NOTE PAYABLE

The Foundation entered into a note payable with a bank for \$1,200,000, bearing interest at 4.75%, for construction of a new facility with the note secured by the related facility, and a first priority perfected security interest in \$320,000 of assets held in a securities account with the bank. Principal and interest payments of \$7,801 are due monthly, with final payment due by September 2023.

During the year ended December 31, 2014, the Foundation made an additional \$500,000 principal payment on the note payable. With the exception of the change in the maturities, all other terms of the note payable remained the same.

Maturities on this long-term debt are as follows for the years ending December 31:

2017	\$	79,776
2018		83,704
2019		87,826
2020		<u>72,220</u>
	\$	<u><u>323,526</u></u>

Interest expense for the years ended December 31, 2016 and 2015 was \$17,632 and \$21,145, respectively.

### 7. 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, 2016 and 2015, the Foundation has recorded \$10,442,677 and \$9,790,375, respectively, in investments and funds held as agency endowments for these organizations.

### 8. RESTRICTIONS ON NET ASSETS

At December 31, 2016 and 2015, unrestricted net assets consist of approximately \$37,160,300 and \$35,561,100, respectively, in endowment funds. Additionally, at December 31, 2016 and 2015, \$81,144 and \$154,961, respectively, is maintained in an Operating Fund.

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# CENTRAL SUSQUEHANNA COMMUNITY FOUNDATION

## NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2016 AND 2015

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, 2016 and 2015, temporarily restricted net assets consist of a beneficial interest in a charitable remainder trust subject to time restrictions totaling \$12,294 and \$12,611, respectively.

At December 31, 2016 and 2015, permanently restricted net assets consist of \$325,472 and \$330,975, respectively, in beneficial interests in perpetual trusts, the income from which is expendable to support the activities of the Foundation.

Endowment net asset composition as of and for the years ended December 31 is as follows:

	2016 Total Unrestricted Net Assets	2015 Total Unrestricted Net Assets
	<u>                    </u>	<u>                    </u>
Endowment funds with variance power - beginning of year	\$ 35,561,100	\$ 36,802,700
Contributions	1,258,500	413,900
Grant revenue	603,500	690,100
Medical assistance revenue	115,700	91,900
Trust income	19,500	15,300
Gain on grant cancellations	71,800	268,200
Other income	157,700	153,600
Investment income	2,349,500	215,200
Expenses	<u>(2,977,000)</u>	<u>(3,089,800)</u>
Endowment funds with variance power - end of year	<u>\$ 37,160,300</u>	<u>\$ 35,561,100</u>

## 9. COMMITMENTS AND CONTINGENCIES

In May 2016, the Foundation approved a \$500,000 grant to a nonprofit entity, subject to certain conditions and other funding requirements. As of December 31, 2016, the conditions and other funding requirements have not been met and, as such, the Foundation has not recorded a payable for this grant.

# **CENTRAL SUSQUEHANNA COMMUNITY FOUNDATION**

## **NOTES TO FINANCIAL STATEMENTS**

**YEARS ENDED DECEMBER 31, 2016 AND 2015**

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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 of the agreement, 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, 2016 and 2015, the Foundation paid \$25,000 and \$31,379, respectively, for claims and related expenses. The Corporation and now the Foundation have attempted to settle the claim 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 SELINGSGROVE FOUNDATION**

In January 2015, the Selingsgrove Foundation's Board of Directors approved the dissolution of the Selingsgrove Foundation and the transfer of the Selingsgrove Foundation assets to the Foundation. In October 2015, the Board adopted a Plan of Dissolution and Liquidation. The dissolution requires the approval of the Court of Common Pleas before the transfer of assets can be finalized.

### **11. 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.

# **CENTRAL SUSQUEHANNA COMMUNITY FOUNDATION**

## **NOTES TO FINANCIAL STATEMENTS**

**YEARS ENDED DECEMBER 31, 2016 AND 2015**

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### **12. RELATED PARTY TRANSACTIONS**

During the year ended December 31, 2016, the Foundation awarded grants to the Berwick Area School District (District) totaling \$203,902. As of December 31, 2016, \$153,645 is included in grants payable to the District. A member of the Board of Directors of the Foundation is the Business Administrator for the District.

### **13. SUBSEQUENT EVENT**

As of December 31, 2016, the Foundation owned a property valued at \$153,496 that was being held as an investment. On January 10, 2017, the property was donated to a nonprofit entity.

**Central Susquehanna  
Community Foundation**

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

Year Ended December 31, 2016

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 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, 2016, 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 May 31, 2017.

**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.

Board of Directors  
Central Susquehanna Community Foundation  
Independent Auditor's Report on Internal Control over  
Financial Reporting and on Compliance and Other Matters

### **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  
May 31, 2017

**CENTRAL SUSQUEHANNA  
COMMUNITY FOUNDATION**

**SCHEDULE OF FINDINGS AND RESPONSES**

**YEAR ENDED DECEMBER 31, 2016**

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**None**