

Selinsgrove Area Community Foundation

Financial Statements

Years Ended December 31, 2016 and 2015 with
Independent Accountant's Review Report

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SELINGROVE AREA COMMUNITY FOUNDATION

YEARS ENDED DECEMBER 31, 2016 AND 2015

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Independent Accountant's Review Report

Board of Directors
Selinsgrove Area Community Foundation

We have reviewed the accompanying financial statements of the Selinsgrove Area Community Foundation (Foundation), which comprise the statements of financial position as of December 31, 2016 and 2015, 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 American Institute of Certified Public Accountants (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 15, 2017

SELINGROVE AREA COMMUNITY FOUNDATION

STATEMENTS OF FINANCIAL POSITION

DECEMBER 31, 2016 AND 2015

	<u>2016</u>	<u>2015</u>
Assets		
<hr/>		
Noncurrent assets:		
Beneficial interest in net assets of a community foundation	\$ 1,098,799	\$ 988,495
Total Assets	<u>\$ 1,098,799</u>	<u>\$ 988,495</u>
Liabilities and Net Assets		
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Liabilities:		
Current liabilities:		
Grants payable	\$ 23,601	\$ 27,276
Long term liabilities:		
Grants payable, net of current portion	8,600	9,600
Total Liabilities	<u>32,201</u>	<u>36,876</u>
Net Assets:		
<hr/>		
Permanently restricted	1,066,598	951,619
Total Net Assets	<u>1,066,598</u>	<u>951,619</u>
Total Liabilities and Net Assets	<u>\$ 1,098,799</u>	<u>\$ 988,495</u>

See accompanying notes and independent accountant's review report.

SELINGROVE AREA COMMUNITY FOUNDATION

STATEMENT OF ACTIVITIES

YEAR ENDED DECEMBER 31, 2016

	Unrestricted	Permanently Restricted	Total
Revenues, Gains, and Other Support:			
Contributions	\$ -	\$ 179,345	\$ 179,345
Investment income	130,880	-	130,880
Change in beneficial interest in net assets of a community foundation	-	(64,366)	(64,366)
Total revenues, gains, and other support	130,880	114,979	245,859
Expenses:			
Grants	56,850	-	56,850
Fund management	20,185	-	20,185
Fundraising	17,660	-	17,660
Professional fees	2,865	-	2,865
Insurance	1,448	-	1,448
Advertising and promotion	100	-	100
Special projects	31,695	-	31,695
Miscellaneous	77	-	77
Total expenses	130,880	-	130,880
Change in Net Assets	-	114,979	114,979
Net Assets:			
Beginning of year	-	951,619	951,619
End of year	\$ -	\$ 1,066,598	\$ 1,066,598

See accompanying notes and independent accountant's review report.

SELINGROVE AREA COMMUNITY FOUNDATION

STATEMENT OF ACTIVITIES

YEAR ENDED DECEMBER 31, 2015

	Unrestricted	Permanently Restricted	Total
Revenues, Gains, and Other Support:			
Contributions	\$ -	\$ 139,875	139,875
Investment income	74,043	-	74,043
Change in beneficial interest in net assets of a community foundation	-	(70,731)	(70,731)
Total revenues, gains, and other support	74,043	69,144	143,187
Expenses:			
Grants	72,649	-	72,649
Fund management	18,412	-	18,412
Fundraising	18,444	-	18,444
Professional fees	2,796	-	2,796
Insurance	1,448	-	1,448
Advertising and promotion	100	-	100
Special projects	17,694	-	17,694
Total expenses	131,543	-	131,543
Change in Net Assets	(57,500)	69,144	11,644
Net Assets:			
Beginning of year	57,500	882,475	939,975
End of year	\$ -	\$ 951,619	\$ 951,619

See accompanying notes and independent accountant's review report.

SELINGROVE AREA COMMUNITY FOUNDATION

STATEMENTS OF CASH FLOWS

YEARS ENDED DECEMBER 31, 2016 AND 2015

	<u>2016</u>	<u>2015</u>
<u>Cash Flows From Operating Activities:</u>		
Change in net assets	\$ 114,979	\$ 11,644
Adjustment to reconcile change in net assets to net cash provided by operating activities:		
Change in beneficial interest in net assets of a community foundation	(110,304)	(80,724)
Sale of donated land	-	57,500
Increase (decrease) in:		
Accounts payable	-	(936)
Grants payable	(4,675)	12,516
Net cash provided by operating activities	<u>-</u>	<u>-</u>
Net Increase in Cash and Cash Equivalents	-	-
<u>Cash and Cash Equivalents:</u>		
Beginning of year	<u>-</u>	<u>-</u>
End of year	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

See accompanying notes and independent accountant's review report.

SELINGROVE AREA COMMUNITY FOUNDATION

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2016 AND 2015

1. NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. *Nature of Operations*

The Selingsrove Area Community Foundation (Foundation) was organized in June 1994 as the Selingsrove Area Youth Foundation with the intent of operating as a community trust primarily to increase the philanthropic resources for youth in the Selingsrove area. During 2010, the Foundation changed its name to the Selingsrove Area Community Foundation to reflect a broader mission of improving the lives of the residents of Selingsrove 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

SELINGROVE AREA COMMUNITY FOUNDATION

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2016 AND 2015

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,

SELINGROVE AREA COMMUNITY FOUNDATION

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2016 AND 2015

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 interests in net assets of a community foundation. 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.

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

SELINGROVE AREA COMMUNITY FOUNDATION

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2016 AND 2015

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, 2016 and 2015, 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. For the years ended December 31, 2016 and 2015, the administrative fees amounted to \$16,034 and \$14,499, 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 estimates and assumptions that affect the reported amounts and disclosures in the financial statements. Actual results could differ from those estimates.

K. *Reclassifications*

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

SELINGROVE AREA COMMUNITY FOUNDATION

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2016 AND 2015

L. *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. 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, 2016.

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.

The Foundation's beneficial interest in net assets of a community foundation is 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 changes in fair values associated with Level 3 assets:

	<u>2016</u>	<u>2015</u>
Balance, January 1	\$ 988,495	\$ 907,771
Contributions/purchases	179,345	139,875
Withdrawals/payments	(135,555)	(62,463)
Change in value	<u>66,514</u>	<u>3,312</u>
Balance, December 31	<u><u>\$ 1,098,799</u></u>	<u><u>\$ 988,495</u></u>

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

SELINGROVE AREA COMMUNITY FOUNDATION

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2016 AND 2015

3. 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 investment and spending policy for endowment assets, as approved by the Foundation's Board, 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 CSCF's current investment policy, approved by CSCF's 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 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. 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, 2016 and 2015, the Foundation's beneficial interest in net assets of a community foundation is \$1,098,799 and \$988,495, respectively.

4. 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, 2016 and 2015 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%.

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NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2016 AND 2015

Total cash flow requirements in subsequent years are as follows:

	<u>2016</u>	<u>2015</u>
2016	\$ -	\$ 27,276
2017	23,601	6,400
2018	5,400	3,200
2019	3,200	-
Total	<u>\$ 32,201</u>	<u>\$ 36,876</u>

5. RESTRICTIONS ON NET ASSETS

Permanently restricted net assets at December 31, 2016 and 2015 were the beneficial interest in the net assets of a community foundation, less grants payable, in the amount of \$1,066,598 and \$951,619, respectively.

6. 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>2016</u>	<u>2015</u>
Program and related services	\$ 99,362	\$ 101,806
Supporting services:		
Management and general	10,411	6,276
Fundraising	21,107	23,461
	<u>\$ 130,880</u>	<u>\$ 131,543</u>

7. POTENTIAL DISSOLUTION OF THE FOUNDATION

In January 2015, the Board approved the dissolution of the Foundation and the transfer of the Foundation assets to CSCF. The dissolution requires the approval of the Court of Common Pleas before the transfer of assets can be finalized.
