

**Selinsgrove Area Community
Foundation**

Financial Statements

Years Ended December 31, 2017 and 2016 with
Independent Accountant's Review Report

MaherDuessel

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SELINGROVE AREA COMMUNITY FOUNDATION

YEARS ENDED DECEMBER 31, 2017 AND 2016

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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, 2017 and 2016, 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
July 23, 2018

SELINGROVE AREA COMMUNITY FOUNDATION

STATEMENTS OF FINANCIAL POSITION

DECEMBER 31, 2017 AND 2016

	<u>2017</u>	<u>2016</u>
Assets		
<hr/>		
Noncurrent assets:		
Beneficial interest in net assets of a community foundation	\$ 1,236,607	\$ 1,098,799
Total Assets	<u>\$ 1,236,607</u>	<u>\$ 1,098,799</u>
Liabilities and Net Assets		
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Liabilities:		
Current liabilities:		
Grants payable	\$ 27,900	\$ 23,601
Long term liabilities:		
Grants payable, net of current portion	9,200	8,600
Total Liabilities	<u>37,100</u>	<u>32,201</u>
Net Assets:		
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Permanently restricted	1,199,507	1,066,598
Total Net Assets	<u>1,199,507</u>	<u>1,066,598</u>
Total Liabilities and Net Assets	<u>\$ 1,236,607</u>	<u>\$ 1,098,799</u>

See accompanying notes and independent accountant's review report.

SELINGROVE AREA COMMUNITY FOUNDATION

STATEMENT OF ACTIVITIES

YEAR ENDED DECEMBER 31, 2017

	Unrestricted	Permanently Restricted	Total
Revenues, Gains, and Other Support:			
Contributions	\$ -	\$ 103,692	\$ 103,692
Investment income	138,873	-	138,873
Change in beneficial interest in net assets of a community foundation	-	29,217	29,217
Total revenues, gains, and other support	138,873	132,909	271,782
Expenses:			
Grants	71,399	-	71,399
Fund management	18,771	-	18,771
Fundraising	24,180	-	24,180
Professional fees	2,865	-	2,865
Insurance	1,448	-	1,448
Special projects	15,210	-	15,210
Miscellaneous	5,000	-	5,000
Total expenses	138,873	-	138,873
Change in Net Assets	-	132,909	132,909
Net Assets:			
Beginning of year	-	1,066,598	1,066,598
End of year	\$ -	\$ 1,199,507	\$ 1,199,507

See accompanying notes and independent accountant's review report.

SELINGSGROVE 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.

SELINGSGROVE AREA COMMUNITY FOUNDATION

STATEMENTS OF CASH FLOWS

YEARS ENDED DECEMBER 31, 2017 AND 2016

	<u>2017</u>	<u>2016</u>
<u>Cash Flows From Operating Activities:</u>		
Change in net assets	\$ 132,909	\$ 114,979
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	(137,808)	(110,304)
Increase (decrease) in:		
Grants payable	<u>4,899</u>	<u>(4,675)</u>
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.

SELINGSGROVE AREA COMMUNITY FOUNDATION

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2017 AND 2016

1. Nature of Operations and Summary of Significant Accounting Policies

A. *Nature of Operations*

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

SELINGSGROVE AREA COMMUNITY FOUNDATION

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2017 AND 2016

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.

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.

SELINGROVE AREA COMMUNITY FOUNDATION

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2017 AND 2016

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, 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.

SELINGROVE AREA COMMUNITY FOUNDATION

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2017 AND 2016

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, 2017 and 2016, 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, 2017 and 2016, the administrative fees amounted to \$15,203 and \$16,034, respectively.

SELINGROVE AREA COMMUNITY FOUNDATION

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2017 AND 2016

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. *Reclassification*

Certain reclassifications have been made to the prior year financial statements in order for them to be in conformity with the current year presentation.

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, 2017.

Beneficial Interests in Net Assets of a Community Foundation:

The Foundation has a beneficial interest in net assets of a community foundation, CSCF. The Foundation does not have a direct interest in the underlying assets. As such, the inputs it considers in determining fair value are related to the value of its right to receive future distributions from CSCF. The beneficial interest in net assets of a community foundation is calculated using the unit of account basis valued using net asset value per share.

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

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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 financial instruments:

	<u>2017</u>	<u>2016</u>
Balance, January 1	\$ 1,098,799	\$ 988,495
Contributions/purchases	103,692	179,345
Withdrawals/payments	(133,974)	(135,555)
Change in value	<u>168,090</u>	<u>66,514</u>
Balance, December 31	<u>\$ 1,236,607</u>	<u>\$ 1,098,799</u>

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

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. In the event it becomes impractical or impossible to utilize any portion of these funds for any designated purpose, or to comply with any condition, restriction, or limitation of the administration of any portion of the Foundation's assets, the Foundation and CSCF will utilize the Foundation's assets for other charitable purposes within the Selingsgrove area or to modify or eliminate such condition, restriction, or limitation on these funds, as deemed appropriate in accordance with the Foundation's governing documents.

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 in September 2017, the endowment assets have a strategic target of 70% equity securities, 24% fixed income securities, 4% alternative securities, and 2% cash and cash equivalents. The allowable

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NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2017 AND 2016

investment bounds are 50% to 85% in equity securities, 15% to 40% in fixed income securities, 0% to 20% in alternative investments, and 0% to 15% in cash and cash equivalents. Under the previous investment policy approved by the Board of Directors and effective through September 2017, the endowment assets had a strategic target of 60% equity securities, 25% fixed income securities, 10% alternative securities, and 5% cash and cash equivalents. The allowable investment bounds were 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 a weighted index comprised of 36% of the Russell 1000, 9% of the Russell 2000, 18% MSCI EAFE (net), 7% MSCI Emerging Markets (net), 22% Barclays Aggregate, 2% Barclays High Yield, 0.75% Barclays US Gov't ILB, 0.75% S&P US REITS, 2.5% DJ Global REIT ex US (net), and 2% IA SBBI US 30 day T-Bill. The Foundation's actual returns may vary from this amount in any given year.

The spending policy calculates the amount of money annually distributed from the Foundation's various endowed funds for grant-making and administration. Based on the investment model selected by the donor, the current spending policy is to distribute 4.25% of a 16-quarter trailing average of the fund balance of the endowment funds. For funds less than four years old, the fair value will be the average of all quarterly market values to date. 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, 2017 and 2016, the Foundation's beneficial interest in net assets of a community foundation is \$1,236,607 and \$1,098,799, 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, 2017 and 2016 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, 2017 and 2016, as the one-year rate was less than 1%.

SELINGROVE AREA COMMUNITY FOUNDATION

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2017 AND 2016

Total cash flow requirements in subsequent years are as follows:

	<u>2017</u>	<u>2016</u>
2017	\$ -	\$ 23,601
2018	27,900	5,400
2019	6,200	3,200
2020	3,000	-
Total	<u>\$ 37,100</u>	<u>\$ 32,201</u>

5. Restrictions on Net Assets

Permanently restricted net assets at December 31, 2017 and 2016 were the beneficial interest in the net assets of a community foundation, less grants payable, in the amount of \$1,199,507 and \$1,066,598, 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>2017</u>	<u>2016</u>
Program and related services	\$ 102,024	\$ 94,015
Supporting services:		
Management and general	8,905	10,411
Fundraising	27,944	26,454
	<u>\$ 138,873</u>	<u>\$ 130,880</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.