

COMMUNITY FOUNDATION OF THE NORTHERN ALLEGHENIES

COMBINED FINANCIAL STATEMENTS, SUPPLEMENTARY INFORMATION,
AND INDEPENDENT AUDITOR'S REPORT

FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

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INDEPENDENT AUDITOR'S REPORT

To The Board of Directors
Community Foundation of
the Northern Alleghenies
PO Box 934
32 S. St. Marys Street, Suite 4
St. Marys, PA 15857

We have audited the accompanying combined financial statements of the Community Foundation of the Northern Alleghenies (a nonprofit organization) and affiliates, which comprise the combined statements of financial position as of December 31, 2018 and 2017, and the related combined statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the combined financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these combined 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 combined financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the combined financial statements are free from material misstatement.

INDEPENDENT AUDITOR'S REPORT

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An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the combined financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the combined 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 combined 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 combined financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Emphasis of a Matter

As discussed in Note 1 to the financial statements, as of December 31, 2018, the Foundation adopted Accounting Standards Update (ASU) 2016-14, Presentation of Financial Statements of Not-for-Profit Entities. The update addresses the complexity and understandability of net asset classification, information about liquidity and availability of resources, methods used to allocate costs, underwater endowments, and direction for consistency about the information provided about expenses and investment return. The adoption of the standard resulted in additional footnote disclosures and changes to the classification of net assets and disclosures related to net assets. Our opinion is not modified with respect to this matter.

Opinion

In our opinion, the combined financial statements referred to on the previous page, present fairly, in all material respects, the financial position of the Community Foundation of the Northern Alleghenies and affiliates as of December 31, 2018, and the changes in their net assets and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

INDEPENDENT AUDITOR'S REPORT

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Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The combining statements of financial position and activities, schedule of functional expenses - Elk County Community Foundation, and schedule of functional expenses - McKean County Community Foundation on pages 28 through 31 are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

July 5, 2019

Tracy M. Clark-Radzieta, CPA

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COMMUNITY FOUNDATION OF THE NORTHERN ALLEGHENIES

COMBINED STATEMENTS OF FINANCIAL POSITION

AS OF DECEMBER 31,

ASSETS		
	<u>2018</u>	<u>2017</u>
CURRENT ASSETS:		
Cash and cash equivalents.....	\$ 115,529	\$ 109,905
Investments.....	11,544,045	12,180,859
Prepaid expenses.....	<u>1,434</u>	<u>1,262</u>
Total current assets.....	<u>11,661,008</u>	<u>12,292,026</u>
FIXED ASSETS - Furniture and equipment, net....	<u>- 0 -</u>	<u>- 0 -</u>
TOTAL ASSETS.....	<u>\$11,661,008</u>	<u>\$12,292,026</u>
LIABILITIES AND NET ASSETS		
LIABILITIES:		
Accounts payable.....	\$ 5,108	\$ 3,460
Funds held as agency endowments (See Note 3).....	<u>199,926</u>	<u>210,876</u>
Total liabilities.....	<u>205,034</u>	<u>214,336</u>
NET ASSETS:		
Without donor restrictions:		
Undesignated.....	11,439,721	12,057,626
Designated by the Board to admin and operating reserve funds.....	<u>16,253</u>	<u>20,064</u>
Total without donor restrictions.....	<u>11,455,974</u>	<u>12,077,690</u>
With donor restrictions.....	<u>- 0 -</u>	<u>- 0 -</u>
Total net assets.....	<u>11,455,974</u>	<u>12,077,690</u>
TOTAL LIABILITIES AND NET ASSETS....	<u>\$11,661,008</u>	<u>\$12,292,026</u>

The accompanying notes are an integral part of these statements.

COMMUNITY FOUNDATION OF THE NORTHERN ALLEGHENIES

COMBINED STATEMENTS OF ACTIVITIES

FOR THE YEARS ENDED DECEMBER 31,

	<u>2018</u>	<u>2017</u>
SUPPORT - Cash contributions.....	\$ 843,242	\$ 2,019,477
REVENUES:		
Interest and dividends.....	280,166	235,258
Realized/unrealized gains(losses).....	(969,892)	1,227,924
Total revenues.....	<u>(689,726)</u>	<u>1,463,182</u>
Total support and revenues.....	<u>153,516</u>	<u>3,482,659</u>
EXPENSES:		
Grants and scholarships.....	572,853	499,941
Other program expenses.....	56,763	41,227
Administrative.....	135,857	118,914
Fundraising.....	8,558	16,707
Total expenses.....	<u>774,031</u>	<u>676,789</u>
CHANGE IN NET ASSETS.....	(620,515)	2,805,870
NET ASSETS, JANUARY 1.....	12,077,690	9,271,820
PRIOR PERIOD ADJUSTMENT (See Note 4).....	<u>(1,201)</u>	<u>- 0 -</u>
NET ASSETS, DECEMBER 31.....	<u>\$11,455,974</u>	<u>\$12,077,690</u>

The accompanying notes are an integral part of these statements.

COMMUNITY FOUNDATION OF THE NORTHERN ALLEGHENIES

COMBINED STATEMENTS OF FUNCTIONAL EXPENSES

FOR THE YEARS ENDED DECEMBER 31,

	<u>Program</u>	<u>Adminis- trative</u>	<u>Fund- raising</u>	<u>2018 Total</u>	<u>2017 Total</u>
Grants (See Note 7).....	\$572,853			\$572,853	\$499,941
Other expenses:					
Director salary.....	21,590	\$ 21,590	\$ 4,798	47,978	39,165
Other salaries and wages....	4,376	17,506		21,882	18,176
Employee benefits.....	4,780	4,780	1,062	10,622	10,718
Payroll taxes.....	2,748	2,748	611	6,107	5,125
Travel and meetings.....	1,615	1,614	359	3,588	2,454
Occupancy cost.....	3,026	3,026	672	6,724	6,971
Printing and publications...	13,874			13,874	14,067
Insurance.....	660	660	146	1,466	1,418
Professional fees.....		6,000		6,000	6,000
Fund management expenses....		69,935		69,935	61,593
Copier and computer maintenance.....		3,905		3,905	4,195
Other administrative expense.....	4,094	4,093	910	9,097	6,966
Total other expenses....	<u>56,763</u>	<u>135,857</u>	<u>8,558</u>	<u>201,178</u>	<u>176,848</u>
Total functional expenses.....	<u>\$629,616</u>	<u>\$135,857</u>	<u>\$ 8,558</u>	<u>\$774,031</u>	<u>\$676,789</u>

The accompanying notes are an integral part of these statements.

COMMUNITY FOUNDATION OF THE NORTHERN ALLEGHENIES

COMBINED STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31,

	<u>2018</u>	<u>2017</u>
CASH PROVIDED(USED) BY OPERATING ACTIVITIES:		
Increase(decrease) in net assets (Exhibit B)...	\$ (620,515)	\$ 2,805,870
Adjustments to reconcile increase(decrease) in net assets to cash provided(used) by operating activities:		
Realized/unrealized (gains)/losses.....	969,892	(1,227,924)
Net change in operating assets and liabilities (detailed below).....	<u>(9,474)</u>	<u>23,490</u>
Net cash provided(used) by operating activities.....	<u>339,903</u>	<u>1,601,436</u>
CASH (USED) BY INVESTING ACTIVITIES - Net change in investments held at cost.....	<u>(334,279)</u>	<u>(1,571,865)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS.....	5,624	29,571
CASH AND CASH EQUIVALENTS, JANUARY 1.....	<u>109,905</u>	<u>80,334</u>
CASH AND CASH EQUIVALENTS, DECEMBER 31.....	<u>\$ 115,529</u>	<u>\$ 109,905</u>
DETAILS OF NET CHANGE IN OPERATING ASSETS AND LIABILITIES:		
(Increase) in prepaid expenses.....	\$ (172)	\$ (27)
Increase in accounts payable.....	1,648	301
Increase(decrease) in funds held as agency endowments.....	<u>(10,950)</u>	<u>23,216</u>
Net change in operating assets and liabilities.....	<u>\$ (9,474)</u>	<u>\$ 23,490</u>

The accompanying notes are an integral part of these statements.

COMMUNITY FOUNDATION OF THE NORTHERN ALLEGHENIES

NOTES TO COMBINED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of the Foundation

The Community Foundation of the Northern Alleghenies ("Foundation") is a public charitable foundation serving the people primarily of Elk and McKean Counties, Pennsylvania. The Community Foundation of the Northern Alleghenies is made up of two affiliates: the Elk County Community Foundation which was established in 2000, and the newly formed McKean County Community Foundation which was established in February of 2017.

Through donations from the general public, the Foundation contributes to community organizations in the areas of education, arts, health and human services, civic services, and economic development. It began its operations on January 20, 2000, but it did not engage in the active solicitation of funds until 2001. Also, grant making activities did not occur until 2001. The organization has five part-time employees and 7 volunteer board members.

During 2010, the Foundation amended its articles of incorporation to change its name from Elk County Community Foundation to Community Foundation of North Central PA. The former name continued to be utilized as Doing Business As (d/b/a) in the Elk County area and Elk County Community Foundation as an affiliate of Community Foundation of North Central PA.

In February 2017, the Foundation signed an agreement to add McKean County Community Foundation as an affiliate of the Community Foundation of North Central PA.

During September 2017, the Foundation amended its articles of incorporation to change its name from Community Foundation of North Central PA to Community Foundation of the Northern Alleghenies. Elk County Community Foundation (ECCF) and McKean County Community Foundation (MCCF) are affiliates of the Foundation.

Financial Statement Presentation

The Foundation prepares its financial statements under the accrual basis of accounting in accordance with the provisions of Financial Accounting Standards Board Accounting Standards Codification (FASB ASC 958), "Not For Profit Entities".

Unconditional promises to give (pledges) to the Foundation are recorded as receivables and revenues. Similarly, grants pledged by the Foundation are recorded as grant expense in the year pledged.

The organization distinguishes between contributions received for each net asset category in accordance with donor imposed restrictions. Resources are classified for accounting and reporting purposes into net asset categories according to externally (donor) imposed restrictions. The Foundation reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, restricted net assets are reclassified to net assets without donor restrictions

and reported in the statement of activities as net assets released from restrictions.

Change in Accounting Principle

In August 2016, the FASB issued Accounting Standards Update (ASU) 2016-14, Presentation of Financial Statements of Not-for-Profit Entities. The update addresses the complexity and understandability of net asset classification, information about liquidity and availability of resources, methods used to allocate costs, underwater endowments, and direction for consistency about the information provided about expenses and investment return. The Community Foundation of the Northern Alleghenies has implemented ASU 2016-14, for the year ended December 31, 2018, and has adjusted the presentation in these financial statements accordingly.

Net assets have been reclassified due to the adoption of ASU 2016-14 as of December 31, 2018, as follows:

<u>Net Asset Classification</u> <u>December 31, 2017</u>	<u>ASU 2016-14 Classifications</u>		<u>Total Net Assets</u>
	<u>Without Donor Restriction</u>	<u>With Donor Restriction</u>	
Unrestricted.....	\$12,077,690	\$ - 0 -	\$12,077,690
Temporarily Restricted.....	- 0 -	- 0 -	- 0 -
Permanently Restricted.....	- 0 -	- 0 -	- 0 -
Net assets as previously presented.....	12,077,690	- 0 -	12,077,690
Reclassifications.....	- 0 -	- 0 -	- 0 -
Net assets as reported after adoption of ASU 2016-14.....	<u>\$12,077,690</u>	<u>\$ - 0 -</u>	<u>\$12,077,690</u>

A description of the Foundation's net asset categories follows:

Without Donor Restrictions - Net assets of the Foundation available for Elk and McKean County community grants and scholar-

ships and not subject to donor (or certain grantor) restrictions. The governing board has designated, from net assets without donor restrictions, net assets for operating and administrative reserves.

With Donor Restrictions - Includes funds with donor imposed restrictions that have not yet been met. The Foundation had no net assets with donor restrictions at December 31, 2018 or 2017.

Donors may restrict contributions for certain beneficiaries. However, the Foundation may have "variance power" over these net assets, and accordingly they would be presented as net assets without donor restrictions. The Foundation abides by donor intentions; however, it can modify donor intent when any restriction or conditions are unnecessary, incapable of fulfillment, or inconsistent with the charitable need of the community.

Based on that provision, The Community Foundation of the Northern Alleghenies classifies all contributions and assets as net assets without donor restrictions for financial statement presentation. The Foundation has no assets that are restricted in perpetuity.

Cash and Cash Equivalents

The Foundation considers all investments purchased with an original maturity of three months or less to be cash equivalents. The Foundation maintains its cash in bank deposit accounts, which at times may exceed federally insured limits. The Foundation has not experienced any losses in such accounts. The Foundation believes it is not exposed to any significant credit risk on cash and cash equivalents.

Furniture and Equipment

Furniture and equipment is carried at cost less accumulated depreciation. Depreciation is computed on an accelerated basis using the following estimated useful lives:

	<u>Years</u>
Equipment.....	5
Furniture and fixtures.....	7

All equipment is fully depreciated.

Fundraising

Fundraising costs are expensed as incurred. Fundraising expense was \$8,558 and \$16,707 for the periods ended December 31, 2018 and 2017, respectively.

Use of Estimates

In preparing financial statements in conformity with U.S. generally accepted accounting principles, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Tax Status

The Foundation is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and is classified by the Internal Revenue Service as an organization that is not a private foundation. Accordingly, no provision for income taxes is made in the financial statements.

Functional Expense Allocations

The Community Foundation of the Northern Alleghenies allocates its expenses between its affiliates. Eighty-five percent of all expenses are allocated to Elk County Community Foundation and the remaining fifteen percent is allocated to McKean County Community Foundation. Additionally, certain other costs have been allocated among the affiliates based on which affiliate the specific cost pertains to.

The costs of the program and supporting services have been summarized on a functional basis in the statements of activities. Further, the statements of functional expenses present the natural classification detail of expenses by function.

The executive director salary, employee benefits, payroll taxes, travel and meetings, occupancy, insurance, and other administrative expenses are allocated to each function as follows: Program - 45%, Administrative - 45%, and Fundraising - 10%. All other employee salaries and wages are allocated to Program at 20% and Administrative at 80%.

Liability for Uncertain Tax Positions (FIN 48)

Effective December 15, 2007, the Foundation adopted Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 740, *Accounting for Uncertainty in Income Taxes*. FASB ASC 740 clarifies the accounting for uncertainty in income tax recognized in an entity's financial statements. FASB ASC 740 requires entities to determine whether it is more likely than not that a tax position will be sustained upon examination by the appropriate

taxing authorities before any part of the benefit can be recorded in the financial statements. It also provides guidance on the recognition, measurement, and classification of income tax uncertainties, along with any related interest or penalties. A tax position is measured at the largest amount of benefit that is greater than fifty percent likely of being realized upon settlement. The adoption of FASB ASC 740 had no impact on the Foundation's financial statements.

Effective in August, 2008, FASB issued FASB ASC 958 which provides guidance on the net asset classification of endowment funds in states that have adopted Unified Prudent Management of Institutional Funds Act (UPMIFA). As of December 31, 2018, the Commonwealth of Pennsylvania has not adopted UPMIFA. FASB ASC 958 also provides for increased disclosures with respect to all endowment funds and these requirements apply without regard to whether the state has adopted UPMIFA. The changes in net asset classification primarily affect only permanently restricted endowment funds. To the extent that community foundations are correctly classifying their assets as with donor restrictions or without donor restrictions, these changes would not affect them.

2. INVESTMENTS

The Foundation's investments are presented in the financial statements at market value. Gains and losses on the disposition of investments are considered elements of revenue and expense when realized.

The Foundation's Board of Directors sets overall investment objectives. Specific security buy and sell decisions are made by the custodians of the Foundation funds. The Board of Directors reviews the investment performance of the advisors and also periodically meets with representatives of those advisors for the purpose of discussing investment performance and objectives. There are no significant concentrations of investments by industry or company.

The Community Foundation of the Northern Alleghenies' investments are managed by CNB Wealth and Asset Management, PNC Institutional Investment Services, The Vanguard Group, Stifel, and Northwest Investment Trust Services. The market value is as follows as of December 31:

	<u>2018</u>	<u>2017</u>
ECCF affiliate.....	\$11,328,976	\$12,002,693
MCCF affiliate.....	<u>215,069</u>	<u>178,166</u>
Total Investments...	<u>\$11,544,045</u>	<u>\$12,180,859</u>

While the Foundation makes no direct investments in derivative securities, it is likely that derivatives may be held from time to time by various underlying funds as permitted by prospectus.

Fair market value was determined based upon quoted prices in active markets for identical assets or liabilities (Level 1 hierarchy). All of the Foundation's investments are Level 1.

(See the following page)

3. AGENCY ENDOWMENT FUNDS

During 2008, the Foundation adopted FASB ASC 958, *Transfers of Assets to a Not-for-Profit Organization or Charitable Trust that Raises or Holds Contributions for Others*. FASB ASC 958 establishes standards for transactions in which a community foundation accepts a contribution from a donor and agrees to transfer those assets, the return on investment of those assets, or both to another entity that is specified by the donor. FASB ASC 958-405 specifically requires that if a Not-for-Profit Organization (NPO) established a fund at a community foundation with its own funds and specifies itself as the beneficiary of that fund, the community foundation must account for the transfer of such assets as a liability. The Foundation refers to such funds as agency endowments.

The Foundation continues to report the funds as assets of the Foundation. However, in accordance with FASB ASC 958-405, a liability has been established for the fair value of the funds, which is generally equivalent to the present value of future payments expected to be made to the NPOs.

All agency endowment funds at December 31, 2017, were recognized as Elk County Community Foundation funds.

At December 31, 2018, both affiliates held agency endowment funds.

(See the following page)

The Foundation was the agent of twelve and ten agency endowment funds with a value of \$199,926 and \$210,876 as of December 31, 2018 and 2017, respectively. The following table summarizes activity in the funds during the years ended December 31:

	<u>ECCF</u>	<u>MCCF</u>	<u>2018</u>	<u>2017</u>
Beginning balances.....	\$210,876	\$- 0 -	\$210,876	\$187,660
Amounts raised.....	4,075	5,097	9,172	50
Interest/dividends.....	4,765	123	4,888	4,081
Realized/unrealized gains.....	(18,065)	(369)	(18,434)	26,058
Withdrawals for grants..	(5,564)	- 0 -	(5,564)	(5,001)
Fees.....	(2,185)	(28)	(2,213)	(1,972)
Prior period adjustment.	1,201	- 0 -	1,201	- 0 -
Ending balances.....	<u>\$195,103</u>	<u>\$4,823</u>	<u>\$199,926</u>	<u>\$210,876</u>

4. PRIOR PERIOD ADJUSTMENT

A prior period adjustment of \$1,201 was made during the year ended December 31, 2018, to correctly classify the Dickinson Endowment Fund as an agency endowment fund on the balance sheet. This amount was previously recorded as revenue.

5. NET ASSETS WITHOUT DONOR RESTRICTIONS

The Foundation's assets consist of approximately 174 individual funds, of which 158 correspond with ECCF and 16 correspond with MCCF, established by donors for a variety of purposes. As described in the Note 1, the Foundation classifies these funds as net assets without donor restrictions; however, the Foundation manages funds established by donors in accordance with terms outlined in the individual fund agreements.

Accordingly, the Foundation further classifies its net assets without donor restrictions at December 31, 2018, as follows:

DONOR ADVISED FUNDS:	
Scholarship.....	\$ 6,338,213
Non-Scholarship*.....	5,005,906
Total Donor Funds.....	<u>11,344,119</u>
UNDESIGNATED.....	
Total undesignated.....	<u>95,602</u>
DESIGNATED BY THE BOARD:	
Admin and Operating reserve funds.....	<u>16,253</u>
Total Net Assets Without Donor	
Restrictions.....	<u>\$11,455,974</u>

*Non-scholarship funds include: Donor Advised, Agency Endowments, Designated and Unrestricted as described on our websites: www.elkcountyfoundation.org and www.mckeancountyfoundation.org.

Board Designated Net Assets

Board designated net assets occur when a condition is placed by the Foundation's Board of Directors on how an amount of money is to be used. For accounting purposes, these assets are considered as net assets without donor restrictions. The policies and guidelines regarding board designations on net assets are summarized below.

The following cash accounts are held by the Foundation and designated as to use as follows:

Bow Glow - Monies were requested by the Foundation in anticipation of grant requests coming in from cancer patients to help pay for their medical expenses/travel. Monies are held in this account for when additional grant requests come in. Balance at December 31, 2018 was \$66.

Friends of Twin Lakes - Monies in this account represent donations received for the specific purpose of paying Twin Lakes' bills. The Foundation has signed a fiscal sponsorship agreement with the Friends of Twin Lakes to temporarily assist them. Balance at December 31, 2018 was \$2,655.

LEC Fund/Awareness - Monies in this account represent donations received from Leadership Elk County to help build awareness of the foundation. Balance at December 31, 2018 was \$1,000.

EITC Holding account - The Pennsylvania Department of Community and Economic Development (DCED) recently designated The Elk County Community Foundation to serve as an Educational Improvement Organization. This allows the Foundation to accept business contributions to benefit public schools. The Foundation will follow all DCED guidelines. In addition, the following program guidelines are specific to the Foundation and have been adopted to administer the program in Elk County. The program requires that the Foundation distribute the contributions during the fiscal year in which they are received (July 1st through June 30th). The Foundation will distribute 80% of the contribution to the approved programs, place 15% in the Fund for the Future that benefits Elk County non-profits, and assess a 5% pass-through fee on the amount of the gift. Balance at December 31, 2018 was \$8,000.

St. Benedict Fund - Monies are earmarked for future scholarships. Balance at December 31, 2018 was \$1,055.

(See the following page)

Richard Miller Memorial Scholarship Fund - Monies are earmarked for future scholarships. Balance at December 31, 2018 was \$1,025.

Women Who Care - The Women Who Care's mission is to educate, encourage and expand the number of women committed to philanthropy in order to strengthen our community by providing funds and assistance to issues that are important to families.

At this time, there is a competitive grant process and each eligible member possesses one vote to determine the grantee by a simple majority. The Grants Committee, appointed by the Steering Committee, made up of membership of the Women Who Care donors, review and narrow the choice for the full member ballot. Eligible Voting Member Dues is a minimum of \$100 per calendar year. Below describes the allocation of dues monies each year:

- 85% of the dollars will be granted in that calendar year,
- 10% of the dollars will be put in an endowment subject to the spending policy of the Foundation,
- 5% will be distributed to the ECCF for their administrative fees.

The balance of this account at December 31, 2018 was \$2,452.

Additionally, included in net assets without donor restrictions, are undesignated funds made up of \$108,366, which is an accumulation of unrestricted operating surpluses that are liquid and thus available for use at the discretion of the Foundation's board. Surpluses from annual operations are accounted for as the fund balance. The Board has the discretion to use the fund balance as it sees fit.

6. REALIZED/UNREALIZED GAINS AND LOSSES

Because the Foundation reports realized gains and losses using the income tax basis and not generally accepted accounting principles, the realized and unrealized gains(losses) are combined for reporting purposes, an acceptable alternative method of presentation. Realized gains(losses) recognized under the income tax method totaled \$364,950 and \$426,259 for the years ended December 31, 2018 and 2017 respectively.

The realized gains(losses), by affiliate, are as follows:

	<u>2018</u>	<u>2017</u>
ECCF affiliate.....	\$361,225	\$424,673
MCCF affiliate.....	<u>3,725</u>	<u>1,586</u>
Total realized gains(losses).....	<u>\$364,950</u>	<u>\$426,259</u>

7. GRANTS

Grants paid were as follows for the years ended December 31:

	<u>ECCF</u>	<u>MCCF</u>	<u>2018</u>	<u>2017</u>
Scholarships.....	\$176,864	\$11,404	\$188,268	\$177,272
Non-scholarships.....	368,185	- 0 -	368,185	321,469
Pass-through grants..	16,400	- 0 -	16,400	1,200
Grant to affiliate - MCCF.....	14,577	- 0 -	14,577	14,577
Total.....	<u>\$576,026</u>	<u>\$11,404</u>	<u>\$587,430</u>	<u>\$499,941</u>

Less: Cash grant to affiliate - MCCF to cover operating expenditures.....	(14,577)		\$(14,577)	- 0-
Total.....	<u>\$561,449</u>	<u>\$11,404</u>	<u>\$572,853</u>	<u>\$499,941</u>

(See the following page)

8. LEASE

The Foundation has a month-to-month lease for its offices in St. Marys, PA. Monthly lease payments are \$350 as of January 1, 2016. Rent expense was \$4,200 for the years ended December 31, 2018 and 2017.

9. LIQUIDITY AND AVAILABILITY

Grant liquidity is provided through either the Scholarship or Non-scholarship pools. The pool typically is accessed as needed, based on grant-making requests and board approval. All funds are monitored on a quarterly basis to ensure the spending rates are in compliance with the gift instrument under which the fund was established.

Operating liquidity comes from fees, grants and donations, and distributions from the administrative reserve fund. Fee income and administrative reserve distributions are assessed annually and based on the year-end balance of funds administered by the Foundation. Donations and grants for the operating fund are placed in an operating checking account or money market account and used as needed. The Foundation's money market account has approximately 75% of their annual operating budget in reserve.

(See the following page)

The table below presents The Community Foundation of the Northern Alleghenies financial assets available for general expenditures within one year of the statement of financial position date:

Financial assets:	
Cash and cash equivalents.....	\$ 115,529
Investments.....	11,544,045
Prepaid expenses.....	<u>1,434</u>
Total financial assets at December 31, 2018..	<u>11,661,008</u>
Monies not available to be used within one year, due to:	
Agency endowment funds.....	199,926
Donor advised funds.....	11,344,119
Board designated admin and operating reserves..	<u>16,253</u>
Total monies not available to be used within one year.....	<u>11,560,298</u>
Financial assets available to meet general expenditures within one year.....	\$ <u>100,710</u>

Although donor advised funds are not classified as net assets with donor restrictions based on a variance provision in the bylaws of the Foundation, those funds would not be considered as being available for general expenditures. However, annually, estimated fees between 0.75% and 2.0%, depending on the type of fund, are transferred for the Foundation's general operations, usually within the first quarter of the year. These are estimated to be \$129,397 for 2019 and are considered available to meet general expenditures within one year, making the financial assets of \$230,107 available for general expenditures.

10. ADMINISTRATIVE FEES

Administrative and Management Fees - Custodian, investment, administrative, and management fees are recognized in the fiscal

year in which they occur. The Foundation charges an administrative fee internally for donor funds under management. These fees help fund general operations and are recorded internally both as revenue and expense. These fees have been netted for financial statement presentation because these fees do not come from sources external to the Foundation.

The Foundation charges administrative fees computed at rates of 1.4% for ongoing scholarship funds, 2.0% for multi-year scholarship funds and 0.75% for other grant funds. The 2018 and 2017 fees were charged against the December 31, 2017 and 2016 fair market values of the various investments managed by the Foundation. The fees charged in 2018 and 2017 totaled \$123,048 and \$101,483, respectively.

The total administrative fees, by affiliate, are as follows:

	<u>2018</u>	<u>2017</u>
ECCF affiliate.....	\$120,449	\$ 99,281
MCCF affiliate.....	<u>2,599</u>	<u>2,202</u>
Total administrative fees.....	<u>\$123,048</u>	<u>\$101,483</u>

11. CONTRIBUTED SERVICES

During the year ended December 31, 2018, approximately nineteen volunteers donated their time for Foundation activities. These services do not meet the criteria for recognition in the Foundation's statement of activities under accounting principles generally accepted in the United States of America.

(See the following page)

12. SUBSEQUENT EVENTS

Management is not aware of any significant events that occurred during the period ending as of July 5, 2019, which would have a material effect on the accompanying financial statements.

COMMUNITY FOUNDATION OF THE NORTHERN ALLEGHENIES

COMBINING STATEMENTS OF FINANCIAL POSITION

AS OF DECEMBER 31, 2018 (with comparative totals for 2017)

ASSETS				
	Elk County Community Foundation	McKean County Community Foundation	2018 Combined Total	2017 Combined Total
CURRENT ASSETS:				
Cash and cash equivalents.....	\$ 115,529		\$ 115,529	\$ 109,905
Investments.....	11,328,976	\$215,069	11,544,045	12,180,859
Prepaid expenses.....	1,219	215	1,434	1,262
Total current assets.....	<u>11,445,724</u>	<u>215,284</u>	<u>11,661,008</u>	<u>12,292,026</u>
FIXED ASSETS - Furniture and equipment, net.....				
	- 0 -	- 0 -	- 0 -	- 0 -
TOTAL ASSETS.....	<u>\$11,445,724</u>	<u>\$215,284</u>	<u>\$11,661,008</u>	<u>\$12,292,026</u>
LIABILITIES AND NET ASSETS				
LIABILITIES:				
Accounts payable.....	\$ 5,108		\$ 5,108	\$ 3,460
Funds held as agency endow- ments (See Note 3).....	195,103	\$ 4,823	199,926	210,876
Total liabilities.....	<u>200,211</u>	<u>4,823</u>	<u>205,034</u>	<u>214,336</u>
NET ASSETS WITHOUT DONOR RESTRICTIONS.....				
	<u>11,245,513</u>	<u>210,461</u>	<u>11,455,974</u>	<u>12,077,690</u>
TOTAL LIABILITIES AND NET ASSETS.....	<u>\$11,445,724</u>	<u>\$215,284</u>	<u>\$11,661,008</u>	<u>\$12,292,026</u>

The accompanying notes are an integral part of these statements.

COMMUNITY FOUNDATION OF THE NORTHERN ALLEGHENIES

COMBINING STATEMENTS OF ACTIVITIES

FOR THE YEAR ENDED DECEMBER 31, 2018 (with comparative totals for 2017)

	Elk County Community Foundation	McKean County Community Foundation	Elimin- ations*	2018 Combined Total	2017 Combined Total
SUPPORT - Cash contributions...	\$ 782,401	\$ 75,418	\$(14,577)	\$ 843,242	\$2,019,477
REVENUES:					
Interest and dividends.....	275,179	4,987		280,166	235,258
Realized/unrealized gains (losses).....	(954,180)	(15,712)		(969,892)	1,227,924
Total revenues.....	(679,001)	(10,725)		(689,726)	1,463,182
Total support and revenues.....	103,400	64,693	(14,577)	153,516	3,482,659
EXPENSES:					
Grants and scholarships.....	576,026	11,404	(14,577)	572,853	499,941
Other program expenses.....	46,595	10,168		56,763	41,227
Administrative.....	125,730	10,127		135,857	118,914
Fundraising.....	7,157	1,401		8,558	16,707
Total expenses.....	755,508	33,100	(14,577)	774,031	676,789
CHANGE IN NET ASSETS.....	(652,108)	31,593	- 0 -	(620,515)	2,805,870
NET ASSETS, JANUARY 1.....	11,898,822	178,868		12,077,690	9,271,820
PRIOR PERIOD ADJUSTMENT (See Note 4).....	(1,201)	- 0 -		(1,201)	- 0 -
NET ASSETS, DECEMBER 31.....	\$11,245,513	\$210,461	\$ - 0 -	\$11,455,974	\$12,077,690

The accompanying notes are an integral part of these statements.

* This represents operating expenditures paid by ECCF for its affiliate MCCF. The amount is included in MCCF's cash contributions revenue and in ECCF's grant expenditures.

COMMUNITY FOUNDATION OF THE NORTHERN ALLEGHENIESSCHEDULE OF FUNCTIONAL EXPENSES
FOR ELK COUNTY COMMUNITY FOUNDATION

FOR THE YEAR ENDED DECEMBER 31, 2018

	<u>Program</u>	<u>Adminis- trative</u>	<u>Fund- raising</u>	<u>Total</u>
Grants (See Note 7).....	<u>\$561,449</u>			<u>\$561,449</u>
Other expenses:				
Director salary.....	18,352	\$ 18,351	\$ 4,078	40,781
Other salaries and wages.....	3,819	15,280		19,099
Employee benefits.....	4,042	4,042	897	8,981
Payroll taxes.....	2,344	2,344	522	5,210
Travel and meetings.....	976	976	217	2,169
Occupancy cost.....	2,572	2,573	571	5,716
Printing and publications.....	10,567			10,567
Insurance.....	561	560	125	1,246
Professional fees.....		5,100		5,100
Fund management expenses.....		69,900		69,900
Copier and computer maintenance.....		3,241		3,241
Other administrative expense....	3,362	3,363	747	7,472
Total other expenses.....	<u>46,595</u>	<u>125,730</u>	<u>7,157</u>	<u>179,482</u>
Total functional expenses.....	<u>\$608,044</u>	<u>\$125,730</u>	<u>\$ 7,157</u>	<u>\$740,931</u>

The accompanying notes are an integral part of these statements.

COMMUNITY FOUNDATION OF THE NORTHERN ALLEGHENIES

SCHEDULE OF FUNCTIONAL EXPENSES
FOR MCKEAN COUNTY COMMUNITY FOUNDATION

FOR THE YEAR ENDED DECEMBER 31, 2018

	<u>Program</u>	<u>Adminis- trative</u>	<u>Fund- raising</u>	<u>Total</u>
Grants (See Note 7).....	\$11,404			\$11,404
Other expenses:				
Director salary.....	3,239	\$ 3,238	\$ 720	7,197
Other salaries and wages.....	557	2,226		2,783
Employee benefits.....	738	739	164	1,641
Payroll taxes.....	404	403	90	897
Travel and meetings.....	639	638	142	1,419
Occupancy cost.....	454	453	101	1,008
Printing and publications.....	3,307			3,307
Insurance.....	99	99	22	220
Professional fees.....		900		900
Fund management expenses.....		35		35
Copier and computer maintenance.....		664		664
Other administrative expense.....	731	732	162	1,625
Total other expenses.....	<u>10,168</u>	<u>10,127</u>	<u>1,401</u>	<u>21,696</u>
Total functional expenses.....	<u>\$21,572</u>	<u>\$10,127</u>	<u>\$1,401</u>	<u>\$33,100</u>

The accompanying notes are an integral part of these statements.