

# **Berks County Community Foundation, Inc., Supporting Organizations and Disregarded Entities**

**Combined Financial Statements**

**June 30, 2024 and 2023**

**Berks County Community Foundation, Inc.,  
Supporting Organizations and Disregarded Entities  
June 30, 2024 and 2023**

**Contents**

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INDEPENDENT AUDITORS' REPORT

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## **Independent Auditors' Report**

The Board of Directors  
Berks County Community Foundation, Inc., Supporting Organizations and Disregarded Entities  
Reading, Pennsylvania

### ***Opinion***

We have audited the combined financial statements of Berks County Community Foundation, Inc., Supporting Organizations and Disregarded Entities (the Foundation), which comprise the combined statements of financial position as of June 30, 2024 and 2023, and the related combined statements of activities, cash flows, and functional expenses for the years then ended, and the related notes to the combined financial statements.

In our opinion, the accompanying combined financial statements present fairly, in all material respects, the financial position of the Foundation as of June 30, 2024 and 2023, and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Basis for Opinion***

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Foundation and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### ***Responsibilities of Management for the Financial Statements***

Management is responsible for the preparation and fair presentation of the combined financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of combined financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the combined financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Foundation's ability to continue as a going concern for one year after the date that the combined financial statements are issued.

## ***Auditors' Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the combined financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the combined financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the combined financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the combined financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Foundation's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the combined financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Foundation's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.



Horsham, Pennsylvania  
October 15, 2024

**Berks County Community Foundation, Inc.,  
Supporting Organizations and Disregarded Entities**

**Combined Statements of Financial Position  
June 30, 2024 and 2023**

	2024	2023
<b>ASSETS</b>		
Cash and cash equivalents	\$ 4,401,648	\$ 4,183,198
Prepaid expenses	43,674	64,309
Contributions receivable, net	35,520	20,730
Beneficial interest in trusts	1,018,495	946,518
Property and equipment, net	93,254	67,116
Building, net	4,057,126	4,220,688
Land	243,754	243,754
Loans and interest receivable, net	268,501	278,954
Investments, at fair value	125,139,161	113,953,383
Total assets	<u>\$135,301,133</u>	<u>\$123,978,650</u>
<b>LIABILITIES AND NET ASSETS</b>		
Liabilities:		
Accounts payable	\$ 77,104	\$ 111,682
Grants payable, net	1,507,737	1,493,698
Accrued expenses	117,356	110,817
Notes payable	1,576,468	1,641,927
Annuity payment liabilities	29,666	31,585
Funds held as agency endowments	4,690,338	3,986,752
Total liabilities	<u>7,998,669</u>	<u>7,376,461</u>
Net assets:		
Without donor restrictions	126,283,969	115,655,671
With donor restrictions	1,018,495	946,518
Total net assets	<u>127,302,464</u>	<u>116,602,189</u>
Total liabilities and net assets	<u>\$135,301,133</u>	<u>\$123,978,650</u>

See accompanying notes to combined financial statements.

**Berks County Community Foundation, Inc.,  
Supporting Organizations and Disregarded Entities**

**Combined Statements of Activities  
Years Ended June 30, 2024 and 2023**

	2024		
	Without Donor Restrictions	With Donor Restrictions	Total
Revenues and other support:			
Contributions	\$ 4,606,840	\$ -	\$ 4,606,840
Other revenues and gains:			
Investment income	2,131,042	-	2,131,042
Net realized gain on investments	6,880,286	-	6,880,286
Net unrealized gain on investments	5,090,116	-	5,090,116
Net unrealized gain from beneficial interest in trusts	-	71,977	71,977
Other income	253,134	-	253,134
Total revenues and other support	18,961,418	71,977	19,033,395
Expenses:			
Program services	6,975,751	-	6,975,751
General and administrative	810,024	-	810,024
Fundraising	547,345	-	547,345
Total expenses	8,333,120	-	8,333,120
Increase in net assets	10,628,298	71,977	10,700,275
Net assets, beginning of year	115,655,671	946,518	116,602,189
Net assets, end of year	\$ 126,283,969	\$ 1,018,495	\$ 127,302,464

See accompanying notes to combined financial statements.

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2023		
Without Donor Restrictions	With Donor Restrictions	Total
\$ 4,844,852	\$ -	\$ 4,844,852
1,925,764	-	1,925,764
3,885,346	-	3,885,346
1,381,661	-	1,381,661
-	19,037	19,037
144,959	-	144,959
12,182,582	19,037	12,201,619
7,352,540	-	7,352,540
919,312	-	919,312
606,155	-	606,155
8,878,007	-	8,878,007
3,304,575	19,037	3,323,612
112,351,096	927,481	113,278,577
\$ 115,655,671	\$ 946,518	\$ 116,602,189

**Berks County Community Foundation, Inc.,  
Supporting Organizations and Disregarded Entities**

**Combined Statements of Cash Flows  
Years Ended June 30, 2024 and 2023**

	2024	2023
Cash flows from operating activities:		
Increase in net assets	\$10,700,275	\$ 3,323,612
Adjustments to reconcile increase in net assets to net cash used in operating activities:		
Credit loss recovery	(26,100)	-
Depreciation	182,796	178,744
Net unrealized gain on investments	(5,090,116)	(1,381,661)
Net realized gain on investments	(6,880,286)	(3,885,346)
Discount on contributions receivable	210.00	(270)
Premium (discount) on grants payable	5,812	(7,203)
Increase in value of beneficial interest in trusts	(71,977)	(19,037)
Changes in operating assets and liabilities:		
(Increase) decrease in assets:		
Prepaid expenses	20,635	(26,820)
Contributions receivable	(15,000)	27,594
Loans and interest receivable	826	-
Increase (decrease) in liabilities:		
Accounts payable	(34,578)	33,488
Grants payable	8,227	(195,155)
Accrued expenses	6,539	(78,585)
Annuity payment liabilities	(1,919)	(8,086)
Funds held as agency endowments	703,586	842,664
Net cash used in operating activities	<u>(491,070)</u>	<u>(1,196,061)</u>
Cash flows from investing activities:		
Purchase of investments	(23,529,298)	(28,413,770)
Purchase of property and equipment	(45,996)	(291,538)
Proceeds from sale of investments	24,313,922	29,725,626
Loan principal and interest receivable payments	47,851	67,163
Loans advanced	(11,500)	(31,500)
Net cash provided by investing activities	<u>774,979</u>	<u>1,055,981</u>
Cash flows from financing activity:		
Repayments on notes payable	(65,459)	(65,459)
Net increase (decrease) in cash and cash equivalents	218,450	(205,539)
Cash and cash equivalents, beginning of year	4,183,198	4,388,737
Cash and cash equivalents, end of year	<u>\$ 4,401,648</u>	<u>\$ 4,183,198</u>
Supplemental disclosure of cash flow information:		
Cash paid during the year for interest	<u>\$ 113,526</u>	<u>\$ 89,906</u>

See accompanying notes to combined financial statements.



**Berks County Community Foundation, Inc.,  
Supporting Organizations and Disregarded Entities**

**Combined Statements of Functional Expenses  
Years Ended June 30, 2024 and 2023**

	2024			Total
	Program Services	General and Administrative	Fundraising	
Grants to others	\$ 5,379,002	\$ -	\$ -	\$ 5,387,002
Credit loss recovery	(26,100)	-	-	(26,100)
Salaries	649,985	447,438	199,259	1,296,682
Office and program supplies	32,766	1,865	831	35,462
Marketing	46,850	19,253	34,015	100,118
Depreciation	113,002	34,897	34,897	182,796
Payroll taxes	44,760	30,812	13,720	89,292
Interest	68,116	22,705	22,705	113,526
Conferences and meetings	48,441	18,140	8,078	74,659
Professional fees	368,584	97,050	-	465,634
Employee benefits	52,127	35,885	15,981	103,993
Postage	1,095	1,095	1,128	3,318
Travel	4,444	708	315	5,467
Special events	13,814	-	148,818	162,632
Professional dues and subscriptions	23,262	4,941	2,200	30,403
Telephone	4,195	2,888	1,286	8,369
Insurance	13,676	9,414	22,818	45,908
Small equipment and fixtures	383	19,502	-	19,885
Equipment maintenance	27,610	17,064	7,598	52,272
Software maintenance	33,187	22,845	10,174	66,206
Lease cost	3,292	-	-	3,292
Utilities	22,930	6,920	6,920	36,770
Cleaning, maintenance and repair	50,330	16,602	16,602	83,534
Total expenses	\$ 6,975,751	\$ 810,024	\$ 547,345	\$ 8,341,120

See accompanying notes to combined financial statements.

2023

Program Services	General and Administrative	Fundraising	Total
\$ 5,879,576	\$ -	\$ -	\$ 5,879,576
-	-	-	-
553,283	459,438	190,217	1,202,938
42,433	2,527	1,046	46,006
108,661	95,736	105,356	309,753
110,572	34,086	34,086	178,744
40,552	33,675	13,942	88,169
53,944	17,981	17,981	89,906
46,483	21,438	8,876	76,797
269,677	93,965	-	363,642
43,172	35,849	14,843	93,864
1,058	1,058	1,090	3,206
5,908	820	339	7,067
12,016	-	145,124	157,140
20,672	4,740	1,962	27,374
3,751	3,115	1,290	8,156
12,137	10,078	22,799	45,014
-	27,132	-	27,132
41,833	32,751	13,559	88,143
23,177	19,246	7,968	50,391
3,239	-	-	3,239
20,427	6,102	6,102	32,631
59,969	19,575	19,575	99,119
\$ 7,352,540	\$ 919,312	\$ 606,155	\$ 8,878,007

**Berks County Community Foundation, Inc.,  
Supporting Organizations and Disregarded Entities**

**Notes to Combined Financial Statements  
June 30, 2024 and 2023**

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**(1) Nature of Business**

Berks County Community Foundation, Inc., Supporting Organizations and Disregarded Entities (the Foundation) are nonprofit organizations exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code (IRC). In addition, the Foundation qualifies for the charitable contribution deduction under IRC Section 170(b)(1)(a) and has been classified as an organization that is not a private foundation under IRC Section 509(a) because it is an organization of the type described in Section 509(a)(1) of the Code and in the case of its supporting organizations, 509(a)(3). The Foundation was incorporated in 1994 to develop, manage, and distribute funding to meet existing and changing community needs in Berks County, Pennsylvania. See Note 4 for discussion of supporting organizations and disregarded entities.

The Foundation operates as a family of component funds established by donors. All the Foundation's funds represent gifts of capital from individuals, families, corporations, trusts, private foundations, and other nonprofit organizations. The Foundation serves its donors in many ways, from ensuring the efficient processing of grant recommendations to structuring complex, multi-year philanthropic initiatives. The Foundation uses its local knowledge and philanthropic leadership to improve the quality of life in the community and, in so doing, demonstrates its capacity and ability to fulfill donor intent and be a good steward of all its resources.

**(2) Summary of Significant Accounting Policies**

***Basis of Accounting***

The Foundation prepares its financial statements in accordance with generally accepted accounting principles. The basis of accounting involves the application of accrual accounting; consequently, revenues and gains are recognized when earned and expenses and losses are recognized when incurred.

***Financial Statement Presentation***

In accordance with the Not-for-Profit Entities Topic 958 of the Financial Accounting Standards Board (FASB) *Accounting Standards Codification* (ASC), the Foundation is required to report information regarding its financial position and activities according to the existence or absence of donor-imposed restrictions.

*Net Assets without Donor Restrictions* represent funds available for grants and expenses which are not otherwise limited by donor restrictions.

*Net Assets with Donor Restrictions* consist of contributed funds subject to specific donor-imposed restrictions contingent upon specific performance of a future event or a specific passage of time.

**Berks County Community Foundation, Inc.,  
Supporting Organizations and Disregarded Entities**

**Notes to Combined Financial Statements  
June 30, 2024 and 2023**

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**(2) Summary of Significant Accounting Policies, Continued**

***Financial Statement Presentation, Continued***

The Foundation enters into individual agreements with donors to reflect the types of funds to be created and the purpose for which the contribution is intended. Pursuant to the Foundation's articles of incorporation and bylaws, the Board of Directors (the "Board") has the power to modify any restriction or condition on the distribution of funds for any specified charitable purpose or to specified organizations, if in the sole judgement of the Board, such restriction or condition becomes, in effect unnecessary, incapable of fulfillment, or inconsistent with the charitable needs of the community. As a result of this "variance power," the Foundation has no assets that are permanently restricted. Net assets encumbered by a time stipulation are with donor restrictions as explained below.

The Foundation's assets consist of more than 370 component funds established by donors for a variety of purposes. The Board has designated the assets as follows:

***Without Donor Restrictions:***

**Endowment:** Board-designated endowment assets include all contributions to the Foundation with the intention of the donor that the assets remain in perpetuity with the Foundation, subject to the Board's variance power. The Board intends to spend from these assets only an amount allowable under its spending policy. The spending policy is established and maintained by the Board at a level consistent with the donors' intention for assets to remain in perpetuity.

**Available for grant making:** Available for grant making assets include all non-endowed funds and that portion of endowed funds determined under the Foundation's spending policy to be available for grant making.

**Operating:** Operating assets include all assets used to provide for support services for the Foundation and to produce income to offset administrative and operating expenses.

***With Donor Restrictions:***

**Restricted to the passage of time:** In accordance with ASC 958-605, *Revenue Recognition*, contributions received as well as collectible unconditional promises to give are recognized in the period received. Contributions with donor-stipulated time restrictions are reported as revenues with donor restrictions. When the time restrictions expire, net assets with donor restrictions are released to net assets without donor restrictions and reported in the combined statement of activities as net assets released from restrictions.

**Berks County Community Foundation, Inc.,  
Supporting Organizations and Disregarded Entities**

**Notes to Combined Financial Statements  
June 30, 2024 and 2023**

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**(2) Summary of Significant Accounting Policies, Continued**

***Combined Financial Statements***

Supporting organizations under common control of the Berks County Community Foundation are reported as one economic entity with the Foundation. As such, inter-organizational transactions and balances are eliminated in preparing the combined financial statements.

***Income Taxes***

The Foundation accounts for uncertain tax positions in accordance with ASC 740, *Income Taxes*. ASC 740 prescribes a recognition threshold and measurement attribute for combined financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return and also provides guidance on various related matters such as derecognition, interest, penalties, and disclosures required. The Foundation recognizes interest and penalties, if any, related to unrecognized tax benefits in tax expense. There were no interest and penalties related to unrecognized tax benefits for the years ended June 30, 2024 and 2023.

The Foundation is no longer subject to examination by the Internal Revenue Service (IRS) and Pennsylvania Department of Revenue for years prior to June 30, 2021.

***Cash and Cash Equivalents***

The Foundation considers all unrestricted highly liquid investments with an initial maturity of three months or less to be cash equivalents.

***Contributions Receivable***

Unconditional promises to give, less an allowance for uncollectible amounts, are recognized as revenue in the period received and as assets. Conditional promises to give are recognized when the conditions on which they depend are substantially met. Contributions receivable are reflected at a discount of 3% per year on long-term promises to give.

**Berks County Community Foundation, Inc.,  
Supporting Organizations and Disregarded Entities**

**Notes to Combined Financial Statements  
June 30, 2024 and 2023**

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**(2) Summary of Significant Accounting Policies, Continued**

***Beneficial Interest in Trusts***

Beneficial interest in trusts consists of beneficial interests in charitable remainder trusts. Donors established and funded trusts under which specified distributions are made to a designated beneficiary or beneficiaries over the trusts' terms. Upon termination of the trusts, the Foundation receives the assets or a percentage of the assets remaining in the trusts. Beneficial interest in charitable remainder trusts are recorded at the fair value of the trusts' assets calculated based on the present value of future cash flows expected to be received under the agreements. Changes in fair value of net assets of the trusts are recorded as gains or losses in the combined statements of activities. Net assets and changes in net assets are recorded as with donor restrictions.

***Building, Land, Property and Equipment***

Property and equipment are stated at cost, or if donated, at fair market value at the date of donation. Donations of depreciable assets in excess of \$5,000 are subject to appraisal. Property and equipment acquisitions are capitalized if they are in excess of \$10,000. Items that are less than the capitalization threshold are expensed in the year acquired. Donations of long-lived assets, received without stipulations as to use, are classified as unrestricted contributions in the year received. Depreciation is provided on the straight-line method over the estimated useful lives of the assets. Estimated useful lives are as follows:

Equipment	3 - 5 Years
Furniture and fixtures	7 Years
Software	3 Years
Building	39 Years

***Loans and Interest Receivable***

Loans extended from several funds are reported in the combined statements of financial position at the outstanding principal adjusted for any charge-offs. Management intends, and has the ability, to hold these loans for the foreseeable future or until maturity or payoff. Interest income is recognized when earned. See Note 6.

***Investments***

The Foundation accounts for investments under ASC 320, *Investments - Debt and Equity Securities*. Under ASC 320, investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair values in the combined statements of financial position.

**Berks County Community Foundation, Inc.,  
Supporting Organizations and Disregarded Entities**

**Notes to Combined Financial Statements  
June 30, 2024 and 2023**

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**(2) Summary of Significant Accounting Policies, Continued**

***Investments, Continued***

Investment management fees, custodial fees, and investment consulting fees are netted against unrealized gains or added to unrealized losses on the marketable securities. For fiscal years ended June 30, 2024 and 2023, investment management fees of \$172,997 and \$192,246, respectively, are included in net unrealized gain on investments.

***Fair Value Measurements***

ASC 820, *Fair Value Measurements and Disclosures*, provides the framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy under ASC 820 are described as follows:

- Level 1: Quoted market prices for identical assets or liabilities in active markets.
- Level 2: Observable market based inputs or unobservable inputs that are corroborated by market data.
- Level 3: Unobservable inputs that are not corroborated by market data.

The asset's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

For a description of the valuation methodologies used for assets measured at fair value, see Note 9. There have been no changes in the methodologies used at June 30, 2024 and 2023.

***Contributions***

Contributions received are recorded as without donor restriction or with donor restriction depending on the existence and/or nature of donor restrictions.

Amounts received which are designated for future periods or restricted by the donor for specific purposes are reported as with donor restriction. When a donor restriction expires, with donor restriction net assets are reclassified to without donor restriction net assets and reported in the combined statement of activities as net assets released from restrictions.

The Foundation reports donated marketable securities as contributions at their fair value at the date of donation, upon which they are immediately converted into cash.

**Berks County Community Foundation, Inc.,  
Supporting Organizations and Disregarded Entities**

**Notes to Combined Financial Statements  
June 30, 2024 and 2023**

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**(2) Summary of Significant Accounting Policies, Continued**

***Donated Services***

Under ASC 958-605, *Revenue Recognition*, the Foundation recognizes services requiring specialized skills, such as those provided by accountants, attorneys, marketing consultants, and other professionals, if the services would need to be purchased if not donated. There were no donated services that met the criteria for recognition for the years ended June 30, 2024 and 2023.

***Concentrations of Risk***

Financial instruments that potentially subject the Foundation to concentrations of risk consist primarily of unconditional promises to give, as these originate within Berks County, as well as cash and cash equivalents and investments. The Foundation places its cash and cash equivalents with quality credit institutions and, at times, such balances may be in excess of FDIC limits. The Foundation uses IntraFi Cash Service to limit its exposure to balances in excess of FDIC limits.

The Foundation invests in various investment securities that are exposed to various risks such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the value of investment securities will occur in the near term and that such changes could materially affect investment account balances.

***Functional Expense Allocations***

Functional expenses are those expenses incurred by the Foundation in the accomplishment of its stated mission. They can further be categorized as follows:

- Program services, including awarded grants and scholarships, services to nonprofits, philanthropic leadership, and civic leadership;
- General and administrative, including expenses that benefit the Foundation as an entity and the management and accounting for funds; and
- Fundraising, including originating and maintaining relationships with donors.

The cost of providing the various programs and supporting services has been summarized on a functional basis in the combined statements of activities and combined statements of functional expenses. These statements report expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. Personnel expenses are allocated on the basis of estimate of time and effort; occupancy expenses are allocated on the basis of square footage.



**Berks County Community Foundation, Inc.,  
Supporting Organizations and Disregarded Entities**

**Notes to Combined Financial Statements  
June 30, 2024 and 2023**

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**(2) Summary of Significant Accounting Policies, Continued**

***Use of Estimates***

The preparation of combined financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts of disclosures. Accordingly, actual results could differ from those estimates.

***Subsequent Events***

Management has performed an evaluation of subsequent events through October 15, 2024, which is the date the combined financial statements were available to be issued.

**(3) Liquidity**

Financial assets available for grants and other expenses within one year of the combined statements of financial position date comprise the following at June 30:

	2024	2023
Cash and cash equivalents	\$ 4,401,648	\$ 4,183,198
Other current assets	280,097	162,594
Long-term investments made available for current use	6,786,398	6,761,060
	<u>\$ 11,468,143</u>	<u>\$ 11,106,852</u>

As described in Note 17, the Foundation's board-designated endowments are subject to an annual spend rate of 4.5%. A spendable amount of \$6,786,398 at June 30, 2024 will be made available for grant making and administrative expenses from these endowments within the next 12 months.

As part of the Foundation's liquidity management, it has a policy to structure its financial assets to be available as its awarded grants, general expenditures, liabilities, and other obligations are due. The Foundation invests cash in excess of daily requirements in money market accounts, treasuries and short-term investments.

Endowment assets are pooled for investment, with liquidity managed through the pools' target allocations to illiquid investments, and periodic review of current illiquidity and projected total exposure to managers with lock-up provisions.

**Berks County Community Foundation, Inc.,  
Supporting Organizations and Disregarded Entities**

**Notes to Combined Financial Statements  
June 30, 2024 and 2023**

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**(4) Supporting Organizations of and Disregarded Entities Owned by Berks County Community Foundation, Inc.**

During the fiscal year ended June 30, 2004, Berks County Foundation Properties II, Inc. (Properties II, Inc.) was formed as a supporting organization of the Foundation under IRC Section 509(a)(3). Properties II, Inc. was formed specifically to accept gifts of real property for the benefit of Berks County Community Foundation, Inc.

South Mountain Camps Foundation (SM Camps) transferred its assets to Berks County Community Foundation, Inc. in January 2009. SM Camps exists to capture specific bequests for South Mountain YMCA. During fiscal year ended June 30, 2011, the IRS determined that the SM Camps is a Type 1 supporting organization under IRC section 509(a)(3). On October 10, 2023, SM Camps was legally dissolved.

During the fiscal year ended June 30, 2016, Berks County Community Foundation, Inc. became the sole member of BCCF Properties, LLC (Properties, LLC), a limited liability company. Properties, LLC was formed specifically to accept gifts of real property and to liquidate them for the benefit of Berks County Community. Contributions to a disregarded single member limited liability company wholly-owned or controlled by a foundation described in IRC Section 170(b)(1) are treated as a charitable contribution to its controlling member.

During the fiscal year ended June 30, 2016, Berks County Community Foundation, Inc. became the sole member of Community Properties, LLC, a limited liability company. Community Properties, LLC was formed specifically to hold land not held for resale for the benefit of Berks County Community Foundation, Inc. In January 2016, a small parcel of land was purchased by Community Properties, LLC and in May 2019, another small parcel of land was purchased. The land is located next to the Foundation headquarters and is used for parking for Foundation staff and visitors.

On September 17, 2020, the Home Health Care Foundation received an IRS ruling accepting the application to become a Type III supporting organization of Berks County Community Foundation, Inc. A Type III supporting organization must be operating in connection with, but not under common control of the supported organization. Therefore, the Home Health Care Foundation maintains separate books and is not included in the combined financial statements.

**Berks County Community Foundation, Inc.,  
Supporting Organizations and Disregarded Entities**

**Notes to Combined Financial Statements  
June 30, 2024 and 2023**

**(4) Supporting Organizations of and Disregarded Entities Owned by Berks County Community Foundation, Inc., Continued**

Properties II, Inc., SM Camps, Properties, LLC, Community Properties, LLC and the Foundation are under common control. Financial statements of these organizations are included in the combined statements of financial position, activities, functional expenses, and cash flows. The components of net assets of the Foundation and Supporting Organizations are as follows as of June 30:

	2024	2023
Net assets:		
Without donor restrictions:		
Berks County Community Foundation, Inc.	\$ 126,190,062	\$ 115,583,155
Berks County Community Foundation Properties II, Inc.	81,929	60,117
Community Properties, LLC	11,890	12,087
BCCF Properties, LLC	88	312
Total net assets without donor restrictions	<u>\$ 126,283,969</u>	<u>\$ 115,655,671</u>
With donor restrictions:		
Berks County Community Foundation, Inc.	<u>\$ 1,018,495</u>	<u>\$ 946,518</u>

**(5) Contributions Receivable**

Contributions receivable consist of unconditional promises to give for operations and endowments. Contributions receivable are as follows at June 30:

	2024	2023
Receivable in less than one year	<u>\$ 24,000</u>	<u>\$ 12,000</u>
Receivable in one to five years	12,000	9,000
Total contributions receivable	36,000	21,000
Less: discounts to net present value	480	270
Net contributions receivable	<u>\$ 35,520</u>	<u>\$ 20,730</u>

**(6) Loans and Interest Receivable**

As of June 30, 2024, the Foundation has loans outstanding to businesses, students, and nonprofit organizations from several funds. Repayment terms vary from two to ten years with interest rates ranging from 1.75% to 12%.

**Berks County Community Foundation, Inc.,  
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**Notes to Combined Financial Statements  
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**(6) Loans and Interest Receivable, Continued**

Management has evaluated the need for an allowance for loan losses based on the risks inherent in the portfolio, the estimated value of any underlying collateral and the guarantees, if any, of the principal borrowed. Management has established an allowance for loan losses of \$51,515 and \$77,615 as of June 30, 2024 and 2023.

During the years ended June 30, 2024 and 2023, the Foundation received principal payments of \$47,851 and \$67,163 respectively, and interest income of \$4,098 and \$4,656, respectively.

Loans and interest receivable are as follows at June 30:

	2024	2023
Receivable in less than one year	\$ 215,693	\$ 77,555
Receivable in one to five years	88,772	104,137
Receivable in more than five years	12,700	171,200
Total loans receivable	317,165	352,892
Less: allowance for loan losses	51,515	77,615
Net loans receivable	265,650	275,277
Interest receivable	2,851	3,677
Net loans and interest receivable	\$ 268,501	\$ 278,954

**(7) Property and Equipment**

Property and equipment summarized by major classification are as follows at June 30:

	2024	2023
Equipment	\$ 110,210	\$ 157,514
Furniture and fixtures	202,681	169,772
Total property and equipment	312,891	327,286
Less: accumulated depreciation	219,637	260,170
Property and equipment, net	\$ 93,254	\$ 67,116

Depreciation expense for the years ended June 30, 2024 and 2023 was \$19,235 and \$18,440, respectively.

**Berks County Community Foundation, Inc.,  
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**(8) Building**

Building is as follows at June 30:

	2024	2023
Building	\$ 6,378,868	\$ 6,378,869
Less: accumulated depreciation	2,321,742	2,158,181
Building, net	<u>\$ 4,057,126</u>	<u>\$ 4,220,688</u>

Depreciation expense was \$163,561 and \$160,304 for the years ended June 30, 2024 and 2023, respectively.

**(9) Fair Value Measurements**

The Foundation uses prices and inputs that are current as of the measurement date, obtained through multiple third-party custodians from independent pricing services. To differentiate between the varying degrees of certainty of these fair market valuations, the Foundation identifies three levels covering securities with a ready market (Level 1 measurements) to securities which may have a specific or illiquid market (Level 3 measurements). A description of the valuation techniques applied to the major categories of investments measured at fair value is outlined below.

*Equity securities and public real estate fund:* Valued at the closing price reported on the active market on which the individual securities are traded.

*Equity and fixed income mutual funds:* Valued at the daily closing price as reported by the fund. Mutual funds held by the Foundation are open-end mutual funds that are registered with the Securities and Exchange Commission. These funds are required to publish their daily net asset value (NAV) and to transact at that price. The mutual funds held by the Foundation are deemed to be actively traded.

*Corporate and U.S. government debt securities and certificates of deposit:* Valued using pricing models maximizing the use of observable inputs for similar securities. This includes basing value on yields currently available on comparable securities of issuers with similar credit ratings.

*Beneficial interest in trusts:* Valued at present value based on the Foundation's interest in the quoted market prices of the underlying assets contained in the trusts at year end. Control of the assets is held by a trustee, not the Foundation. Additionally, the Foundation's beneficial interest in these trusts is invested in assets whose fair value is determined using NAV of the respective trust's investments. Although the investments in these trusts are exclusively identified as Level 3 of the fair value hierarchy, the underlying holdings of the trusts comprise Level 1, 2 and 3 securities. The trustees report the NAV of these trusts on a periodic basis.

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**(9) Fair Value Measurements, Continued**

*Partnership interests and hedge funds:* Valued at NAV of units held. The NAV is used as a practical expedient to estimate fair value. The NAV is based on the fair value of the underlying investments held by the fund less its liability. This practical expedient is not used when it is determined to be probable that the fund will sell the investment for an amount different than the reported NAV.

The availability of observable inputs can vary from instrument to instrument and is affected by a wide variety of factors, including, for example, the liquidity of markets and other characteristics particular to the transaction. To the extent that valuation is based on models or inputs that are less than observable in the market, the determination of fair value requires more judgment.

The fair value hierarchy table presenting the Foundation's investments measured at fair value is as follows at June 30:

	Assets at Fair Value as of June 30, 2024			
	Level 1	Level 2	Level 3	Total
Cash	\$ 1,300,908	\$ -	\$ -	\$ 1,300,908
U.S. government debt securities	153,196	-	-	153,196
Corporate debt securities	-	511,829	-	511,829
Equity mutual funds	80,459,598	-	-	80,459,598
Public real estate fund	1,725,437	-	-	1,725,437
Fixed income mutual funds	16,340,012	-	-	16,340,012
Total investments in fair value hierarchy	99,979,151	511,829	-	100,490,980
Investments measured at NAV (a)	-	-	-	24,648,181
Total investments at fair value	99,979,151	511,829	-	125,139,161
Beneficial interest in trusts	-	-	1,018,495	1,018,495
Total investments at fair value	\$ 99,979,151	\$ 511,829	\$ 1,018,495	\$ 126,157,656

  

	Assets at Fair Value as of June 30, 2023			
	Level 1	Level 2	Level 3	Total
Cash	\$ 479,505	\$ -	\$ -	\$ 479,505
U.S. government debt securities	165,180	-	-	165,180
Corporate debt securities	-	950,062	-	950,062
Equity securities	1,639,640	-	-	1,639,640
Equity mutual funds	70,535,896	-	-	70,535,896
Public real estate fund	1,627,587	-	-	1,627,587
Fixed income mutual funds	14,908,427	-	-	14,908,427
Total investments in fair value hierarchy	89,356,235	950,062	-	90,306,297
Investments measured at NAV (a)	-	-	-	23,647,086
Total investments at fair value	89,356,235	950,062	-	113,953,383
Beneficial interest in trusts	-	-	946,518	946,518
Total investments at fair value	\$ 89,356,235	\$ 950,062	\$ 946,518	\$ 114,899,901

(a) The Foundation invests in private equity investments and hedge funds which trade at the NAV per share practical expedient of the fund. These funds are not categorized within the fair value hierarchy.

**Berks County Community Foundation, Inc.,  
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**Notes to Combined Financial Statements  
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**(9) Fair Value Measurements, Continued**

The following table summarizes investments measured at fair value on the NAV per share as a practical expedient as of June 30:

Investment	Fair Value at June 30,		Unfunded Commitments	Redemption Frequency	Redemption Notice Period
	2024	2023			
Hedge funds:					
Magnitude International	\$ 6,202,389	\$ 6,885,378	\$ -	Quarterly	65 days, 1 year lock provision
Socorro Dynamic Opportunity Fund	6,558,532	5,735,169	-	Semi-monthly	15 days, 1 year lock provision
Private equity partnerships:					
Falcon Strategic Partners V	691,256	676,364	-	Not applicable	Not applicable
Falcon Strategic Partners VI	1,422,751	1,363,101	-	Not applicable	Not applicable
GEM Realty Fund V	238,608	302,236	105,000	Not applicable	Not applicable
Strategic Value Special Situation Feeder Fund II	348,820	405,710	80,891	Not applicable	Not applicable
Strategic Value Special Situation Feeder Fund III	843,690	1,004,934	90,000	Not applicable	Not applicable
Strategic Value Special Situation Feeder Fund IV	1,160,795	1,229,968	100,000	Not applicable	Not applicable
Strategic Value Capital Solutions Feeder Fund	1,715,522	1,645,596	75,000	Not applicable	Not applicable
Strategic Value Capital Solutions Feeder Fund II	290,417	100,000	725,000	Not applicable	Not applicable
Timber Bay Fund II	1,031,503	816,025	41,623	Not applicable	Not applicable
RCP Fund XIV, LP	794,434	682,159	177,661	Not applicable	Not applicable
TrueBridge Capital Partners Fund VI	1,206,239	1,171,963	-	Not applicable	Not applicable
TrueBridge Capital Partners Fund VII	512,897	308,825	480,000	Not applicable	Not applicable
Guidepost Growth Equity Fund III	1,062,461	835,035	125,000	Not applicable	Not applicable
Palatine Real Estate Fund IV	126,442	104,003	855,800	Not applicable	Not applicable
WCM Partnership (Weik)	441,425	380,620	-	Not applicable	Not applicable
Total	<u>\$ 24,648,181</u>	<u>\$ 23,647,086</u>	<u>\$ 2,855,975</u>		

The Foundation uses two privately-held hedge fund-of-funds whose primary focus is investing in funds specializing in equities, both long-term and short-term. The Foundation uses the hedge fund-of-funds and private equity partnerships strategy to generate superior risk-adjusted returns with a low correlation to both the equity and fixed income markets. The Foundation's risk management policy of providing a more stable long-term yield as documented in its Investment Policy Statement is obtained by this blending of different strategies and asset classes.

There were no transfers into, transfers out of, or purchases of level 3 assets during the years ended June 30, 2024 and 2023.

**Berks County Community Foundation, Inc.,  
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**Notes to Combined Financial Statements  
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**(10) Beneficial Interest in Trusts**

The Foundation is a beneficiary of several irrevocable charitable remainder trusts, which are quantifiable as of June 30, 2024 and 2023. The net present value of these receivables was determined using the fair value of the trust assets, single or joint life expectancies from IRS tables, and discount rates at the time the trusts were established ranging from 4.8% to 7.8%. On an annual basis, the Foundation revalues the receivables based on changes in the value of the trusts' assets and these assumptions. Revaluation adjustments are reported in the combined statements of activities as changes in the value of beneficial interest in trusts. The balance of these receivables at June 30, 2024 and 2023 is \$1,018,495 and \$946,518, respectively. These receivables are classified as a component of net assets with donor restrictions until the future cash flows are received.

**(11) Grants Payable**

Grants authorized but unpaid at year end are reported as liabilities in accordance with ASC 958-605, *Revenue Recognition*. Grants to be paid in more than one year are discounted 3% per year. The following is a summary of grants authorized and payable as of June 30:

	2024	2023
To be paid in less than one year	\$ 1,183,439	\$ 1,162,723
To be paid in one to five years	340,838	353,327
Gross grants authorized and unpaid	1,524,277	1,516,050
Less: discounts on long-term grants	16,540	22,352
Net grants authorized and unpaid	<u>\$ 1,507,737</u>	<u>\$ 1,493,698</u>

There were no internal contribution payable at June 30, 2024.

**(12) Employee Benefits**

The Foundation maintains a 403(b) retirement plan for its employees. The Foundation matches 50% of eligible employee contributions up to a maximum of 8% of salary. The Foundation contributed \$36,244 and \$39,154 to the 403(b) plan in fiscal years 2024 and 2023, respectively.



**Berks County Community Foundation, Inc.,  
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**Notes to Combined Financial Statements  
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**(13) Notes Payable**

Notes payable are summarized as follows at June 30:

	2024	2023
Note payable to local bank in monthly principal installments of \$1,194 plus interest at SOFR plus 1.62% (6.95% at June 30, 2024), and collateralized by land and property. All unpaid principal and interest are due July 2028.	\$ 345,195	\$ 359,528
Note payable to local bank in monthly principal installments of \$1,272 plus interest at SOFR plus 1.62% (6.95% at June 30, 2024), and collateralized by land and property. All unpaid principal and interest is due July 2032.	367,586	382,849
Note payable to local bank in monthly principal installments of \$2,989 plus interest at SOFR plus 1.62% (6.95% at June 30, 2024), and collateralized by land and property. All unpaid principal and interest is due August 2029.	863,687	899,550
	<u>\$ 1,576,468</u>	<u>\$ 1,641,927</u>

Future maturities of notes payable are as follows:

Year Ending June 30,	Amount
2025	\$ 65,459
2026	65,459
2027	65,459
2028	65,459
2029	338,987
Thereafter	975,645
	<u>\$ 1,576,468</u>

**Berks County Community Foundation, Inc.,  
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**(14) Line of Credit**

The Foundation established a working capital line of credit effective March 1, 2022 with available borrowings of \$500,000. Interest is payable monthly on the outstanding balance at 1.75% over the 30-day Secured Overnight Financing Rate (SOFR) (7.08% as of June 30, 2024). There was no outstanding balance on the line of credit at June 30, 2024.

**(15) Charitable Gift Annuities**

The charitable gift annuities provide for the periodic payment of distributions to designated individuals (the annuitants) over a specified period of time. At the end of the specified term, the remaining assets will remain at the Foundation to benefit the donor-specified charity.

There were no contributions received under charitable gift annuity agreements for the years ended June 30, 2024 and 2023. Present value of future annuity payments is recognized as a liability in the combined statements of financial position. As of June 30, 2024 and 2023, the annuity payment liabilities totaled \$29,666 and \$31,585, respectively.

**(16) Transfers of Assets to a Not-For-Profit Foundation or Charitable Trust That Raises or Holds Contributions for Others**

The Foundation follows ASC 605, *Revenue Recognition*, which provides 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. ASC 605 specifically requires that if a not-for-profit organization (NPO) establishes 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 maintains variance power and legal ownership of agency endowment funds and, as such, continues to report the funds as assets of the Foundation. However, in accordance with ASC 605, 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.

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**(16) Transfers of Assets to a Not-For-Profit Foundation or Charitable Trust That Raises or Holds Contributions for Others, Continued**

At June 30, 2024 and 2023, the Foundation was the owner of twenty-one agency endowment funds with a combined value of \$4,690,338 and \$3,986,752, respectively. The following table summarizes activity in such funds at June 30:

	2024	2023
Agency endowment fund balances at July 1	\$ 3,986,752	\$ 3,144,088
Contributions	334,768	736,622
Investment income	79,486	63,374
Net unrealized and realized investment gains	450,053	205,467
Grants made	(160,721)	(162,799)
Agency endowment fund balances at June 30	<u>\$ 4,690,338</u>	<u>\$ 3,986,752</u>

**(17) Endowment Funds**

ASC 205, *Presentation of Financial Statements*, provides guidance on the net asset classification of donor-restricted endowment funds for a nonprofit organization that is subject to an enacted version of the Uniform Prudent Management of Institutional Funds of 2006 (UPMIFA). ASC 205 also improves disclosures about an organization's endowment funds (both donor restricted endowment funds and board designated endowment funds) whether or not the organization is subject to UPMIFA.

The Commonwealth of Pennsylvania has not adopted UPMIFA. The Commonwealth of Pennsylvania has enacted Act 141 (the Act). The Act allows the Foundation to elect a "total return investment policy". Income is defined by the Act to mean a fixed percentage of the "value of the assets" held by the Foundation, not less than 2% or more than 7%. The "value of the assets" for the purposes of the Act is the average fair market value of the assets over a three year period (or the average value of the assets over any shorter period in the cases of assets held less than three years). The Foundation has a total return investment policy with a spending policy of 4.5% for each of the years ended June 30, 2024 and 2023 on the trailing twelve quarter average value of the funds. This spending policy determines the funds available for grant making.

The Foundation's investment objective is to maximize returns through a highly diversified portfolio of assets consisting of equity, fixed income and investments such as hedge funds. The return object of the Foundation is the desired annual payout, or spending policy, plus inflation as measured by the Consumer Price Index (CPI) and growth. The Foundation maintains a prudent risk policy through its Investment Policy Statement and the asset allocation described therein is consistent with the public nature and position of the Foundation.

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**(17) Endowment Funds, Continued**

Changes in the endowment net assets, which are all classified as without donor restrictions are as follows for the years ended June 30:

	<u>2024</u>
Endowment net assets, beginning of year	\$ 113,953,383
Contributions	3,711,411
Investment income	2,210,528
Net appreciation in fair value	12,420,527
Amounts appropriated for expenditures	<u>(7,156,688)</u>
Endowment net assets, end of year	<u>\$ 125,139,161</u>
	<u>2023</u>
Endowment net assets, beginning of year	\$ 109,998,232
Contributions	4,290,179
Investment income	1,989,138
Net depreciation in fair value	5,472,498
Amounts appropriated for expenditures	<u>(7,796,664)</u>
Endowment net assets, end of year	<u>\$ 113,953,383</u>