

**BERKS COUNTY COMMUNITY
FOUNDATION, INC.,
SUPPORTING
ORGANIZATIONS AND
DISREGARDED ENTITIES**

Combined Financial Statements

June 30, 2023 and 2022

**Kreischer
Miller**

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**BERKS COUNTY COMMUNITY FOUNDATION, INC., SUPPORTING
ORGANIZATIONS AND DISREGARDED ENTITIES**

June 30, 2023 and 2022

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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, 2023 and 2022, 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, 2023 and 2022, 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 18, 2023

**BERKS COUNTY COMMUNITY FOUNDATION, INC., SUPPORTING
ORGANIZATIONS AND DISREGARDED ENTITIES**

**Combined Statements of Financial Position
June 30, 2023 and 2022**

	2023	2022
ASSETS		
Cash and cash equivalents	\$ 4,183,198	\$ 4,388,737
Prepaid expenses	64,309	37,489
Contributions receivable, net	20,730	48,054
Beneficial interest in trusts	946,518	927,481
Property and equipment, net	67,116	47,623
Building, net	4,220,688	4,126,937
Land	243,754	243,754
Loans and interest receivable, net	278,954	315,067
Investments, at fair value	113,953,383	109,998,232
Total assets	<u>\$ 123,978,650</u>	<u>\$ 120,133,374</u>
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable	\$ 111,682	\$ 78,194
Grants payable, net	1,493,698	1,696,056
Accrued expenses	110,817	189,402
Notes payable	1,641,927	1,707,386
Annuity payment liabilities	31,585	39,671
Funds held as agency endowments	3,986,752	3,144,088
Total liabilities	<u>7,376,461</u>	<u>6,854,797</u>
Net assets:		
Without donor restrictions	115,655,671	112,351,096
With donor restrictions	946,518	927,481
Total net assets	<u>116,602,189</u>	<u>113,278,577</u>
Total liabilities and net assets	<u>\$ 123,978,650</u>	<u>\$ 120,133,374</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, 2023 and 2022**

	2023		
	Without Donor Restrictions	With Donor Restrictions	Total
Revenues and other support:			
Contributions	\$ 4,844,852	\$ -	\$ 4,844,852
Other revenues and gains:			
Investment income	1,925,764	-	1,925,764
Net realized gain on investments	3,885,346	-	3,885,346
Net unrealized gain (loss) on investments	1,381,661	-	1,381,661
Net unrealized gain (loss) from beneficial interest in trusts	-	19,037	19,037
Other income	144,959	-	144,959
Total revenues (losses) and other support	12,182,582	19,037	12,201,619
Expenses:			
Program services	7,352,540	-	7,352,540
General and administrative	919,312	-	919,312
Fundraising	606,155	-	606,155
Total expenses	8,878,007	-	8,878,007
Increase (decrease) in net assets	3,304,575	19,037	3,323,612
Net assets, beginning of year	112,351,096	927,481	113,278,577
Net assets, end of year	\$ 115,655,671	\$ 946,518	\$ 116,602,189

See accompanying notes to combined financial statements.

2022		
Without Donor Restrictions	With Donor Restrictions	Total
\$ 5,249,395	\$ -	\$ 5,249,395
1,772,175	-	1,772,175
8,040,329	-	8,040,329
(23,603,429)	-	(23,603,429)
-	(163,346)	(163,346)
77,574	-	77,574
(8,463,956)	(163,346)	(8,627,302)
6,907,705	-	6,907,705
649,646	-	649,646
414,520	-	414,520
7,971,871	-	7,971,871
(16,435,827)	(163,346)	(16,599,173)
128,786,923	1,090,827	129,877,750
\$ 112,351,096	\$ 927,481	\$ 113,278,577

BERKS COUNTY COMMUNITY FOUNDATION, INC., SUPPORTING ORGANIZATIONS AND DISREGARDED ENTITIES

**Combined Statements of Cash Flows
Years Ended June 30, 2023 and 2022**

	2023	2022
Cash flows from operating activities:		
Increase (decrease) in net assets	\$ 3,323,612	\$ (16,599,173)
Adjustments to reconcile increase (decrease) in net assets to net cash provided by (used in) operating activities:		
Bad debt expense	-	553
Depreciation	178,744	177,112
Net unrealized (gain) loss on investments	(1,381,661)	23,603,429
Net realized gain on investments	(3,885,346)	(8,040,329)
Discount on contributions receivable	(270)	(570)
Discount on grants payable	(7,203)	10,324
(Increase) decrease in value of beneficial interest in trusts	(19,037)	163,346
Changes in operating assets and liabilities:		
(Increase) decrease in assets:		
Prepaid expenses	(26,820)	(34,614)
Contributions receivable	27,594	79,423
Loans and interest receivable	-	(548)
Increase (decrease) in liabilities:		
Accounts payable	33,488	27,142
Grants payable	(195,155)	(343,409)
Accrued expenses	(78,585)	78,492
Annuity payment liabilities	(8,086)	(30,446)
Funds held as agency endowments	842,664	2,629,325
Net cash provided by (used in) operating activities	<u>(1,196,061)</u>	<u>1,720,057</u>
Cash flows from investing activities:		
Purchase of investments	(28,413,770)	(41,528,742)
Purchase of property and equipment	(291,538)	(24,597)
Proceeds from sale of investments	29,725,626	40,850,983
Loan principal and interest receivable payments	67,163	105,243
Loans advanced	(31,500)	(4,000)
Net cash provided by (used in) investing activities	<u>1,055,981</u>	<u>(601,113)</u>
Cash flows from financing activity:		
Repayments on notes payable	(65,459)	(65,459)
Net increase (decrease) in cash and cash equivalents	(205,539)	1,053,485
Cash and cash equivalents, beginning of year	4,388,737	3,335,252
Cash and cash equivalents, end of year	<u>\$ 4,183,198</u>	<u>\$ 4,388,737</u>
Supplemental disclosure of cash flow information:		
Cash paid during the year for interest	<u>\$ 89,906</u>	<u>\$ 30,558</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, 2023 and 2022**

	2023			Total
	Program Services	General and Administrative	Fundraising	
Grants to others	\$ 5,879,576	\$ -	\$ -	\$ 5,879,576
Bad debt expense	-	-	-	-
Salaries	553,283	459,438	190,217	1,202,938
Office and program supplies	42,433	2,527	1,046	46,006
Marketing	108,661	95,736	105,356	309,753
Depreciation	110,572	34,086	34,086	178,744
Payroll taxes	40,552	33,675	13,942	88,169
Interest	53,944	17,981	17,981	89,906
Conferences and meetings	46,483	21,438	8,876	76,797
Professional fees	269,677	93,965	-	363,642
Employee benefits	43,172	35,849	14,843	93,864
Postage	1,058	1,058	1,090	3,206
Travel	5,908	820	339	7,067
Special events	12,016	-	145,124	157,140
Professional dues and subscriptions	20,672	4,740	1,962	27,374
Telephone	3,751	3,115	1,290	8,156
Insurance	12,137	10,078	22,799	45,014
Small equipment and fixtures	-	27,132	-	27,132
Equipment maintenance	41,833	32,751	13,559	88,143
Software maintenance	23,177	19,246	7,968	50,391
Rent	3,239	-	-	3,239
Utilities	20,427	6,102	6,102	32,631
Cleaning, maintenance and repair	59,969	19,575	19,575	99,119
Total expenses	\$ 7,352,540	\$ 919,312	\$ 606,155	\$ 8,878,007

See accompanying notes to combined financial statements.

2022

Program Services	General and Administrative	Fundraising	Total
\$ 5,661,183	\$ -	\$ -	\$ 5,661,183
10,553	-	-	10,553
531,700	371,785	162,285	1,065,770
31,354	3,008	1,313	35,675
10,913	4,986	31,189	47,088
109,352	33,880	33,880	177,112
34,928	24,423	10,660	70,011
18,326	6,116	6,116	30,558
14,654	8,717	3,805	27,176
159,250	60,124	-	219,374
45,615	31,895	13,922	91,432
523	524	524	1,571
1,771	732	319	2,822
63,839	-	68,307	132,146
15,255	5,471	2,388	23,114
4,364	3,051	1,332	8,747
14,345	10,030	23,004	47,379
-	5,731	-	5,731
26,175	16,502	7,203	49,880
36,543	25,552	11,154	73,249
3,184	-	-	3,184
19,162	5,700	5,700	30,562
94,716	31,419	31,419	157,554
\$ 6,907,705	\$ 649,646	\$ 414,520	\$ 7,971,871

BERKS COUNTY COMMUNITY FOUNDATION, INC., SUPPORTING ORGANIZATIONS AND DISREGARDED ENTITIES

Notes to Combined Financial Statements June 30, 2023 and 2022

(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, 2023 and 2022

(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 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, 2023 and 2022

(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, 2023 and 2022.

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, 2020.

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, 2023 and 2022

(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.

Property and Equipment, Building and Land

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, 2023 and 2022

(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, 2023 and 2022, investment management fees of \$192,246 and \$222,761, respectively, are included in net unrealized gains (loss).

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, 2023 and 2022.

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, 2023 and 2022

(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, 2023 and 2022.

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, 2023 and 2022

(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.

Upcoming Accounting Pronouncement

In June 2016, the FASB issued ASU 2016-13, *Financial Instruments – Credit Losses* (Topic 326), which requires entities to measure credit losses on most financial assets using a current expected credit loss model (the CECL Model). Per the CECL Model, companies will estimate credit losses over the entire "contractual term" of the instrument from the date of initial recognition of that instrument (i.e., origination or purchase). Entities will record the initial measurement of expected credit losses, as well as any subsequent change in the estimate, as a credit loss expense (or reversal) in the current period of the income statement. Ultimately, the primary objective of the CECL Model is to provide financial statement users with an estimate of the net amount the entity expects to collect on those instruments. The ASU will be effective for the Foundation's June 30, 2024 financial statements.

Subsequent Events

Management has performed an evaluation of subsequent events through October 18, 2023, 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 statements of financial position date comprise the following at June 30:

	2023	2022
Cash and cash equivalents	\$ 4,183,198	\$ 4,388,737
Prepaid expenses	162,594	168,057
Long-term investments made available for current use	6,761,060	5,675,651
	<u>\$ 11,106,852</u>	<u>\$ 10,232,445</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 \$6,761,060 at June 30, 2023 will be made available for grant making and administrative expenses from these endowments within the next 12 months.

BERKS COUNTY COMMUNITY FOUNDATION, INC., SUPPORTING ORGANIZATIONS AND DISREGARDED ENTITIES

Notes to Combined Financial Statements June 30, 2023 and 2022

(3) Liquidity, Continued

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.

(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.

BERKS COUNTY COMMUNITY FOUNDATION, INC., SUPPORTING ORGANIZATIONS AND DISREGARDED ENTITIES

**Notes to Combined Financial Statements
June 30, 2023 and 2022**

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

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.

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:

	2023	2022
Net assets:		
Without donor restrictions:		
Berks County Community Foundation, Inc.	\$ 115,583,155	\$ 112,278,519
Berks County Community Foundation Properties II, Inc.	60,117	60,750
Community Properties, LLC	12,087	11,754
BCCF Properties, LLC	312	73
Total net assets without donor restrictions	<u>\$ 115,655,671</u>	<u>\$ 112,351,096</u>
With donor restrictions:		
Berks County Community Foundation, Inc.	<u>\$ 946,518</u>	<u>\$ 927,481</u>

(5) Contributions Receivable

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

	2023	2022
Receivable in less than one year	\$ 12,000	\$ 36,594
Receivable in one to five years	9,000	12,000
Total contributions receivable	<u>21,000</u>	<u>48,594</u>
Less: discounts to net present value	270	540
Net contributions receivable	<u>\$ 20,730</u>	<u>\$ 48,054</u>

BERKS COUNTY COMMUNITY FOUNDATION, INC., SUPPORTING ORGANIZATIONS AND DISREGARDED ENTITIES

**Notes to Combined Financial Statements
June 30, 2023 and 2022**

(6) Loans and Interest Receivable

As of June 30, 2023, 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 0% to 12%.

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 \$77,615 as of June 30, 2023 and 2022.

During the years ended June 30, 2023 and 2022, the Foundation received principal payments of \$67,163 and \$105,243 respectively, and interest income of \$4,656 and \$5,972, respectively.

Loans and interest receivable are as follows at June 30:

	2023	2022
Receivable in less than one year	\$ 77,555	\$ 93,973
Receivable in one to five years	104,137	134,743
Receivable in more than five years	171,200	160,037
Total loans receivable	352,892	388,753
Less: allowance for loan losses	77,615	77,615
Net loans receivable	275,277	311,138
Interest receivable	3,677	3,929
Net loans and interest receivable	<u>\$ 278,954</u>	<u>\$ 315,067</u>

(7) Property and Equipment

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

	2023	2022
Equipment	\$ 157,514	\$ 178,555
Furniture and fixtures	169,772	164,865
Software	-	18,926
Total property and equipment	327,286	362,346
Less: accumulated depreciation	260,170	314,723
Property and equipment, net	<u>\$ 67,116</u>	<u>\$ 47,623</u>

Depreciation expense for the years ended June 30, 2023 and 2022 was \$18,440 and \$20,065, respectively.

BERKS COUNTY COMMUNITY FOUNDATION, INC., SUPPORTING ORGANIZATIONS AND DISREGARDED ENTITIES

Notes to Combined Financial Statements June 30, 2023 and 2022

(8) Building

Building is as follows at June 30:

	2023	2022
Building	\$ 6,378,869	\$ 6,124,814
Less: accumulated depreciation	2,158,181	1,997,877
Building, net	<u>\$ 4,220,688</u>	<u>\$ 4,126,937</u>

Depreciation expense was \$160,304 and \$157,047 for the years ended June 30, 2023 and 2022, 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.

BERKS COUNTY COMMUNITY FOUNDATION, INC., SUPPORTING ORGANIZATIONS AND DISREGARDED ENTITIES

**Notes to Combined Financial Statements
June 30, 2023 and 2022**

(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, 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 assets at fair value	\$ 89,356,235	\$ 950,062	\$ 946,518	\$ 114,899,901

	Assets at Fair Value as of June 30, 2022			
	Level 1	Level 2	Level 3	Total
Cash	\$ 450,567	\$ -	\$ -	\$ 450,567
U.S. government debt securities	66,699	-	-	66,699
Corporate debt securities	-	542,915	-	542,915
Equity securities	1,803,421	-	-	1,803,421
Equity mutual funds	56,915,064	-	-	56,915,064
Public real estate fund	1,754,431	-	-	1,754,431
Fixed income mutual funds	19,594,076	-	-	19,594,076
Total investments in fair value hierarchy	80,584,258	542,915	-	81,127,173
Investments measured at NAV (a)	-	-	-	28,871,059
Total investments at fair value	80,584,258	542,915	-	109,998,232
Beneficial interest in trusts	-	-	927,481	927,481
Total assets at fair value	\$ 80,584,258	\$ 542,915	\$ 927,481	\$ 110,925,713

(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., SUPPORTING ORGANIZATIONS AND DISREGARDED ENTITIES

**Notes to Combined Financial Statements
June 30, 2023 and 2022**

(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	June 30, 2023	June 30, 2022	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Hedge funds:					
Magnitude International	\$ 6,885,378	\$ 6,418,195	\$ -	Quarterly	65 days, 1 year lock provision
Socorro Dynamic	5,735,169	5,916,830	-	Semi-monthly	15 days, 1 year lock provision
Private equity partnerships:					
Falcon Strategic Partners V	676,364	665,735	-	Not applicable	Not applicable
Falcon Strategic Partners VI	1,363,101	1,371,193	-	Not applicable	Not applicable
Gem Realty Fund	302,236	398,918	105,000	Not applicable	Not applicable
Steadfast Long Capital, Ltd.	-	5,712,054	-	Not applicable	Not applicable
Strategic Value SP SIT II	405,710	518,373	80,891	Not applicable	Not applicable
Strategic Value SP SIT III	1,004,934	1,244,218	90,000	Not applicable	Not applicable
Strategic Value SP SIT IV	1,229,968	1,490,578	100,000	Not applicable	Not applicable
Strategic Value Dislocation Feeder Fund, LP	1,645,596	1,881,756	75,000	Not applicable	Not applicable
Strategic Value Capital Solutions Feeder Fund II	100,000	-	900,000	Not applicable	Not applicable
Timber Bay Fund II	816,025	691,558	237,229	Not applicable	Not applicable
RCP Fund XIV, LP	682,159	430,137	278,074	Not applicable	Not applicable
TrueBridge Capital Partners Fund VI	1,171,963	1,112,362	40,000	Not applicable	Not applicable
TrueBridge Capital Partners Fund VII	308,825	177,437	688,000	Not applicable	Not applicable
Guidepost Growth III	835,035	493,500	275,000	Not applicable	Not applicable
Palatine Real Estate Fund IV	104,003	-	895,997	Not applicable	Not applicable
WCM Partnership (Weik)	380,620	348,215	-	Not applicable	Not applicable
Total	\$ 23,647,086	\$ 28,871,059	\$ 3,765,191		

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, 2023 and 2022.

BERKS COUNTY COMMUNITY FOUNDATION, INC., SUPPORTING ORGANIZATIONS AND DISREGARDED ENTITIES

Notes to Combined Financial Statements June 30, 2023 and 2022

(10) Beneficial Interest in Trusts

The Foundation is a beneficiary of several irrevocable charitable remainder trusts, which are quantifiable as of June 30, 2023 and 2022. 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 statements of activities as changes in the value of beneficial interest in trusts. The balance of these receivables at June 30, 2023 and 2022 is \$946,518 and \$927,481, 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:

	2023	2022
To be paid in less than one year	\$ 1,162,723	\$ 1,257,809
To be paid in one to five years	353,327	467,802
Gross grants authorized and unpaid	1,516,050	1,725,611
Less: discounts on long-term grants	22,352	29,555
Net grants authorized and unpaid	<u>\$ 1,493,698</u>	<u>\$ 1,696,056</u>

Internal contributions payable at June 30, 2023 are \$22,300.

(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 \$39,154 and \$36,837 to the 403(b) plan in fiscal years 2023 and 2022, respectively.

BERKS COUNTY COMMUNITY FOUNDATION, INC., SUPPORTING ORGANIZATIONS AND DISREGARDED ENTITIES

**Notes to Combined Financial Statements
June 30, 2023 and 2022**

(13) Notes Payable

Notes payable are summarized as follows at June 30:

	<u>2023</u>	<u>2022</u>
Note payable to local bank in monthly principal installments of \$1,194 plus interest at SOFR plus 1.62% (6.77% at June 30, 2023), and collateralized by land and property. All unpaid principal and interest are due July 2028.	\$ 359,528	\$ 373,861
Note payable to local bank in monthly principal installments of \$1,272 plus interest at SOFR plus 1.62% (6.77% at June 30, 2023), and collateralized by land and property. All unpaid principal and interest is due July 2032.	382,849	398,112
Note payable to local bank in monthly principal installments of \$2,989 plus interest at SOFR plus 1.62% (6.77% at June 30, 2023), and collateralized by land and property. All unpaid principal and interest is due August 2029.	899,550	935,413
	<u>\$ 1,641,927</u>	<u>\$ 1,707,386</u>

Future maturities of notes payable are as follows:

Year Ending June 30,	Amount
2024	\$ 65,459
2025	65,459
2026	65,459
2027	65,459
2028	65,459
Thereafter	1,314,632
	<u>\$ 1,641,927</u>

BERKS COUNTY COMMUNITY FOUNDATION, INC., SUPPORTING ORGANIZATIONS AND DISREGARDED ENTITIES

Notes to Combined Financial Statements June 30, 2023 and 2022

(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) (6.90% as of June 30, 2023). There was no outstanding balance on the line of credit at June 30, 2023.

(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, 2023 and 2022. Present value of future annuity payments is recognized as a liability in the combined statements of financial position. As of June 30, 2023 and 2022, the annuity payment liabilities totaled \$31,585 and \$39,671, 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.

**BERKS COUNTY COMMUNITY FOUNDATION, INC., SUPPORTING
ORGANIZATIONS AND DISREGARDED ENTITIES**

**Notes to Combined Financial Statements
June 30, 2023 and 2022**

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

At June 30, 2023 and 2022, the Foundation was the owner of twenty-one agency endowment funds with a combined value of \$3,986,752 and \$3,144,088, respectively. The following table summarizes activity in such funds at June 30:

	2023	2022
Agency endowment fund balances at July 1	\$ 3,144,088	\$ 514,763
Contributions	736,622	3,105,056
Investment income	63,374	27,547
Net unrealized and realized investment gains (losses)	205,467	(487,511)
Grants made	(162,799)	(15,767)
Agency endowment fund balances at June 30	<u>\$ 3,986,752</u>	<u>\$ 3,144,088</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, 2023 and 2022 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.

BERKS COUNTY COMMUNITY FOUNDATION, INC., SUPPORTING ORGANIZATIONS AND DISREGARDED ENTITIES

**Notes to Combined Financial Statements
June 30, 2023 and 2022**

(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>2023</u>
Endowment net assets, beginning of year	\$ 109,998,232
Contributions	4,290,179
Investment income	1,989,138
Net appreciation 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>
	<u>2022</u>
Endowment net assets, beginning of year	\$ 124,883,576
Contributions	6,228,140
Investment income	1,799,721
Net depreciation in fair value	(16,050,610)
Amounts appropriated for expenditures	<u>(6,862,595)</u>
Endowment net assets, end of year	<u>\$ 109,998,232</u>