



**Lancaster County Community  
Foundation and Affiliates**

**Consolidated Financial Statements and  
Supplementary Information**

December 31, 2023 and 2022



# **Lancaster County Community Foundation and Affiliates**

---

## Table of Contents

December 31, 2023 and 2022

	<b>Page</b>
<b>INDEPENDENT AUDITOR'S REPORT</b>	1 to 3
<b>CONSOLIDATED FINANCIAL STATEMENTS</b>	
Consolidated Statement of Financial Position	4
Consolidated Statement of Activities	5 and 6
Consolidated Statement of Functional Expenses - by Natural Classification	7 and 8
Consolidated Statement of Cash Flows	9
Notes to Consolidated Financial Statements	10 to 28
<b>SUPPLEMENTARY INFORMATION</b>	
Consolidating Statement of Financial Position	29 and 30
Consolidating Statement of Activities	31 and 32

## Independent Auditor's Report

To the Board of Directors  
Lancaster County Community Foundation  
and Affiliates  
Lancaster, Pennsylvania

### Opinion

We have audited the consolidated financial statements of Lancaster County Community Foundation and Affiliates (collectively, the Organization), which comprise the consolidated statement of financial position as of December 31, 2023 and 2022, and the related consolidated statements of activities, functional expenses - by natural classification, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Organization as of December 31, 2023 and 2022, and the changes in its net assets and its 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 Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Organization 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 consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

## **Responsibilities of Management for the Financial Statements (continued)**

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

## **Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's 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 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 consolidated 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 consolidated 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 Organization'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 consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization'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.

## Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying supplementary information, as listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the accompanying supplementary information is fairly stated, in all material respects, in relation to the consolidated financial statements as a whole.

RKL LLP

July 23, 2024  
Lancaster, Pennsylvania

# Lancaster County Community Foundation and Affiliates

## Consolidated Statement of Financial Position

	December 31,	
	2023	2022
<b>Assets</b>		
Cash and cash equivalents	\$ 8,169,284	\$ 9,448,130
Investments	154,832,879	136,589,387
Accounts receivable	2,184	8,826
Prepaid expenses	128,011	109,332
Promises to give	228,551	88,345
Interest receivable	54,016	53,363
Notes receivable	3,718,450	3,594,000
Property and equipment, net	164,266	202,219
Right-of-use asset, operating	1,006,261	1,116,335
Investment in real estate - rental properties	267,165	722,500
Perpetual trusts and split-interest agreements	46,863,162	42,582,736
<b>Total Assets</b>	<b>\$ 215,434,229</b>	<b>\$ 194,515,173</b>
<b>Liabilities and Net Assets</b>		
<b>Liabilities</b>		
Accounts payable	\$ 144,789	\$ 241,173
Grants payable	8,516,652	9,776,745
Accrued expenses	82,045	68,701
Deferred revenue	-	10,000
Charitable gift annuities	1,789,590	1,864,738
Obligations under operating leases	1,037,062	1,138,958
Liability to resource providers	7,478,851	6,362,385
<b>Total Liabilities</b>	<b>19,048,989</b>	<b>19,462,700</b>
<b>Net Assets</b>		
Without donor restrictions	149,522,078	132,469,737
With donor restrictions	46,863,162	42,582,736
<b>Total Net Assets</b>	<b>196,385,240</b>	<b>175,052,473</b>
<b>Total Liabilities and Net Assets</b>	<b>\$ 215,434,229</b>	<b>\$ 194,515,173</b>

# Lancaster County Community Foundation and Affiliates

## Consolidated Statement of Activities

	Year Ended December 31, 2023		
	Without Donor Restrictions	With Donor Restrictions	Total
<b>Revenues, Gains and Losses, and Other Support</b>			
Return on investments			
Net realized and unrealized gains	\$ 15,065,307	\$ -	\$ 15,065,307
Interest and dividends, net of fees	2,925,248	-	2,925,248
Distributions from perpetual trusts	1,972,643	-	1,972,643
Contributions	11,869,886	227,147	12,097,033
Net change in value of perpetual trusts and split-interest agreements	-	4,600,009	4,600,009
Gain on sale of real estate - rental properties	105,138	-	105,138
Other income	63,201	-	63,201
Rental income	23,286	-	23,286
Net assets released from restrictions	546,730	(546,730)	-
Net change in value of charitable gift annuities	(95,773)	-	(95,773)
<b>Total Revenues, Gains and Losses, and Other Support</b>	<b>32,475,666</b>	<b>4,280,426</b>	<b>36,756,092</b>
<b>Expenses</b>			
Program and related services	14,417,585	-	14,417,585
Supporting services			
Management and general	679,925	-	679,925
Fundraising	325,815	-	325,815
<b>Total Expenses</b>	<b>15,423,325</b>	<b>-</b>	<b>15,423,325</b>
<b>Change in Net Assets</b>	<b>17,052,341</b>	<b>4,280,426</b>	<b>21,332,767</b>
<b>Net Assets at Beginning of Year</b>	<b>132,469,737</b>	<b>42,582,736</b>	<b>175,052,473</b>
<b>Net Assets at End of Year</b>	<b>\$ 149,522,078</b>	<b>\$ 46,863,162</b>	<b>\$ 196,385,240</b>

# Lancaster County Community Foundation and Affiliates

Consolidated Statement of Activities (continued)

	Year Ended December 31, 2022		
	Without Donor Restrictions	With Donor Restrictions	Total
<b>Revenues, Gains and Losses, and Other Support</b>			
Return on investments			
Net realized and unrealized losses	\$ (22,560,183)	\$ -	\$ (22,560,183)
Interest and dividends, net of fees	2,992,562	-	2,992,562
Distributions from perpetual trusts	2,064,129	-	2,064,129
Contributions	12,855,381	-	12,855,381
Net change in value of perpetual trusts and split-interest agreements	-	(11,668,757)	(11,668,757)
Loss on sale of real estate - rental properties	(10,687)	-	(10,687)
Other income	35,918	-	35,918
Rental income	62,661	-	62,661
Net assets released from restrictions	30,047	(30,047)	-
Net change in value of charitable gift annuities	(94,355)	-	(94,355)
	<u>(4,624,527)</u>	<u>(11,698,804)</u>	<u>(16,323,331)</u>
<b>Total Revenues, Gains and Losses, and Other Support</b>			
<b>Expenses</b>			
Program and related services	15,564,608	-	15,564,608
Supporting services			
Management and general	573,018	-	573,018
Fundraising	335,342	-	335,342
	<u>16,472,968</u>	<u>-</u>	<u>16,472,968</u>
<b>Total Expenses</b>			
	<u>(21,097,495)</u>	<u>(11,698,804)</u>	<u>(32,796,299)</u>
<b>Change in Net Assets</b>			
<b>Net Assets at Beginning of Year</b>	<u>153,567,232</u>	<u>54,281,540</u>	<u>207,848,772</u>
<b>Net Assets at End of Year</b>	<u>\$ 132,469,737</u>	<u>\$ 42,582,736</u>	<u>\$ 175,052,473</u>



## Lancaster County Community Foundation and Affiliates

### Consolidated Statement of Functional Expenses - by Natural Classification

	Year Ended December 31, 2023			Totals
	Program and Related Services	Supporting Services		
		Management and General	Fundraising	
Grants and scholarships	\$ 11,964,229	\$ -	\$ -	\$ 11,964,229
Salaries	997,141	352,835	184,088	1,534,064
Special initiatives - ExtraGive	560,882	-	-	560,882
Insurance	175,237	62,007	32,352	269,596
Conferences, meetings, and events	185,006	25,907	13,517	224,430
Rent, utilities, and maintenance	81,698	28,909	15,083	125,690
Professional fees	55,480	54,477	8,258	118,215
Marketing	76,255	25,888	13,507	115,650
Payroll taxes	70,987	25,119	13,105	109,211
Software license	59,336	20,996	10,954	91,286
Office supplies and expense	41,037	14,516	7,574	63,127
Retirement	39,872	14,108	7,361	61,341
Depreciation	35,742	12,647	6,599	54,988
Dues and subscriptions	21,986	7,951	3,880	33,817
Telephone and internet	18,611	6,586	3,436	28,633
Travel	15,249	5,358	2,796	23,403
Staff development	8,679	2,767	1,443	12,889
Equipment leases and expense	6,524	2,308	1,204	10,036
Bank and administrative fees	-	8,785	-	8,785
Scholarship administration fees	-	7,500	-	7,500
Postage and shipping	1,901	648	338	2,887
Miscellaneous	1,733	613	320	2,666
	<u>\$ 14,417,585</u>	<u>\$ 679,925</u>	<u>\$ 325,815</u>	<u>\$ 15,423,325</u>

## Lancaster County Community Foundation and Affiliates

Consolidated Statement of Functional Expenses - by Natural Classification (continued)

	Year Ended December 31, 2022			Totals
	Program and Related Services	Supporting Services		
		Management and General	Fundraising	
Grants and scholarships	\$ 13,243,137	\$ -	\$ -	\$ 13,243,137
Salaries	866,376	270,005	174,324	1,310,705
Special initiatives - ExtraGive	590,347	-	-	590,347
Insurance	165,575	51,601	33,315	250,491
Conferences, meetings, and events	132,067	21,263	13,728	167,058
Rent, utilities, and maintenance	82,132	25,597	16,526	124,255
Professional fees	81,838	64,690	16,467	162,995
Marketing	79,433	24,755	15,983	120,171
Payroll taxes	61,078	19,035	12,290	92,403
Software license	58,403	18,202	11,752	88,357
Office supplies and expense	46,333	14,439	9,322	70,094
Retirement	33,569	10,461	6,754	50,784
Depreciation	42,447	13,229	8,541	64,217
Dues and subscriptions	21,960	7,694	4,419	34,073
Telephone and internet	20,091	6,261	4,043	30,395
Travel	5,616	1,750	1,130	8,496
Staff development	7,857	2,348	1,516	11,721
Equipment leases and expense	18,673	5,819	3,757	28,249
Bank and administrative fees	-	7,085	-	7,085
Scholarship administration fees	-	6,500	-	6,500
Postage and shipping	1,866	581	375	2,822
Miscellaneous	5,810	1,703	1,100	8,613
	<u>\$ 15,564,608</u>	<u>\$ 573,018</u>	<u>\$ 335,342</u>	<u>\$ 16,472,968</u>

# Lancaster County Community Foundation and Affiliates

## Consolidated Statement of Cash Flows

	Years Ended December 31,	
	2023	2022
<b>Cash Flows from Operating Activities</b>		
Change in net assets	\$ 21,332,767	\$ (32,796,299)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities		
Depreciation	54,988	64,217
Net (gain) loss on sale of real estate - rental properties	(105,138)	10,687
Net realized and unrealized (gains) losses on investments	(15,065,307)	22,560,183
In-kind contributions - investments	(1,466,596)	(1,256,758)
Restricted contributions - perpetual trusts	(227,147)	-
Net change in value of perpetual trusts and split-interest agreements	(4,600,009)	11,668,757
Cash received from split-interest agreements	546,730	30,047
Net change in charitable gift annuities liability	(75,148)	(84,581)
Proceeds from sale of donated investments	1,466,596	1,257,117
Amortization of right-of-use asset, operating included in rent, utilities, and maintenance and supplies	110,074	108,209
(Increase) decrease in assets		
Accounts receivable	6,642	33,073
Prepaid expenses	(18,679)	(23,426)
Promises to give	(140,206)	259,427
Interest receivable	(653)	(20,322)
Increase (decrease) in liabilities		
Accounts payable	(96,384)	211,505
Grants payable	(1,260,093)	(5,201,816)
Accrued expenses	13,344	14,262
Deferred revenue	(10,000)	-
Obligations under operating leases	(101,896)	(85,586)
Liability to resource providers	1,116,466	(265,847)
<b>Net Cash Provided by (Used in) Operating Activities</b>	<b>1,480,351</b>	<b>(3,517,151)</b>
<b>Cash Flows from Investing Activities</b>		
Purchase of investments	(89,058,658)	(60,382,539)
Proceeds from sale of investments	85,880,473	58,702,403
Net proceeds from sale of rental properties	597,865	90,313
Cash paid for notes receivable	(124,450)	-
Purchase of investment in real estate - rental properties	(37,392)	-
Purchase of property and equipment	(17,035)	(176,315)
<b>Net Cash Used in Investing Activities</b>	<b>(2,759,197)</b>	<b>(1,766,138)</b>
<b>Net Decrease in Cash and Cash Equivalents</b>	<b>(1,278,846)</b>	<b>(5,283,289)</b>
<b>Cash and Cash Equivalents at Beginning of Year</b>	<b>9,448,130</b>	<b>14,731,419</b>
<b>Cash and Cash Equivalents at End of Year</b>	<b>\$ 8,169,284</b>	<b>\$ 9,448,130</b>

### Supplementary Schedule of Noncash Investing and Financing Activities

#### In 2022

A right-of-use asset, operating and operating lease liability of \$1,217,840 was recorded in conjunction with the adoption of Accounting Standards Codification Topic 842, *Leases*. Additionally, a right-of-use asset, operating and operating lease liability of \$6,704 was recorded during the year ended December 31, 2022.

## **Lancaster County Community Foundation and Affiliates**

---

### Notes to Consolidated Financial Statements

December 31, 2023 and 2022

#### **Note 1 - Nature of Operations**

The Lancaster County Community Foundation (the Foundation) functions as a parallel organization to the Lancaster County Foundation (Trust), a Pennsylvania charitable trust. The Foundation functions as the primary operating entity for both organizations, and not only manages its own assets and fundraising, but also manages the various funds held by the Trust and administers distributions of the income from those funds. The Foundation also administers two LLCs: Lancaster County Local Journalism Fund, LLC (Journalism LLC) and Lancaster Real Estate Fund, LLC (Real Estate LLC). The consolidated entity of the Foundation, the Trust, Journalism LLC, and Real Estate LLC will be referred to as the Organization.

The Organization engages in a variety of activities typically carried on by community foundations, including community outreach and leadership, educational events, speaking engagements, capacity building programs, investment management, development, and grant making. The Organization operates as a family of component funds established by donors' gifts, beginning in 1924. The Organization offers donors (individuals, families, businesses, foundations, other not-for-profit organizations) various means of emboldening our extraordinary community through designated funds, scholarships, field of interest funds, and donor advised funds, among others.

#### **Note 2 - Summary of Significant Accounting Policies**

A summary of significant accounting policies consistently applied in the preparation of the accompanying consolidated financial statements follows.

##### **Basis of Accounting**

The consolidated financial statements of the Organization have been prepared on the accrual basis of accounting and, accordingly, reflect all significant receivables, payables, and other liabilities.

##### **Use of Estimates**

The preparation of consolidated financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and the disclosure of contingent assets and liabilities, if any, at the date of the consolidated financial statements, and the reported amounts of revenue and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

##### **Principles of Consolidation**

The consolidated financial statements include the accounts of the Foundation, the Trust, Journalism LLC, and Real Estate LLC. All significant interrelated balances and transactions have been eliminated in consolidation.

##### **Cash and Cash Equivalents**

For purposes of the consolidated statement of cash flows, the Organization considers all highly-liquid debt instruments purchased with a maturity of three months or less to be cash and cash equivalents.

## **Lancaster County Community Foundation and Affiliates**

---

### Notes to Consolidated Financial Statements

December 31, 2023 and 2022

#### **Note 2 - Summary of Significant Accounting Policies (continued)**

##### **Notes Receivable**

Notes receivable are programmatic investments in local not-for-profit organizations working in various capacities, including to create affordable housing and thriving-wage jobs in Lancaster. The notes are structured with terms ranging from five to ten years, with principal due in a balloon payment at the end of the term and interest (typically at below-market rates) due annually to the Organization. The Organization has assessed the likelihood of impairment as of December 31, 2023 and 2022, and concluded that it expects to collect all contractually required principal and interest payments when due.

##### **Property and Equipment**

Property and equipment is recorded at cost. Donated assets are reported as contributions without donor restrictions unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use are reported as contributions with donor restrictions. Depreciation is provided on the straight-line method over the estimated useful lives of the respective assets. Maintenance and repairs are charged to expense as incurred; major renewals and betterments greater than \$2,000 in cost are capitalized. When items of property and equipment are sold or retired, the related cost and accumulated depreciation are removed from the accounts, and any gain or loss is included in the consolidated statement of activities.

##### **Right-of-Use Assets and Lease Liabilities**

The Organization records leases in accordance with Topic 842, *Leases*, as of January 1, 2022, which recognizes most leases on the consolidated statement of financial position as a right-of-use (ROU) asset representing the right to use an underlying asset and a lease liability representing the obligation to make lease payments over the lease term, measured on a discounted basis.

The Organization determines if an arrangement is or contains a lease at inception, which is the date on which the terms of the contract are agreed to, and the agreement creates enforceable rights and obligations. A contract is or contains a lease when (i) explicitly or implicitly identified assets have been deployed in the contract and (ii) the Organization obtains substantially all of the economic benefits from the use of that underlying asset and directs how and for what purpose the asset is used during the term of the contract. The Organization also considers whether its service arrangements include the right to control the use of an asset.

The Organization made an accounting policy election available under Topic 842 not to recognize ROU assets and lease liabilities for leases with a term of twelve months or less. For all other leases, ROU assets and lease liabilities are measured based on the present value of future lease payments over the lease term at the commencement date of the lease. The ROU assets also include any initial direct costs incurred and lease payments made at or before the commencement date and are reduced by any lease incentives. To determine the present value of lease payments, the Organization made an accounting policy election available to non-public companies to utilize a risk-free borrowing rate, which is aligned with the lease term at the lease commencement date.

## **Lancaster County Community Foundation and Affiliates**

---

Notes to Consolidated Financial Statements

December 31, 2023 and 2022

### **Note 2 - Summary of Significant Accounting Policies (continued)**

#### **Right-of-Use Assets and Lease Liabilities (continued)**

Future lease payments may include fixed rent escalation clauses or payments that depend on an index (such as the consumer price index), which is initially measured using the index or rate at lease commencement. Subsequent changes of an index and other periodic market-rate adjustments to base rent are recorded in variable lease expense in the period incurred. Residual value guarantees or payments for terminating the lease are included in the lease payments only when it is probable they will be incurred.

The Organization has made an accounting policy election to account for lease and non-lease components in its contracts as a single lease component for its real estate and equipment asset classes. The non-lease components typically represent additional services transferred to the Organization, such as common area maintenance for real estate, which are variable in nature and recorded in variable lease expense in the period incurred.

#### **Investment in Real Estate - Rental Properties**

Investment in real estate - rental properties consists of various properties that were received by donation, and improvements thereon. The property was recorded at fair value when contributed, plus cost of any subsequent improvements.

#### **Liability to Resource Providers**

Liability to resource providers consists of assets transferred from nonprofit organizations that specified themselves or an affiliate as the beneficiary of the fund. It is a reciprocal agreement between the nonprofit organization and the Foundation.

Assets are transferred permanently to an endowed fund at the Foundation. The assets are invested in an appropriate endowment portfolio allocation and an annual spending policy is applied to determine the maximum amount available to grant to the nonprofit resource provider during the year. An administrative fee is charged to each fund based on the fund balance.

These endowed funds provide a steady and reliable annual income stream to the nonprofit resource provider.

#### **Contributions and Restricted Resources**

The Organization recognizes contributions when cash, securities or other assets, an unconditional promise to give, or notification of a beneficial interest is received. Conditional promises to give, that is, those with a measurable performance or other barrier, and a right of return, are not recognized until the conditions on which they depend have been substantially met.

All contributions are considered to be available for operations unless specifically restricted by the donor. Amounts received that are restricted by the donor for future periods or for specific purposes are reported as support with donor restrictions that increases that net asset class. However, if a restriction is fulfilled in the same time period in which the contribution is received, the Organization reports the support as without donor restrictions.

## **Lancaster County Community Foundation and Affiliates**

---

### Notes to Consolidated Financial Statements

December 31, 2023 and 2022

#### **Note 2 - Summary of Significant Accounting Policies (continued)**

##### **Contributions and Restricted Resources (continued)**

The Organization reports receipts from trusts with donor stipulations as revenue without donor restrictions, with the corresponding disbursement to designated beneficiaries as restricted grants. Such amounts received, but not yet disbursed, are reported as grants payable.

Any rent, specialized skill services, investments, and supplies received as donations are recorded and reflected in the accompanying consolidated financial statements at their fair value on the date of receipt.

##### **Net Asset Classification**

There are two classes of net assets - those with donor restrictions and those without donor restrictions:

Net assets with donor restrictions are net assets subject to donor-imposed stipulations that are either required to be maintained in perpetuity by the Organization or may or will be met by actions of the Organization and/or the passage of time.

Net assets without donor restrictions are net assets not subject to donor-imposed stipulations.

When donor restrictions expire, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the consolidated statement of activities as net assets released from restrictions.

##### **Income Taxes**

The Foundation and the Trust are not-for-profit entities as described in Section 501(c)(3) of the Internal Revenue Code (Code) and are exempt from income taxes on related activities pursuant to Section 509(a) of the Code.

Journalism LLC and Real Estate LLC are each a single member LLC whose sole member is the Foundation. Journalism LLC and Real Estate LLC were organized solely and exclusively for charitable and educational purposes in accordance with Section 501(c)(3) of the Internal Revenue Code and that further the tax-exempt purposes of the Foundation. Journalism LLC and Real Estate LLC are disregarded entities for federal tax purposes and all activity is reported under the Foundation.

The Organization follows the standards for accounting for uncertainty in income taxes according to the principles of Accounting Standards Codification (ASC) 740, *Income Taxes*, which prescribes a recognition threshold and measurement attribute for the consolidated financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return.

## **Lancaster County Community Foundation and Affiliates**

---

### Notes to Consolidated Financial Statements

December 31, 2023 and 2022

#### **Note 2 - Summary of Significant Accounting Policies (continued)**

##### **Income Taxes (continued)**

Accounting principles generally accepted in the United States of America require management to evaluate tax positions taken by the Organization, including whether the entity is exempt from income taxes. Management evaluated the tax positions taken and concluded that the Organization had taken no uncertain tax positions that require recognition or disclosure in the consolidated financial statements. Therefore, no provision or liability for income taxes has been included in the consolidated financial statements. With few exceptions, the Organization is no longer subject to income tax examinations by the U.S. Federal, state, or local tax authorities for years before 2020.

##### **Functional Allocation of Expenses**

The costs of providing the various program and supporting services have been summarized on a functional basis in the consolidated statement of activities and the consolidated statement of functional expenses - by natural classification. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

The consolidated financial 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. Substantially all expenses, excluding grants and scholarships and special initiatives - ExtraGive, are allocated on the basis of estimates of staff time and effort.

##### **Donated or Contributed Investments, Services, or Materials**

Donated or contributed investments, services, or materials meeting the criteria for recognition, are reflected in the consolidated financial statements as in-kind contributions at their estimated value on the date of receipt. Contributed professional services are recognized if the services received (a) create or enhance long-lived assets or (b) require specialized skills, which are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation. Contributions of other tangible assets are recognized at the fair value when received. Donations of financial assets are included with contributions in the consolidated statement of activities.

##### **Advertising Expenses**

Advertising costs are charged to expense as incurred. Expense for the years ended December 31, 2023 and 2022 was \$224,100 and \$203,994, respectively.

##### **Recent Accounting Pronouncement**

In June 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-13, *Financial Instruments-Credit Losses (Topic 326)*. The Organization adopted ASU 2016-13 as of January 1, 2023. Under the standard, disclosures are required to provide users of the consolidated financial statements with useful information in analyzing an entity's exposure to credit risk and the measurement of credit losses. Financial assets held by the Organization that are subject to the guidance in FASB ASC 326 are accounts and notes receivable. The Organization implemented the provisions of this standard, but management determined the ASU did not have a material impact on the Organization's consolidated financial statements.



## Lancaster County Community Foundation and Affiliates

### Notes to Consolidated Financial Statements

December 31, 2023 and 2022

#### Note 3 - Donations of Nonfinancial Assets

The Organization did not receive any donations of nonfinancial assets during the years ended December 31, 2023 and 2022.

Additionally, during the years ended December 31, 2023 and 2022, the Organization did not recognize any contributed services as there were none that met the requirements for recognition in the consolidated statement of activities. In addition, a substantial number of individual volunteers and businesses have donated significant amounts of time to the Organization's program and administrative functions. These services do not meet the criteria for recognition as contributed services, and are not reflected on the accompanying consolidated financial statements.

#### Note 4 - Cash and Investments

Cash and investments are presented in the consolidated financial statements at fair value. The Organization maintains a significant cash balance at the end of each year as a result of ExtraGive grants payable due in January of the following year (refer to Note 18). Cash and investments are composed of the following at December 31:

	<u>2023</u>	<u>2022</u>
<b>Cash and Cash Equivalents</b>	<b>\$ 8,169,284</b>	<b>\$ 9,448,130</b>
<b>Investments</b>		
Cash	<b>\$ 4,493,140</b>	<b>\$ 5,157,603</b>
Fixed income		
Corporate/taxable ETFs	<b>4,190,144</b>	2,537,306
Corporate/taxable mutual funds	<b>3,430,145</b>	3,602,155
Government bonds		
Exchange-traded funds	<b>2,983,626</b>	2,097,733
Aaa	<b>2,715,640</b>	2,482,797
Corporate bonds		
Aaa	-	70,115
A1	<b>223,364</b>	202,558
A2	<b>493,687</b>	530,804
A3	<b>367,318</b>	237,396
Baa1	<b>881,241</b>	566,405
Baa2	<b>685,051</b>	541,127
Baa3	<b>100,028</b>	43,844
Intermediate core-plus	<b>6,796,303</b>	2,001,642
High-yield debt	<b>4,181,988</b>	4,478,348
Nontraditional	<b>2,196,451</b>	5,618,617
Mortgage backed	<b>1,545,763</b>	1,287,103
International	<b>574,638</b>	1,321,216
Certificates of deposit	<b>519,410</b>	561,931
	<b><u>31,884,797</u></b>	<b><u>28,181,097</u></b>

## Lancaster County Community Foundation and Affiliates

### Notes to Consolidated Financial Statements

December 31, 2023 and 2022

#### Note 4 - Cash and Investments (continued)

	<u>2023</u>	<u>2022</u>
<b>Investments (continued)</b>		
Equity securities		
Large cap	\$ 57,084,165	\$ 46,321,901
International	33,694,159	29,136,275
Mid cap	4,712,409	7,436,556
Small cap	4,189,122	4,029,879
	<u>99,679,855</u>	<u>86,924,611</u>
Alternative investments		
Private equity	13,412,553	10,849,687
Directional	3,154,677	3,361,697
Absolute return	1,177,990	2,114,692
Event-driven	1,029,867	-
	<u>18,775,087</u>	<u>16,326,076</u>
	<u>\$ 154,832,879</u>	<u>\$ 136,589,387</u>

#### Note 5 - Promises to Give

At December 31, 2023 and 2022, promises to give consist of distributions from trusts due to the Organization as beneficiary of the trust, amounts due to the Organization through wills or estate agreements, or unconditional promises to give. The entire amount of promises to give is due within one year. The Organization evaluates all promises to give for collectability. No reserves were considered necessary as of December 31, 2023 and 2022.

#### Note 6 - Notes Receivable

Notes receivable consist of the following as of December 31:

	<u>2023</u>	<u>2022</u>
Unrelated nonprofit organization A; February 14, 2018; original principal of \$250,000; bearing interest at 1.5%; interest only payments due annually; unpaid principal and interest originally due February 14, 2023; revised agreement dated February 14, 2023 extends maturity date to February 14, 2028 and increases interest rate to 2%	\$ 250,000	\$ 250,000
Unrelated nonprofit organization B; March 1, 2018; original principal of \$250,000; bearing interest at 1.5%; interest only payments due annually; unpaid principal and interest originally due March 1, 2023; revised agreement dated March 1, 2023 extends maturity date to March 1, 2028	250,000	250,000

## Lancaster County Community Foundation and Affiliates

### Notes to Consolidated Financial Statements

December 31, 2023 and 2022

#### Note 6 - Notes Receivable (continued)

	<u>2023</u>	<u>2022</u>
Unrelated nonprofit organization C; September 29, 2023; original principal of \$124,450; bearing interest at 4.75%; interest only payments due annually; unpaid principal and interest due September 29, 2028	\$ 124,450	\$ -
Unrelated nonprofit organization C; November 24, 2020; original principal of \$44,000; bearing interest at 1.5%; interest only payments due annually; unpaid principal and interest due November 24, 2025	44,000	44,000
Unrelated nonprofit organization D; February 26, 2020; original principal of \$1,500,000 which was contributed and assigned to the Organization from the unrelated third party on August 31, 2021; an additional \$400,000 available to be drawn on by the borrower; bearing interest at 2.5%; interest only payments due monthly; unpaid principal and interest due February 26, 2027	1,500,000	1,500,000
Unrelated nonprofit organization E; August 18, 2021; original principal of \$1,550,000; bearing interest at 5%; interest only payments due semi-annually; unpaid principal and interest due August 18, 2031	<u>1,550,000</u>	<u>1,550,000</u>
	<u>\$ 3,718,450</u>	<u>\$ 3,594,000</u>

Interest income related to notes receivable amounted to \$126,810 and \$124,635 for the years ended December 31, 2023 and 2022, respectively.

#### Note 7 - Property and Equipment

Property and equipment consists of the following at December 31:

	<u>2023</u>	<u>2022</u>	<u>Depreciable Lives</u>
Office equipment and software	\$ 706,198	\$ 689,163	3 to 11 years
Accumulated depreciation	<u>(541,932)</u>	<u>(486,944)</u>	
	<u>\$ 164,266</u>	<u>\$ 202,219</u>	

Depreciation expense amounted to \$54,988 and \$64,217 for the years ended December 31, 2023 and 2022, respectively.

## Lancaster County Community Foundation and Affiliates

### Notes to Consolidated Financial Statements

December 31, 2023 and 2022

#### Note 8 - Perpetual Trusts and Split-Interest Agreements

The Organization is the beneficiary of numerous perpetual trusts and split-interest agreements held by financial institutions. The trusts were established by persons, wills, living trust agreements, and court decrees with various restrictions and terms. Restrictions and terms placed on the income distributions are varied.

The Organization's interest in the perpetual trusts and split-interest agreements are valued at the present value of the future distributions of the trusts, which is calculated using the fair value of the underlying investments held in the trusts, or at the net present value of expected receipts from the trusts, using a discount rate of 6.00%.

The carrying value of perpetual trusts and split-interest agreements is as follows as of December 31:

	<u>2023</u>	<u>2022</u>
Perpetual trusts	\$ 39,521,856	\$ 35,551,869
Beneficial interest in perpetual trusts with multiple beneficiaries	5,737,182	5,175,051
Charitable remainder trusts	1,348,409	1,585,933
Beneficial interest in charitable lead annuity trust with multiple beneficiaries	<u>255,715</u>	<u>269,883</u>
	<u>\$ 46,863,162</u>	<u>\$ 42,582,736</u>

During the year ended December 31, 2023, one charitable remainder trust was closed with \$516,683 distributed to the Organization.

Perpetual trusts are composed of the following as of December 31:

	<u>2023</u>	<u>2022</u>
Cash and cash equivalents	\$ 907,803	\$ 1,225,679
Equities	26,379,608	23,273,803
Fixed income	9,925,182	8,757,214
Alternative investments	<u>2,309,263</u>	<u>2,295,173</u>
	<u>\$ 39,521,856</u>	<u>\$ 35,551,869</u>

Equities include stocks and equity-based mutual funds. Fixed income includes bonds, fixed income investments, and fixed income-based mutual funds. The underlying assets of each individual trust are not in control of the Organization.

## **Lancaster County Community Foundation and Affiliates**

---

### Notes to Consolidated Financial Statements

December 31, 2023 and 2022

#### **Note 8 - Perpetual Trusts and Split-Interest Agreements (continued)**

During the years ended December 2023 and 2022, \$227,147 and \$-0-, respectively, were contributed to the perpetual trusts. The return on investments includes \$1,972,643 and \$2,064,129 in distributions from perpetual trusts during the years ended December 31, 2023 and 2022, respectively. As discussed in Note 12, the Trust's perpetual trusts are included as net assets with donor restriction and the distributions represent net investment earnings on those trusts, which are available to the Trust for grant making and administration of the Trust.

#### **Note 9 - Alternative Investments**

The Organization invests in alternative investments to further diversify its investment portfolio. Alternative investments include various investment funds that are not readily marketable. These funds hold certain investments, which may be valued by a single market maker. The estimated values may differ significantly from the values that would have been used had a ready market for the investment existed; they may have been affected by the decline in liquidity and prices of investments and real estate, or by the lack of observable transaction data and inputs in certain transactions. Actual results could differ from those estimates, and the difference could be material. Additionally, certain investments in limited partnerships, investments funds, and other debt instruments may be restricted as to resale or may require advance notice of redemption or withdrawal (see Note 11).

Risks arise from changes in the value of the transactions, contracts, and agreements and the potential inability of the funds to timely liquidate individual funds or real estate in the portfolio. There are numerous factors, which may significantly influence the market value of these contracts and agreements, including interest rate and currency volatility and future adverse political and economic developments involving investments in foreign companies. These factors were considered by the Organization prior to making these investments and it was determined the investment would be beneficial to leverage risk in other areas of the investment portfolio.

#### **Note 10 - Charitable Gift Annuities**

The charitable gift annuities provide for 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 Organization to benefit the donor-specified charity, the Foundation, or the Foundation's programs.

Contributions received under charitable gift annuity agreements totaled \$10,000 and \$-0- for the years ended December 31, 2023 and 2022, respectively. The value of the gift annuities received over the calculated liability is recognized as revenue without donor restrictions, which amounted to \$3,864 and \$-0- for the years ended December 31, 2023 and 2022, respectively. Present value of future annuity payments is recognized as a liability on the consolidated statement of financial position. As of December 31, 2023 and 2022, the charitable gift annuities liabilities totaled \$1,789,590 and \$1,864,738, respectively. As of December 31, 2023 and 2022, the value of the associated investments amounted to \$3,210,471 and \$3,030,409, respectively.

## Lancaster County Community Foundation and Affiliates

---

### Notes to Consolidated Financial Statements

December 31, 2023 and 2022

#### Note 11 - Fair Value of Financial Instruments

FASB 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 FASB ASC 820 are described as follows:

- Level 1 - Unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities;
- Level 2 - Quoted prices in markets that are not considered to be active or financial instruments for which all significant inputs are observable, either directly or indirectly; and
- Level 3 - Prices or valuations that require inputs that are both significant to the fair value measurement and unobservable.

The asset's or liability'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 are required to maximize the use of observable inputs and minimize the use of unobservable inputs.

The following valuation techniques were used to measure fair value of assets on a recurring basis:

Fixed income and equity securities - Fair value of fixed income and equity securities was based on quoted market prices for the identical securities.

Alternative investments - Fair value of nonmarketable alternative investments, including private equity funds, absolute return funds, directional funds, and event-driven funds was based on estimated fair values using the net asset value provided by an independent administrator. Management reviews and evaluates the values and agrees with the valuation methods and assumptions used in determining the fair value of these funds.

Beneficial interest in perpetual trusts and split-interest agreements - The beneficial interest in perpetual trusts and split-interest agreements are valued at fair value based on the Organization's interest in the fair values of the underlying assets, which approximate the present value of estimated cash flows to be received from the trusts, or at the net present value of expected receipts from the trusts, using a discount rate of 6%. The present value measured is utilized as the underlying assets of each individual trust are not in the control of the Organization.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Organization believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

# Lancaster County Community Foundation and Affiliates

## Notes to Consolidated Financial Statements

December 31, 2023 and 2022

### Note 11 - Fair Value of Financial Instruments (continued)

The following tables summarize investments by ASC 820 levels as of December 31:

	2023			Total
	Level 1	Level 2	Level 3	
<b>Cash</b>	\$ 4,493,140	\$ -	\$ -	\$ 4,493,140
<b>Fixed Income</b>				
Corporate/taxable ETFs	4,190,144	-	-	4,190,144
Corporate/taxable mutual funds	3,430,145	-	-	3,430,145
Government bonds				
Exchange-traded funds	2,983,626	-	-	2,983,626
Aaa	2,715,640	-	-	2,715,640
Corporate bonds				
A1	223,364	-	-	223,364
A2	493,687	-	-	493,687
A3	367,318	-	-	367,318
Baa1	881,241	-	-	881,241
Baa2	685,051	-	-	685,051
Baa3	100,028	-	-	100,028
Intermediate core-plus	6,796,303	-	-	6,796,303
High-yield debt	4,181,988	-	-	4,181,988
Nontraditional	2,196,451	-	-	2,196,451
Mortgage backed	1,545,763	-	-	1,545,763
International	574,638	-	-	574,638
Certificates of deposit	519,410	-	-	519,410
<b>Equity Securities</b>				
Large cap	57,084,165	-	-	57,084,165
International	33,694,159	-	-	33,694,159
Mid cap	4,712,409	-	-	4,712,409
Small cap	4,189,122	-	-	4,189,122
	<u>\$ 136,057,792</u>	<u>\$ -</u>	<u>\$ -</u>	<u>136,057,792</u>
<b>Alternative Investments (a)</b>				
Private equity (b)				13,412,553
Directional (c)				3,154,677
Absolute return (d)				1,177,990
Event-driven (e)				1,029,867
<b>Total Investments</b>				<u>\$ 154,832,879</u>

# Lancaster County Community Foundation and Affiliates

## Notes to Consolidated Financial Statements

December 31, 2023 and 2022

### Note 11 - Fair Value of Financial Instruments (continued)

	2023			Total
	Level 1	Level 2	Level 3	
<b>Perpetual Trusts and Split Interest Agreements</b>				
Perpetual trusts	\$ -	\$ -	\$ 39,521,856	\$ 39,521,856
Beneficial interest in perpetual trusts with multiple beneficiaries	-	-	5,737,182	5,737,182
Charitable remainder trusts	-	-	1,348,409	1,348,409
Beneficial interest in charitable lead annuity trust with multiple beneficiaries	-	-	255,715	255,715
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 46,863,162</u>	<u>\$ 46,863,162</u>
<b>2022</b>				
<b>Cash</b>	\$ 5,157,603	\$ -	\$ -	\$ 5,157,603
<b>Fixed Income</b>				
Corporate/taxable ETFs	2,537,306	-	-	2,537,306
Corporate/taxable mutual funds	3,602,155	-	-	3,602,155
Government bonds				
Exchange-traded funds	2,097,733	-	-	2,097,733
Aaa	2,482,797	-	-	2,482,797
Corporate bonds				
Aaa	70,115	-	-	70,115
A1	202,558	-	-	202,558
A2	530,804	-	-	530,804
A3	237,396	-	-	237,396
Baa1	566,405	-	-	566,405
Baa2	541,127	-	-	541,127
Baa3	43,844	-	-	43,844
Intermediate core-plus	2,001,642	-	-	2,001,642
High-yield debt	4,478,348	-	-	4,478,348
Nontraditional	5,618,617	-	-	5,618,617
Mortgage backed	1,287,103	-	-	1,287,103
International	1,321,216	-	-	1,321,216
Certificates of deposit	561,931	-	-	561,931
<b>Equity Securities</b>				
Large cap	46,321,901	-	-	46,321,901
International	29,136,275	-	-	29,136,275
Mid cap	7,436,556	-	-	7,436,556
Small cap	4,029,879	-	-	4,029,879
	<u>\$ 120,263,311</u>	<u>\$ -</u>	<u>\$ -</u>	<u>120,263,311</u>



## Lancaster County Community Foundation and Affiliates

### Notes to Consolidated Financial Statements

December 31, 2023 and 2022

#### Note 11 - Fair Value of Financial Instruments (continued)

	2022			Total
	Level 1	Level 2	Level 3	
<b>Alternative Investments (a)</b>				
Private equity (b)				\$ 10,849,687
Directional (c)				3,361,697
Absolute return (d)				2,114,692
<b>Total Investments</b>				<u>\$ 136,589,387</u>
<b>Perpetual Trusts and Split Interest Agreements</b>				
Perpetual trusts	\$ -	\$ -	\$ 35,551,869	\$ 35,551,869
Beneficial interest in perpetual trusts with multiple beneficiaries	-	-	5,175,051	5,175,051
Charitable remainder trusts	-	-	1,585,933	1,585,933
Beneficial interest in charitable lead annuity trust with multiple beneficiaries	-	-	269,883	269,883
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 42,582,736</u>	<u>\$ 42,582,736</u>

- (a) This class represents investments not on active markets that are measured at fair value using the net asset value per share (or its equivalent) practical expedient and have, therefore, not been classified in the fair value hierarchy.
- (b) The Private Equity class invests in a variety of asset classes including lower middle market buyout, growth and venture capital investments, private assets in dislocation, and mid-life primary, secondary, and direct partnerships. It also invests in restructured debt, stressed and distressed debt in the U.S. and globally. There are unfunded commitments totaling \$7,724,003 and \$6,724,900 as of December 31, 2023 and 2022, respectively. 71% and 66% of the Private Equity class had investment terms of 10 to 15 years with no redemption windows at December 31, 2023 and 2022, respectively. As of December 31, 2023 and 2022, 29% and 0%, respectively, had no stated redemption terms for the remaining portions of the Private Equity class.
- (c) The Directional class invests in hedge funds that pursue multiple strategies to diversify risks and reduce volatility. It offers exposure to a wide range of geographies, and includes long/short equity, international, and long/short credit opportunities. The class has no unfunded commitments. As of December 31, 2023 and 2022, approximately 67% and 71%, respectively, of the class is subject to up to a one-year lockup with quarterly redemption with 45 to 90 days' notice. As of December 31, 2023 and 2022, approximately 33% and 29%, respectively, of the class is subject to quarterly redemption on up to 25% of the fund balance with 60 days' notice.

## Lancaster County Community Foundation and Affiliates

---

### Notes to Consolidated Financial Statements

December 31, 2023 and 2022

#### Note 11 - Fair Value of Financial Instruments (continued)

- (d) The Absolute Return class invests in hedge funds that pursue multiple strategies to diversify risks and reduce volatility. It offers exposure to a wide range of geographies, and includes long/short equity, event-driven, fixed income, merger and convertible arbitrage, global macro (systematic and discretionary), and long/short credit opportunities. The class has no unfunded commitments. As of December 31, 2023 and 2022, approximately 6% and 50%, respectively, of the class is subject to up to a one-year lockup with quarterly or semi-annual redemption with 60 to 90 days' notice. As of December 31, 2023 and 2022, approximately 94% and 50%, respectively, of the class is subject to quarterly redemption of up to 25% of the fund balance with 65 days' notice.
- (e) The Event-Driven class invests in complex event-driven trades that meet the following criteria: 1) hard catalyst, 2) identifiable inefficiency, and 3) margin of safety. It offers exposure to a wide range of geographies, and includes corporate and structured credit, merger arbitrage and capital structure arbitrage. The class has no unfunded commitments. This class is subject to annual redemption of up to 100% of the fund balance with 60 days' notice, or quarterly redemption on up to 25% of the fund balance with 60 days' notice.

#### Changes in Fair Value Levels

The availability of observable market data is monitored to assess the appropriate classification of financial instruments within the fair value hierarchy. Changes in economic conditions or model-based valuation techniques may require the transfer of financial instruments from one fair value level to another.

We evaluated the significance of transfers between levels based upon the nature of the financial instrument and size of the transfer relative to total assets. For the years ended December 31, 2023 and 2022, there were no transfers in or out of Level 3.

The carrying amounts of cash and cash equivalents, contributions receivable, prepaid expenses, accounts payable, grants payable, and accrued expenses in the accompanying consolidated statement of financial position approximate fair value given the short-term nature of these financial instruments.

#### Note 12 - Net Assets

At December 31, 2023 and 2022, net assets with donor restrictions consist of approximately \$46.9 million and \$42.6 million, respectively, of investments in perpetuity and due to passage of time, which includes assets held in perpetual trusts and split-interest agreements. The income of these assets is expendable to support the Organization's mission.

While the Organization retains variance power, it is the Organization's policy that the donors' intentions will be honored unless it is impossible, impractical, undesirable, or inadvisable to do so. Therefore, the principal of the endowment funds will remain intact.

## Lancaster County Community Foundation and Affiliates

### Notes to Consolidated Financial Statements

December 31, 2023 and 2022

#### Note 12 - Net Assets (continued)

The Organization's net assets without donor restrictions consist of undesignated and board-designated amounts for the following purposes as of December 31:

	<u>2023</u>	<u>2022</u>
Undesignated	\$ 1,966,819	\$ 1,057,473
Board-designated for endowment	<u>147,555,259</u>	<u>131,412,264</u>
	<u>\$ 149,522,078</u>	<u>\$ 132,469,737</u>

#### Note 13 - Leases

The Organization signed a ten-year office operating lease agreement on January 30, 2012, whose term began September 1, 2012. During the year ended December 31, 2019, the agreement was replaced by two separate agreements for office space. In December 2021, the operating lease agreements were amended to add additional office space. The operating lease agreements include varying monthly payments that increase on an annual basis through August 2027. The lease agreements also include an optional five-year extension with varying monthly payments that increase on an annual basis through August 2032.

The Organization also leases copiers with payments ranging from \$114 to \$240 through June 2027.

Options to extend a lease are included in the lease terms when it is reasonably certain that the Organization will exercise that option. The Organization's operating leases generally do not contain any material restrictive covenants or residual value guarantees. Operating lease cost is recognized on a straight-line basis over the lease term. The Organization expects to exercise the five-year renewal options on the above referenced office leases. The Organization does not have any finance leases or sublease income.

The total operating lease cost for the Organization, including common area maintenance expenses and a lease provision for parking spaces, for the years ended December 31, 2023 and 2022 was \$127,755 and \$127,414, respectively.

	<u>2023</u>	<u>2022</u>
<b>Weighted-Average Remaining Lease Term</b>		
Operating leases	<b>8.61 Years</b>	9.60 Years
<b>Weighted-Average Discount Rate</b>		
Operating leases	<b>1.63%</b>	1.63%

## Lancaster County Community Foundation and Affiliates

### Notes to Consolidated Financial Statements

December 31, 2023 and 2022

#### Note 13 - Leases (continued)

Future undiscounted cash flows for each of the next five years and thereafter and a reconciliation to the lease liabilities recognized on the consolidated statement of financial position are as follows as of December 31, 2023:

	<b>Operating Leases</b>
2024	\$ 121,886
2025	124,237
2026	124,958
2027	125,565
2028	127,379
Thereafter	<u>488,927</u>
<b>Total Lease Payments</b>	<b>1,112,952</b>
Imputed interest	<u>(75,890)</u>
<b>Total Present Value of Lease Liabilities</b>	<b><u>\$ 1,037,062</u></b>

#### Note 14 - Concentrations of Credit Risk

The Organization maintains its cash in bank deposit accounts in several financial institutions. The accounts at each financial institution are insured by the Federal Deposit Insurance Corporation up to certain limits. At various times during the year, balances may exceed insured limits; however, the Organization does not anticipate any losses.

The Organization derives substantially all of its support from individuals, businesses, foundations, and other not-for-profit organizations. There was no significant concentration of total support and revenue during the years ended December 31, 2023 and 2022.

#### Note 15 - Grants and Grants Payable

The Organization receives requests for grants from public charities. After staff due diligence, the Board of Directors determines which grant requests to approve. The grant monies are payable to the public charity upon Board approval and after any performance conditions are met, and the Organization is notified. Approved grants are valid for one year, but the public charity may request that the grant be extended.

During the years ended December 31, 2023 and 2022, grant expense was \$11,964,229 and \$13,243,137, respectively. Grants payable at December 31, 2023 and 2022 totaled \$8,516,652 and \$9,776,745, respectively.

## Lancaster County Community Foundation and Affiliates

### Notes to Consolidated Financial Statements

December 31, 2023 and 2022

#### Note 16 - Retirement Plan

The Organization sponsors a 401(k) defined contribution plan, which is available to all eligible employees. The Organization's matching contributions to the plan are at the discretion of the Board of Directors. Contributions made by the Organization for the years ended December 31, 2023 and 2022 totaled \$ 61,341 and \$50,784, respectively.

#### Note 17 - Liquidity and Availability

Financial assets available for general expenditures, that is, without donor restrictions or other designations limiting their use, within one year of the consolidated statement of financial position, comprise the following as of December 31:

	<u>2023</u>	<u>2022</u>
Cash and cash equivalents	\$ <b>8,169,284</b>	\$ 9,448,130
Accounts receivable	<b>2,184</b>	8,826
Promises to give	<b>228,551</b>	88,345
Interest receivable	<b>54,016</b>	53,363
Estimated endowment spending-rate distributions and appropriations	<b>7,700,000</b>	6,800,000
Estimated distributions from beneficial interest in perpetual trust	<b>2,000,000</b>	2,000,000
	<u><b>2,000,000</b></u>	<u>2,000,000</u>
<b>Financial Assets Available to be Used for General Expenditures Within One Year</b>	<u><b>\$ 18,154,035</b></u>	<u>\$ 18,398,664</u>

The Organization's investments of \$154,832,879 and \$136,589,387 as of December 31, 2023 and 2022, respectively, are subject to an average annual spend rate of approximately 5.0%. Also, the Organization's perpetual trusts and split-interest agreements of \$46,863,162 and \$42,582,736 as of December 31, 2023 and 2022, respectively, are subject to average annual spend rates, as determined by the trustee, ranging from 4.0% to 5.0%. The calculated spendable amount from these investments and perpetual trusts and split-interest agreements will be made available for grant-making and administrative expense within the next twelve months. Although there is no intention to spend from the investments (beyond normal spending-rate distributions and appropriations), these amounts could be made available if necessary due to the variance power the Organization holds over its financial assets.

As part of the Organization's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations become due. In addition, the Organization invests cash in excess of daily requirements in money market funds to maximize return.

#### Note 18 - ExtraGive

In 2012, the Foundation launched ExtraGive. The event is a celebration of community philanthropy and gives individuals the opportunity to contribute through the Foundation's on-line giving portal to hundreds of qualified community benefit organizations that serve a wide array of needs in Lancaster County. The event occurs annually in November with grants paid to the various designated organizations in January of the following year.

## **Lancaster County Community Foundation and Affiliates**

---

### Notes to Consolidated Financial Statements

December 31, 2023 and 2022

#### **Note 18 - ExtraGive (continued)**

During 2023 and 2022, the ExtraGive posted results totaling approximately \$8.9 million and \$10.2 million, respectively, on the event's leaderboard. These amounts included certain items, such as business matches, that were not recognized as contributions by the Foundation itself; thus, donations of \$7.9 million and \$9.0 million are recorded as contributions and held in cash and cash equivalents as of December 31, 2023 and 2022, respectively. Grants expense and grants payable are recognized for \$7.9 million and \$9.0 million (net of business matches and fees) as of December 31, 2023 and 2022, respectively, as such grants are approved, but not paid until January of the following year. The 2023 and 2022 grants included approximately \$522,000 and \$610,000, respectively, of stretch pool funds and prizes from the Foundation. Expenses related to the ExtraGive totaled \$ 560,882 and \$590,347 for the years ended December 31, 2023 and 2022, respectively. These expenses are classified as special initiatives expense in the consolidated statement of functional expenses - by natural classification.

#### **Note 19 - Commitments and Contingencies**

Effective on August 31, 2021, the Organization guaranteed up to \$600,000 of a loan from a local financial institution to a local not-for-profit entity (the Entity) that is an unrelated third party. The guarantee requires the Organization to pay any amounts due if the Entity does not make the required payments. The maximum potential amount of future principal and interest payments the Organization could be required to make under the guarantee as of December 31, 2023 is \$600,000, which is based on the current repayment terms of the note agreement.

The Organization has not recorded any liability related to the above guarantee because management believes that there is only a remote likelihood that the Organization will have to perform under the guarantee.

#### **Note 20 - Subsequent Events**

The Organization has evaluated subsequent events through July 23, 2024. This date is the date the consolidated financial statements were available to be issued. No material events subsequent to December 31, 2023 were noted.

**Lancaster County Community Foundation and Affiliates**

Consolidating Statement of Financial Position

	December 31, 2023					
	Lancaster County Community Foundation	Lancaster County Foundation	Lancaster County Local Journalism Fund, LLC	Lancaster Real Estate Fund, LLC	Eliminations	Total
<b>Assets</b>						
Cash and cash equivalents	\$ 8,088,656	\$ -	\$ 1,736	\$ 78,892	\$ -	\$ 8,169,284
Investments	154,832,879	-	-	-	-	154,832,879
Accounts receivable	-	-	-	2,184	-	2,184
Prepaid expenses	128,011	-	-	-	-	128,011
Promises to give	228,226	-	325	-	-	228,551
Interest receivable	54,016	-	-	-	-	54,016
Notes receivable	3,718,450	-	-	-	-	3,718,450
Property and equipment, net	164,266	-	-	-	-	164,266
Right-of-use asset, operating	1,006,261	-	-	-	-	1,006,261
Investment in real estate - rental properties	-	-	-	267,165	-	267,165
Perpetual trusts and split-interest agreements	255,715	46,607,447	-	-	-	46,863,162
Due from related party	-	-	911,903	-	(911,903)	-
<b>Total Assets</b>	<b>\$ 168,476,480</b>	<b>\$ 46,607,447</b>	<b>\$ 913,964</b>	<b>\$ 348,241</b>	<b>\$ (911,903)</b>	<b>\$ 215,434,229</b>
<b>Liabilities and Net Assets</b>						
<b>Liabilities</b>						
Accounts payable	\$ 144,789	\$ -	\$ -	\$ -	\$ -	\$ 144,789
Grants payable	8,516,652	-	-	-	-	8,516,652
Accrued expenses	82,045	-	-	-	-	82,045
Deferred revenue	-	-	-	-	-	-
Charitable gift annuities	1,789,590	-	-	-	-	1,789,590
Obligations under operating leases	1,037,062	-	-	-	-	1,037,062
Liability to resource providers	7,478,851	-	-	-	-	7,478,851
Due to related party	911,903	-	-	-	(911,903)	-
<b>Total Liabilities</b>	<b>19,960,892</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(911,903)</b>	<b>19,048,989</b>
<b>Net Assets</b>						
Without donor restrictions	148,259,873	-	913,964	348,241	-	149,522,078
With donor restrictions	255,715	46,607,447	-	-	-	46,863,162
<b>Total Net Assets</b>	<b>148,515,588</b>	<b>46,607,447</b>	<b>913,964</b>	<b>348,241</b>	<b>-</b>	<b>196,385,240</b>
<b>Total Liabilities and Net Assets</b>	<b>\$ 168,476,480</b>	<b>\$ 46,607,447</b>	<b>\$ 913,964</b>	<b>\$ 348,241</b>	<b>\$ (911,903)</b>	<b>\$ 215,434,229</b>

**Lancaster County Community Foundation and Affiliates**

Consolidating Statement of Financial Position (continued)

	December 31, 2022					
	Lancaster County Community Foundation	Lancaster County Foundation	Lancaster County Local Journalism Fund, LLC	Lancaster Real Estate Fund, LLC	Eliminations	Total
<b>Assets</b>						
Cash and cash equivalents	\$ 9,187,362	\$ -	\$ 195,999	\$ 64,769	\$ -	\$ 9,448,130
Investments	136,589,387	-	-	-	-	136,589,387
Accounts receivable	-	-	-	8,826	-	8,826
Prepaid expenses	109,332	-	-	-	-	109,332
Promises to give	88,345	-	-	-	-	88,345
Interest receivable	53,363	-	-	-	-	53,363
Notes receivable	3,594,000	-	-	-	-	3,594,000
Property and equipment, net	202,219	-	-	-	-	202,219
Right-of-use asset, operating	1,116,335	-	-	-	-	1,116,335
Investment in real estate - rental properties	-	-	-	722,500	-	722,500
Perpetual trusts and split-interest agreements	269,883	42,312,853	-	-	-	42,582,736
Due from related party	-	-	763,482	-	(763,482)	-
<b>Total Assets</b>	<b>\$ 151,210,226</b>	<b>\$ 42,312,853</b>	<b>\$ 959,481</b>	<b>\$ 796,095</b>	<b>\$ (763,482)</b>	<b>\$ 194,515,173</b>
<b>Liabilities and Net Assets</b>						
<b>Liabilities</b>						
Accounts payable	\$ 241,122	\$ -	\$ -	\$ 51	\$ -	\$ 241,173
Grants payable	9,776,745	-	-	-	-	9,776,745
Accrued expenses	68,701	-	-	-	-	68,701
Deferred revenue	10,000	-	-	-	-	10,000
Charitable gift annuities	1,864,738	-	-	-	-	1,864,738
Obligations under operating leases	1,138,958	-	-	-	-	1,138,958
Liability to resource providers	6,362,385	-	-	-	-	6,362,385
Due to related party	763,482	-	-	-	(763,482)	-
<b>Total Liabilities</b>	<b>20,226,131</b>	<b>-</b>	<b>-</b>	<b>51</b>	<b>(763,482)</b>	<b>19,462,700</b>
<b>Net Assets</b>						
Without donor restrictions	130,714,212	-	959,481	796,044	-	132,469,737
With donor restrictions	269,883	42,312,853	-	-	-	42,582,736
<b>Total Net Assets</b>	<b>130,984,095</b>	<b>42,312,853</b>	<b>959,481</b>	<b>796,044</b>	<b>-</b>	<b>175,052,473</b>
<b>Total Liabilities and Net Assets</b>	<b>\$ 151,210,226</b>	<b>\$ 42,312,853</b>	<b>\$ 959,481</b>	<b>\$ 796,095</b>	<b>\$ (763,482)</b>	<b>\$ 194,515,173</b>



**Lancaster County Community Foundation and Affiliates**

Consolidating Statement of Activities

	Year Ended December 31, 2023					Total
	Lancaster County Community Foundation	Lancaster County Foundation	Lancaster County Local Journalism Fund, LLC	Lancaster Real Estate Fund, LLC	Eliminations	
<b>Revenues, Gains and Losses, and Other Support</b>						
Return on investments						
Net realized and unrealized gains	\$ 14,982,810	\$ -	\$ 82,497	\$ -	\$ -	\$ 15,065,307
Interest and dividends, net of fees	2,904,870	-	20,378	-	-	2,925,248
Distributions from perpetual trusts	1,972,643	-	-	-	-	1,972,643
Transfer of distribution from split-interest agreement	516,683	(516,683)	-	-	-	-
Contributions	11,851,920	227,147	17,966	-	-	12,097,033
Net change in value of perpetual trusts and split-interest agreements	15,879	4,584,130	-	-	-	4,600,009
Gain on sale of real estate - rental properties	-	-	-	105,138	-	105,138
Other income (losses)	651,428	-	(12,000)	(576,227)	-	63,201
Rental income	-	-	-	23,286	-	23,286
Net change in value of charitable gift annuities	(95,773)	-	-	-	-	(95,773)
<b>Total Revenues, Gains and Losses, and Other Support</b>	<b>32,800,460</b>	<b>4,294,594</b>	<b>108,841</b>	<b>(447,803)</b>	<b>-</b>	<b>36,756,092</b>
<b>Expenses</b>						
Program and related services	14,265,402	-	152,183	-	-	14,417,585
Supporting services						
Management and general	677,810	-	2,115	-	-	679,925
Fundraising	325,755	-	60	-	-	325,815
<b>Total Expenses</b>	<b>15,268,967</b>	<b>-</b>	<b>154,358</b>	<b>-</b>	<b>-</b>	<b>15,423,325</b>
<b>Change in Net Assets</b>	<b>17,531,493</b>	<b>4,294,594</b>	<b>(45,517)</b>	<b>(447,803)</b>	<b>-</b>	<b>21,332,767</b>
<b>Net Assets at Beginning of Year</b>	<b>130,984,095</b>	<b>42,312,853</b>	<b>959,481</b>	<b>796,044</b>	<b>-</b>	<b>175,052,473</b>
<b>Net Assets at End of Year</b>	<b>\$ 148,515,588</b>	<b>\$ 46,607,447</b>	<b>\$ 913,964</b>	<b>\$ 348,241</b>	<b>\$ -</b>	<b>\$ 196,385,240</b>

**Lancaster County Community Foundation and Affiliates**

Consolidating Statement of Activities (continued)

	Year Ended December 31, 2022					Total
	Lancaster County Community Foundation	Lancaster County Foundation	Lancaster County Local Journalism Fund, LLC	Lancaster Real Estate Fund, LLC	Eliminations	
<b>Revenues, Gains and Losses, and Other Support</b>						
Return on investments						
Net realized and unrealized losses	\$ (22,473,995)	\$ -	\$ (86,188)	\$ -	\$ -	\$ (22,560,183)
Interest and dividends, net of fees	2,976,184	-	16,378	-	-	2,992,562
Distributions from perpetual trusts	2,064,129	-	-	-	-	2,064,129
Transfer of distribution from split-interest agreement	-	-	-	-	-	-
Contributions	12,342,011	-	513,370	-	-	12,855,381
Net change in value of perpetual trusts and split-interest agreements	18,673	(11,687,430)	-	-	-	(11,668,757)
Loss on sale of real estate - rental properties	-	-	-	(10,687)	-	(10,687)
Other income (losses)	179,477	-	(12,000)	(131,559)	-	35,918
Rental income	-	-	-	62,661	-	62,661
Net change in value of charitable gift annuities	(94,355)	-	-	-	-	(94,355)
<b>Total Revenues, Gains and Losses, and Other Support</b>	<b>(4,987,876)</b>	<b>(11,687,430)</b>	<b>431,560</b>	<b>(79,585)</b>	<b>-</b>	<b>(16,323,331)</b>
<b>Expenses</b>						
Program and related services	15,084,021	-	480,587	-	-	15,564,608
Supporting services						
Management and general	570,764	-	2,103	151	-	573,018
Fundraising	335,275	-	67	-	-	335,342
<b>Total Expenses</b>	<b>15,990,060</b>	<b>-</b>	<b>482,757</b>	<b>151</b>	<b>-</b>	<b>16,472,968</b>
<b>Change in Net Assets</b>	<b>(20,977,936)</b>	<b>(11,687,430)</b>	<b>(51,197)</b>	<b>(79,736)</b>	<b>-</b>	<b>(32,796,299)</b>
<b>Net Assets at Beginning of Year</b>	<b>151,962,031</b>	<b>54,000,283</b>	<b>1,010,678</b>	<b>875,780</b>	<b>-</b>	<b>207,848,772</b>
<b>Net Assets at End of Year</b>	<b>\$ 130,984,095</b>	<b>\$ 42,312,853</b>	<b>\$ 959,481</b>	<b>\$ 796,044</b>	<b>\$ -</b>	<b>\$ 175,052,473</b>