



***LEHIGH VALLEY COMMUNITY FOUNDATION, INC.***

**FINANCIAL STATEMENTS AND  
SUPPLEMENTARY INFORMATION**

**Years Ended June 30, 2020 and 2019**

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## **INDEPENDENT AUDITOR'S REPORT**

**To the Board of Governors  
Lehigh Valley Community Foundation, Inc.  
Allentown, Pennsylvania**

We have audited the accompanying financial statements of Lehigh Valley Community Foundation, Inc. (a nonprofit Foundation), which comprise the statements of financial position as of June 30, 2020 and 2019, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

### **Management's Responsibility for the Financial Statements**

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

### **Auditor's Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatements of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

## **Opinion**

In our opinion, the financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of Lehigh Valley Community Foundation, Inc. as of June 30, 2020 and 2019, 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.

## **Report on Supplementary Information**

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of activity without donor restriction is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

*Herbein + Company, Inc.*

**Reading, Pennsylvania  
October 28, 2020**

**LEHIGH VALLEY COMMUNITY FOUNDATION, INC.**

**STATEMENT OF FINANCIAL POSITION**

**June 30, 2020 with Comparative Totals for June 30, 2019**

	Without Donor Restriction	With Donor Restriction	Total June 30	
			2020	2019
<b>ASSETS</b>				
Cash	\$ 2,115,190	\$ -	\$ 2,115,190	\$ 1,618,354
Grants and gifts receivable	23,009	-	23,009	-
Prepaid expenses	22,031	-	22,031	22,397
Investments, at market	52,130,967	2,039,785	54,170,752	56,233,067
Investments - split interest agreements	-	374,403	374,403	433,518
Life insurance policy gift	287,319	-	287,319	273,410
Equipment (net of accumulated depreciation)	4,056	-	4,056	5,927
<b>TOTAL ASSETS</b>	<b>\$ 54,582,572</b>	<b>\$ 2,414,188</b>	<b>\$ 56,996,760</b>	<b>\$ 58,586,673</b>
<b>LIABILITIES</b>				
Accounts payable and accrued expenses	\$ 44,349	\$ -	\$ 44,349	\$ 34,314
Grants committed	142,355	-	142,355	97,824
Deferred revenue	1,500	-	1,500	-
Paycheck protection program loan	123,600	-	123,600	-
Funds held for organizations	-	2,039,785	2,039,785	2,139,045
Liabilities under split interest agreements	-	371,062	371,062	429,289
<b>TOTAL LIABILITIES</b>	<b>311,804</b>	<b>2,410,847</b>	<b>2,722,651</b>	<b>2,700,472</b>
<b>NET ASSETS</b>				
Without donor restriction	54,270,768	-	54,270,768	55,881,972
With donor restriction	-	3,341	3,341	4,229
<b>TOTAL NET ASSETS</b>	<b>54,270,768</b>	<b>3,341</b>	<b>54,274,109</b>	<b>55,886,201</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 54,582,572</b>	<b>\$ 2,414,188</b>	<b>\$ 56,996,760</b>	<b>\$ 58,586,673</b>

*The accompanying notes are an integral part of the financial statements.*

**LEHIGH VALLEY COMMUNITY FOUNDATION, INC.**

**STATEMENT OF FINANCIAL POSITION**

**June 30, 2019**

	Without Donor Restriction	With Donor Restriction	Total
<b>ASSETS</b>			
Cash	\$ 1,618,354	\$ -	\$ 1,618,354
Prepaid expenses	22,397	-	22,397
Investments, at market	54,094,022	2,139,045	56,233,067
Investments - split interest agreements	-	433,518	433,518
Life insurance policy gifts	273,410	-	273,410
Equipment (net of accumulated depreciation)	5,927	-	5,927
<b>TOTAL ASSETS</b>	<b>\$ 56,014,110</b>	<b>\$ 2,572,563</b>	<b>\$ 58,586,673</b>
<b>LIABILITIES</b>			
Accounts payable	\$ 34,314	\$ -	\$ 34,314
Grants committed	97,824	-	97,824
Funds held for organizations	-	2,139,045	2,139,045
Liabilities under split interest agreements	-	429,289	429,289
<b>TOTAL LIABILITIES</b>	<b>132,138</b>	<b>2,568,334</b>	<b>2,700,472</b>
<b>NET ASSETS</b>			
Without donor restriction	55,881,972	-	55,881,972
With donor restriction	-	4,229	4,229
<b>TOTAL NET ASSETS</b>	<b>55,881,972</b>	<b>4,229</b>	<b>55,886,201</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 56,014,110</b>	<b>\$ 2,572,563</b>	<b>\$ 58,586,673</b>

*The accompanying notes are an integral part of the financial statements.*

**LEHIGH VALLEY COMMUNITY FOUNDATION, INC.**

**STATEMENT OF ACTIVITIES**

**Year Ended June 30, 2020 with Comparative Totals for June 30, 2019**

	Without Donor Restriction	With Donor Restriction	Total Year Ended June 30	
			2020	2019
<b>PUBLIC SUPPORT AND REVENUE</b>				
Gifts	\$ 5,819,297	\$ -	\$ 5,819,297	\$ 3,463,998
In-kind gifts	102,686	-	102,686	30,215
Net investment activity	97,577	-	97,577	1,914,653
Net investment activity, split interest agreements	-	1,257	1,257	4,992
Change in value of split interest agreements	-	6,386	6,386	(7,303)
Change in cash surrender value of life insurance policies gifted	13,909	-	13,909	12,171
Administrative fees	21,632	-	21,632	17,005
Net assets released from restrictions	8,531	(8,531)	-	-
Total public support and revenue	6,063,632	(888)	6,062,744	5,435,731
<b>EXPENSES</b>				
Grantmaking and community leadership	7,155,405	-	7,155,405	7,130,961
Asset development and donor services	298,315	-	298,315	336,688
General and administrative	221,116	-	221,116	194,331
Total expenses	7,674,836	-	7,674,836	7,661,980
<b>CHANGES IN NET ASSETS</b>	(1,611,204)	(888)	(1,612,092)	(2,226,249)
<b>NET ASSETS AT BEGINNING OF YEAR</b>	55,881,972	4,229	55,886,201	58,112,450
<b>NET ASSETS AT END OF YEAR</b>	<u>\$ 54,270,768</u>	<u>\$ 3,341</u>	<u>\$ 54,274,109</u>	<u>\$ 55,886,201</u>

*The accompanying notes are an integral part of the financial statements.*

**LEHIGH VALLEY COMMUNITY FOUNDATION, INC.**

**STATEMENT OF ACTIVITIES**

**Year Ended June 30, 2019**

	Without Donor Restriction	With Donor Restriction	Total
<b>REVENUE</b>			
Gifts	\$ 3,463,998	\$ -	\$ 3,463,998
In-kind gifts	30,215	-	30,215
Net investment activity	1,914,653	-	1,914,653
Net investment activity, split interest agreements	-	4,992	4,992
Change in value of split interest agreements	-	(7,303)	(7,303)
Change in cash surrender value of life insurance policies gifted	12,171	-	12,171
Administrative fees	17,005	-	17,005
Net assets released from restrictions	12,164	(12,164)	-
Total revenue	5,450,206	(14,475)	5,435,731
<b>EXPENSES</b>			
Grantmaking and community leadership	7,130,961	-	7,130,961
Asset development and donor services	336,688	-	336,688
General and administrative	194,331	-	194,331
Total expenses	7,661,980	-	7,661,980
<b>CHANGES IN NET ASSETS</b>	(2,211,774)	(14,475)	(2,226,249)
<b>NET ASSETS AT BEGINNING OF YEAR</b>	58,093,746	18,704	58,112,450
<b>NET ASSETS AT END OF YEAR</b>	<u>\$ 55,881,972</u>	<u>\$ 4,229</u>	<u>\$ 55,886,201</u>

*The accompanying notes are an integral part of the financial statements.*



**LEHIGH VALLEY COMMUNITY FOUNDATION, INC.**

**STATEMENT OF FUNCTIONAL EXPENSES**

**Year Ended June 30, 2020**

	<u>Program Service</u>				
	Grantmaking and Community Leadership	Asset Development and Donor Services	Total Program	General and Administrative	Total
Grants	\$ 6,631,171	\$ -	\$ 6,631,171	\$ -	\$ 6,631,171
Salaries and related taxes and benefits	330,765	201,657	532,422	161,263	693,685
Professional fees	-	-	-	20,960	20,960
Other contracted services	58,707	1,048	59,755	5,458	65,213
Advertising and promotion	70,557	46,019	116,576	-	116,576
Office expense	6,778	3,366	10,144	1,862	12,006
Information technology	14,890	12,265	27,155	4,846	32,001
Occupancy	33,597	19,723	53,320	19,198	72,518
Travel	811	917	1,728	1,281	3,009
Conferences and meetings	2,241	8,390	10,631	4,026	14,657
Insurance	1,719	1,015	2,734	817	3,551
Dues and subscriptions	3,263	3,380	6,643	975	7,618
Depreciation	906	535	1,441	430	1,871
	<u>\$ 7,155,405</u>	<u>\$ 298,315</u>	<u>\$ 7,453,720</u>	<u>\$ 221,116</u>	<u>\$ 7,674,836</u>

*The accompanying notes are an integral part of the financial statements.*

**LEHIGH VALLEY COMMUNITY FOUNDATION, INC.**

**STATEMENT OF FUNCTIONAL EXPENSES**

**Year Ended June 30, 2019**

	<u>Program Service</u>				
	Grantmaking and Community Leadership	Asset Development and Donor Services	Total Program	General and Administrative	Total
Grants	\$ 6,770,541	\$ -	\$ 6,770,541	\$ -	\$ 6,770,541
Salaries and related taxes and benefits	289,147	225,999	515,146	137,138	652,284
Professional fees	-	-	-	18,000	18,000
Other contracted services	10,112	869	10,981	4,415	15,396
Advertising and promotion	1,723	41,886	43,609	-	43,609
Office expense	2,957	5,612	8,569	1,444	10,013
Information technology	12,941	16,288	29,229	3,761	32,990
Occupancy	30,921	24,442	55,363	16,713	72,076
Travel	3,095	1,371	4,466	3,091	7,557
Conferences and meetings	2,145	11,858	14,003	7,029	21,032
Insurance	1,691	1,279	2,970	777	3,747
Dues and subscriptions	4,844	6,445	11,289	1,575	12,864
Depreciation	844	639	1,483	388	1,871
	<u>\$ 7,130,961</u>	<u>\$ 336,688</u>	<u>\$ 7,467,649</u>	<u>\$ 194,331</u>	<u>\$ 7,661,980</u>

*The accompanying notes are an integral part of the financial statements.*

**LEHIGH VALLEY COMMUNITY FOUNDATION, INC.**

**STATEMENTS OF CASH FLOWS**

	Years Ended June 30	
	2020	2019
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Changes in net assets	\$ (1,612,092)	\$ (2,226,249)
Adjustments to reconcile changes in net assets to net cash used by operating activities:		
Depreciation	1,871	1,871
Change in value split interest agreements	(6,386)	7,303
Change in cash surrender value	(13,909)	(12,171)
Realized and unrealized gains/losses	1,058,773	(580,783)
Restricted net investment income	(1,257)	(4,992)
Changes in assets and liabilities:		
Grants and gifts receivable	(23,009)	-
Prepaid expenses	366	8,271
Accounts payable and accrued expenses	10,035	9,243
Grants committed	44,531	76,929
Deferred revenue	1,500	-
Funds held for organizations	27,689	110,676
<b>NET CASH USED BY OPERATING ACTIVITIES</b>	<b>(511,888)</b>	<b>(2,609,902)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Proceeds from sale of investments	18,574,473	18,042,853
Purchase of investments	(17,678,022)	(16,327,757)
<b>NET CASH PROVIDED BY INVESTING ACTIVITIES</b>	<b>896,451</b>	<b>1,715,096</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Restricted net investment income	1,257	4,992
Payments on split interest agreements	(12,584)	(14,995)
Paycheck protection program loan	123,600	-
<b>NET CASH PROVIDED (USED) BY FINANCING ACTIVITIES</b>	<b>112,273</b>	<b>(10,003)</b>
<b>INCREASE (DECREASE) IN CASH</b>	<b>496,836</b>	<b>(904,809)</b>
<b>CASH AT BEGINNING OF YEAR</b>	<b>1,618,354</b>	<b>2,523,163</b>
<b>CASH AT END OF YEAR</b>	<b>\$ 2,115,190</b>	<b>\$ 1,618,354</b>

The accompanying notes are an integral part of the financial statements.

**LEHIGH VALLEY COMMUNITY FOUNDATION, INC.**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2020 and 2019**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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**Nature of Activities**

The Lehigh Valley Community Foundation (the "Foundation") was originally established in 1967 as the Bethlehem Area Foundation. In 1992, a nonprofit corporation, the Lehigh Valley Community Foundation, Inc., was created and the Bethlehem Area Foundation was renamed to reflect the regionalization of activities.

The Foundation is a publicly supported community foundation and is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. The purpose of the Foundation is to develop, manage, and distribute the philanthropy of a variety of donors in order to improve the quality of life for residents of the Lehigh Valley. The Foundation's major sources of revenue are derived from contributions and investment activities. It is always considered reasonable that grantors and contributors may be lost in the near-term.

**Basis of Accounting**

The financial statements of the Lehigh Valley Community Foundation, Inc. have been prepared on the accrual basis of accounting, in conformity with accounting principles generally accepted in the United States of America.

**Cash**

For purposes of reporting cash flows, the Foundation considers all cash deposited in bank accounts to be cash on the accompanying statement of financial position.

At various times during the year, the Foundation had cash balances in excess of the federally insured limit in deposit accounts at one local bank.

**Grants and Gifts Receivable**

Grants and gifts receivable are stated at unpaid balances. The Foundation bases its receivable on the subsequent receipt of funds recognized during the reporting period. Therefore, accounts receivable are recorded at their net realizable value and no allowance account is necessary.

**Investments/Financial Instruments**

The charitable funds of the Foundation are managed by diverse financial managers in accordance with the Foundation's investment policy and under the oversight of its finance committee and investment consultant. The Foundation's investment policy provides for strategic asset allocation based on a long-term perspective. The objectives of the Foundation's investment policy include maintaining the purchasing power of assets and maximizing long-term return within reasonable and prudent levels of risk.

Investments are reported at fair value in the statement of financial position. Investment income or loss, including gains and losses of investments, interest and dividends, and investment fees are included in the statement of activities as increases or decreases in net assets without donor restrictions unless the income or loss is restricted by donor or law. The amounts the Foundation will ultimately realize could differ materially from the reported amounts, and significant fluctuations in fair values could occur from year to year.

LEHIGH VALLEY COMMUNITY FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2020 and 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

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**Investments/Financial Instruments - continued**

Investments are exposed to various risks such as interest rate, credit, and overall market volatility. Additionally, there is heightened risk for negative impact on market performance and the investment portfolio due to the ongoing COVID-19 pandemic. Due to the level of risk associated with certain investment securities, it is reasonably possible that changes in the fair value of investments will occur in the near-term and that such changes could materially affect the amounts reported in the statement of financial position.

**Equipment**

Purchased equipment is capitalized at cost. The Foundation's policy is to capitalize any assets in excess of \$2,500 with an estimated useful life of more than one year. Depreciation is computed using the straight-line method over the estimated useful lives of the related assets as follows:

Equipment	5 years
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Maintenance and repairs of equipment are charged to operations and improvements are capitalized. Upon retirement, sale, or other disposition of equipment, the cost and accumulated depreciation are eliminated from the accounts and gain or loss is included in operations.

**Net Assets**

The Foundation is required to report information regarding its financial position and activities according to two classes of net assets:

Net Assets Without Donor Restrictions - Net assets without donor restrictions include funds not subject to donor-imposed stipulations.

Funds classified as net assets without donor restrictions are subject to the unilateral variance power in accordance with the Foundation's governing documents and the United States Treasury regulations.

The variance power gives the Foundation the right to modify any restriction or condition on the distribution of funds for any specified charitable purpose, or to specific organizations under certain circumstances. While the Foundation retains variance power, it is Foundation policy that the donors' intention will be honored unless a restriction or condition becomes, in effect, unnecessary, incapable of fulfillment, or inconsistent with the charitable needs of the community served in the sole judgement of the Foundation's Board of Governors.

LEHIGH VALLEY COMMUNITY FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2020 and 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

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**Net Assets - continued**

Net Assets With Donor Restrictions - Net assets with donor restrictions include gifts, grants, and pledges whose use by the Foundation has been limited by donors to later periods of time or after specified dates, or to specified purposes.

The Foundation reports gifts of cash and other assets as revenue with donor restrictions if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, the net assets are reclassified as net assets without donor restriction and reported in the statements of activities as net assets released from restrictions.

In addition to reporting by net asset class, the Foundation further classifies funds based on expressed donor intent. As a result, the Foundation has 258 different funds which are categorized as follows:

Discretionary Funds

- *Area of Interest Funds* represent funds to be used at the board's discretion to meet a general area of charitable need (geography, program, or purpose) as defined by the donor.
- *Community Partnership Funds* represent funds restricted for Foundation-directed discretionary grant making.
- *Undesignated Funds* represent those over which the Foundation's Board of Governors has full discretion in making distributions for charitable purposes.

Donor-Defined Funds

- *Area of Interest Funds* award grants based on the recommendations of a community committee that oversees a specific initiative.
- *Donor-Advised Funds* represent funds for which the donor has reserved the right to make nonbinding suggestions for charitable giving to the board.
- *Designated Funds* represent funds for which the donors have designated specific organizations for ongoing support.
- *Scholarship and Award Funds* represent funds intended to provide support for education and to provide grants to recognize achievement in areas such as teaching, the arts, or scientific research.
- *Agency Funds* represent endowment and special purpose funds established upon the transfer of assets from other nonprofit Foundations that designate themselves as beneficiaries.

LEHIGH VALLEY COMMUNITY FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2020 and 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

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**Net Assets - continued**

In addition, absent contrary directions given in the fund agreement regarding the use of principal, the Foundation's governing documents further provide all or part of the principal of any fund may be used subject to certain conditions, at the approval of the Board of Governors. Therefore, such contributions are reported as net assets without donor restrictions. However, this classification does not imply that such funds are available for claims of general creditors of the Foundation.

**Contribution Revenue**

The Foundation recognizes revenue from contributions in accordance with Accounting Standards Update ASU 2018-08, *Not-For-Profit Entities* (Topic 958); *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. In accordance with ASU 2018-08, the Foundation evaluates whether a transfer of assets is (1) an exchange transaction in which a resource provider is receiving commensurate value in return for the resources transferred or (2) a contribution. If the transfer of assets is determined to be an exchange transaction, The Foundation applies guidance under ASC-606. If the transfer of assets is determined to be a contribution, The Foundation evaluates whether the contribution is conditional based upon whether the agreement includes both (1) one or more barriers that must be overcome before the Foundation is entitled to the assets transferred and promised, and (2) a right of return of assets transferred or a right or release of a promisor's obligation to transfer assets.

The Foundation recognizes contributions received and made, including unconditional promises to give, as revenue in the period received or made. Contributions received are reported as either revenues without donor restrictions or revenues with donor restrictions. Contributions with donor restrictions that are used for the purpose specified by the donor in the same year as the contribution is received are recognized as revenues without donor restrictions.

Donated securities are recorded at fair market value as of the date of donation and converted to assets, in accordance with the Foundation's investment policy.

**Contributed Services**

The Foundation's Board of Governors and volunteers donate significant amounts of time to its various operations. The value of these contributed services does not meet the criteria for recognition in the financial statements.

Donated materials and certain services are reflected as contributions in the accompanying financial statements at their estimated fair value at the date of receipt. The amount of such donated materials and certain services was \$1,500 and \$30,618 for the years ended June 30, 2020 and 2019, respectively. The contributed goods and services represent the value of contracted services and supplies for the Foundation.

LEHIGH VALLEY COMMUNITY FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2020 and 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

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**Advertising Costs**

The Foundation expenses advertising costs when incurred. Advertising expense for the years ended June 30, 2020 and 2019, totaled \$116,576 and \$43,609, respectively. Advertising expense includes in-kind advertising totaling \$101,186 and \$28,715 at June 30, 2020 and 2019, respectively.

**Functional Expense Allocations**

Expenses that can be identified with specific programs and support services are allocated directly to their natural expenditure classification. Expenses relating to more than one function are allocated to program and supporting services based on the Foundation's estimate of time spent by key personnel between functions and related expenses incurred for the programs and supporting services benefited.

**Tax Exempt Status**

The Foundation has been granted tax-exempt status by the Internal Revenue Service under Section 501(c)(3) of the Internal Revenue Code. The Foundation files federal and state information returns as required. There is no current year provision for federal or state income taxes.

In accordance with generally accepted accounting principles, the Foundation accounts for uncertain tax positions relative to unrelated business income, if any, as required.

**Use of Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses, including functional allocations, during the reporting period. Actual results could differ from those estimates.

**Subsequent Events**

In preparing these financial statements, the Foundation has evaluated events and transactions for potential recognition or disclosure through October 28, 2020, the date the financial statements were available to be issued.

**Adoption of Accounting Pronouncements**

During the year, the Foundation adopted the provisions of FASB ASU 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made* (Topic 958). This accounting standard is meant to help not-for-profit entities evaluate whether transactions should be accounted for as contributions or as exchange transactions and, if the transaction is identified as a contribution, whether it is conditional or unconditional. Topic 958 was applied, with no effect on the financial statements as a result of the adoption.



**LEHIGH VALLEY COMMUNITY FOUNDATION, INC.**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2020 and 2019**

**NOTE 2 - INVESTMENTS AND FAIR VALUE MEASUREMENTS**

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Investments as of June 30 consist of the following:

	<u>2020</u>	<u>2019</u>
Cash	\$ 2,577,380	\$ 1,218,345
Equity securities and funds	37,078,889	41,922,230
Bonds and fixed income funds	<u>14,514,483</u>	<u>13,092,492</u>
	<u>\$ 54,170,752</u>	<u>\$ 56,233,067</u>

The market value of bonds by contracted maturity dates at June 30 is as shown below. Expected maturities will differ from contracted maturities because borrowers have the right to call on the prepay obligations with or without call or prepayment penalties.

	<u>2020</u>	<u>2019</u>
Due in less than 1 year	\$ 436,476	\$ 189,923
Due after 1 through 5 years	1,482,233	1,774,366
Due after 5 through 10 years	1,479,478	1,146,572
Due after 10 through 20 years	133,359	125,920
Due after 20 years	<u>1,057,185</u>	<u>993,297</u>
	<u>\$ 4,588,731</u>	<u>\$ 4,230,078</u>

Net investment activity is as follows at June 30:

	<u>2020</u>	<u>2019</u>
Investment income	\$ 1,483,697	\$ 1,663,771
Realized and unrealized gain (loss) on investments	(1,058,773)	580,783
Custodial and investment management fees	<u>(327,347)</u>	<u>(329,901)</u>
	<u>\$ 97,577</u>	<u>\$ 1,914,653</u>

LEHIGH VALLEY COMMUNITY FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2020 and 2019

NOTE 2 - INVESTMENTS AND FAIR VALUE MEASUREMENTS - CONTINUED

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Financial accounting standards require the use of fair value measurement. The Foundation, in accordance with generally accepted accounting principles, has applied fair value measurement and disclosure in these financial statements as follows:

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 are described below:

- Level 1:* Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Foundation has the ability to access.
- Level 2:* Inputs to the valuation methodology include:
- Quoted prices for similar assets and liabilities in active markets;
  - Quoted prices for identical or similar assets and liabilities in inactive markets;
  - Inputs other than quoted prices that are observable for the asset or liability;
  - Inputs that are derived principally from or corroborated by observable market data by correlation or other means.
- Level 3:* Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

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 need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at June 30, 2020.

**Long-Term Investments**

Custodians hold the investments of the Foundation in accordance with the investment policy of the Foundation. Investments are comprised of cash and cash equivalents, fixed income, and equities for which fair value is based on quoted market prices in an active market. If a quoted market price is not available, fair value is estimated using quoted market prices for similar securities.

*Equity Securities and Funds:*

The custodians of the investments use quoted prices in active markets for identical assets to determine the fair value of Level 1 investments.

*Bonds and Fixed Income Funds:*

The custodians of the investments use various market inputs to determine fair value of Level 2 investments. These inputs include outside pricing services and computerized pricing models.

**LEHIGH VALLEY COMMUNITY FOUNDATION, INC.**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2020 and 2019**

**NOTE 2 - INVESTMENTS AND FAIR VALUE MEASUREMENTS - CONTINUED**

**Long-Term Investments - continued**

The following tables set forth by level, within the fair value hierarchy, the Foundation's assets at fair value as of June 30, 2020:

	Fair Value	Valuation (Level 1)	Valuation (Level 2)
<b>Investments</b>			
Equity Securities - U.S.	\$ 8,044,714	\$ 8,044,714	\$ -
Equity Securities - International	3,727,885	3,727,885	-
Equity Mutual Funds - U.S.	18,813,709	18,813,709	-
Equity Mutual Funds - International	6,492,581	6,492,581	-
Corporate Bonds	1,550,899	-	1,550,899
U.S. Treasury Bonds	993,563	-	993,563
Government Agency Bonds	2,144,358	-	2,144,358
Bond Mutual Funds - U.S.	8,315,398	-	8,315,398
Bond Mutual Funds - International	1,510,265	-	1,510,265
	51,593,372	37,078,889	14,514,483
<b>Investments - Split Interest Agreements</b>			
Equity Mutual Funds	223,110	223,110	-
Bond Mutual Funds	142,576	-	142,576
	365,686	223,110	142,576
Total investments, at market	\$ 51,959,058	\$ 37,301,999	\$ 14,657,059

**LEHIGH VALLEY COMMUNITY FOUNDATION, INC.**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2020 and 2019**

**NOTE 2 - INVESTMENTS AND FAIR VALUE MEASUREMENTS - CONTINUED**

**Long-Term Investments - continued**

The estimated fair values of the Foundation's financial instruments as of June 30, 2019, are as follows:

	Fair Value	Valuation (Level 1)	Valuation (Level 2)
<b>Investments</b>			
Equity Securities - U.S.	\$ 6,361,209	\$ 6,361,209	\$ -
Equity Securities - International	5,720,321	5,720,321	-
Equity Mutual Funds - U.S.	22,598,033	22,598,033	-
Equity Mutual Funds - International	7,242,667	7,242,667	-
Corporate Bonds	1,441,544	-	1,441,544
U.S. Treasury Bonds	1,769,501	-	1,769,501
Government Agency Bonds	1,120,907	-	1,120,907
Bond Mutual Funds - U.S.	7,269,245	-	7,269,245
Bond Mutual Funds - International	1,491,295	-	1,491,295
	55,014,722	41,922,230	13,092,492
<b>Investments - Split Interest Agreements</b>			
Equity Mutual Funds	258,141	258,141	-
Bond Mutual Funds	159,779	-	159,779
	417,920	258,141	159,779
Total investments, at market	\$ 55,432,642	\$ 42,180,371	\$ 13,252,271

**NOTE 3 - INVESTMENTS - SPLIT INTEREST AGREEMENTS**

Investments - split interest agreements represent the fair market value of assets held under charitable remainder trusts and gift annuity agreements. The Foundation has segregated the assets under these agreements as separate and distinct funds, independent from other funds, and not to be applied to payment of the obligations of the Foundation or any other purpose other than benefits specified in the agreements.

Total assets by type of split interest agreement are as follows at June 30:

	2020	2019
Gift annuities	\$ 73,038	\$ 92,896
Charitable remainder trusts	301,365	340,622
	\$ 374,403	\$ 433,518

LEHIGH VALLEY COMMUNITY FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2020 and 2019

NOTE 3 - INVESTMENTS - SPLIT INTEREST AGREEMENTS - CONTINUED

Split interest assets are as follows at June 30:

	2020	2019
Cash	\$ 8,717	\$ 15,598
Equity securities and funds	223,110	258,141
Bonds and fixed income funds	142,576	159,779
	<u>\$ 374,403</u>	<u>\$ 433,518</u>

**Gift Annuities**

The Foundation administers several charitable gift annuities. Gift annuity assets received are recorded at fair value on the date received by the Foundation. The gift annuity agreements provide for the payment of distributions at a stated return to the beneficiaries as long as they live, at which time the remaining assets are to be used for the establishment of or addition to charitable funds of the Foundation based on donor intent.

Distributions to beneficiaries are calculated based on rates varying from 5.9% to 8.8%. Total annual distributions were \$12,584 and \$14,995 for the years ended June 30, 2020 and 2019, respectively. Net investment income totaled \$1,257 and \$4,992 for the years ended June 30, 2020 and 2019, respectively. Annuity obligations represent the present value of expected future cash flows to be paid to the beneficiaries based on life expectancies. Annuity obligations are fully funded by the investments held.

**Charitable Remainder Trusts**

The Foundation is currently serving as the trustee of a charitable remainder annuity trust. As specified in the trust agreement, distributions from the annuity trust are \$25,000 annually.

NOTE 4 - EQUIPMENT

Equipment and related accumulated depreciation are as follows at June 30:

	2020	2019
Equipment	\$ 43,784	\$ 43,784
Accumulated depreciation	<u>(39,728)</u>	<u>(37,857)</u>
	<u>\$ 4,056</u>	<u>\$ 5,927</u>

Depreciation expense for both years ended June 30, 2020 and 2019 was \$1,871.

LEHIGH VALLEY COMMUNITY FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2020 and 2019

**NOTE 5 - PAYCHECK PROTECTION PROGRAM FUNDS**

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On April 18, 2020, the Foundation received a Paycheck Protection Program Loan (the "PPP Loan") from a qualified lender totaling \$123,600. This loan program was implemented by the U.S. Small Business Administration ("SBA") under the Coronavirus Aid, Relief, and Economic Security Act. The PPP Loan bears interest at a fixed rate of 1.0% per annum, has a term of two years, and is unsecured and guaranteed by the SBA.

The principal amount of the PPP Loan is subject to forgiveness under the Paycheck Protection Program upon the Foundation's request to the extent that the PPP Loan proceeds are used to pay expenses permitted by the Paycheck Protection Program. The Foundation intends to apply for forgiveness of the PPP Loan with respect to these covered expenses. The Foundation will recognize the forgiven portion of the loan as a contribution upon notification of forgiveness by the SBA.

To the extent that all or part of the PPP Loan is not forgiven, the Foundation will be required to pay interest on the PPP Loan at a rate of 1.0% per annum through the maturity date. The PPP Loan may be accelerated upon the occurrence of an event of default. On June 5, 2020, the Paycheck Protection Flexibility Act (the "Act") was signed into law, which allows the Foundation and the lender to amend certain terms of the loan in accordance with the Act. The Act also extended the repayment deferral period which is now defined as (1) when the loan forgiveness is determined by the SBA or (2) ten months after the end of the borrower's covered period if forgiveness is not requested.

**NOTE 6 - FUNDS HELD FOR ORGANIZATIONS**

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The Foundation follows ASC 958-605, *Transfers of Assets to a Not-For-Profit Foundation or Charitable Trust*, that raises or holds contributions for others, *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 958-605 specifically requires that if a nonprofit organization 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 funds held for organizations.

The Foundation maintains variance power and legal ownership of funds held for organizations, and as such, continues to report the funds as assets of the Foundation. However, in accordance with ASC 958-605, 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 nonprofit organizations.

LEHIGH VALLEY COMMUNITY FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2020 and 2019

NOTE 6 - FUNDS HELD FOR ORGANIZATIONS - CONTINUED

At June 30, 2020 and 2019, the Foundation was the owner of 24 and 22 agency funds, respectively, with a combined value of \$2,039,785 and \$2,139,045, respectively. The following table summarizes activity in such funds:

	2020	2019
Funds held for organizations' balances at July 1	\$ 2,139,045	\$ 2,056,574
New contributions	107,545	133,160
Net investment income	(63,494)	44,050
Fees	(19,325)	(16,149)
Grants and expenses	(123,986)	(78,590)
Funds held for organizations' balances at June 30	<u>\$ 2,039,785</u>	<u>\$ 2,139,045</u>

NOTE 7 - NET ASSETS

The Foundation's net assets without donor restrictions are comprised of designated and undesignated funds as follows at June 30:

	2020	2019
Charitable Endowed Funds	\$ 44,935,170	\$ 44,892,697
Grantmaking	9,086,073	10,765,923
Operations and administration	249,525	223,352
	<u>\$ 54,270,768</u>	<u>\$ 55,881,972</u>

Included in the above are assets the Board has designated for the following purposes at June 30:

Endowed for:		
Foundation discretionary use	\$ 2,407,795	\$ 2,593,114
Foundation-directed grantmaking	113,245	123,880
Reserves for operations and other expenses	233,763	202,123
	<u>\$ 2,754,803</u>	<u>\$ 2,919,117</u>

Net assets with donor restrictions at June 2020 and 2019 are restricted under split interest agreements and total \$3,341 and \$4,229, respectively.

Net assets were released from donor restrictions by satisfying the restricted purposes specified by donors under the split interest agreements totaling \$8,531 and \$12,164 at June 30, 2020 and 2019, respectively.

**LEHIGH VALLEY COMMUNITY FOUNDATION, INC.**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2020 and 2019**

**NOTE 8 - ENDOWMENT FUNDS**

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The Foundation's charitable endowed funds are all classified as without donor restrictions in the accompanying statement of financial position.

**Interpretation of Relevant Law**

The Foundation has elected to be governed by the Pennsylvania Act 141 which relates to nonprofit endowments and requires foundations to adopt and follow a total return investment policy and a spending policy. The Foundation has adopted investment and spending policies for endowment assets. These policies work together in an attempt to provide a predictable stream of funding for grants and programs while seeking to maintain the purchasing power of the endowment assets.

**Investment Objectives**

The Foundation's investment objective is to maximize return within reasonable and prudent levels of risk while maintaining an appropriate portfolio asset allocation. Investment guidelines are based on an investment horizon of greater than five years. To satisfy its long-term rate of return objective, the Foundation's investment policy pursues a total return approach to the management of assets in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends).

**Spending Policy**

The Foundation's spending policy determines the amount available for grant making from endowment funds. The spending rate is established annually by the Board of Governors, and the approved rate was 4.50% for the years ended June 30, 2020 and 2019. The amount available for spending is calculated based on the average asset value of an endowment fund over 12 rolling quarters.

**Underwater Endowment Funds**

The Foundation considers a fund to be underwater if the fair value of the fund is less than the original value of initial and subsequent amounts donated or designated to the fund.

At June 30, 2020 and 2019, the fair value of underwater endowments totaled \$9,078,137 and \$3,723,457, respectively. The original gifts required to be held related to the underwater endowment totaled \$9,792,169 and \$4,009,474, respectively. The deficiencies in the underwater endowment funds totaled \$714,032 and \$286,017 at June 30, 2020 and 2019, respectively. The Foundation's policy permits grantmaking from underwater endowment funds unless otherwise precluded by donor intent or wishes or relevant laws and regulations.



LEHIGH VALLEY COMMUNITY FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2020 and 2019

NOTE 8 - ENDOWMENT FUNDS - CONTINUED

Changes in endowment net assets for the fiscal years ended June 30 are as follows:

	2020	2019
Endowment net assets - beginning of year	\$ 44,892,697	\$ 45,101,160
Gifts	2,302,049	529,893
Investment income (net of fees)	916,329	1,074,958
Appreciation (depreciation)	(780,877)	444,735
Amounts appropriated for expenditure	(2,395,028)	(2,258,049)
Endowment net assets - end of year	<u>\$ 44,935,170</u>	<u>\$ 44,892,697</u>

Endowment net assets by type of fund as of June 30 are as follows:

	2020	2019
Area of interest	\$ 3,928,100	\$ 1,989,899
Community partnership	7,475,133	7,742,136
Donor-advised	6,316,306	6,670,150
Designated	21,648,664	22,472,831
Scholarship/award	35,612	1,909,126
Agency	1,763,336	29,530
Undesignated	3,768,019	4,079,025
Total endowment funds	<u>\$ 44,935,170</u>	<u>\$ 44,892,697</u>

NOTE 9 - GRANTS

The total amount available for grant making from endowed funds varies annually based on the application of the board-approved spending policy.

Foundation-directed grants from discretionary funds are made annually and are directed toward needs or opportunities in the community in the areas of arts, culture and heritage, education, environment, healthcare, human services, and community development. The Foundation's Board of Governors has sole discretion regarding grant making from these funds.

**LEHIGH VALLEY COMMUNITY FOUNDATION, INC.**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2020 and 2019**

**NOTE 9 - GRANTS - CONTINUED**

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Philanthropic partnership grants made from donor-defined funds must also be approved by the Foundation's Board of Governors. However, grants from these funds are made based on donor recommendations or designations. The total amount granted from such funds may vary greatly each year depending on the amount of grants made from temporary funds, which are not subject to the Foundation's spending policy.

Grants paid are as follows at June 30:

	<u>2020</u>	<u>2019</u>
Foundation-directed grants:		
Community investment grants	\$ 317,932	\$ 386,810
COVID-19 response grants	127,800	-
Area of interest fund grants	69,013	108,123
Other discretionary grants	383,760	374,570
Philanthropic partnership grants	<u>5,732,666</u>	<u>5,901,038</u>
 Total grants	 <u>\$ 6,631,171</u>	 <u>\$ 6,770,541</u>

In addition, the Foundation distributed grants from the agency funds in the amount of \$123,950 and \$78,590 for the years ended June 30, 2020 and 2019, respectively.

**NOTE 10 - PENSION PLAN**

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Effective January 1, 2012, the Foundation adopted a 401(k) Plan. Employees meeting hours and length of service requirements are eligible to participate. The Foundation will determine the amount of any matching or profit sharing contributions on an annual basis. Contributions totaling \$26,273 and \$22,969 were made by the Foundation during the years ended June 30, 2020 and 2019, respectively.

**NOTE 11 - COMMITMENTS AND CONTINGENCIES**

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The Foundation has an operating lease for office space. Minimum annual rental commitments under the lease as of June 30, 2020, total \$63,617 for the year ending June 30, 2021.

Total office and equipment rent paid for the years ended June 30, 2020 and 2019 was \$62,138 and \$60,469, respectively.

LEHIGH VALLEY COMMUNITY FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2020 and 2019

**NOTE 12 - COVID-19 PANDEMIC**

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In March 2020, the World Health Organization declared the outbreak of a novel coronavirus (COVID-19) as a pandemic which has caused major disruptions worldwide. The ongoing pandemic poses increased and unexpected business risks. The specific impact of the pandemic and the duration of this disruption is not determinable as of the report date; therefore, the financial statements do not include any adjustments that might result from the outcome of this uncertainty. Management is carefully monitoring the impact of the pandemic and taking steps to mitigate the impact.

**NOTE 13 - AVAILABILITY OF FINANCIAL RESOURCES**

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Financial assets available for operating expenses and Foundation-directed grants within one year of the statement of financial position are comprised of the following at June 30:

	2020	2019
Cash	\$ 225,959	\$ 83,710
Investments	<u>1,616,452</u>	<u>1,681,310</u>
Total financial assets available	<u>\$ 1,842,411</u>	<u>\$ 1,765,020</u>

In managing liquidity, the Foundation structures its financial assets to be available as its operational expenditures, liabilities, and other obligations become due and for payment of Foundation-directed grants at the appropriate time during the Foundation's grant cycles. For operational expenditures, liquidity management is primarily accomplished through the Foundation's assessment of fund administrative fees. Additionally, systematic transfers of amounts appropriated for current year spending are made from long-term investments to cash accounts for operational expenses and Foundation-directed grant payments.

**LEHIGH VALLEY COMMUNITY FOUNDATION, INC.**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2020 and 2019**

**NOTE 13 - AVAILABILITY OF FINANCIAL RESOURCES - CONTINUED**

Based on the above, the amounts available for general operating expenditure and Foundation-directed grantmaking within the next year consist of the following at June 30:

	2020	2019
Administrative fees from funds (estimated)	\$ 607,552	\$ 680,435
Appropriations from endowment funds:		
Board designated	117,050	114,300
Donor endowed	67,090	65,470
Board designated reserves	14,124	20,000
Total for general operating expenditures	805,816	880,205
Appropriations from donor endowed Foundation-directed funds	982,295	821,105
Other non-endowed cash	54,300	63,710
Total for Foundation-directed grants	1,036,595	884,815
Total available	<u>\$ 1,842,411</u>	<u>\$ 1,765,020</u>

All funds of the Foundation are assessed an administrative fee based on a percentage of the fund's assets. These administrative fees are recognized when assessed and are used to cover the operating expenses of the Foundation and to support the Foundation's community leadership efforts and initiatives. For endowed funds and certain pass-through funds, fees are assessed on a monthly basis.

Fees on non-endowed funds are assessed on a quarterly basis at the close of each quarter. The fees on these funds are recognized when they are assessed. Administrative fee income for the operating fund and the corresponding fee expenses for all funds is netted in the presentation of the Statement of Activities but is detailed on the Schedule of Activity Without Restriction.

The Foundation manages its cash available for grant purposes by examining the purpose for which the fund was established and if the fund is endowed or non-endowed. Financial assets available for Foundation-directed grants represent the annual amount appropriated for grantmaking from funds that are made at the discretion of the Foundation.

For those funds that are endowed or operate most closely to the Foundation's spending policy for granting, the funds are generally invested in the Foundation's Legacy Portfolio or a similarly managed long term portfolio. For endowed funds, the amount available for granting is determined on an annual basis and is calculated based on the Foundation's spending rate. The amount available for granting is transferred to cash based on the planned timing of grant issuance.

LEHIGH VALLEY COMMUNITY FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2020 and 2019

**NOTE 13 - AVAILABILITY OF FINANCIAL RESOURCES - CONTINUED**

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The amount available for philanthropic partnership grants within the next year is \$1,089,480 and \$987,000 at June 30, 2020 and 2019, respectively. This is the amount appropriated for grantmaking from all other endowed funds that are not available for the Foundation's discretionary use. The Foundation does not consider these available for general expenditure because grantmaking from these funds is governed by the specified purposes of the fund as outlined in each individual fund agreement. This includes donor-advised funds which allow for grants based on Foundation approved donor recommendations.

Financial assets available for general expenditure do not include \$9,086,073 and \$10,765,923 in non-endowed funds at June 30, 2020 and 2019, respectively, that would be available for granting within one year. Most funds that are not endowed are invested in the Foundation's Preservation Portfolio, a short-term pool invested in a money market fund. Funds held in this pool are subject to withdrawal at any time. Capital preservation and liquidity are paramount. Assets are transferred out of portfolios as grants are made.

Included in endowment funds are board designated funds with a value of \$2,521,040 and \$2,716,994 at June 30, 2020 and 2019, respectively. Monthly withdrawals are made from these funds for administrative fees assessed and for the annual spending policy amount appropriated for general use. Although the Foundation does not intend to make additional withdrawals from these funds, Board-approved additional withdrawals could be made as deemed necessary for general expenditures and Foundation-directed grants.

Occasionally, the Board will designate a portion of any annual operating surplus to its operating reserve which was \$227,175 and \$192,625 at June 30, 2020 and 2019, respectively. These reserves are available for general expenditure within the next year at the discretion of the Board.

**NOTE 14 - NEW ACCOUNTING PRONOUNCEMENTS**

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In February 2017, the FASB issued ASU No. 2017-02, *Leases (Topic 842)*. Under this guidance, lessees will need to recognize the following for all leases (with the exception of leases with a term of twelve months or less) at the commencement date: (a) a lease liability, which is a lessee's obligation to make lease payments arising from a lease, measured on a discounted basis; and (b) a right-of-use asset, which is an asset that represents the lessee's right to use, or control the use of, a specified asset for the lease term. Under the new guidance, lessor accounting is largely unchanged. The guidance requires a modified retrospective transition approach for leases existing at, or entered into after, the beginning of the earliest comparative period presented in the financial statements. The modified retrospective approach would not require any transition accounting for leases that expire before the earliest comparative period presented. A full retrospective transition approach is not permitted. This standard is effective for fiscal years beginning after December 15, 2021, with early application permitted. The Foundation is evaluating the impact this standard will have on the financial statements.

## **SUPPLEMENTARY INFORMATION**

LEHIGH VALLEY COMMUNITY FOUNDATION, INC.

SCHEDULE OF ACTIVITY WITHOUT DONOR RESTRICTION

Year Ended June 30, 2020

	Operating and Reserve Funds	Discretionary Funds	Donor-Defined Funds	Total
<b>PUBLIC SUPPORT AND REVENUE</b>				
Gifts	\$ 32,251	\$ 2,751,684	\$ 3,035,362	\$ 5,819,297
In-kind gifts	102,686	-	-	102,686
Net investment activity	(570)	12,278	85,869	97,577
Change in cash surrender value	-	13,540	369	13,909
Administrative fees	21,632	-	-	21,632
Released from donor restriction	245	-	8,286	8,531
Total before released	156,244	2,777,502	3,129,886	6,063,632
Interfund Activity:				
Appropriations from endowment funds	179,770	(179,770)	-	-
Foundation fees	658,806	(156,466)	(502,340)	-
Gifts (grants)	3,670	91,735	(95,405)	-
<b>TOTAL PUBLIC SUPPORT AND REVENUE</b>	998,490	2,533,001	2,532,141	6,063,632
<b>EXPENSES</b>				
Grants	1,910	536,281	6,092,980	6,631,171
Grantmaking and community leadership	451,827	71,873	534	524,234
Asset development and donor services	297,465	159	691	298,315
General and administrative	221,116	-	-	221,116
<b>TOTAL EXPENSES</b>	972,318	608,313	6,094,205	7,674,836
<b>CHANGES IN NET ASSETS</b>	<u>\$ 26,172</u>	<u>\$ 1,924,688</u>	<u>\$ (3,562,064)</u>	(1,611,204)
<b>NET ASSETS AT BEGINNING OF YEAR</b>				<u>55,881,972</u>
<b>NET ASSETS AT END OF YEAR</b>				<u>\$ 54,270,768</u>