



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

**FINANCIAL STATEMENTS**

**Years Ended June 30, 2022 and 2021**



## TABLE OF CONTENTS

	Pages
<b>INDEPENDENT AUDITOR'S REPORT</b> .....	1 - 2
<b>FINANCIAL STATEMENTS</b>	
Statements of Financial Position .....	3 - 4
Statements of Activities .....	5 - 6
Statements of Functional Expenses .....	7 - 8
Statements of Cash Flows .....	9
Notes to Financial Statements .....	10 - 29

## INDEPENDENT AUDITOR'S REPORT

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

### **Opinion**

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, 2022 and 2021, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Lehigh Valley Community Foundation as of June 30, 2022 and 2021, 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. 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 Lehigh Valley Community Foundation and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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

Management is responsible for the preparation and fair presentation of the 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 financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Lehigh Valley Community Foundation's ability to continue as a going concern within one year after the date that the 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 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 generally accepted auditing standards 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 generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the 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 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 Lehigh Valley Community Foundation 's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Lehigh Valley Community Foundation 's ability to continue as a going concern for a reasonable period of time.

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

*Herbein + Company, Inc.*

**Reading, Pennsylvania**  
**November 8, 2022**

**LEHIGH VALLEY COMMUNITY FOUNDATION, INC.**

**STATEMENT OF FINANCIAL POSITION**

**June 30, 2022 with Comparative Totals for June 30, 2021**

	Without Donor Restrictions	With Donor Restrictions	Total June 30	
			2022	2021
<b>ASSETS</b>				
Cash and cash equivalents	\$ 5,326,849	\$ -	\$ 5,326,849	\$ 5,698,211
Grants and gifts receivable	14,534	-	14,534	1,108
Prepaid expenses	31,384	-	31,384	29,130
Investments, at market (Note 2)	60,569,650	3,967,120	64,536,770	74,288,750
Investments - split interest agreements	-	351,704	351,704	429,204
Life insurance policy gift	307,089	-	307,089	298,825
Equipment (net of accumulated depreciation)	16,913	-	16,913	2,185
<b>TOTAL ASSETS</b>	<b>\$ 66,266,419</b>	<b>\$ 4,318,824</b>	<b>\$ 70,585,243</b>	<b>\$ 80,747,413</b>
<b>LIABILITIES</b>				
Accounts payable and accrued expenses	\$ 46,136	\$ -	\$ 46,136	\$ 35,424
Grants committed	391,213	-	391,213	234,018
Funds held for organizations (Note 6)	-	3,967,120	3,967,120	3,648,753
Liabilities under split interest agreements	-	340,253	340,253	401,886
<b>TOTAL LIABILITIES</b>	<b>437,349</b>	<b>4,307,373</b>	<b>4,744,722</b>	<b>4,320,081</b>
<b>NET ASSETS</b>				
Without donor restrictions (Notes 7 & 8)	65,829,070	-	65,829,070	76,400,014
With donor restrictions	-	11,451	11,451	27,318
<b>TOTAL NET ASSETS</b>	<b>65,829,070</b>	<b>11,451</b>	<b>65,840,521</b>	<b>76,427,332</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 66,266,419</b>	<b>\$ 4,318,824</b>	<b>\$ 70,585,243</b>	<b>\$ 80,747,413</b>

**LEHIGH VALLEY COMMUNITY FOUNDATION, INC.**

**STATEMENT OF FINANCIAL POSITION**

**June 30, 2021**

	Without Donor Restrictions	With Donor Restrictions	Total
<b>ASSETS</b>			
Cash and cash equivalents	\$ 5,698,211	\$ -	\$ 5,698,211
Grants and gifts receivable	1,108	-	1,108
Prepaid expenses	29,130	-	29,130
Investments, at market (Note 2)	70,639,997	3,648,753	74,288,750
Investments - split interest agreements	-	429,204	429,204
Life insurance policy gift	298,825	-	298,825
Equipment (net of accumulated depreciation)	2,185	-	2,185
<b>TOTAL ASSETS</b>	<b>\$ 76,669,456</b>	<b>\$ 4,077,957</b>	<b>\$ 80,747,413</b>
<b>LIABILITIES</b>			
Accounts payable and accrued expenses	\$ 35,424	\$ -	\$ 35,424
Grants committed	234,018	-	234,018
Funds held for organizations (Note 6)	-	3,648,753	3,648,753
Liabilities under split interest agreements	-	401,886	401,886
<b>TOTAL LIABILITIES</b>	<b>269,442</b>	<b>4,050,639</b>	<b>4,320,081</b>
<b>NET ASSETS</b>			
Without donor restrictions (Notes 7 & 8)	76,400,014	-	76,400,014
With donor restrictions	-	27,318	27,318
<b>TOTAL NET ASSETS</b>	<b>76,400,014</b>	<b>27,318</b>	<b>76,427,332</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 76,669,456</b>	<b>\$ 4,077,957</b>	<b>\$ 80,747,413</b>

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

**LEHIGH VALLEY COMMUNITY FOUNDATION, INC.**

**STATEMENT OF ACTIVITIES**

**Year Ended June 30, 2022 with Comparative Totals for June 30, 2021**

	Without Donor Restrictions	With Donor Restrictions	Total	
			Year Ended June 30	
			2022	2021
<b>PUBLIC SUPPORT AND REVENUE</b>				
Contributions of cash and other financial assets	\$ 5,814,509	\$ -	\$ 5,814,509	\$ 11,956,987
Contributions of nonfinancial assets	563,176	-	563,176	85,242
Administrative fees	35,301	-	35,301	21,268
Net investment return (Note 2)	(9,085,871)	-	(9,085,871)	16,572,046
Net investment return - split interest agreements	-	(10,232)	(10,232)	19,679
Change in value of split interest agreements	-	(5,024)	(5,024)	7,034
Change in cash surrender value of life insurance policies gifted	8,264	-	8,264	11,506
Paycheck Protection Program loan forgiveness	-	-	-	123,600
Net assets released from restrictions	611	(611)	-	-
<b>TOTAL PUBLIC SUPPORT AND REVENUE</b>	<b>(2,664,010)</b>	<b>(15,867)</b>	<b>(2,679,877)</b>	<b>28,797,362</b>
<b>EXPENSES</b>				
Grantmaking and community leadership	7,193,689	-	7,193,689	6,014,444
Asset development and donor services	482,139	-	482,139	328,161
General and administrative	231,106	-	231,106	301,534
<b>TOTAL EXPENSES</b>	<b>7,906,934</b>	<b>-</b>	<b>7,906,934</b>	<b>6,644,139</b>
<b>CHANGES IN NET ASSETS</b>	<b>(10,570,944)</b>	<b>(15,867)</b>	<b>(10,586,811)</b>	<b>22,153,223</b>
<b>NET ASSETS AT BEGINNING OF YEAR</b>	<b>76,400,014</b>	<b>27,318</b>	<b>76,427,332</b>	<b>54,274,109</b>
<b>NET ASSETS AT END OF YEAR</b>	<b>\$ 65,829,070</b>	<b>\$ 11,451</b>	<b>\$ 65,840,521</b>	<b>\$ 76,427,332</b>

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

**LEHIGH VALLEY COMMUNITY FOUNDATION, INC.**

**STATEMENT OF ACTIVITIES**

**Year Ended June 30, 2021**

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
<b>PUBLIC SUPPORT AND REVENUE</b>			
Contributions of cash and other financial assets	\$ 11,956,987	\$ -	\$ 11,956,987
Contributions of nonfinancial assets	85,242	-	85,242
Administrative fees	21,268	-	21,268
Net investment return (Note 2)	16,572,046	-	16,572,046
Net investment return - split interest agreements	-	19,679	19,679
Change in value of split interest agreements	-	7,034	7,034
Change in cash surrender value of life insurance policies gifted	11,506	-	11,506
Paycheck Protection Program loan forgiveness	123,600	-	123,600
Net assets released from restrictions	2,736	(2,736)	-
<b>TOTAL PUBLIC SUPPORT AND REVENUE</b>	<b>28,773,385</b>	<b>23,977</b>	<b>28,797,362</b>
<b>EXPENSES</b>			
Grantmaking and community leadership	6,014,444	-	6,014,444
Asset development and donor services	328,161	-	328,161
General and administrative	301,534	-	301,534
<b>TOTAL EXPENSES</b>	<b>6,644,139</b>	<b>-</b>	<b>6,644,139</b>
<b>CHANGES IN NET ASSETS</b>	<b>22,129,246</b>	<b>23,977</b>	<b>22,153,223</b>
<b>NET ASSETS AT BEGINNING OF YEAR</b>	<b>54,270,768</b>	<b>3,341</b>	<b>54,274,109</b>
<b>NET ASSETS AT END OF YEAR</b>	<b>\$ 76,400,014</b>	<b>\$ 27,318</b>	<b>\$ 76,427,332</b>

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



**LEHIGH VALLEY COMMUNITY FOUNDATION, INC.**

**STATEMENT OF FUNCTIONAL EXPENSES**

**Year Ended June 30, 2022**

	Program Service		Total Program	General and Administrative	Total
	Grantmaking and Community Leadership	Asset Development and Donor Services			
Grants (Note 10)	\$ 6,691,311	\$ 11,750	\$ 6,703,061	\$ -	\$ 6,703,061
Salaries and related taxes and benefits	359,774	329,876	689,650	158,008	847,658
Professional fees and services	43,437	17,755	61,192	29,810	91,002
Advertising and promotion	28,720	45,316	74,036	-	74,036
Office expense	3,543	5,230	8,773	1,404	10,177
Information technology	22,037	21,679	43,716	7,509	51,225
Occupancy	30,859	26,597	57,456	18,021	75,477
Professional development	6,701	6,637	13,338	6,262	19,600
Meetings and travel	1,208	11,188	12,396	3,838	16,234
Insurance	1,648	1,434	3,082	699	3,781
Dues and subscriptions	2,392	2,885	5,277	4,682	9,959
Depreciation	2,059	1,792	3,851	873	4,724
	<u>\$ 7,193,689</u>	<u>\$ 482,139</u>	<u>\$ 7,675,828</u>	<u>\$ 231,106</u>	<u>\$ 7,906,934</u>

**LEHIGH VALLEY COMMUNITY FOUNDATION, INC.**

**STATEMENT OF FUNCTIONAL EXPENSES**

**Year Ended June 30, 2021**

	Program Service		Total Program	General and Administrative	Total
	Grantmaking and Community Leadership	Asset Development and Donor Services			
Grants (Note 10)	\$ 5,504,439	\$ -	\$ 5,504,439	\$ -	\$ 5,504,439
Salaries and related taxes and benefits	318,524	237,301	555,825	226,483	782,308
Professional fees and services	68,688	2,923	71,611	24,166	95,777
Advertising and promotion	64,732	39,492	104,224	-	104,224
Office expense	6,020	5,160	11,180	3,948	15,128
Information technology	20,810	17,717	38,527	10,916	49,443
Occupancy	26,873	19,899	46,772	23,157	69,929
Professional development	18	1,650	1,668	5,416	7,084
Meetings and travel	128	278	406	1,538	1,944
Insurance	1,545	1,109	2,654	1,054	3,708
Dues and subscriptions	1,887	2,073	3,960	4,324	8,284
Depreciation	780	559	1,339	532	1,871
	<u>\$ 6,014,444</u>	<u>\$ 328,161</u>	<u>\$ 6,342,605</u>	<u>\$ 301,534</u>	<u>\$ 6,644,139</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

	2022	2021
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Changes in net assets	\$ (10,586,811)	\$ 22,153,223
Adjustments to reconcile changes in net assets to net cash used by operating activities:		
Depreciation	4,724	1,871
Change in value split interest agreements	5,024	(7,034)
Change in cash surrender value	(8,264)	(11,506)
Realized and unrealized (gains) losses	10,690,846	(15,608,885)
Restricted net investment return	10,232	(19,679)
Paycheck Protection Program loan forgiveness	-	(123,600)
Donated nonfinancial assets	(483,736)	-
Changes in assets and liabilities:		
Grants and gifts receivable	(13,426)	21,901
Prepaid expenses	(2,254)	(7,099)
Accounts payable and accrued expenses	10,712	(8,925)
Grants committed	157,195	91,663
Deferred revenue	-	(1,500)
Funds held for organizations	967,704	876,333
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	751,946	7,356,763
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of office furniture	(19,452)	-
Proceeds from sale of investments	26,429,296	17,145,140
Purchase of investments	(27,999,481)	(20,929,621)
Proceeds from sale of donated nonfinancial assets	483,736	-
<b>NET CASH USED BY INVESTING ACTIVITIES</b>	(1,105,901)	(3,784,481)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Restricted net investment return	(10,232)	19,679
Payments on split interest agreements	(7,175)	(8,940)
<b>NET CASH PROVIDED (USED) BY FINANCING ACTIVITIES</b>	(17,407)	10,739
<b>INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	(371,362)	3,583,021
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>	5,698,211	2,115,190
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	\$ 5,326,849	\$ 5,698,211
<b>SUPPLEMENTAL DISCLOSURES OF NONCASH INVESTING AND FINANCING ACTIVITIES:</b>		
Paycheck Protection Program loan forgiveness	\$ -	\$ 123,600

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

**LEHIGH VALLEY COMMUNITY FOUNDATION, INC.**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2022 and 2021**

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

---

**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.

**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 and Cash Equivalents**

The Foundation maintains its cash and cash equivalents in bank deposit and money market accounts with highly rated financial institutions. The primary component of cash and cash equivalents is funds held in a money market account. For purposes of reporting cash flows, cash and cash equivalents do not include cash and cash equivalents within endowment investment portfolios. At times during the year, balances held in accounts may exceed insured limits; however, the Foundation does not anticipate any losses.

**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 statements of financial position. Investment income or loss, including gains and losses of investments, interest and dividends, and investment fees are included in the statements 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, 2022 and 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

---

**Investments/Financial Instruments - continued**

Investments are exposed to various risks such as interest rate, credit, and overall market volatility. 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 statements 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
-----------	---------

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.

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

LEHIGH VALLEY COMMUNITY FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2022 and 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

---

**Net Assets - continued**

In addition to reporting by net asset class, the Foundation further classifies funds based on expressed donor intent. As a result, the Foundation has 266 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.

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.

LEHIGH VALLEY COMMUNITY FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2022 and 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

---

**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 and Non-Financial Assets**

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, cryptocurrency, and certain services are reflected as contributions of non-financial assets in the accompanying financial statements at their estimated fair value at the date of receipt. Donated materials, cryptocurrency, and certain services totaled \$563,176 and \$85,242 at June 30, 2022 and 2021, respectively. The amount of such donated materials, cryptocurrency, and certain services, excluding advertising, was \$491,375 and \$948 for the years ended June 30, 2022 and 2021, respectively. The contributed goods and services represent the value of contracted services, materials, and cryptocurrency for the Foundation.

**Advertising Costs**

The Foundation expenses advertising costs when incurred. Advertising expense for the years ended June 30, 2022 and 2021, totaled \$74,036, and \$104,224, respectively. Advertising expense includes in-kind advertising totaling \$71,801 and \$84,294 at June 30, 2022 and 2021, respectively.

LEHIGH VALLEY COMMUNITY FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2022 and 2021

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

---

**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.

**Adoption of FASB ASU No. 2020-07**

The Foundation adopted FASB ASU No. 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. The new ASU requires the Foundation to present contributed nonfinancial assets, including fixed assets (such as land, buildings, and equipment), use of fixed assets or utilities, materials and supplies, intangible assets, services, and unconditional promises of those assets, as a separate line item in the statements of activities, apart from contributions of cash and other financial assets. It also requires disclosures of a disaggregation by category of nonfinancial assets, including whether used or monetized, policies and/or a description of the programs or other activities in which those assets were used, a description of any donor restrictions associated with nonfinancial assets, a description of the valuation techniques and inputs used to arrive at the fair value measure for initial recognition, and the principal market used to arrive at the fair value measure if it is a market in which the Foundation is prohibited by a donor-imposed restriction from selling or using the contributed nonfinancial assets. This standard is effective for fiscal years beginning after June 15, 2021. The Foundation adopted this standard for the year ended June 30, 2022, with a retrospective application as of June 30, 2021.

**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 November 8, 2022 the date the financial statements were available to be issued.



**LEHIGH VALLEY COMMUNITY FOUNDATION, INC.**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2022 and 2021**

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

---

Investments as of June 30 consist of the following:

	2022	2021
Cash	\$ 1,339,164	\$ 1,476,815
Equity securities and funds	48,635,068	54,282,791
Bonds and fixed income funds	14,562,538	18,529,144
	\$ 64,536,770	\$ 74,288,750

The market value of bonds by contracted maturity dates at June 30 is 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.

	2022	2021
Due in less than 1 year	\$ 122,005	\$ 516,408
Due after 1 through 5 years	1,667,389	2,381,316
Due after 5 through 10 years	1,032,607	1,344,653
Due after 10 through 20 years	234,082	129,339
Due after 20 years	810,622	1,572,291
	\$ 3,866,705	\$ 5,944,007

Net investment activity is as follows at June 30:

	2022	2021
Investment income	\$ 1,988,740	\$ 1,328,150
Realized and unrealized gain (loss) on investments	(10,690,846)	15,608,885
Custodial and investment management fees	(383,765)	(364,989)
	\$ (9,085,871)	\$ 16,572,046

LEHIGH VALLEY COMMUNITY FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2022 and 2021

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

---

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, 2022.

**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, 2022 and 2021**

**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, 2022:

	Fair Value	Valuation (Level 1)	Valuation (Level 2)
<b>Investments</b>			
Equity Securities - U.S.	\$ 7,757,158	\$ 7,757,158	\$ -
Equity Securities - International	2,931,997	2,931,997	-
Equity Mutual Funds - U.S.	27,349,488	27,349,488	-
Equity Mutual Funds - International	10,596,425	10,596,425	-
Corporate Bonds	1,421,102	-	1,421,102
U.S. Treasury Bonds	1,426,400	-	1,426,400
Government Agency Bonds	995,892	-	995,892
Bond Mutual Funds - U.S.	8,510,520	-	8,510,520
Bond Mutual Funds - International	2,208,624	-	2,208,624
	<u>63,197,606</u>	<u>48,635,068</u>	<u>14,562,538</u>
<b>Investments - Split Interest Agreements</b>			
Equity Mutual Funds	227,915	227,915	-
Bond Mutual Funds	115,337	-	115,337
	<u>343,252</u>	<u>227,915</u>	<u>115,337</u>
Total investments	<u>\$ 63,540,858</u>	<u>\$ 48,862,983</u>	<u>\$ 14,677,875</u>

**LEHIGH VALLEY COMMUNITY FOUNDATION, INC.**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2022 and 2021**

**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, 2021, are as follows:

	Fair Value	Valuation (Level 1)	Valuation (Level 2)
<b>Investments</b>			
Equity Securities - U.S.	\$ 10,494,386	\$ 10,494,386	\$ -
Equity Securities - International	4,663,941	4,663,941	-
Equity Mutual Funds - U.S.	29,418,087	29,418,087	-
Equity Mutual Funds - International	9,706,377	9,706,377	-
Corporate Bonds	2,196,509	-	2,196,509
U.S. Treasury Bonds	2,173,976	-	2,173,976
Government Agency Bonds	1,826,581	-	1,826,581
Bond Mutual Funds - U.S.	10,110,909	-	10,110,909
Bond Mutual Funds - International	2,221,169	-	2,221,169
	72,811,935	54,282,791	18,529,144
<b>Investments - Split Interest Agreements</b>			
Equity Mutual Funds	288,222	288,222	-
Bond Mutual Funds	133,107	-	133,107
	421,329	288,222	133,107
Total investments	\$ 73,233,264	\$ 54,571,013	\$ 18,662,251

**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.

LEHIGH VALLEY COMMUNITY FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2022 and 2021

NOTE 3 - INVESTMENTS - SPLIT INTEREST AGREEMENTS - CONTINUED

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

	<u>2022</u>	<u>2021</u>
Gift annuities	\$ 63,023	\$ 81,041
Charitable remainder trusts	288,681	348,163
	<u>\$ 351,704</u>	<u>\$ 429,204</u>

Split interest assets are as follows at June 30:

	<u>2022</u>	<u>2021</u>
Cash	\$ 8,452	\$ 7,875
Equity securities and funds	227,915	288,222
Bonds and fixed income funds	115,337	133,107
	<u>\$ 351,704</u>	<u>\$ 429,204</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 7.1%. Total annual distributions were \$7,175 and \$8,940 for the years ended June 30, 2022 and 2021, respectively. Net investment income (loss) totaled (\$10,232) and \$19,679 for the years ended June 30, 2022 and 2021, 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.

LEHIGH VALLEY COMMUNITY FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2022 and 2021

**NOTE 4 - EQUIPMENT**

---

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

	<u>2022</u>	<u>2021</u>
Equipment	\$ 37,325	\$ 43,784
Accumulated depreciation	<u>(20,412)</u>	<u>(41,599)</u>
	<u>\$ 16,913</u>	<u>\$ 2,185</u>

Depreciation expense for the years ended June 30, 2022 and 2021 was \$4,724 and \$1,871, respectively.

**NOTE 5 - PAYCHECK PROTECTION PROGRAM LOAN**

---

In April 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 ("CARES Act"). The PPP Loan was unsecured and guaranteed by the SBA. The principal amount of the PPP Loan was subject to forgiveness under the Paycheck Protection Program upon the Foundation's request to the extent that the PPP Loan proceeds were used to pay expenses permitted by the Paycheck Protection Program.

The Foundation initially recorded a note payable upon receipt of the PPP Loan and subsequently recorded forgiveness when the loan obligation was legally released upon notification by the SBA in April 2021. The \$123,600 forgiven is recognized as loan forgiveness income in the statement of activities for the year ended June 30, 2021.

LEHIGH VALLEY COMMUNITY FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2022 and 2021

**NOTE 6 - FUNDS HELD FOR ORGANIZATIONS**

---

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.

At June 30, 2022 and 2021, the Foundation was the owner of 31 and 27 agency funds, respectively, with a combined value of \$3,967,120 and \$3,648,753, respectively. The following table summarizes activity in such funds:

	<u>2022</u>	<u>2021</u>
Funds held for organizations' balances at July 1	\$ 3,648,753	\$ 2,039,785
New contributions	998,124	914,016
Net investment income (loss)	(516,906)	793,827
Fees	(33,311)	(20,471)
Grants and expenses	<u>(129,540)</u>	<u>(78,404)</u>
Funds held for organizations' balances at June 30	<u>\$ 3,967,120</u>	<u>\$ 3,648,753</u>

LEHIGH VALLEY COMMUNITY FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2022 and 2021

**NOTE 7 - NET ASSETS**

---

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

	<u>2022</u>	<u>2021</u>
Charitable Endowed Funds	\$ 47,098,338	\$ 57,201,439
Grantmaking	18,280,641	18,803,015
Operations and administration	<u>450,091</u>	<u>395,560</u>
	<u>\$ 65,829,070</u>	<u>\$ 76,400,014</u>

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

	<u>2022</u>	<u>2021</u>
Endowed for:		
Foundation discretionary use	\$ 2,639,250	\$ 3,138,626
Foundation-directed grantmaking	137,810	122,078
Reserves for operations and other expenses	<u>381,736</u>	<u>284,229</u>
	<u>\$ 3,158,796</u>	<u>\$ 3,544,933</u>

Net assets with donor restrictions at June 2022 and 2021 are restricted under split interest agreements and total \$11,451 and \$27,318, respectively.

Net assets were released from donor restrictions by satisfying the restricted purposes specified by donors under the split interest agreements totaling \$611 and \$2,736 at June 30, 2022 and 2021, respectively.

**NOTE 8 - ENDOWMENT FUNDS**

---

The Foundation's charitable endowed funds are all classified as without donor restrictions in the accompanying statements 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.



LEHIGH VALLEY COMMUNITY FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2022 and 2021

NOTE 8 - ENDOWMENT FUNDS - CONTINUED

**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, 2022 and 2021. 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, 2022 and 2021, the fair value of underwater endowments totaled \$6,342,355 and \$882,648, respectively. The original gifts required to be held related to the underwater endowment totaled \$6,887,957 and \$1,006,413, respectively. The deficiencies in the underwater endowment funds totaled \$545,602 and \$123,765 at June 30, 2022 and 2021, respectively. The Foundation's policy permits grantmaking from underwater endowment funds unless otherwise precluded by donor intent or wishes or relevant laws and regulations.

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

	<u>2022</u>	<u>2021</u>
Endowment net assets - beginning of year	\$ 57,201,439	\$ 44,935,170
Gifts	209,303	1,195,735
Investment income, net of fees	1,125,285	751,562
Appreciation (Depreciation)	(8,498,635)	13,167,960
Amounts appropriated for expenditure	(2,939,054)	(2,569,605)
Conversion of fund	-	(279,383)
	<u>                    </u>	<u>                    </u>
Endowment net assets - end of year	<u>\$ 47,098,338</u>	<u>\$ 57,201,439</u>

LEHIGH VALLEY COMMUNITY FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2022 and 2021

**NOTE 8 - ENDOWMENT FUNDS - CONTINUED**

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

	2022	2021
Area of interest	\$ 6,366,566	\$ 7,460,659
Community partnership	6,257,099	7,910,989
Donor-advised	5,912,156	6,863,333
Designated	22,519,035	27,613,136
Agency	41,596	50,475
Scholarship/award	1,873,270	2,389,603
Undesignated	4,128,616	4,913,244
Total endowment funds	<u>\$ 47,098,338</u>	<u>\$ 57,201,439</u>

**NOTE 9 - CONTRIBUTIONS OF NON-FINANCIAL ASSETS**

The value of donated services, materials, and cryptocurrency provided by local businesses and donors to benefit the Foundation included with revenue in the financial statements and the corresponding expenses are as follows:

	Year Ended June 30	
	2022	2021
Advertising	\$ 71,801	\$ 84,294
Other Services	7,639	948
Cryptocurrency	483,736	-
	<u>\$ 563,176</u>	<u>\$ 85,242</u>

Valuation Techniques:

Contributed services and materials are recognized as in-kind revenues at their estimated fair value if they create or enhance nonfinancial assets or they require specialized skills that would need to be purchased if they were not donated. The Foundation receives contributed advertising and other services that are reported using current rates for similar services. Contributions of non-financial assets also include gifts of cryptocurrency. These gifts are sold by a third party cryptocurrency donation platform upon receipt.

Donor Restrictions:

There are no restrictions on in-kind donations at year end. With the exception of donated cryptocurrency which is monetized upon receipt, the Foundation does not sell donated gifts in-kind and only utilized in-kinds for the programs detailed above.

LEHIGH VALLEY COMMUNITY FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2022 and 2021

NOTE 10 - 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.

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>2022</u>	<u>2021</u>
Foundation-directed leadership grants:		
Arts, Culture & Creative Economy	\$ 140,000	\$ -
Capacity Building	164,000	167,250
COVID-19 response grants	-	151,191
Youth & Families	184,640	90,000
Foundation-directed support grants	534,895	587,196
Donor-directed grants	<u>5,679,526</u>	<u>4,508,802</u>
Total grants	<u>\$ 6,703,061</u>	<u>\$ 5,504,439</u>

In addition, the Foundation distributed grants from the agency funds in the amount of \$129,470 and \$76,960 for the years ended June 30, 2022 and 2021, respectively.

LEHIGH VALLEY COMMUNITY FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2022 and 2021

**NOTE 11 - PENSION PLAN**

---

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 \$32,281 and \$28,503 were made by the Foundation during the years ended June 30, 2022 and 2021, respectively.

**NOTE 12 - COMMITMENTS AND CONTINGENCIES**

---

In April 2021, the Foundation extended their existing operating lease for office space, effective July 1, 2021, for an additional 5 years at a monthly base payment of \$5,160 for the year ending June 30, 2022 and increasing by 3% every year through the end of the lease term. The lease also includes fixed monthly payments of \$167 through the end of the lease term in consideration for renovations to the office space that took place in the year ending June 30, 2022.

Minimum annual rental commitments under this lease are as follows for the years ending June 30:

2023	\$	65,773
2024		67,686
2025		69,657
2026		<u>71,687</u>
	\$	<u>274,803</u>

In August 2021, the Foundation entered into a master service agreement for computer rental and IT services at a fixed monthly payment of \$555 for a term of 3 years.

Total office and equipment rent paid for the years ended June 30, 2022 and 2021 was \$70,021 and \$64,125, respectively.

**LEHIGH VALLEY COMMUNITY FOUNDATION, INC.**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2022 and 2021**

**NOTE 13 - AVAILABILITY OF FINANCIAL RESOURCES**

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

	2022	2021
Cash	\$ 174,100	\$ 242,258
Investments	2,137,145	1,998,658
Total financial assets available	\$ 2,311,245	\$ 2,240,916

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.

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:

	2022	2021
Administrative fees from funds (estimated)	\$ 828,542	\$ 782,680
Appropriations from endowment funds:		
Board designated	122,500	114,810
Donor endowed	70,040	65,470
Board designated reserves	26,045	114,013
Total for general operating expenditures	1,047,127	1,076,973
Appropriations from donor endowed Foundation-directed funds	1,116,063	1,098,772
Other non-endowed cash	148,055	65,171
Total for Foundation-directed grants	1,264,118	1,163,943
Total available	\$ 2,311,245	\$ 2,240,916

**LEHIGH VALLEY COMMUNITY FOUNDATION, INC.**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2022 and 2021**

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

---

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 restrictions.

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.

The amount available for philanthropic partnership grants within the next year is \$1,607,800 and \$1,471,910 at June 30, 2022 and 2021, 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 purpose 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 \$18,280,641 and \$18,803,015 in non-endowed funds at June 30, 2022 and 2021, 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.

LEHIGH VALLEY COMMUNITY FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2022 and 2021

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

---

Included in endowment funds are board designated funds with a value of \$4,410,144 and \$5,216,864 at June 30, 2022 and 2021, 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 \$381,736 and \$284,229 at June 30, 2022 and 2021, respectively. These reserves are available for general expenditure within the next year at the discretion of the Board.

**NOTE 14 - NEW ACCOUNTING PRONOUNCEMENTS**

---

In February 2016, the FASB issued ASU No. 2016-02, *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 12 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.