



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

**FINANCIAL STATEMENTS**

**Years Ended June 30, 2023 and 2022**

## 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 - 31

## 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 organization), which comprise the statements of financial position as of June 30, 2023 and 2022, 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, 2023 and 2022, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. 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.

### Emphasis of Matter

As discussed in Note 1 of the financial statements, effective July 1, 2022, Lehigh Valley Community Foundation adopted FASB ASC 842, *Leases*. Our opinion is not modified with respect to this matter.

### 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**  
**April 12, 2024**

**LEHIGH VALLEY COMMUNITY FOUNDATION, INC.**

**STATEMENT OF FINANCIAL POSITION**

**June 30, 2023 with Comparative Totals for June 30, 2022**

<b>ASSETS</b>	Without Donor Restrictions	With Donor Restrictions	Total June 30	
			2023	2022
<b>CURRENT ASSETS</b>				
Cash and cash equivalents	\$ 4,095,579	\$ 15,403	\$ 4,110,982	\$ 5,326,849
Grants and gifts receivable	5,151	-	5,151	14,534
Prepaid expenses	51,285	-	51,285	31,384
<b>TOTAL CURRENT ASSETS</b>	<b>4,152,015</b>	<b>15,403</b>	<b>4,167,418</b>	<b>5,372,767</b>
<b>NONCURRENT ASSETS</b>				
Investments, at market (Note 2)	67,819,741	4,315,084	72,134,825	64,536,770
Investments - split interest agreements	-	340,556	340,556	351,704
Life insurance policy gift	315,032	-	315,032	307,089
Equipment (net of accumulated depreciation)	12,318	-	12,318	16,913
Right-of-use assets, operating leases	205,048	-	205,048	-
<b>TOTAL NONCURRENT ASSETS</b>	<b>68,352,139</b>	<b>4,655,640</b>	<b>73,007,779</b>	<b>65,212,476</b>
<b>TOTAL ASSETS</b>	<b>\$ 72,504,154</b>	<b>\$ 4,671,043</b>	<b>\$ 77,175,197</b>	<b>\$ 70,585,243</b>
<b>LIABILITIES AND NET ASSETS</b>				
<b>CURRENT LIABILITIES</b>				
Accounts payable and accrued expenses	\$ 45,225	\$ -	\$ 45,225	\$ 46,136
Grants committed	145,415	-	145,415	391,213
Operating lease liabilities	69,778	-	69,778	-
<b>TOTAL CURRENT LIABILITIES</b>	<b>260,418</b>	<b>-</b>	<b>260,418</b>	<b>437,349</b>
<b>NONCURRENT LIABILITIES</b>				
Funds held for organizations (Note 6)	-	4,330,487	4,330,487	3,967,120
Liabilities under split interest agreements	-	328,716	328,716	340,253
Operating lease liabilities, net	132,557	-	132,557	-
<b>TOTAL NONCURRENT LIABILITIES</b>	<b>132,557</b>	<b>4,659,203</b>	<b>4,791,760</b>	<b>4,307,373</b>
<b>TOTAL LIABILITIES</b>	<b>392,975</b>	<b>4,659,203</b>	<b>5,052,178</b>	<b>4,744,722</b>
<b>NET ASSETS</b>				
Without donor restrictions (Notes 7 & 8)	72,111,179	-	72,111,179	65,829,070
With donor restrictions	-	11,840	11,840	11,451
<b>TOTAL NET ASSETS</b>	<b>72,111,179</b>	<b>11,840</b>	<b>72,123,019</b>	<b>65,840,521</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 72,504,154</b>	<b>\$ 4,671,043</b>	<b>\$ 77,175,197</b>	<b>\$ 70,585,243</b>

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

**LEHIGH VALLEY COMMUNITY FOUNDATION, INC.**

**STATEMENT OF FINANCIAL POSITION**

**June 30, 2022**

<b>ASSETS</b>	Without Donor Restrictions	With Donor Restrictions	Total
<b>CURRENT ASSETS</b>			
Cash and cash equivalents	\$ 5,326,849	\$ -	\$ 5,326,849
Grants and gifts receivable	14,534	-	14,534
Prepaid expenses	31,384	-	31,384
<b>TOTAL CURRENT ASSETS</b>	5,372,767	-	5,372,767
<b>NONCURRENT ASSETS</b>			
Investments, at market (Note 2)	60,569,650	3,967,120	64,536,770
Investments - split interest agreements	-	351,704	351,704
Life insurance policy gift	307,089	-	307,089
Equipment (net of accumulated depreciation)	16,913	-	16,913
<b>TOTAL NONCURRENT ASSETS</b>	60,893,652	4,318,824	65,212,476
<b>TOTAL ASSETS</b>	<u>\$ 66,266,419</u>	<u>\$ 4,318,824</u>	<u>\$ 70,585,243</u>
<b>LIABILITIES AND NET ASSETS</b>			
<b>CURRENT LIABILITIES</b>			
Accounts payable and accrued expenses	\$ 46,136	\$ -	\$ 46,136
Grants committed	391,213	-	391,213
<b>TOTAL CURRENT LIABILITIES</b>	437,349	-	437,349
<b>NONCURRENT LIABILITIES</b>			
Funds held for organizations (Note 6)	-	3,967,120	3,967,120
Liabilities under split interest agreements	-	340,253	340,253
<b>TOTAL NONCURRENT LIABILITIES</b>	-	4,307,373	4,307,373
<b>TOTAL LIABILITIES</b>	437,349	4,307,373	4,744,722
<b>NET ASSETS</b>			
Without donor restrictions (Notes 7 & 8)	65,829,070	-	65,829,070
With donor restrictions	-	11,451	11,451
<b>TOTAL NET ASSETS</b>	65,829,070	11,451	65,840,521
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u>\$ 66,266,419</u>	<u>\$ 4,318,824</u>	<u>\$ 70,585,243</u>

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

**LEHIGH VALLEY COMMUNITY FOUNDATION, INC.**

**STATEMENT OF ACTIVITIES**

**Year Ended June 30, 2023 with Comparative Totals for June 30, 2022**

	Without Donor Restrictions	With Donor Restrictions	Total	
			Year Ended June 30 2023	2022
<b>PUBLIC SUPPORT AND REVENUE</b>				
Contributions of cash and other financial assets	\$ 8,317,594	\$ -	\$ 8,317,594	\$ 5,814,509
Contributions of nonfinancial assets	222,317	-	222,317	563,176
Administrative fees	43,260	-	43,260	35,301
Net investment return (Note 2)	6,087,653	-	6,087,653	(9,085,871)
Net investment return - split interest agreements	-	5,965	5,965	(10,232)
Change in value of split interest agreements	-	(5,052)	(5,052)	(5,024)
Change in cash surrender value of life insurance policies gifted	7,943	-	7,943	8,264
Net assets released from restrictions	524	(524)	-	-
<b>TOTAL PUBLIC SUPPORT AND REVENUE</b>	<b>14,679,291</b>	<b>389</b>	<b>14,679,680</b>	<b>(2,679,877)</b>
<b>EXPENSES</b>				
Grantmaking and community leadership	7,729,182	-	7,729,182	7,193,689
Asset development and donor services	452,886	-	452,886	482,139
General and administrative	215,114	-	215,114	231,106
<b>TOTAL EXPENSES</b>	<b>8,397,182</b>	<b>-</b>	<b>8,397,182</b>	<b>7,906,934</b>
<b>CHANGES IN NET ASSETS</b>	<b>6,282,109</b>	<b>389</b>	<b>6,282,498</b>	<b>(10,586,811)</b>
<b>NET ASSETS AT BEGINNING OF YEAR</b>	<b>65,829,070</b>	<b>11,451</b>	<b>65,840,521</b>	<b>76,427,332</b>
<b>NET ASSETS AT END OF YEAR</b>	<b>\$ 72,111,179</b>	<b>\$ 11,840</b>	<b>\$ 72,123,019</b>	<b>\$ 65,840,521</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**

	Without Donor Restrictions	With Donor Restrictions	Total
<b>PUBLIC SUPPORT AND REVENUE</b>			
Contributions of cash and other financial assets	\$ 5,814,509	\$ -	\$ 5,814,509
Contributions of nonfinancial assets	563,176	-	563,176
Administrative fees	35,301	-	35,301
Net investment return (Note 2)	(9,085,871)	-	(9,085,871)
Net investment return - split interest agreements	-	(10,232)	(10,232)
Change in value of split interest agreements	-	(5,024)	(5,024)
Change in cash surrender value of life insurance policies gifted	8,264	-	8,264
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>EXPENSES</b>			
Grantmaking and community leadership	7,193,689	-	7,193,689
Asset development and donor services	482,139	-	482,139
General and administrative	231,106	-	231,106
<b>TOTAL EXPENSES</b>	<b>7,906,934</b>	<b>-</b>	<b>7,906,934</b>
<b>CHANGES IN NET ASSETS</b>	<b>(10,570,944)</b>	<b>(15,867)</b>	<b>(10,586,811)</b>
<b>NET ASSETS AT BEGINNING OF YEAR</b>	<b>76,400,014</b>	<b>27,318</b>	<b>76,427,332</b>
<b>NET ASSETS AT END OF YEAR</b>	<b>\$ 65,829,070</b>	<b>\$ 11,451</b>	<b>\$ 65,840,521</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, 2023**

	Program Service		Total Program	General and Administrative	Total
	Grantmaking and Community Leadership	Asset Development and Donor Services			
Grants (Note 10)	\$ 7,055,549	\$ -	\$ 7,055,549	\$ -	\$ 7,055,549
Salaries and related taxes and benefits	400,668	307,402	708,070	132,374	840,444
Professional fees and services	185,622	48,190	233,812	46,989	280,801
Advertising and promotion	9,435	16,947	26,382	-	26,382
Office expense	3,310	4,717	8,027	1,335	9,362
Information technology	18,252	18,113	36,365	5,761	42,126
Occupancy	36,722	30,363	67,085	14,637	81,722
Professional development	6,365	8,288	14,653	4,553	19,206
Meetings and travel	4,459	12,659	17,118	6,531	23,649
Insurance	1,790	1,376	3,166	595	3,761
Dues and subscriptions	4,823	3,150	7,973	1,612	9,585
Depreciation	2,187	1,681	3,868	727	4,595
	<u>\$ 7,729,182</u>	<u>\$ 452,886</u>	<u>\$ 8,182,068</u>	<u>\$ 215,114</u>	<u>\$ 8,397,182</u>

**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>

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

**LEHIGH VALLEY COMMUNITY FOUNDATION, INC.**

**STATEMENTS OF CASH FLOWS**

Years Ended June 30

	2023	2022
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Changes in net assets	\$ 6,282,498	\$ (10,586,811)
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Depreciation	4,595	4,724
Change in value split interest agreements	5,052	5,024
Change in cash surrender value	(7,943)	(8,264)
Realized and unrealized (gains) losses	(4,476,268)	10,690,846
Restricted net investment return	(5,965)	10,232
Donated nonfinancial assets	(195,466)	(483,736)
Noncash lease expense	75,361	-
Changes in assets and liabilities:		
Grants and gifts receivable	9,383	(13,426)
Prepaid expenses	(19,901)	(2,254)
Accounts payable and accrued expenses	(911)	10,712
Grants committed	(245,798)	157,195
Funds held for organizations	73,274	967,704
Operating lease liabilities	(78,074)	-
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<b>1,419,837</b>	<b>751,946</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of office furniture	-	(19,452)
Proceeds from sale of investments	17,527,064	26,429,296
Purchase of investments	(20,357,024)	(27,999,481)
Proceeds from sale of donated nonfinancial assets	195,466	483,736
<b>NET CASH USED BY INVESTING ACTIVITIES</b>	<b>(2,634,494)</b>	<b>(1,105,901)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Restricted net investment return	5,965	(10,232)
Payments on split interest agreements	(7,175)	(7,175)
<b>NET CASH USED BY FINANCING ACTIVITIES</b>	<b>(1,210)</b>	<b>(17,407)</b>
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>	<b>(1,215,867)</b>	<b>(371,362)</b>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>	<b>5,326,849</b>	<b>5,698,211</b>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	<b>\$ 4,110,982</b>	<b>\$ 5,326,849</b>

**SUPPLEMENTAL DISCLOSURE OF NONCASH INVESTING  
AND FINANCING ACTIVITIES:**

Right-of-use assets - operating leases in exchange for operating lease liabilities	\$ 273,725	\$ -
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*The accompanying notes are an integral part of the financial statements.*

**LEHIGH VALLEY COMMUNITY FOUNDATION, INC.**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2023 and 2022**

**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.

**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, grants and gifts 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 return, 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, 2023 and 2022

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. 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. Donations of equipment are recorded as contributions at their fair market value. 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.

**Leases**

The Foundation leases office space and computer equipment. The Foundation determines if an arrangement is a lease at inception. In evaluating contracts to determine if they qualify as a lease, the Foundation considers factors such as if they have obtained substantially all of the rights to the underlying asset through exclusivity, if they can direct the use of the asset by making decisions about how and for what purpose the asset will be used, and if the lessor has substantive substitution rights. This evaluation may require significant judgment. The office space and computer equipment are included in operating lease right-of-use (ROU) assets and operating lease liabilities on the statements of financial position.

The Foundation elected the practical expedient to not recognize ROU assets and liabilities for operating leases with shorter than 12-month terms. These leases will be expensed on a straight-line basis, and no operating lease liability will be recorded.

The Foundation elected the practical expedient to use the risk-free rate as the discount rate for all leases based on the information available at commencement date in determining the present value of lease payments.

ROU assets represent the Foundation's right to use an underlying asset for the lease term and lease liabilities represent their obligation to make lease payments arising from the lease. Operating lease ROU assets and liabilities are recognized at commencement date based on the present value of lease payments over the lease term. The Foundation uses a risk-free rate based on the information available at the commencement date in determining the present value of lease payments. The operating lease ROU assets also include any lease payments made and excludes lease incentives. The Foundation's lease terms may include options to extend or terminate the lease when it is reasonably certain that they will exercise that option. Lease expense for lease payments is recognized on a straight-line basis over the lease term.

LEHIGH VALLEY COMMUNITY FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2023 and 2022

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

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**Leases - continued**

Variable lease costs are not included within the measurement of the lease liability as they are entirely variable and the difference between the portion captured within the lease liability and the actual cost will be expensed as incurred.

The Foundation's lease agreements do not contain any material residual value guarantees or material restrictive covenants.

**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, 2023 and 2022

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

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**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 291 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 Investments 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, 2023 and 2022

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

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**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 Nonfinancial Assets**

Contributed nonfinancial assets are presented as support without donor restrictions unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as support with donor restrictions. Absent explicit donor stipulations about how long these long-lived assets must be maintained, the Foundation reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service (as the assets are used in the Foundation's activities).

Contributed nonfinancial assets are reflected as contributions in the accompanying financial statements at their estimated fair value at the date of receipt. Donated cryptocurrency and services totaled \$222,317 and \$563,176 at June 30, 2023 and 2022, respectively. The amount of such donated materials, cryptocurrency, and certain services, excluding advertising, was \$198,730 and \$491,375 for the years ended June 30, 2023 and 2022, respectively.

The Foundation's Board of Governors and volunteers donate significant amounts of time to its various operations; however, these donated services are not reflected in the financial statements since they do not meet the criteria for recognition.



LEHIGH VALLEY COMMUNITY FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2023 and 2022

**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, 2023 and 2022, totaled \$26,382, and \$74,036, respectively. Advertising expense includes in-kind advertising totaling \$23,587 and \$71,801 at June 30, 2023 and 2022, 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 is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. The Foundation annually 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 April 12, 2024 the date the financial statements were available to be issued.

LEHIGH VALLEY COMMUNITY FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2023 and 2022

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

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**Adoption of Accounting Pronouncements**

In February 2016, the Financial Accounting Standards Board (“FASB”) issued guidance (Accounting Standards Codification (“ASC”) 842, *Leases*) to increase transparency and comparability among organizations by requiring the recognition of right-of-use (“ROU”) assets and lease liabilities on the statements of financial position. Most prominent among the changes in the standard is the recognition of ROU assets and lease liabilities by lessees for those leases classified as operating leases. Under the standard, disclosures are required to meet the objective of enabling users of financial statements to assess the amount, timing, and uncertainty of cash flows arising from leases.

The Foundation adopted the standard effective July 1, 2022 and recognized and measured leases existing at, or entered into after, July 1, 2022 (the beginning of the period of adoption) using a modified retrospective approach, with certain practical expedients available. Lease disclosures for the year ended June 30, 2022 are made under prior lease guidance in FASB ASC 840.

The Foundation elected the available practical expedients to account for their existing operating leases under the new guidance, without reassessing (a) whether the contracts contain leases under the new standard, (b) whether classification of capital leases or operating leases would be different in accordance with the new guidance, or (c) whether the unamortized initial direct costs before transition adjustments would have met the definition of initial direct costs in the new guidance at lease commencement. The Foundation also elected the practical expedients disclosed in the lease policy footnote on page 11.

As a result of the adoption of the new lease accounting guidance, the Foundation recognized on July 1, 2022 (beginning of the year of adoption) operating lease liabilities of \$273,725, which represents the present value of the remaining operating lease payments of \$283,197, discounted using the risk-free rate, and right-of-use assets of \$273,725.

The standard did have a material impact on the Foundation’s statements of financial position but did not have a material impact on the Foundation’s statements of activities or statements of cash flows. The most significant impact was the recognition of ROU assets and lease liabilities for operating leases.

**LEHIGH VALLEY COMMUNITY FOUNDATION, INC.**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2023 and 2022**

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

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Investments as of June 30 consist of the following:

	2023	2022
Cash	\$ 1,474,491	\$ 1,339,164
Equity securities and funds	52,677,121	48,635,068
Bonds and fixed income funds	17,983,213	14,562,538
	\$ 72,134,825	\$ 64,536,770

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.

	2023	2022
Due in less than 1 year	\$ 140,516	\$ 122,005
Due after 1 through 5 years	1,281,906	1,667,389
Due after 5 through 10 years	968,455	1,032,607
Due after 10 through 20 years	125,791	234,082
Due after 20 years	776,943	810,622
	\$ 3,293,611	\$ 3,866,705

Net investment activity is as follows at June 30:

	2023	2022
Investment income	\$ 1,942,038	\$ 1,988,740
Realized and unrealized gain (loss) on investments	4,476,268	(10,690,846)
Custodial and investment management fees	(330,653)	(383,765)
	\$ 6,087,653	\$ (9,085,871)

LEHIGH VALLEY COMMUNITY FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2023 and 2022

**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, 2023 and 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, 2023 and 2022**

**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, 2023:

	Fair Value	Valuation (Level 1)	Valuation (Level 2)
<b>Investments</b>			
Equity Securities - U.S.	\$ 8,573,822	\$ 8,573,822	\$ -
Equity Securities - International	2,859,501	2,859,501	-
Equity Mutual Funds - U.S.	28,132,162	28,132,162	-
Equity Mutual Funds - International	13,111,636	13,111,636	-
Corporate Bonds	1,185,848	-	1,185,848
U.S. Treasury Bonds	1,242,807	-	1,242,807
Government Agency Bonds	864,956	-	864,956
Bond Mutual Funds - U.S.	12,329,128	-	12,329,128
Bond Mutual Funds - International	2,360,474	-	2,360,474
	<u>70,660,334</u>	<u>52,677,121</u>	<u>17,983,213</u>
<b>Investments - Split Interest Agreements</b>			
Equity Mutual Funds	216,792	216,792	-
Bond Mutual Funds	116,362	-	116,362
	<u>333,154</u>	<u>216,792</u>	<u>116,362</u>
Total investments	<u>\$ 70,993,488</u>	<u>\$ 52,893,913</u>	<u>\$ 18,099,575</u>

**LEHIGH VALLEY COMMUNITY FOUNDATION, INC.**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2023 and 2022**

**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, 2022, are as follows:

	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
	63,197,606	48,635,068	14,562,538
<b>Investments - Split Interest Agreements</b>			
Equity Mutual Funds	227,915	227,915	-
Bond Mutual Funds	115,337	-	115,337
	343,252	227,915	115,337
Total investments	\$ 63,540,858	\$ 48,862,983	\$ 14,677,875

**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, 2023 and 2022

NOTE 3 - INVESTMENTS - SPLIT INTEREST AGREEMENTS - CONTINUED

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

	<u>2023</u>	<u>2022</u>
Gift annuities	\$ 61,288	\$ 63,023
Charitable remainder trusts	<u>279,268</u>	<u>288,681</u>
	<u>\$ 340,556</u>	<u>\$ 351,704</u>

Split interest assets are as follows at June 30:

	<u>2023</u>	<u>2022</u>
Cash	\$ 7,402	\$ 8,452
Equity securities and funds	216,792	227,915
Bonds and fixed income funds	<u>116,362</u>	<u>115,337</u>
	<u>\$ 340,556</u>	<u>\$ 351,704</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 for both the years ended June 30, 2023 and 2022, respectively. Net investment return totaled \$5,965 and (\$10,232) for the years ended June 30, 2023 and 2022, 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, 2023 and 2022

NOTE 4 - EQUIPMENT

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

	<u>2023</u>	<u>2022</u>
Equipment	\$ 37,325	\$ 37,325
Accumulated depreciation	<u>(25,007)</u>	<u>(20,412)</u>
	<u>\$ 12,318</u>	<u>\$ 16,913</u>

Depreciation expense for the years ended June 30, 2023 and 2022 was \$4,595 and \$4,724, respectively.

NOTE 5 - LEASES

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The Foundation leases office space and computer equipment. The leases have remaining lease terms of 13 to 35 months.

The Foundation included the following amounts related to operating lease assets and liabilities within the statements of financial position as of June 30:

		<u>2023</u>
<u>Assets:</u>	<u>Classification</u>	
Right-of-use assets	Operating leases	\$ 205,048
<u>Liabilities:</u>		
Current		
Operating lease	Operating lease liabilities	\$ 69,778
Noncurrent		
Operating lease	Operating lease liabilities	<u>132,557</u>
	Total lease liabilities	<u>\$ 202,335</u>

The components of lease expense were as follows for the year ended June 30, 2023:

Operating lease expense	\$ 75,361
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LEHIGH VALLEY COMMUNITY FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2023 and 2022

NOTE 5 - LEASES - CONTINUED

Supplemental cash flow information related to leases was as follows for the year ended June 30, 2023:

Cash paid for amounts included in the measurement of lease liabilities:	
Operating cash flows from operating leases	\$ 78,074
Right-of-use assets obtained in exchange for lease obligations:	
Operating leases	\$ 273,725

Supplemental balance sheet information related to leases was as follows:

Weighted Average Remaining Lease Term:	
Operating leases	2.93 years
Weighted Average Discount Rate:	
Operating leases	2.88%

Maturities of operating lease liabilities are as follows for the years ending June 30:

2024	\$ 74,510
2025	70,381
2026	<u>65,713</u>
Total lease payments	210,604
Less: present value discount	<u>(8,269)</u>
Total	<u>\$ 202,335</u>

The Foundation has not restated prior year information for the adoption of ASC 842. The following table presented future minimum lease payments under non-cancellable operating leases under ASC 840 at June 30, 2022:

2023	\$ 72,433
2024	74,346
2025	70,212
2026	<u>71,687</u>
	<u>\$ 288,678</u>

Total office and equipment rent paid for the year ended June 30, 2022 was \$70,021.

LEHIGH VALLEY COMMUNITY FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2023 and 2022

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, 2023 and 2022, the Foundation was the owner of 31 agency funds with a combined value of \$4,330,487 and \$3,967,120, respectively. The following table summarizes activity in such funds:

	<u>2023</u>	<u>2022</u>
Funds held for organizations' balances at July 1	\$ 3,967,120	\$ 3,648,753
New contributions	147,391	998,124
Net investment income (loss)	411,948	(516,906)
Fees	(33,796)	(33,311)
Grants and expenses	<u>(162,176)</u>	<u>(129,540)</u>
Funds held for organizations' balances at June 30	<u>\$ 4,330,487</u>	<u>\$ 3,967,120</u>

LEHIGH VALLEY COMMUNITY FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2023 and 2022

**NOTE 7 - NET ASSETS**

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

	<u>2023</u>	<u>2022</u>
Endowed Funds	\$ 59,024,185	\$ 53,896,452
Non-Endowed Funds	12,701,622	11,482,527
Operations and administration	<u>385,372</u>	<u>450,091</u>
	<u>\$ 72,111,179</u>	<u>\$ 65,829,070</u>

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

	<u>2023</u>	<u>2022</u>
Endowed for:		
Foundation discretionary use	\$ 3,872,378	\$ 3,699,777
Foundation-directed grantmaking	750,750	710,367
Reserves for operations and other expenses	<u>304,151</u>	<u>381,736</u>
	<u>\$ 4,927,279</u>	<u>\$ 4,791,880</u>

Net assets with donor restrictions at June 2023 and 2022 are restricted under split interest agreements and total \$11,840 and \$11,451, respectively.

Net assets were released from donor restrictions by satisfying the restricted purposes specified by donors under the split interest agreements totaling \$524 and \$611 at June 30, 2023 and 2022, 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, 2023 and 2022

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, 2023 and 2022. 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, 2023 and 2022, the fair value of underwater endowments totaled \$3,989,819 for 21 funds and \$6,342,355 for 42 funds, respectively. The original gifts required to be held related to the underwater endowment totaled \$4,247,781 and \$6,887,957, respectively. The deficiencies in the underwater endowment funds totaled \$257,962 and \$545,602 at June 30, 2023 and 2022, 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:

	2023	2022
Endowment net assets - beginning of year	\$ 53,896,452	\$ 65,205,867
Gifts	2,860,015	211,674
Investment income, net of fees	1,282,835	1,391,750
Appreciation (Depreciation)	3,961,691	(9,637,171)
Amounts appropriated for expenditure	(3,155,445)	(3,409,958)
Conversion of fund	178,637	134,290
Endowment net assets - end of year	<u>\$ 59,024,185</u>	<u>\$ 53,896,452</u>

LEHIGH VALLEY COMMUNITY FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2023 and 2022

**NOTE 8 - ENDOWMENT FUNDS - CONTINUED**

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

	2023	2022
Area of interest	\$ 6,838,599	\$ 6,366,566
Community investments	6,575,863	6,355,762
Donor-advised	7,384,640	5,912,156
Designated	31,755,101	29,207,421
Agency	43,735	41,596
Scholarship/award	2,083,638	1,873,270
Undesignated	4,342,609	4,139,681
Total endowment funds	<u>\$ 59,024,185</u>	<u>\$ 53,896,452</u>

**NOTE 9 - CONTRIBUTED NONFINANCIAL ASSETS**

The value of contributed nonfinancial assets 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	
	2023	2022
Advertising	\$ 23,587	\$ 71,801
Other Services	3,264	7,639
Cryptocurrency	195,466	483,736
	<u>\$ 222,317</u>	<u>\$ 563,176</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, 2023 and 2022

**NOTE 10 - GRANTS**

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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 community endowment funds support three focus areas: Arts, Culture and Creative Economy, Capacity Building, and Youth and Families. 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 non-endowed funds, which are not subject to the Foundation's spending policy.

Grants paid are as follows at June 30:

	<u>2023</u>	<u>2022</u>
Foundation-directed leadership grants:		
Arts, Culture & Creative Economy	\$ 123,944	\$ 140,000
Capacity Building	36,000	164,000
Youth & Families	192,330	184,640
Foundation-directed support grants	615,457	534,895
Donor-directed grants	<u>6,087,818</u>	<u>5,679,526</u>
Total grants	<u>\$ 7,055,549</u>	<u>\$ 6,703,061</u>

In addition, the Foundation distributed grants from the agency funds in the amount of \$162,133 and \$129,470 for the years ended June 30, 2023 and 2022, respectively.

**NOTE 11 - 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 \$27,888 and \$32,281 were made by the Foundation during the years ended June 30, 2023 and 2022, respectively.

**LEHIGH VALLEY COMMUNITY FOUNDATION, INC.**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2023 and 2022**

**NOTE 12 - 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:

	2023	2022
Cash	\$ 434,063	\$ 174,100
Investments	2,116,210	2,137,145
Total financial assets available	\$ 2,550,273	\$ 2,311,245

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 and community services charges. 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:

	2023	2022
Administrative and community services charges from funds (estimated)	\$ 793,867	\$ 828,542
Appropriations from endowment funds:		
Board designated	123,740	122,500
Donor endowed	70,660	70,040
Board designated reserves	98,500	26,045
Total for general operating expenditures	1,086,767	1,047,127
Appropriations from donor endowed Foundation-directed funds	1,127,943	1,116,063
Other non-endowed cash	335,563	148,055
Total for Foundation-directed grants	1,463,506	1,264,118
Total available	\$ 2,550,273	\$ 2,311,245

**LEHIGH VALLEY COMMUNITY FOUNDATION, INC.**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2023 and 2022**

**NOTE 12 - AVAILABILITY OF FINANCIAL RESOURCES - CONTINUED**

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All funds of the Foundation are assessed administrative and community services charges based on a percentage of the fund's assets. These charges 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. These charges are assessed on a monthly basis. Administrative and community services income for the operating fund and the corresponding 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 \$1,960,420 and \$1,607,800 at June 30, 2023 and 2022, 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 \$12,701,622 and \$11,482,527 in non-endowed funds at June 30, 2023 and 2022, 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, 2023 and 2022

**NOTE 12 - AVAILABILITY OF FINANCIAL RESOURCES - CONTINUED**

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Included in endowment funds are board designated funds with a value of \$4,623,128 and \$4,410,144 at June 30, 2023 and 2022, respectively. Monthly withdrawals are made from these funds for administrative and community services charges 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 \$304,151 and \$381,736 at June 30, 2023 and 2022, respectively. These reserves are available for general expenditure within the next year at the discretion of the Board.

**NOTE 13 - NEW ACCOUNTING PRONOUNCEMENTS**

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In March 2020, the FASB issued ASU 2020-04, *Reference Rate Reform* (Topic 848), as amended by ASU 2021-01 in January 2021, directly addressing the effects of reference rate reform on financial reporting as a result of the cessation of the publication of certain LIBOR rates beginning December 31, 2021, with complete elimination of the publication of the LIBOR rates by June 30, 2023. The guidance provides optional expedients and exceptions for applying GAAP to contracts, hedging relationships and other transactions affected by reference rate reform by virtue of referencing LIBOR or another reference rate expected to be discontinued. This guidance became effective on March 12, 2020 and can be adopted no later than December 31, 2024, with early adoption permitted. The Foundation is evaluating the impact this guidance will have on their financial statements.

In June 2016, the FASB issued ASU 2016-13, *Financial Instruments - Credit Losses* (Topic 326) - *Measurement of Credit Losses on Financial Instruments*, which changes the way companies evaluate credit losses for most financial assets and certain other instruments. For trade and other receivables, held-to-maturity debt securities, loans and other instruments, entities will be required to use a new forward-looking expected loss model to evaluate impairment, potentially resulting in earlier recognition of allowances for losses. Enhanced disclosures are also required, including the requirement to disclose the information used to track credit quality by year or origination for most financing receivables. The new standard is effective for fiscal years beginning after December 15, 2022. The Foundation is evaluating the impact that the guidance will have on their financial statements and related disclosures.