

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

**Combined Financial Statements
June 30, 2021 and 2020**

**Kreischer
Miller**

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BERKS COUNTY COMMUNITY FOUNDATION, INC.
AND SUPPORTING ORGANIZATIONS
June 30, 2021 and 2020

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Independent Auditors' Report

The Board of Directors
Berks County Community Foundation, Inc. and Supporting Organizations
Reading, Pennsylvania

We have audited the accompanying combined financial statements of Berks County Community Foundation, Inc. and Supporting Organizations (a nonprofit organization), which comprise the combined statements of financial position as of June 30, 2021 and 2020, and the related combined statements of activities, cash flows and functional expenses for the years then ended, and the related notes to the combined financial statements.

Management's Responsibility for the Combined Financial Statements

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

Auditors' Responsibility


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

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

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

Opinion

In our opinion, the combined financial statements referred to above present fairly, in all material respects, the financial position of Berks County Community Foundation, Inc. and Supporting Organizations as of June 30, 2021 and 2020, and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

A handwritten signature in black ink that reads "K. Neicher Miller". The signature is written in a cursive style with a large initial "K".

Horsham, Pennsylvania

October 11, 2021

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

**Combined Statements of Financial Position
June 30, 2021 and 2020**

	2021	2020
ASSETS		
Cash and cash equivalents	\$ 3,335,252	\$ 2,854,235
Accounts receivable	2,875	27,262
Contributions receivable, net	126,907	208,575
Beneficial interest in trusts	1,090,827	883,301
Property and equipment, net	43,090	40,871
Building, net	4,283,983	4,441,030
Land	243,754	243,754
Loans and interest receivable, net	416,314	910,908
Investments, at fair value	124,883,576	77,123,472
Total assets	<u>\$ 134,426,578</u>	<u>\$ 86,733,408</u>
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable	\$ 51,052	\$ 22,718
Grants payable, net	2,029,141	3,091,439
Accrued expenses	110,910	97,716
Notes payable	1,772,845	1,992,973
Annuity payment liabilities	70,117	90,095
Funds held as agency endowments	514,763	489,780
Total liabilities	<u>4,548,828</u>	<u>5,784,721</u>
Net assets:		
Without donor restrictions	128,786,923	80,065,386
With donor restrictions	1,090,827	883,301
Total net assets	<u>129,877,750</u>	<u>80,948,687</u>
Total liabilities and net assets	<u>\$ 134,426,578</u>	<u>\$ 86,733,408</u>

See accompanying notes to combined financial statements.

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

**Combined Statements of Activities
Years Ended June 30, 2021 and 2020**

	2021		Total
	Without Donor Restrictions	With Donor Restrictions	
Revenues and other support:			
Contributions	\$ 29,933,092	\$ -	\$ 29,933,092
Other revenues and gains:			
Investment income	1,295,456	-	1,295,456
Net realized gain on investments	2,319,286	-	2,319,286
Net unrealized gain (loss) on investments	20,036,593	-	20,036,593
Net unrealized gain from beneficial interest in trusts	-	207,526	207,526
Other income	96,660	-	96,660
Total revenues and other support	53,681,087	207,526	53,888,613
Expenses:			
Program services	4,213,474	-	4,213,474
General and administrative	590,355	-	590,355
Fundraising	310,391	-	310,391
Total expenses	5,114,220	-	5,114,220
Increase (decrease) in net assets before forgiveness of indebtedness	48,566,867	207,526	48,774,393
Forgiveness of indebtedness	154,670	-	154,670
Increase (decrease) in net assets	48,721,537	207,526	48,929,063
Net assets, beginning of year	80,065,386	883,301	80,948,687
Net assets, end of year	\$ 128,786,923	\$ 1,090,827	\$ 129,877,750

See accompanying notes to combined financial statements.

2020

Without Donor Restrictions	With Donor Restrictions	Total
\$ 6,590,689	\$ -	\$ 6,590,689
1,720,738	-	1,720,738
1,133,945	-	1,133,945
(6,265,380)	-	(6,265,380)
-	10,183	10,183
85,720	-	85,720
3,265,712	10,183	3,275,895
6,641,340	-	6,641,340
598,512	-	598,512
323,927	-	323,927
7,563,779	-	7,563,779
(4,298,067)	10,183	(4,287,884)
-	-	-
(4,298,067)	10,183	(4,287,884)
84,363,453	873,118	85,236,571
\$ 80,065,386	\$ 883,301	\$ 80,948,687

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

**Combined Statements of Cash Flows
Years Ended June 30, 2021 and 2020**

	2021	2020
Cash flows from operating activities:		
Increase (decrease) in net assets	\$ 48,929,063	\$ (4,287,884)
Adjustments to reconcile increase (decrease) in net assets to net cash provided by operating activities:		
Bad debt expense	10,250	(1,838)
Depreciation	173,492	174,433
Net unrealized (gain) loss on investments	(20,036,593)	6,265,380
Net realized gain on investments	(2,319,286)	(1,133,945)
Discount on contributions receivable	(1,767)	2,247
Discount on grants payable	18,999	(9,042)
Note payable, Paycheck Protection Program forgiveness	(154,670)	-
Donated loans and interest receivable	(148,579)	-
Increase in value of beneficial interest in trusts	(207,526)	(10,183)
Changes in operating assets and liabilities:		
(Increase) decrease in assets:		
Accounts receivable	24,387	(6,177)
Contributions receivable	83,435	(176,952)
Loans and interest receivable	4,913	87
Increase (decrease) in liabilities:		
Accounts payable	28,334	(39,924)
Grants payable	(1,081,297)	(409,758)
Accrued expenses	13,194	(3,005)
Annuity payment liabilities	(19,978)	(278,913)
Funds held as agency endowments	24,983	(11,710)
Net cash provided by operating activities	25,341,354	72,816
Cash flows from investing activities:		
Purchase of investments	(48,656,482)	(9,023,853)
Purchase of property and equipment	(18,664)	(23,019)
Proceeds from sale of investments	23,252,257	8,021,497
Loan principal and interest receivable payments	731,782	114,668
Loans advanced	(103,772)	(22,500)
Net cash used in investing activities	(24,794,879)	(933,207)
Cash flows from financing activities:		
Proceeds from the issuance of notes payable	-	154,670
Repayments on notes payable	(65,458)	(65,460)
Net cash provided by (used in) financing activities	(65,458)	89,210
Net increase (decrease) in cash and cash equivalents	481,017	(771,181)
Cash and cash equivalents, beginning of year	2,854,235	3,625,416
Cash and cash equivalents, end of year	\$ 3,335,252	\$ 2,854,235
Supplemental disclosure of cash flow information:		
Cash paid during the year for interest	\$ 30,093	\$ 60,085

See accompanying notes to combined financial statements.

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

**Combined Statements of Functional Expenses
Years Ended June 30, 2021 and 2020**

	2021			Total
	Program Services	General and Administrative	Fundraising	
Grants to others	\$ 3,157,484	\$ -	\$ -	\$ 3,157,484
Bad debt expense (recovery)	10,850	-	-	10,850
Salaries	459,820	321,158	141,892	922,870
Office and program supplies	42,095	4,153	1,899	48,147
Publicity	11,511	4,357	26,681	42,549
Depreciation	104,096	34,698	34,698	173,492
Payroll taxes	30,857	21,554	9,524	61,935
Interest	18,055	6,019	6,019	30,093
Conferences and meetings	6,314	4,107	1,878	12,299
Professional fees	144,587	66,859	632	212,078
Employee benefits	47,931	33,475	14,791	96,197
Postage	1,349	1,350	-	2,699
Travel	2,284	-	-	2,284
Special events	8,239	-	655	8,894
Professional dues and subscriptions	10,972	7,837	3,583	22,392
Telephone	4,414	3,154	1,441	9,009
Insurance	14,654	10,467	22,785	47,906
Small equipment and fixtures	-	3,264	-	3,264
Equipment maintenance	21,365	15,261	6,976	43,602
Software maintenance	39,566	28,261	12,920	80,747
Rent	3,132	-	-	3,132
Utilities	18,241	5,827	5,463	29,531
Cleaning, maintenance and repair	55,658	18,554	18,554	92,766
Total expenses	\$ 4,213,474	\$ 590,355	\$ 310,391	\$ 5,114,220

See accompanying notes to combined financial statements.

2020

Program Services	General and Administrative	Fundraising	Total
\$ 5,557,819	\$ -	\$ -	\$ 5,557,819
(1,838)	-	-	(1,838)
437,671	322,267	140,390	900,328
15,863	3,707	1,694	21,264
12,289	2,854	36,002	51,145
104,660	34,886	34,887	174,433
30,344	22,344	9,733	62,421
36,051	12,017	12,017	60,085
49,316	5,517	2,522	57,355
95,735	71,432	-	167,167
45,260	33,323	14,518	93,101
1,907	1,906	-	3,813
6,404	358	164	6,926
95,494	-	6,327	101,821
10,459	7,471	3,415	21,345
4,384	3,131	1,432	8,947
12,864	8,760	22,004	43,628
1,794	2,860	-	4,654
20,943	14,959	6,839	42,741
42,874	30,623	14,000	87,497
3,209	-	-	3,209
20,386	8,237	6,124	34,747
37,452	11,860	11,859	61,171
<u>\$ 6,641,340</u>	<u>\$ 598,512</u>	<u>\$ 323,927</u>	<u>\$ 7,563,779</u>

BERKS COUNTY COMMUNITY FOUNDATION, INC. AND SUPPORTING ORGANIZATIONS

Notes to Combined Financial Statements June 30, 2021 and 2020

(1) Nature of Business

Berks County Community Foundation, Inc. and Supporting Organizations (the Foundation) are nonprofit organizations exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code (IRC). In addition, the Foundation qualifies for the charitable contribution deduction under IRC Section 170(b)(1)(a) and has been classified as an organization that is not a private foundation under IRC Section 509(a) because it is an organization of the type described in Section 509(a)(1) of the Code and in the case of its supporting organizations, 509(a)(3). The Foundation was incorporated in 1994 to develop, manage, and distribute funding to meet existing and changing community needs in Berks County, Pennsylvania. See Note 4 for discussion of supporting organizations.

The Foundation operates as a family of component funds established by donors. All the Foundation's funds represent gifts of capital from individuals, families, corporations, trusts, private foundations, and other nonprofit organizations. The Foundation serves its donors in many ways, from ensuring the efficient processing of grant recommendations to structuring complex, multi-year philanthropic initiatives. The Foundation uses its local knowledge and philanthropic leadership to improve the quality of life in the community and, in so doing, demonstrates its capacity and ability to fulfill donor intent and be a good steward of all its resources.

(2) Summary of Significant Accounting Policies

Basis of Accounting

The Foundation prepares its financial statements in accordance with generally accepted accounting principles. The basis of accounting involves the application of accrual accounting; consequently, revenues and gains are recognized when earned and expenses and losses are recognized when incurred.

Financial Statement Presentation

In accordance with the Not-for-Profit Entities Topic 958 of the Financial Accounting Standards Board ("FASB") *Accounting Standards Codification* ("ASC"), the Foundation is required to report information regarding its financial position and activities according to the existence or absence of donor-imposed restrictions.

Net Assets without Donor Restrictions represent funds available for grants and expenses which are not otherwise limited by donor restrictions.

Net Assets with Donor Restrictions consist of contributed funds subject to specific donor-imposed restrictions contingent upon specific performance of a future event or a specific passage of time.

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

**Notes to Combined Financial Statements
June 30, 2021 and 2020**

(2) Summary of Significant Accounting Policies, Continued

Financial Statement Presentation, Continued

The Foundation enters into individual agreements with donors to reflect the types of funds to be created and the purpose for which the contribution is intended. Pursuant to the Foundation's articles of incorporation and by-laws, the Board of Directors (the "Board") has the power to modify any restriction or condition on distribution of funds for any specified charitable purpose or to specified organizations, if in the sole judgement of the Board, such restriction or condition becomes, in effect unnecessary, incapable of fulfillment, or inconsistent with the charitable needs of the community. As a result of this "variance power," the Foundation has no assets that are permanently restricted. Net assets encumbered by a time stipulation are with donor restrictions as explained below.

The Foundation's assets consist of more than 360 component funds established by donors for a variety of purposes. The Board has designated the assets as follows:

Without Donor Restrictions:

Endowment: Board-designated endowment assets include all contributions to the Foundation with the intention of the donor that the assets remain in perpetuity with the Foundation, subject to the Board's variance power. The Board intends to spend from these assets only an amount allowable under its spending policy. The spending policy is established and maintained by the Board at a level consistent with the donors' intention for assets to remain in perpetuity.

Available for grant making: Available for grant making assets include all non-endowed funds and that portion of endowed funds determined under the Foundation's spending policy to be available for grant making.

Operating: Operating assets include all assets used to provide for support services for the Foundation and to produce income to offset administrative and operating expenses.

With Donor Restrictions:

Restricted to the passage of time: In accordance with ASC 605, *Revenue Recognition*, contributions received as well as collectible unconditional promises to give are recognized in the period received. Contributions with donor-stipulated time restrictions are reported as revenues with donor restrictions. When the time restrictions expire, net assets with donor restrictions are released to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

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

**Notes to Combined Financial Statements
June 30, 2021 and 2020**

(2) Summary of Significant Accounting Policies, Continued

Combined Financial Statements

Supporting organizations under common control of the Berks County Community Foundation are reported as one economic entity with the Foundation. As such, inter-organizational transactions and balances are eliminated in preparing the combined financial statements.

Income Taxes

The Foundation accounts for uncertain tax positions in accordance with ASC 740, *Income Taxes*. ASC 740 prescribes a recognition threshold and measurement attribute for combined financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return and also provides guidance on various related matters such as derecognition, interest, penalties, and disclosures required. The Foundation recognizes interest and penalties, if any, related to unrecognized tax benefits in tax expense. There were no interest and penalties related to unrecognized tax benefits for the years ended June 30, 2021 and 2020 .

The Foundation is no longer subject to examination by the Internal Revenue Service (IRS) and Pennsylvania Department of Revenue for years prior to June 30, 2018.

Cash and Cash Equivalents

The Foundation considers all unrestricted highly liquid investments with an initial maturity of three months or less to be cash equivalents.

Contributions Receivable

Unconditional promises to give, less an allowance for uncollectible amounts, are recognized as revenue in the period received and as assets. Conditional promises to give are recognized when the conditions on which they depend are substantially met. Contributions receivable are reflected at a discount of 3% per year on long-term promises to give.

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

**Notes to Combined Financial Statements
June 30, 2021 and 2020**

(2) Summary of Significant Accounting Policies, Continued

Beneficial Interest in Trusts

Beneficial interest in trusts consists of beneficial interests in charitable remainder trusts. Donors established and funded trusts under which specified distributions are made to a designated beneficiary or beneficiaries over the trusts' terms. Upon termination of the trusts, the Foundation receives the assets or a percentage of the assets remaining in the trusts. Beneficial interest in charitable remainder trusts are recorded at the fair value of the trusts' assets calculated based on the present value of future cash flows expected to be received under the agreements. Changes in fair value of net assets of the trusts are recorded as gains or losses in the combined statements of activities. Net assets and changes in net assets are recorded as with donor restrictions.

Property and Equipment, Building and Land

Property and equipment are stated at cost, or if donated, at fair market value at the date of donation. Donations of depreciable assets in excess of \$5,000 are subject to appraisal. Property and equipment acquisitions are capitalized if they are in excess of \$1,000. Items that are less than the capitalization threshold are expensed in the year acquired. Donations of long-lived assets, received without stipulations as to use, are classified as unrestricted contributions in the year received. Depreciation is provided on the straight-line method over the estimated useful lives of the assets. Estimated useful lives are as follows:

Equipment	3 - 5 Years
Furniture and fixtures	7 Years
Software	3 Years
Building	39 Years

Loans and Interest Receivable

Loans extended from several funds are reported in the combined statements of financial position at the outstanding principal adjusted for any charge-offs. Management intends, and has the ability, to hold these loans for the foreseeable future or until maturity or payoff. Interest income is recognized when earned. See Note 6.

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

**Notes to Combined Financial Statements
June 30, 2021 and 2020**

(2) Summary of Significant Accounting Policies, Continued

Investments

The Foundation accounts for investments under ASC 320, *Investments - Debt and Equity Securities*. Under ASC 320, investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair values in the combined statements of financial position.

Investment management fees, custodial fees, and investment consulting fees are netted against unrealized gains or added to unrealized losses on the marketable securities. For fiscal years ended June 30, 2021 and 2020, investment management fees of \$177,779 and \$150,601, respectively, are included in net unrealized gains (loss).

Fair Value Measurements

ASC 820, *Fair Value Measurements and Disclosures*, provides the framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy under ASC 820 are described as follows:

- Level 1: Quoted market prices for identical assets or liabilities in active markets.
- Level 2: Observable market based inputs or unobservable inputs that are corroborated by market data.
- Level 3: Unobservable inputs that are not corroborated by market data.

The asset's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

For a description of the valuation methodologies used for assets measured at fair value, see Note 9. There have been no changes in the methodologies used at June 30, 2021 and 2020.

Contributions

Contributions received are recorded as without donor restriction or with donor restriction depending on the existence and/or nature of donor restrictions.

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

**Notes to Combined Financial Statements
June 30, 2021 and 2020**

(2) Summary of Significant Accounting Policies, Continued

Contributions, Continued

Amounts received which are designated for future periods or restricted by the donor for specific purposes are reported as with donor restriction. When a donor restriction expires, with donor restriction net assets are reclassified to without donor restriction net assets and reported in the combined statement of activities as net assets released from restrictions.

The Foundation reports donated marketable securities as contributions at their fair value at the date of donation, upon which they are immediately converted into cash.

Donated Services

Under ASC 605, *Revenue Recognition*, the Foundation recognizes services requiring specialized skills, such as those provided by accountants, attorneys, marketing consultants, and other professionals, if the services would need to be purchased if not donated. There were no donated services that met the criteria for recognition for the years ended June 30, 2021 and 2020.

Concentrations of Risk

Financial instruments that potentially subject the Foundation to concentrations of risk consist primarily of unconditional promises to give, as these originate within Berks County, as well as cash and cash equivalents and investments. The Foundation places its cash and cash equivalents with quality credit institutions and, at times, such balances may be in excess of FDIC limits.

The Foundation invests in various investment securities that are exposed to various risks such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the value of investment securities will occur in the near term and that such changes could materially affect investment account balances.

Functional Expense Allocations

Functional expenses are those expenses incurred by the Foundation in the accomplishment of its stated mission. They can further be categorized as follows:

- Program services, including awarded grants and scholarships, services to nonprofits, philanthropic leadership, and civic leadership;
- General and administrative, including expenses that benefit the Foundation as an entity and the management and accounting for funds; and
- Fundraising, including originating and maintaining relationships with donors.

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

**Notes to Combined Financial Statements
June 30, 2021 and 2020**

(2) Summary of Significant Accounting Policies, Continued

Functional Expense Allocations, Continued

The cost of providing the various programs and supporting services has been summarized on a functional basis in the combined statements of activities and combined statements of functional expenses. These statements report expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. Personnel expenses are allocated on the basis of estimate of time and effort; occupancy expenses are allocated on the basis of square footage.

Use of Estimates

The preparation of combined financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts of disclosures. Accordingly, actual results could differ from those estimates.

Subsequent Events

Management has performed an evaluation of subsequent events through October 11, 2021, which is the date the combined financial statements were available to be issued.

(3) Liquidity

Financial assets available for grants and other expenses within one year of the statements of financial position date comprise the following at June 30:

	2021	2020
Cash and cash equivalents	\$ 3,335,252	\$ 2,854,236
Accounts receivable and other assets	212,011	582,315
Long-term investments made available for current use	5,292,357	5,052,567
	<u>\$ 8,839,620</u>	<u>\$ 8,489,118</u>

As described in Note 16, the Foundation's board-designated endowments are subject to an annual spend rate of 4.5%. A spendable amount of \$5,292,357 at June 30, 2021 will be made available for grant making and administrative expenses from these endowments within the next 12 months.

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

**Notes to Combined Financial Statements
June 30, 2021 and 2020**

(3) Liquidity, Continued

As part of the Foundation's liquidity management, it has a policy to structure its financial assets to be available as its awarded grants, general expenditures, liabilities, and other obligations are due. The Foundation invests cash in excess of daily requirements in money market accounts, treasuries and short-term investments.

Endowment assets are pooled for investment, with liquidity managed through the pools' target allocations to illiquid investments, and periodic review of current illiquidity and projected total exposure to managers with lock-up provisions.

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

During the fiscal year ended June 30, 2004, Berks County Foundation Properties II, Inc. (Properties II, Inc.) was formed as a supporting organization of the Foundation under IRC Section 509(a)(3). Properties II, Inc. was formed specifically to accept gifts of real property for the benefit of Berks County Community Foundation, Inc.

Community General Hospital Foundation (the Hospital Foundation) previously transferred its assets to Berks County Community Foundation, Inc. The Hospital Foundation exists to capture specific bequests for the former Community General Hospital. During the fiscal year ended June 30, 2006, the IRS determined that the Hospital Foundation is a Type 1 supporting organization under IRC section 509(a)(30). In fiscal year ended June 30, 2016, Boyertown Area Community Trust, another supporting organization of the Foundation was merged into the Hospital Foundation. The Hospital Foundation, being the surviving corporation, was then renamed Berks Community Health Alliance (the Health Alliance). During the fiscal year ended June 30, 2021, the Health Alliance was formally dissolved.

South Mountain Camps Foundation (SM Camps) transferred its assets to Berks County Community Foundation, Inc. in January 2009. SM Camps exists to capture specific bequests for South Mountain YMCA. During fiscal year ended June 30, 2011, the IRS determined that the SM Camps is a Type 1 supporting organization under IRC section 509(a)(3).

During the fiscal year ended June 30, 2016, Berks County Community Foundation, Inc. became the sole member of BCCF Properties, LLC (Properties, LLC), a limited liability company. Properties, LLC was formed specifically to accept gifts of real property and to liquidate them for the benefit of Berks County Community. Contributions to a disregarded single member limited liability company wholly-owned or controlled by a foundation described in IRC Section 170(b)(1) are treated as a charitable contribution to its controlling member.

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

**Notes to Combined Financial Statements
June 30, 2021 and 2020**

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

During the fiscal year ended June 30, 2016, Berks County Community Foundation, Inc. became the sole member of Community Properties, LLC, a limited liability company. Community Properties, LLC was formed specifically to hold land not held for resale for the benefit of Berks County Community Foundation, Inc. In January 2016, a small parcel of land was purchased by Community Properties, LLC and in May 2019, another small parcel of land was purchased. The land is located next to the Foundation headquarters and is used for parking for Foundation staff and visitors.

On September 17, 2020, the Home Health Care Foundation received an IRS ruling accepting the application to become a Type III supporting organization of Berks County Community Foundation, Inc. A Type III supporting organization must be operating in connection with, but not under common control of the supported organization. Therefore, the Home Health Care Foundation maintains separate books and is not included in the combined financial statements.

Properties II, Inc., the SM Camps, Properties, LLC, Community Properties, LLC and the Foundation are under common control. Financial statements of these organizations are included in the combined statements of financial position, activities, functional expenses, and cash flows. The components of net assets of the Foundation and Supporting Organizations are as follows as of June 30:

	2021	2020
Net assets:		
Without donor restrictions:		
Berks County Community Foundation, Inc.	\$ 128,713,713	\$ 79,942,504
Berks County Community Foundation Properties II, Inc.	61,027	111,269
Community Properties, LLC	12,152	11,600
BCCF Properties, LLC	31	13
Total net assets without donor restrictions	\$ 128,786,923	\$ 80,065,386
With donor restrictions:		
Berks County Community Foundation, Inc.	\$ 1,090,827	\$ 883,301

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

**Notes to Combined Financial Statements
June 30, 2021 and 2020**

(5) Contributions Receivable

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

	2021	2020
Receivable in less than one year	\$ 99,195	\$ 98,213
Receivable in one to five years	33,000	117,417
Total contributions receivable	<u>132,195</u>	<u>215,630</u>
Less: allowance for uncollectible contributions	4,178	4,178
Less: discounts to net present value	1,110	2,877
Net contributions receivable	<u>\$ 126,907</u>	<u>\$ 208,575</u>

(6) Loans and Interest Receivable

As of June 30, 2021, the Foundation has loans outstanding to businesses, students, and nonprofit organizations from several funds. Repayment terms vary from two to ten years with interest rates ranging from 0% to 12%.

Management has evaluated the need for an allowance for loan losses based on the risks inherent in the portfolio, the estimated value of any underlying collateral and the guarantees, if any, of the principal borrowed. Management has established an allowance for loan losses of \$77,063 and \$73,312 as of June 30, 2021 and 2020, respectively.

During the years ended June 30, 2021 and 2020, the Foundation received principal payments of \$731,782 and \$114,668, respectively, and interest income of \$15,320 and \$26,141, respectively.

Loans and interest receivable are as follows at June 30:

	2021	2020
Receivable in less than one year	\$ 103,442	\$ 541,874
Receivable in one to five years	220,054	261,909
Receivable in more than five years	166,500	175,524
Total loans receivable	<u>489,996</u>	<u>979,307</u>
Less: allowance for loan losses	77,063	73,312
Net loans receivable	<u>412,933</u>	<u>905,995</u>
Interest receivable	3,381	4,913
Net loans and interest receivable	<u>\$ 416,314</u>	<u>\$ 910,908</u>

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(7) Property and Equipment

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

	2021	2020
Equipment	\$ 153,958	\$ 162,795
Furniture and fixtures	164,865	164,865
Software	18,926	18,926
Total property and equipment	<u>337,749</u>	<u>346,586</u>
Less: accumulated depreciation	<u>294,659</u>	<u>305,715</u>
Property and equipment, net	<u>\$ 43,090</u>	<u>\$ 40,871</u>

Depreciation expense for the years ended June 30, 2021 and 2020 was \$16,446 and \$17,098, respectively.

(8) Building

Building is as follows at June 30:

	2021	2020
Building	\$ 6,124,814	\$ 6,124,814
Less: accumulated depreciation	<u>1,840,831</u>	<u>1,683,784</u>
Building, net	<u>\$ 4,283,983</u>	<u>\$ 4,441,030</u>

Depreciation expense was \$157,047 and \$157,335 for the years ended June 30, 2021 and 2020, respectively.

(9) Fair Value Measurements

The Foundation uses prices and inputs that are current as of the measurement date, obtained through multiple third-party custodians from independent pricing services. To differentiate between the varying degrees of certainty of these fair market valuations, the Foundation identifies three levels covering securities with a ready market (Level 1 measurements) to securities which may have a specific or illiquid market (Level 3 measurements). A description of the valuation techniques applied to the major categories of investments measured at fair value is outlined below.

Equity securities: Valued at the closing price reported on the active market on which the individual securities are traded.

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(9) Fair Value Measurements, Continued

Equity and fixed income mutual funds: Valued at the daily closing price as reported by the fund. Mutual funds held by the Foundation are open end mutual funds that are registered with the Securities and Exchange Commission. These funds are required to publish their daily net asset value (NAV) and to transact at that price. The mutual funds held by the Foundation are deemed to be actively traded.

Corporate and U.S. government debt securities and certificates of deposit: Valued using pricing models maximizing the use of observable inputs for similar securities. This includes basing value on yields currently available on comparable securities of issuers with similar credit ratings.

Beneficial interest in trusts: Valued at present value based on the Foundation's interest in the quoted market prices of the underlying assets contained in the trusts at year end. Control of the assets is held by a trustee, not the Foundation. Additionally, the Foundation's beneficial interest in these trusts is invested in assets whose fair value is determined using NAV of the respective trust's investments. Although the investments in these trusts are exclusively identified as Level 3 of the fair value hierarchy, the underlying holdings of the trusts comprise Level 1, 2 and 3 securities. The trustees report the NAV of these trusts on a periodic basis.

Partnership interests and hedge funds: Valued at NAV of units held. The NAV is used as a practical expedient to estimate fair value. The NAV is based on the fair value of the underlying investments held by the fund less its liability. This practical expedient is not used when it is determined to be probable that the fund will sell the investment for an amount different than the reported NAV.

The availability of observable inputs can vary from instrument to instrument and is affected by a wide variety of factors, including, for example, the liquidity of markets and other characteristics particular to the transaction. To the extent that valuation is based on models or inputs that are less than observable in the market, the determination of fair value requires more judgment.

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(9) Fair Value Measurements, Continued

The fair value hierarchy table presenting the Foundation's investments measured at fair value is as follows at June 30:

	Assets at Fair Value as of June 30, 2021			
	Level 1	Level 2	Level 3	Total
Cash	\$ 1,918,562	\$ -	\$ -	\$ 1,918,562
U.S. government debt securities	52,126	-	-	52,126
Corporate debt securities	-	484,809	-	484,809
Equity securities	2,113,397	-	-	2,113,397
Equity mutual funds	59,794,848	-	-	59,794,848
Fixed income mutual funds	37,471,650	-	-	37,471,650
Total investments in fair value hierarchy	101,350,583	484,809	-	101,835,392
Investments measured at NAV (a)	-	-	-	23,048,184
Total investments at fair value	101,350,583	484,809	-	124,883,576
Beneficial interest in trusts	-	-	1,090,827	1,090,827
Total assets at fair value	\$ 101,350,583	\$ 484,809	\$ 1,090,827	\$ 125,974,403

	Assets at Fair Value as of June 30, 2020			
	Level 1	Level 2	Level 3	Total
Cash	\$ 1,831,122	\$ -	\$ -	\$ 1,831,122
Corporate debt securities	-	461,088	-	461,088
Equity securities	1,794,289	-	-	1,794,289
Equity mutual funds	42,238,237	-	-	42,238,237
Fixed income mutual funds	14,094,875	-	-	14,094,875
Total investments in fair value hierarchy	59,958,523	461,088	-	60,419,611
Investments measured at NAV (a)	-	-	-	16,703,861
Total investments at fair value	59,958,523	461,088	-	77,123,472
Beneficial interest in trusts	-	-	883,301	883,301
Total assets at fair value	\$ 59,958,523	\$ 461,088	\$ 883,301	\$ 78,006,773

(a) The Foundation invests in private equity investments and hedge funds which trade at the NAV per share practical expedient of the fund. These funds are not categorized within the fair value hierarchy.

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**Notes to Combined Financial Statements
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(9) Fair Value Measurements, Continued

The following table summarizes investments measured at fair value on the NAV per share as a practical expedient as of June 30:

Investment	Fair Value at June 30,		Unfunded Commitments	Redemption Frequency	Redemption Notice Period
	2021	2020			
Hedge funds:					
Lighthouse Diversified Fund	\$ -	\$ 6,784,973	\$ -	Monthly	91 days, 1 year lock provision
Magnitude International	4,414,152	-	-	Quarterly	65 days, 1 year lock provision
Socorro Dynamic	4,273,761	-	-	Semi-monthly	15 days, 1 year lock provision
Private equity partnerships:					
Falcon Strategic Partners V	798,127	712,236	-	Not applicable	Not applicable
Falcon Strategic Partners VI	964,817	-	447,919	Not applicable	Not applicable
Gem Realty Fund	593,436	650,508	105,000	Not applicable	Not applicable
Strategic Value SP SIT II	515,647	353,718	80,891	Not applicable	Not applicable
Steadfast Long Capital, Ltd.	6,558,796	4,879,285	-	Not applicable	Not applicable
WCP Newcold	-	1,336,344	-	Not applicable	Not applicable
Strategic Value SP SIT III	1,099,042	895,899	90,000	Not applicable	Not applicable
Strategic Value SP SIT IV	1,241,957	577,145	100,000	Not applicable	Not applicable
Strategic Value Dislocation Feeder Fund, LP	1,191,183	150,000	375,077	Not applicable	Not applicable
Timber Bay Fund II	459,103	-	646,963	Not applicable	Not applicable
Truebridge Capital Partners Fund	405,865	47,279	640,000	Not applicable	Not applicable
RCP Fund XIV, LP	132,108	10,000	840,000	Not applicable	Not applicable
WIS Limited Partnership	400,190	306,474	-	Not applicable	Not applicable
Total	\$ 23,048,184	\$ 16,703,861	\$ 3,325,850		

The Foundation uses two privately-held hedge fund-of-funds whose primary focus is investing in funds specializing in equities, both long-term and short-term. The Foundation uses the hedge fund-of-funds and private equity partnerships strategy to generate superior risk-adjusted returns with a low correlation to both the equity and fixed income markets. The Foundation's risk management policy of providing a more stable long-term yield as documented in its Investment Policy Statement is obtained by this blending of different strategies and asset classes.

The following table sets forth a reconciliation of changes in the fair value of investments classified as Level 3 in the fair value hierarchy noted above for the years ended June 30:

	Beneficial Interest in Trusts
Balance as of June 30, 2019	\$ 873,118
Total unrealized gains for assets held at year end included in changes in net assets	10,183
Balance as of June 30, 2020	883,301
Total unrealized gains for assets held at year end included in changes in net assets	207,526
Balance as of June 30, 2021	\$ 1,090,827

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(10) Beneficial Interest in Trusts

The Foundation is a beneficiary of several irrevocable charitable remainder trusts, seven of which are quantifiable as of June 30, 2021 and 2020. The net present value of these receivables was determined using the fair value of the trust assets, single or joint life expectancies from IRS tables, and discount rates at the time the trusts were established ranging from 4.8% to 7.8%. On an annual basis, the Foundation revalues the receivables based on changes in the value of the trusts' assets and these assumptions. Revaluation adjustments are reported in the statements of activities as changes in the value of beneficial interest in trusts. The balance of these receivables at June 30, 2021 and 2020 is \$1,090,827 and \$883,301, respectively. These receivables are classified as a component of net assets with donor restrictions until the future cash flows are received.

(11) Grants Payable

Grants authorized but unpaid at year end are reported as liabilities in accordance with ASC 605, *Revenue Recognition*. Grants to be paid in more than one year are discounted 3% per year. The following is a summary of grants authorized and payable as of June 30:

	2021	2020
To be paid in less than one year	\$ 1,105,590	\$ 2,178,383
To be paid in one to five years	963,430	971,934
Gross grants authorized and unpaid	2,069,020	3,150,317
Less: discounts on long-term grants	39,879	58,878
Net grants authorized and unpaid	<u>\$ 2,029,141</u>	<u>\$ 3,091,439</u>

(12) Employee Benefits

The Foundation maintains a 403(b) retirement plan for its employees. The Foundation matches 50% of eligible employee contributions up to a maximum of 6% of salary. The Foundation contributed \$25,812 and \$23,669 to the 403(b) plan in fiscal years 2021 and 2020, respectively.

(13) Notes Payable

On March 11, 2020, the World Health Organization declared COVID-19 a pandemic. The extent of COVID-19's effect on the Foundation's operational and financial performance will depend on future developments, including the duration, spread and intensity of the pandemic, all of which are uncertain and difficult considering the rapidly evolving landscape.

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**Notes to Combined Financial Statements
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(13) Notes Payable, Continued

In April 2020, the Foundation received a loan of \$154,670 from its primary lender pursuant to the Paycheck Protection Program (PPP) administered by the United States Small Business Administration and authorized by the Keeping American Workers Employed and Paid Act, which is part of the Coronavirus Aid, Relief, and Economic Security Act, enacted on March 27, 2020. On November 2, 2020, the loan was forgiven by the Small Business Administration. The recognition of the forgiveness of debt is included in other income in the statement of activities.

As the pandemic continues as a worldwide health crisis, the disease could have an adverse effect on the Company's activities, financial condition, and cash flow.

Notes payable are summarized as follows at June 30:

	<u>2021</u>	<u>2020</u>
Note payable to local bank in monthly principal installments of \$1,194 plus interest at LIBOR plus 1.5% (1.591% at June 30, 2021), and collateralized by land and property. All unpaid principal and interest are due July 2028.	\$ 388,195	\$ 402,528
Note payable to local bank in monthly principal installments of \$1,272 plus interest at LIBOR plus 1.5% (1.591% at June 30, 2021), and collateralized by land and property. All unpaid principal and interest is due July 2032.	413,375	428,638
Note payable to local bank in monthly principal installments of \$2,989 plus interest at LIBOR plus 1.5% (1.591% at June 30, 2021), and collateralized by land and property. All unpaid principal and interest is due August 2029.	971,275	1,007,137
Note payable, Paycheck Protection Program. Loan forgiven by the U.S. Small Business Administration on November 2, 2020.	-	154,670
	<u>\$ 1,772,845</u>	<u>\$ 1,992,973</u>

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**Notes to Combined Financial Statements
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(13) Notes Payable, Continued

Future maturities of notes payable are as follows:

Year Ending June 30,	Amount
2022	\$ 65,459
2023	65,459
2024	65,459
2025	65,459
2026	65,459
Thereafter	<u>1,445,550</u>
	<u>\$ 1,772,845</u>

(14) Charitable Gift Annuities

The charitable gift annuities provide for the periodic payment of distributions to designated individuals (the annuitants) over a specified period of time. At the end of the specified term, the remaining assets will remain at the Foundation to benefit the donor-specified charity.

There were no contributions received under charitable gift annuity agreements for the years ended June 30, 2021 and 2020. Present value of future annuity payments is recognized as a liability in the combined statements of financial position. As of June 30, 2021 and 2020, the annuity payment liabilities totaled \$70,117 and \$90,095, respectively.

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

The Foundation follows ASC 605, *Revenue Recognition*, which provides standards for transactions in which a community foundation accepts a contribution from a donor and agrees to transfer those assets, the return on investment of those assets, or both, to another entity that is specified by the donor. ASC 605 specifically requires that if a not-for-profit organization (NPO) establishes a fund at a community foundation with its own funds and specifies itself as the beneficiary of that fund, the community foundation must account for the transfer of such assets as a liability. The Foundation refers to such funds as agency endowments.

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

The Foundation maintains variance power and legal ownership of agency endowment funds and, as such, continues to report the funds as assets of the Foundation. However, in accordance with ASC 605, a liability has been established for the fair value of the funds, which is generally equivalent to the present value of future payments expected to be made to the NPOs.

At June 30, 2021 and 2020, the Foundation was the owner of twelve agency endowment funds with a combined value of \$514,763 and \$489,780, respectively. The following table summarizes activity in such funds at June 30:

	2021	2020
Agency endowment fund balances at July 1	\$489,780	\$501,490
Contributions	-	26,872
Investment income	6,382	9,807
Net unrealized and realized investment gains (losses)	109,506	(31,006)
Grants made	(90,905)	(17,383)
Agency endowment fund balances at June 30	<u>\$514,763</u>	<u>\$489,780</u>

(16) Endowment Funds

ASC 205 provides guidance on the net asset classification of donor-restricted endowment funds for a nonprofit organization that is subject to an enacted version of the Uniform Prudent Management of Institutional Funds of 2006 (UPMIFA). ASC 205 also improves disclosures about an organization's endowment funds (both donor restricted endowment funds and board designated endowment funds) whether or not the organization is subject to UPMIFA.

The Commonwealth of Pennsylvania has not adopted UPMIFA. The Commonwealth of Pennsylvania has enacted Act 141 (the Act). The Act allows the Foundation to elect a "total return investment policy". Income is defined by the Act to mean a fixed percentage of the "value of the assets" held by the Foundation, not less than 2% or more than 7%. The "value of the assets" for the purposes of the Act is the average fair market value of the assets over a three year period (or the average value of the assets over any shorter period in the cases of assets held less than three years). The Foundation has a total return investment policy with a spending policy of 4.5% for each of the years ended June 30, 2021 and 2020 on the trailing twelve quarter average value of the funds. This spending policy determines the funds available for grant making and administrative expenses.

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(16) Endowment Funds, Continued

The Foundation's investment objective is to maximize returns through a highly diversified portfolio of assets consisting of equity, fixed income and investments such as hedge funds. The return object of the Foundation is the desired annual payout, or spending policy, plus inflation as measured by the Consumer Price Index (CPI) and growth. The Foundation maintains a prudent risk policy through its Investment Policy Statement and the asset allocation described therein is consistent with the public nature and position of the Foundation.

Changes in the endowment net assets, which are all classified as without donor restrictions are as follows for the years ended June 30:

	<u>2021</u>
Endowment net assets, beginning of year	\$ 77,123,472
Contributions	29,642,465
Investment income	1,301,748
Net appreciation in fair value	22,465,385
Amounts appropriated for expenditures	<u>(5,649,494)</u>
Endowment net assets, end of year	<u>\$ 124,883,576</u>
	<u>2020</u>
Endowment net assets, beginning of year	\$ 81,252,552
Contributions	4,475,449
Investment income	1,723,106
Net depreciation in fair value	(5,162,440)
Amounts appropriated for expenditures	<u>(5,165,195)</u>
Endowment net assets, end of year	<u>\$ 77,123,472</u>