



**Lancaster County Community
Foundation and Affiliates**

**Consolidated Financial Statements and
Supplementary Information**

December 31, 2021 and 2020



Lancaster County Community Foundation and Affiliates

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December 31, 2021 and 2020

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Independent Auditor's Report

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

Opinion

We have audited the consolidated financial statements of Lancaster County Community Foundation and Affiliates (collectively, the Organization), which comprise the consolidated statement of financial position as of December 31, 2021 and 2020, and the related consolidated statements of activities, functional expenses - by natural classification, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the consolidated financial position of the Organization as of December 31, 2021 and 2020, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Organization and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not absolute assurance, and; therefore, is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern for a reasonable period of time.

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

Supplementary Information

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

RKL LLP

August 9, 2022
Lancaster, Pennsylvania

Lancaster County Community Foundation and Affiliates

Consolidated Statement of Financial Position

	December 31,	
	2021	2020
Assets		
Cash and cash equivalents	\$ 14,731,419	\$ 12,598,837
Investments	157,469,793	77,660,154
Accounts receivable	41,899	-
Prepaid expenses	85,906	91,821
Promises to give	347,772	245,677
Interest receivable	33,041	3,750
Notes receivable	3,594,000	544,000
Property and equipment, net	90,121	98,297
Investment in real estate - rental properties	823,500	1,220,500
Perpetual trusts and split-interest agreements	54,281,540	48,564,271
Total Assets	\$ 231,498,991	\$ 141,027,307
Liabilities and Net Assets		
Liabilities		
Accounts payable	\$ 29,668	\$ 31,002
Grants payable	14,978,561	12,839,665
Accrued expenses	54,439	48,824
Deferred revenue	10,000	16,500
Charitable gift annuities	1,949,319	1,371,886
Liability to resource providers	6,628,232	5,856,022
Total Liabilities	23,650,219	20,163,899
Net Assets		
Without donor restrictions	153,567,232	72,299,137
With donor restrictions	54,281,540	48,564,271
Total Net Assets	207,848,772	120,863,408
Total Liabilities and Net Assets	\$ 231,498,991	\$ 141,027,307

Lancaster County Community Foundation and Affiliates

Consolidated Statement of Activities

	Year Ended December 31, 2021		
	Without Donor Restrictions	With Donor Restrictions	Total
Revenues, Gains, and Other Support			
Contributions	\$ 87,729,770	\$ 1,617,451	\$ 89,347,221
Return on investments			
Net realized and unrealized gains	10,994,011	-	10,994,011
Distributions from perpetual trusts	1,905,261	-	1,905,261
Interest and dividends, net of fees	1,857,632	-	1,857,632
Net change in value of perpetual trusts and split-interest agreements	-	4,099,818	4,099,818
Other income	51,951	-	51,951
Rental income	41,789	-	41,789
Grant income	-	-	-
Loss on sale of real estate - rental properties	(35,227)	-	(35,227)
Net change in value of charitable gift annuities	(65,788)	-	(65,788)
	<u>102,479,399</u>	<u>5,717,269</u>	<u>108,196,668</u>
Total Revenues, Gains, and Other Support			
	<u>102,479,399</u>	<u>5,717,269</u>	<u>108,196,668</u>
Expenses			
Program and related services	20,475,192	-	20,475,192
Management and general	476,892	-	476,892
Fundraising	259,220	-	259,220
	<u>21,211,304</u>	<u>-</u>	<u>21,211,304</u>
Total Expenses			
	<u>21,211,304</u>	<u>-</u>	<u>21,211,304</u>
Change in Net Assets	81,268,095	5,717,269	86,985,364
Net Assets at Beginning of Year	<u>72,299,137</u>	<u>48,564,271</u>	<u>120,863,408</u>
Net Assets at End of Year	<u>\$ 153,567,232</u>	<u>\$ 54,281,540</u>	<u>\$ 207,848,772</u>

Lancaster County Community Foundation and Affiliates

Consolidated Statement of Activities (continued)

	Year Ended December 31, 2020		
	Without Donor Restrictions	With Donor Restrictions	Total
Revenues, Gains, and Other Support			
Contributions	\$ 16,567,709	\$ -	\$ 16,567,709
Return on investments			
Net realized and unrealized gains	5,381,007	-	5,381,007
Distributions from perpetual trusts	1,906,190	-	1,906,190
Interest and dividends, net of fees	513,528	-	513,528
Net change in value of perpetual trusts and split-interest agreements	-	3,255,445	3,255,445
Other income	48,473	-	48,473
Rental income	-	-	-
Grant income	229,937	-	229,937
Loss on sale of real estate - rental properties	-	-	-
Net change in value of charitable gift annuities	(67,223)	-	(67,223)
Total Revenues, Gains, and Other Support	<u>24,579,621</u>	<u>3,255,445</u>	<u>27,835,066</u>
Expenses			
Program and related services	18,606,077	-	18,606,077
Management and general	434,931	-	434,931
Fundraising	239,766	-	239,766
Total Expenses	<u>19,280,774</u>	<u>-</u>	<u>19,280,774</u>
Change in Net Assets	5,298,847	3,255,445	8,554,292
Net Assets at Beginning of Year	<u>67,000,290</u>	<u>45,308,826</u>	<u>112,309,116</u>
Net Assets at End of Year	<u>\$ 72,299,137</u>	<u>\$ 48,564,271</u>	<u>\$ 120,863,408</u>

See accompanying notes.

Lancaster County Community Foundation and Affiliates

Consolidated Statement of Functional Expenses - by Natural Classification

	Year Ended December 31, 2021			
	Program and Related Services	Supporting Services		Totals
		Management and General	Fundraising	
Grants and scholarships	\$ 18,265,357	\$ -	\$ -	\$ 18,265,357
Salaries	799,737	234,041	142,306	1,176,084
Special initiatives - Extraordinary				
Give	665,363	-	-	665,363
Insurance	137,211	40,154	24,416	201,781
Professional fees	92,607	57,696	12,030	162,333
Conferences, meetings, and travel	126,908	18,790	11,425	157,123
Rent, utilities, and maintenance	60,889	17,818	10,835	89,542
Software license	59,111	17,299	10,518	86,928
Payroll taxes	56,670	16,584	10,084	83,338
Marketing	51,588	15,096	9,180	75,864
Depreciation	36,613	10,715	6,515	53,843
Office supplies and expense	34,767	10,175	6,186	51,128
Retirement	31,916	9,340	5,679	46,935
Dues and subscriptions	19,351	5,929	3,443	28,723
Telephone and internet	15,748	4,609	2,802	23,159
Equipment leases and expense	9,737	2,849	1,733	14,319
Scholarship administration fees	-	6,500	-	6,500
Bank and administrative fees	-	5,898	-	5,898
Miscellaneous	3,637	1,062	647	5,346
Staff development	2,926	856	521	4,303
Travel	2,792	818	497	4,107
Postage and shipping	2,264	663	403	3,330
	<u>\$ 20,475,192</u>	<u>\$ 476,892</u>	<u>\$ 259,220</u>	<u>\$ 21,211,304</u>

Lancaster County Community Foundation and Affiliates

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

	Year Ended December 31, 2020			
	Program and Related Services	Supporting Services		Totals
		Management and General	Fundraising	
Grants and scholarships	\$ 16,590,089	\$ -	\$ -	\$ 16,590,089
Salaries	747,451	219,384	135,600	1,102,435
Special initiatives - Extraordinary Give	533,183	-	-	533,183
Insurance	128,363	37,676	23,287	189,326
Professional fees	82,040	47,979	7,138	137,157
Conferences, meetings, and travel	133,192	9,914	6,128	149,234
Rent, utilities, and maintenance	58,041	17,035	10,530	85,606
Software license	53,611	15,736	9,726	79,073
Payroll taxes	51,572	15,137	9,356	76,065
Marketing	78,839	17,689	10,933	107,461
Depreciation	33,761	9,909	6,125	49,795
Office supplies and expense	34,009	9,982	6,170	50,161
Retirement	29,713	8,721	5,390	43,824
Dues and subscriptions	14,553	4,394	2,552	21,499
Telephone and internet	14,879	4,368	2,699	21,946
Equipment leases and expense	12,538	3,680	2,275	18,493
Scholarship administration fees	-	2,045	-	2,045
Bank and administrative fees	-	8,278	-	8,278
Miscellaneous	287	80	52	419
Staff development	6,308	1,853	1,144	9,305
Travel	1,634	480	296	2,410
Postage and shipping	2,014	591	365	2,970
	<u>\$ 18,606,077</u>	<u>\$ 434,931</u>	<u>\$ 239,766</u>	<u>\$ 19,280,774</u>

See accompanying notes.

Lancaster County Community Foundation and Affiliates

Consolidated Statement of Cash Flows

	Years Ended December 31,	
	2021	2020
Cash Flows from Operating Activities		
Change in net assets	\$ 86,985,364	\$ 8,554,292
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation	53,843	49,795
Net loss on sale of real estate - rental properties	35,227	-
Net realized and unrealized gains on investments	(10,994,011)	(5,381,007)
In-kind contributions - investments	(69,587,515)	(831,318)
In-kind contribution - note receivable	(1,500,000)	-
In-kind contributions - investment in real estate - rental properties	(401,000)	(1,220,500)
Restricted contributions - perpetual trusts	(1,336,194)	-
Restricted contributions - split-interest agreements	(281,257)	-
Net change in value of perpetual trusts and split-interest agreements	(4,099,818)	(3,255,445)
Net change in charitable gift annuities liability	577,433	14,168
Proceeds from sale of donated investments	2,281,166	831,318
(Increase) decrease in assets		
Accounts receivable	(41,899)	-
Prepaid expenses	5,915	(3,290)
Promises to give	(102,095)	184,159
Interest receivable	(29,291)	-
Increase (decrease) in liabilities		
Accounts payable	(1,334)	(17,394)
Grants payable	2,138,896	1,728,170
Accrued expenses	5,615	9,533
Deferred revenue	(6,500)	16,500
Liability to resource providers	772,210	438,615
	<u>4,474,755</u>	<u>1,117,596</u>
Net Cash Provided by Operating Activities		
Cash Flows from Investing Activities		
Purchase of investments	(97,201,715)	(21,015,434)
Proceeds from sale of investments	95,692,436	20,520,084
Net proceeds from sale of rental properties	803,606	-
Cash paid for notes receivable	(1,550,000)	(44,000)
Purchase of investment in real estate - rental properties	(40,833)	-
Purchase of property and equipment	(45,667)	(31,254)
	<u>(2,342,173)</u>	<u>(570,604)</u>
Net Cash Used in Investing Activities		
Net Increase in Cash and Cash Equivalents		
	2,132,582	546,992
Cash and Cash Equivalents at Beginning of Year	<u>12,598,837</u>	<u>12,051,845</u>
Cash and Cash Equivalents at End of Year	<u>\$ 14,731,419</u>	<u>\$ 12,598,837</u>

See accompanying notes.

Lancaster County Community Foundation and Affiliates

Notes to Consolidated Financial Statements

December 31, 2021 and 2020

Note 1 - Nature of Operations

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

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

Note 2 - Summary of Significant Accounting Policies

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

Basis of Accounting

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

Use of Estimates

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

Principles of Consolidation

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

Cash and Cash Equivalents

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

Lancaster County Community Foundation and Affiliates

Notes to Consolidated Financial Statements

December 31, 2021 and 2020

Note 2 - Summary of Significant Accounting Policies (continued)

Notes Receivable

Notes receivable are programmatic investments in local not-for-profit organizations working in various capacities, including to create affordable housing and thriving-wage jobs in Lancaster. The notes are structured with terms ranging from five to ten years, with principal due in a balloon payment at the end of the term and interest (typically at below-market rates) due annually to the Organization. The Organization has assessed the likelihood of impairment as of December 31, 2021 and 2020, and concluded that it expects to collect all contractually required principal and interest payments when due.

Property and Equipment

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

Investment in Real Estate - Rental Properties

Investment in real estate - rental properties consists of various properties that were received by donation. The property was recorded at fair value when contributed.

Liability to Resource Providers

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

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

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

Contributions and Restricted Resources

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

Lancaster County Community Foundation and Affiliates

Notes to Consolidated Financial Statements

December 31, 2021 and 2020

Note 2 - Summary of Significant Accounting Policies (continued)

Contributions and Restricted Resources (continued)

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

During 2020, the Foundation and an unrelated not-for-profit partner launched the "Lancaster Cares" campaign to raise money for Covid-related relief in the community, including food security, eviction prevention, and healthcare needs, among others. Contributions were received from the community as well as provided by the Foundation's endowment. Through a competitive grant cycle, all contributions were granted out into the community via local not-for-profit organizations during 2020.

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

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

Net Asset Classification

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

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

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

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

Income Taxes

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

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

Lancaster County Community Foundation and Affiliates

Notes to Consolidated Financial Statements

December 31, 2021 and 2020

Note 2 - Summary of Significant Accounting Policies (continued)

Income Taxes (continued)

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

Accounting principles generally accepted in the United States of America require management to evaluate tax positions taken by the Organization, including whether the entity is exempt from income taxes. Management evaluated the tax positions taken and concluded that the Organization had taken no uncertain tax positions that require recognition or disclosure in the consolidated financial statements. Therefore, no provision or liability for income taxes has been included in the consolidated financial statements. With few exceptions, the Organization is no longer subject to income tax examinations by the U.S. Federal, state, or local tax authorities for years before 2018.

Functional Allocation of Expenses

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

The consolidated financial statements report expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. All expenses, excluding grants and scholarships and special initiatives - Extraordinary Give, are allocated on the basis of estimates of time and effort.

Advertising Expenses

Advertising costs are charged to expense as incurred. Expense for the years ended December 31, 2021 and 2020 was \$183,694 and \$243,263, respectively.

Recent Accounting Pronouncements

In February 2016, Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-02, *Leases (Topic 842)*, and subsequently amended in ASU 2019-10. The guidance in this ASU supersedes the leasing guidance in Topic 840, *Leases*, which sets out the principles for the recognition, measurement, presentation, and disclosure of leases for both parties to a contract (i.e. lessees and lessors). The new standard requires lessees to apply a dual approach, classifying leases as either finance or operating leases, based on the principle of whether or not the lease is effectively a financed purchase by the lessee. This classification will determine whether lease expense is recognized based on an effective interest method or on a straight-line basis over the term of the lease, respectively. A lessee is also required to record a right-of-use asset and a lease liability for all leases with a term of greater than 12 months regardless of their classification. Leases with a term of 12 months or less will be accounted for similar to existing guidance for operating leases today. The new standard requires lessors to account for leases using an approach that is substantially equivalent to existing guidance for sales-type leases, direct financing leases, and operating leases. The new standard will be effective for fiscal years beginning after December 15, 2021.

Lancaster County Community Foundation and Affiliates

Notes to Consolidated Financial Statements

December 31, 2021 and 2020

Note 2 - Summary of Significant Accounting Policies (continued)

Recent Accounting Pronouncements (continued)

In September 2020, the FASB issued ASU 2020-07, *Not-for-Profit Entities (Topic 958): Presentation and Disclosure by Not-for-Profit Entities for Contributed Nonfinancial Assets*, which will require not-for-profit entities to present contributed nonfinancial assets as a separate line item in the statement of activities, apart from contributions of cash and other financial assets. Also, this ASU will require disclosure of a disaggregation of the amount of contributed nonfinancial assets by category that depicts the type of contributed nonfinancial assets as well as additional information around valuation and usage of the contributed nonfinancial assets. The amendments in this standard should be applied on a retrospective basis and are effective for annual periods beginning after June 15, 2021, and interim periods within annual periods beginning after June 15, 2022.

The Organization is currently evaluating the impact of the pending adoption of the new standards on the consolidated financial statements.

Note 3 - Cash and Investments

Cash and investments are presented in the consolidated financial statements at fair value. Cash and investments are composed of the following at December 31:

	<u>2021</u>	<u>2020</u>
Cash and Cash Equivalents	\$ 14,731,419	\$ 12,598,837
Investments		
Cash	\$ 6,183,020	\$ 2,310,410
Fixed income		
Corporate/taxable mutual funds	10,443,797	8,396,282
Government bonds		
Aaa	2,547,884	731,117
Exchange-traded funds	1,860,878	811,400
Treasury inflation-protected securities	-	1,470,258
Corporate bonds		
Aaa	214,199	-
Aa2	72,287	86,757
Aa3	93,317	-
A1	343,847	177,691
A2	804,620	349,640
A3	444,225	365,691
Baa1	824,918	156,970
Baa2	603,199	104,588
Baa3	77,802	15,070
High-yield debt	5,496,831	734,787
Intermediate core-plus	3,719,203	-
International	3,401,462	1,144,585
Mortgage backed	1,974,280	-

Lancaster County Community Foundation and Affiliates

Notes to Consolidated Financial Statements

December 31, 2021 and 2020

Note 3 - Cash and Investments (continued)

	<u>2021</u>	<u>2020</u>
Investments (continued)		
Fixed income (continued)		
Nontraditional	\$ 1,584,302	\$ -
Certificates of deposit	350,959	290,111
	<u>34,858,010</u>	<u>14,834,947</u>
Equity securities		
Large cap	56,029,264	26,175,460
Mid cap	8,397,525	467,691
Small cap	1,899,853	2,595,637
International	35,576,065	16,456,912
	<u>101,902,707</u>	<u>45,695,700</u>
Alternative investments		
Absolute return	2,121,049	8,822,352
Directional	2,996,416	-
Real estate	-	2,557,111
Private equity	9,408,591	2,403,577
Commodities	-	1,036,057
	<u>14,526,056</u>	<u>14,819,097</u>
	<u>\$ 157,469,793</u>	<u>\$ 77,660,154</u>

Note 4 - Promises to Give

At December 31, 2021 and 2020, promises to give consist of distributions from trusts due to the Organization as beneficiary of the trust, amounts due to the Organization through wills or estate agreements, or unconditional promises to give. The entire amount of promises to give is due within one year. The Organization evaluates all promises to give for collectability. No reserves were considered necessary as of December 31, 2021 and 2020.

Note 5 - Notes Receivable

Notes receivable consist of the following as of December 31:

	<u>2021</u>	<u>2020</u>
Unrelated nonprofit organization; February 14, 2018; original principal of \$250,000; bearing interest at 1.5%; interest only payments due annually; unpaid principal and interest due February 14, 2023	\$ 250,000	\$ 250,000

Lancaster County Community Foundation and Affiliates

Notes to Consolidated Financial Statements

December 31, 2021 and 2020

Note 5 - Notes Receivable (continued)

	<u>2021</u>	<u>2020</u>
A different unrelated nonprofit organization; March 1, 2018; original principal of \$250,000; bearing interest at 1.5%; interest only payments due annually; unpaid principal and interest due March 1, 2023	\$ 250,000	\$ 250,000
A different unrelated nonprofit organization; November 24, 2020; original principal of \$44,000; bearing interest at 1.5%; interest only payments due annually; unpaid principal and interest due November 24, 2025	44,000	44,000
A different unrelated nonprofit organization; February 26, 2020; original principal of \$1,500,000 which was contributed and assigned to the Organization from the unrelated third party on August 31, 2021; an additional \$400,000 available to be drawn on by the borrower; bearing interest at 2.5%; interest only payments due monthly; unpaid principal and interest due February 26, 2027	1,500,000	-
A different unrelated nonprofit organization; August 18, 2021; original principal of \$1,550,000; bearing interest at 5%; interest only payments due semi-annually; unpaid principal and interest due August 18, 2031	1,550,000	-
	<u>\$ 3,594,000</u>	<u>\$ 544,000</u>

Interest income related to notes receivable amounted to \$50,018 and \$7,510 for the years ended December 31, 2021 and 2020, respectively.

Note 6 - Property and Equipment

Property and equipment consists of the following at December 31:

	<u>2021</u>	<u>2020</u>	<u>Depreciable Lives</u>
Office equipment and software	\$ 512,848	\$ 467,181	3 to 11 years
Accumulated depreciation	<u>(422,727)</u>	<u>(368,884)</u>	
	<u>\$ 90,121</u>	<u>\$ 98,297</u>	

Depreciation expense amounted to \$53,843 and \$49,795 for the years ended December 31, 2021 and 2020, respectively.

Lancaster County Community Foundation and Affiliates

Notes to Consolidated Financial Statements

December 31, 2021 and 2020

Note 7 - Perpetual Trusts and Split-Interest Agreements

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

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

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

	<u>2021</u>	<u>2020</u>
Perpetual trusts	\$ 45,560,942	\$ 40,729,788
Beneficial interest in perpetual trusts with multiple beneficiaries	6,717,001	6,261,151
Charitable remainder trusts	1,722,340	1,573,332
Beneficial interest in charitable lead annuity trust with multiple beneficiaries	<u>281,257</u>	<u>-</u>
	<u>\$ 54,281,540</u>	<u>\$ 48,564,271</u>

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

	<u>2021</u>	<u>2020</u>
Cash and cash equivalents	\$ 1,203,495	\$ 1,217,435
Equities	30,900,321	27,421,817
Fixed income	11,248,294	10,179,901
Alternative investments	<u>2,208,832</u>	<u>1,910,635</u>
	<u>\$ 45,560,942</u>	<u>\$ 40,729,788</u>

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

During the years ended December 2021 and 2020, \$1,336,194 and \$-0-, respectively, were contributed to the perpetual trusts. The return on investments includes \$1,905,261 and \$1,906,190 in distributions from perpetual trusts during the years ended December 31, 2021 and 2020, respectively. As discussed in Note 11, the Trust's perpetual trusts are included as net assets with donor restriction and the distributions represent net investment earnings on those trusts, which are available to the Trust for grant making and administration of the Trust.

Lancaster County Community Foundation and Affiliates

Notes to Consolidated Financial Statements

December 31, 2021 and 2020

Note 8 - Alternative Investments

The Organization invests in alternative investments to further diversify its investment portfolio. Alternative investments include various investment funds that are not readily marketable. These funds hold certain investments, which may be valued by a single market maker. The estimated values may differ significantly from the values that would have been used had a ready market for the investment existed; they may have been affected by the decline in liquidity and prices of investments and real estate, or by the lack of observable transaction data and inputs in certain transactions. Actual results could differ from those estimates, and the difference could be material. Additionally, certain investments in limited partnerships, investments funds, and other debt instruments may be restricted as to resale or may require advance notice of redemption or withdrawal (see Note 10).

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

Note 9 - Charitable Gift Annuities

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

Contributions received under charitable gift annuity agreements totaled \$1,127,762 and \$120,695 for the years ended December 31, 2021 and 2020, respectively. The value of the gift annuities received over the calculated liability is recognized as revenue without donor restrictions, which amounted to \$447,226 and \$52,228 for the years ended December 31, 2021 and 2020, respectively. Present value of future annuity payments is recognized as a liability on the consolidated statement of financial position. As of December 31, 2021 and 2020, the charitable gift annuities liabilities totaled \$1,949,319 and \$1,371,886, respectively. As of December 31, 2021 and 2020, the value of the associated investments amounted to \$3,756,796 and \$2,474,204, respectively.

Lancaster County Community Foundation and Affiliates

Notes to Consolidated Financial Statements

December 31, 2021 and 2020

Note 10 - Fair Value of Financial Instruments

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

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

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

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

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

Alternative investments - Fair value of marketable alternative investments, including real estate funds, absolute return funds, and commodities funds was based on quoted market prices for the identical mutual fund or direct investment and interest in underlying assets, and are classified as Level 1. Fair value of nonmarketable alternative investments, including private equity funds, absolute return funds, and directional funds was based on estimated fair values using the net asset value provided by an independent administrator. Management reviews and evaluates the values and agrees with the valuation methods and assumptions used in determining the fair value of these funds.

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

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

Lancaster County Community Foundation and Affiliates

Notes to Consolidated Financial Statements

December 31, 2021 and 2020

Note 10 - Fair Value of Financial Instruments (continued)

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

	2021			Total
	Level 1	Level 2	Level 3	
Cash	\$ 6,183,020	\$ -	\$ -	\$ 6,183,020
Fixed Income				
Corporate/taxable mutual funds	10,443,797	-	-	10,443,797
Government bonds				
Exchange-traded funds	1,860,878	-	-	1,860,878
Aaa	2,547,884	-	-	2,547,884
Corporate bonds				
Aaa	214,199	-	-	214,199
Aa2	72,287	-	-	72,287
Aa3	93,317	-	-	93,317
A1	343,847	-	-	343,847
A2	804,620	-	-	804,620
A3	444,225	-	-	444,225
Baa1	824,918	-	-	824,918
Baa2	603,199	-	-	603,199
Baa3	77,802	-	-	77,802
Mortgage backed	1,974,280	-	-	1,974,280
Nontraditional	1,584,302	-	-	1,584,302
Intermediate core-plus	3,719,203	-	-	3,719,203
International	3,401,462	-	-	3,401,462
High-yield debt	5,496,831	-	-	5,496,831
Certificates of deposit	350,959	-	-	350,959
Equity Securities				
Large cap	56,029,264	-	-	56,029,264
Mid cap	8,397,525	-	-	8,397,525
Small cap	1,899,853	-	-	1,899,853
International	35,576,065	-	-	35,576,065
	<u>\$ 142,943,737</u>	<u>\$ -</u>	<u>\$ -</u>	<u>142,943,737</u>
Alternative Investments (a)				
Absolute return (b)				2,121,049
Directional (c)				2,996,416
Private equity (d)				9,408,591
Total Investments				<u>\$ 157,469,793</u>

Lancaster County Community Foundation and Affiliates

Notes to Consolidated Financial Statements

December 31, 2021 and 2020

Note 10 - Fair Value of Financial Instruments (continued)

	2021			Total
	Level 1	Level 2	Level 3	
Perpetual Trusts and Split Interest Agreements				
Perpetual trusts	\$ -	\$ -	\$ 45,560,942	\$ 45,560,942
Beneficial interest in perpetual trusts with multiple beneficiaries	-	-	6,717,001	6,717,001
Charitable remainder trusts	-	-	1,722,340	1,722,340
Beneficial interest in charitable lead annuity trust with multiple beneficiaries	-	-	281,257	281,257
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 54,281,540</u>	<u>\$ 54,281,540</u>
2020				
Cash	\$ 2,310,410	\$ -	\$ -	\$ 2,310,410
Fixed Income				
Corporate/taxable mutual funds	8,396,282	-	-	8,396,282
Government bonds				
Treasury inflation-protected securities	1,470,258	-	-	1,470,258
Exchange-traded funds	811,400	-	-	811,400
Aaa	731,117	-	-	731,117
Corporate bonds				
Aa2	86,757	-	-	86,757
A1	177,691	-	-	177,691
A2	349,640	-	-	349,640
A3	365,691	-	-	365,691
Baa1	156,970	-	-	156,970
Baa2	104,588	-	-	104,588
Baa3	15,070	-	-	15,070
International	1,144,585	-	-	1,144,585
High-yield debt	734,787	-	-	734,787
Certificates of deposit	290,111	-	-	290,111
Equity Securities				
Large cap	26,175,460	-	-	26,175,460
Mid cap	467,691	-	-	467,691
Small cap	2,595,637	-	-	2,595,637
International	16,456,912	-	-	16,456,912

Lancaster County Community Foundation and Affiliates

Notes to Consolidated Financial Statements

December 31, 2021 and 2020

Note 10 - Fair Value of Financial Instruments (continued)

	2020			Total
	Level 1	Level 2	Level 3	
Alternative Investments				
Real estate	\$ 2,557,111	\$ -	\$ -	\$ 2,557,111
Absolute return	2,253,522	-	-	2,253,522
Commodities	1,036,057	-	-	1,036,057
	<u>\$ 68,687,747</u>	<u>\$ -</u>	<u>\$ -</u>	68,687,747
Alternative Investments (a)				
Absolute return (b)				6,568,830
Private equity (c)				<u>2,403,577</u>
Total Investments				<u>\$ 77,660,154</u>
Perpetual Trusts and Split Interest Agreements				
Perpetual trusts	\$ -	\$ -	\$ 40,729,788	\$ 40,729,788
Beneficial interest in perpetual trusts with multiple beneficiaries	-	-	6,261,151	6,261,151
Charitable remainder trusts	-	-	1,573,332	1,573,332
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 48,564,271</u>	<u>\$ 48,564,271</u>

- (a) This class represents investments not on active markets that are measured at fair value using the net asset value per share (or its equivalent) practical expedient and have, therefore, not been classified in the fair value hierarchy.
- (b) The Absolute Return class invests in hedge funds that pursue multiple strategies to diversify risks and reduce volatility. It offers exposure to a wide range of geographies, and includes long/short equity, event-driven, fixed income, merger and convertible arbitrage, global macro (systematic and discretionary), and long/short credit opportunities. The class has no unfunded commitments. As of December 31, 2021 and 2020, approximately 51% and 75%, respectively, of the class is subject to up to a one-year lockup with quarterly or semi-annual redemption with 60 to 90 days' notice. As of December 31, 2021 and 2020, approximately 49% and 0%, respectively, of the class is subject to quarterly redemption of up to 25% of the fund balance with 65 days' notice.
- (c) The Directional class invests in hedge funds that pursue multiple strategies to diversify risks and reduce volatility. It offers exposure to a wide range of geographies, and includes long/short equity, international, and long/short credit opportunities. The class has no unfunded commitments. As of December 31, 2021 and 2020, approximately 68% and 0%, respectively, of the class is subject to up to a one-year lockup with quarterly redemption with 45 to 90 days' notice. As of December 31, 2021 and 2020, approximately 32% and 0%, respectively, of the class is subject to quarterly redemption on up to 25% of the fund balance with 60 days' notice.

Lancaster County Community Foundation and Affiliates

Notes to Consolidated Financial Statements

December 31, 2021 and 2020

Note 10 - Fair Value of Financial Instruments (continued)

(d) The Private Equity class invests in a variety of asset classes including lower middle market buyout, growth and venture capital investments, private assets in dislocation, and mid-life primary, secondary, and direct partnerships. It also invests in restructured debt, stressed and distressed debt in the U.S. and globally. There are unfunded commitments totaling \$5,639,804 and \$1,974,701 as of December 31, 2021 and 2020, respectively. 61% and 0% of the Private Equity class had investment terms of 10 to 15 years with no redemption windows at December 31, 2021 and 2020, respectively. There are no stated redemption terms for the remaining portions of the Private Equity class as of December 31, 2021 and 2020.

Changes in Fair Value Levels

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

We evaluated the significance of transfers between levels based upon the nature of the financial instrument and size of the transfer relative to total assets. For the years ended December 31, 2021 and 2020, there were no transfers in or out of Level 3.

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

Note 11 - Net Assets

At December 31, 2021 and 2020, net assets with donor restrictions consist of approximately \$54.3 million and \$48.6 million, respectively, of investments in perpetuity, which includes assets held in perpetual trusts and split-interest agreements. The income of these assets is expendable to support the Organization's mission.

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

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

	<u>2021</u>	<u>2020</u>
Undesignated	\$ 1,624,990	\$ 1,866,891
Board-designated for endowment	<u>151,942,242</u>	<u>70,432,246</u>
	<u>\$ 153,567,232</u>	<u>\$ 72,299,137</u>

Lancaster County Community Foundation and Affiliates

Notes to Consolidated Financial Statements

December 31, 2021 and 2020

Note 12 - Operating Leases

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

The amount of payments under the lease agreements, including common area maintenance expenses and a lease provision for parking spaces, for the years ended December 31, 2021 and 2020 was \$88,929 and \$85,279, respectively.

Future minimum annual lease payments, assuming no change in current terms, consist of the following for the five years ending December 31 and thereafter:

2022	\$	100,886
2023		115,329
2024		117,637
2025		119,990
2026		122,390
Thereafter		<u>84,722</u>
	\$	<u>660,954</u>

The Organization also leases a copier through an operating lease. The lease agreement includes monthly payments of \$240 through June 2026. The amounts of payments under the lease agreement for each of the years ended December 31, 2021 and 2020 was \$2,880. The Organization also leases a mail machine, which includes monthly payments of \$34 through June 2026.

Future minimum annual lease payments, assuming no change in current terms, consist of the following for the remaining five years ending December 31:

2022	\$	3,292
2023		3,292
2024		3,292
2025		3,292
2026		<u>1,646</u>
	\$	<u>14,814</u>

Note 13 - Concentrations of Credit Risk

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

The Organization derives substantially all of its support from individuals, businesses, foundations, and other not-for-profit organizations. For the year ended December 31, 2021, one donor accounts for approximately 61% of total support and revenue. There was no significant concentration of total support and revenue during the year ended December 31, 2020.

Lancaster County Community Foundation and Affiliates

Notes to Consolidated Financial Statements

December 31, 2021 and 2020

Note 14 - Grants and Grants Payable

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

During the years ended December 31, 2021 and 2020, grant expense was \$18,265,357 and \$16,590,089, respectively. Grants payable at December 31, 2021 and 2020 totaled \$14,978,561 and \$12,839,665, respectively.

Note 15 - Retirement Plan

The Organization sponsors a 401(k) defined contribution plan, which is available to all eligible employees. The Organization's matching contributions to the plan are at the discretion of the Board of Directors. Contributions made by the Organization for the years ended December 31, 2021 and 2020 totaled \$46,935 and \$43,824, respectively.

Note 16 - Liquidity and Availability

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

	<u>2021</u>	<u>2020</u>
Cash and cash equivalents	\$ 14,731,419	\$ 12,598,837
Accounts receivable	41,899	-
Promises to give	347,772	245,677
Interest receivable	33,041	3,750
Estimated endowment spending-rate distributions and appropriations	7,900,000	3,900,000
Estimated distributions from beneficial interest in perpetual trust	2,000,000	2,000,000
Financial Assets Available to be Used for General Expenditures Within One Year	<u>\$ 25,054,131</u>	<u>\$ 18,748,264</u>

The Organization's investments of \$157,469,793 and \$77,660,154 as of December 31, 2021 and 2020, respectively, are subject to an average annual spend rate of approximately 5.0%. Also, the Organization's perpetual trusts and split-interest agreements of \$54,281,540 and \$48,564,271 as of December 31, 2021 and 2020, respectively, are subject to average annual spend rates, as determined by the trustee, ranging from 4.0% to 5.0%. The calculated spendable amount from these investments and perpetual trusts and split-interest agreements will be made available for grant-making and administrative expense within the next twelve months. Although there is no intention to spend from the investments (beyond normal spending-rate distributions and appropriations), these amounts could be made available if necessary due to the variance power the Organization holds over its financial assets.

Lancaster County Community Foundation and Affiliates

Notes to Consolidated Financial Statements

December 31, 2021 and 2020

Note 16 - Liquidity and Availability (continued)

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

Note 17 - Extraordinary Give

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

During 2021 and 2020, the Extraordinary Give posted results totaling approximately \$15.8 million and \$13.3 million, respectively, on the event's leaderboard. These amounts included certain items, such as business matches, that were not recognized as contributions by the Foundation itself; thus, donations of \$14.5 million and \$12.4 million are recorded as contributions and held in cash and cash equivalents as of December 31, 2021 and 2020, respectively. Grants expense and grants payable are recognized for \$14.5 million and \$12.4 million (net of business matches and fees) as of December 31, 2021 and 2020, respectively, as such grants are approved, but not paid until January of the following year. The 2021 and 2020 grants included approximately \$950,000 and \$850,000, respectively, of stretch pool funds and prizes from the Foundation. Expenses related to the Extraordinary Give totaled \$665,363 and \$553,183 for the years ended December 31, 2021 and 2020, respectively. These expenses are classified as special initiatives expense in the consolidated statement of functional expenses - by natural classification.

Note 18 - Paycheck Protection Program

On March 27, 2020, Congress enacted the Coronavirus Aid, Relief, and Economic Security Act (CARES Act) which established the Paycheck Protection Program (the Program). The Program was created to assist small businesses in paying their employees and certain other expenses during the COVID-19 crisis. The Organization applied for a loan under this Program and received a loan in the amount of \$229,937 on April 28, 2020. The loan was forgivable if the Organization met certain criteria as established under the Program. The loan was unsecured and did not require personal guarantees. The loan had a maturity of April 28, 2022.

When it applied for the loan, the Organization believed it would qualify to have the loan forgiven under the terms of the program, and therefore considered the loan to be substantively a conditional government grant. The Organization applied for and received approval of forgiveness in full by Fulton Bank in October 2020. As such, the Organization accounted for the loan as a government grant during the year ended December 31, 2020.

Lancaster County Community Foundation and Affiliates

Notes to Consolidated Financial Statements

December 31, 2021 and 2020

Note 19 - Commitments and Contingencies

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

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

Note 20 - Subsequent Events

The Organization has evaluated subsequent events through August 9, 2022. This date is the date the consolidated financial statements were available to be issued. No material events subsequent to December 31, 2021 were noted.

Lancaster County Community Foundation and Affiliates

Consolidating Statement of Financial Position

	December 31, 2021					
	Lancaster County Community Foundation	Lancaster County Foundation	Lancaster County Local Journalism Fund, LLC	Lancaster Real Estate Fund, LLC	Eliminations	Total
Assets						
Cash and cash equivalents	\$ 14,474,199	\$ -	\$ 246,839	\$ 10,381	\$ -	\$ 14,731,419
Investments	157,469,793	-	-	-	-	157,469,793
Accounts receivable	-	-	-	41,899	-	41,899
Prepaid expenses	85,906	-	-	-	-	85,906
Promises to give	347,697	-	75	-	-	347,772
Interest receivable	33,041	-	-	-	-	33,041
Notes receivable	3,594,000	-	-	-	-	3,594,000
Property and equipment, net	90,121	-	-	-	-	90,121
Investment in real estate - rental properties	-	-	-	823,500	-	823,500
Perpetual trusts and split-interest agreements	281,257	54,000,283	-	-	-	54,281,540
Due from related party	-	-	763,764	-	(763,764)	-
Total Assets	\$ 176,376,014	\$ 54,000,283	\$ 1,010,678	\$ 875,780	\$ (763,764)	\$ 231,498,991
Liabilities and Net Assets						
Liabilities						
Accounts payable	\$ 29,668	\$ -	\$ -	\$ -	\$ -	\$ 29,668
Grants payable	14,978,561	-	-	-	-	14,978,561
Accrued expenses	54,439	-	-	-	-	54,439
Deferred revenue	10,000	-	-	-	-	10,000
Charitable gift annuities	1,949,319	-	-	-	-	1,949,319
Liability to resource providers	6,628,232	-	-	-	-	6,628,232
Due to related party	763,764	-	-	-	(763,764)	-
Total Liabilities	24,413,983	-	-	-	(763,764)	23,650,219
Net Assets						
Without donor restrictions	151,680,774	-	1,010,678	875,780	-	153,567,232
With donor restrictions	281,257	54,000,283	-	-	-	54,281,540
Total Net Assets	151,962,031	54,000,283	1,010,678	875,780	-	207,848,772
Total Liabilities and Net Assets	\$ 176,376,014	\$ 54,000,283	\$ 1,010,678	\$ 875,780	\$ (763,764)	\$ 231,498,991

Lancaster County Community Foundation and Affiliates

Consolidating Statement of Financial Position (continued)

	December 31, 2020					
	Lancaster County Community Foundation	Lancaster County Foundation	Lancaster County Local Journalism Fund, LLC	Lancaster Real Estate Fund, LLC	Eliminations	Total
Assets						
Cash and cash equivalents	\$ 12,092,593	\$ -	\$ 514,475	\$ -	\$ (8,231)	\$ 12,598,837
Investments	77,660,154	-	-	-	-	77,660,154
Accounts receivable	-	-	-	-	-	-
Prepaid expenses	91,821	-	-	-	-	91,821
Promises to give	244,677	-	1,000	-	-	245,677
Interest receivable	3,750	-	-	-	-	3,750
Notes receivable	544,000	-	-	-	-	544,000
Property and equipment, net	98,297	-	-	-	-	98,297
Investment in real estate - rental properties	-	-	-	1,220,500	-	1,220,500
Perpetual trusts and split-interest agreements	-	48,564,271	-	-	-	48,564,271
Due from related party	-	-	-	-	-	-
Total Assets	\$ 90,735,292	\$ 48,564,271	\$ 515,475	\$ 1,220,500	\$ (8,231)	\$ 141,027,307
Liabilities and Net Assets						
Liabilities						
Accounts payable	\$ 33,468	\$ -	\$ 2,140	\$ 3,625	\$ (8,231)	\$ 31,002
Grants payable	12,839,665	-	-	-	-	12,839,665
Accrued expenses	48,824	-	-	-	-	48,824
Deferred revenue	16,500	-	-	-	-	16,500
Charitable gift annuities	1,371,886	-	-	-	-	1,371,886
Liability to resource providers	5,856,022	-	-	-	-	5,856,022
Due to related party	-	-	-	-	-	-
Total Liabilities	20,166,365	-	2,140	3,625	(8,231)	20,163,899
Net Assets						
Without donor restrictions	70,568,927	-	513,335	1,216,875	-	72,299,137
With donor restrictions	-	48,564,271	-	-	-	48,564,271
Total Net Assets	70,568,927	48,564,271	513,335	1,216,875	-	120,863,408
Total Liabilities and Net Assets	\$ 90,735,292	\$ 48,564,271	\$ 515,475	\$ 1,220,500	\$ (8,231)	\$ 141,027,307

Lancaster County Community Foundation and Affiliates

Consolidating Statement of Activities

	Year Ended December 31, 2021					Total
	Lancaster County Community Foundation	Lancaster County Foundation	Lancaster County Local Journalism Fund, LLC	Lancaster Real Estate Fund, LLC	Eliminations	
Revenues, Gains, and Other Support						
Contributions	\$ 87,103,569	\$ 1,336,194	\$ 506,458	\$ 401,000	\$ -	\$ 89,347,221
Return on investments						
Net realized and unrealized gains	10,985,975	-	8,036	-	-	10,994,011
Distributions from perpetual trusts	1,905,261	-	-	-	-	1,905,261
Interest and dividends, net of fees	1,851,904	-	5,728	-	-	1,857,632
Net change in value of perpetual trusts and split-interest agreements	-	4,099,818	-	-	-	4,099,818
Other income	806,320	-	(12,000)	(742,369)	-	51,951
Rental income	-	-	-	41,789	-	41,789
Grant income	-	-	-	-	-	-
Loss on sale of real estate - rental properties	-	-	-	(35,227)	-	(35,227)
Net change in value of charitable gift annuities	(65,788)	-	-	-	-	(65,788)
	-	-	-	-	-	-
Total Revenues, Gains, and Other Support	102,587,241	5,436,012	508,222	(334,807)	-	108,196,668
	-	-	-	-	-	-
Expenses						
Program and related services	20,460,638	-	10,278	4,276	-	20,475,192
Management and general	475,267	-	374	1,251	-	476,892
Fundraising	258,232	-	227	761	-	259,220
	-	-	-	-	-	-
Total Expenses	21,194,137	-	10,879	6,288	-	21,211,304
	-	-	-	-	-	-
Change in Net Assets	81,393,104	5,436,012	497,343	(341,095)	-	86,985,364
	-	-	-	-	-	-
Net Assets at Beginning of Year	70,568,927	48,564,271	513,335	1,216,875	-	120,863,408
	-	-	-	-	-	-
Net Assets at End of Year	\$ 151,962,031	\$ 54,000,283	\$ 1,010,678	\$ 875,780	\$ -	\$ 207,848,772

Lancaster County Community Foundation and Affiliates

Consolidating Statement of Activities (continued)

	Year Ended December 31, 2020					Total
	Lancaster County Community Foundation	Lancaster County Foundation	Lancaster County Local Journalism Fund, LLC	Lancaster Real Estate Fund, LLC	Eliminations	
Revenues, Gains, and Other Support						
Contributions	\$ 14,843,259	\$ -	\$ 515,475	\$ 1,220,500	\$ (11,525)	\$ 16,567,709
Return on investments						
Net realized and unrealized losses	5,381,007	-	-	-	-	5,381,007
Distributions from perpetual trusts	1,906,190	-	-	-	-	1,906,190
Interest and dividends, net of fees	513,528	-	-	-	-	513,528
Net change in value of perpetual trusts and split-interest agreements	-	3,255,445	-	-	-	3,255,445
Other income	48,473	-	-	-	-	48,473
Rental income	-	-	-	-	-	-
Grant income	229,937	-	-	-	-	229,937
Loss on sale of real estate - rental properties	-	-	-	-	-	-
Net change in value of charitable gift annuities	(67,223)	-	-	-	-	(67,223)
Total Revenues, Gains, and Other Support	<u>22,855,171</u>	<u>3,255,445</u>	<u>515,475</u>	<u>1,220,500</u>	<u>(11,525)</u>	<u>27,835,066</u>
Expenses						
Program and related services	18,617,602	-	-	-	(11,525)	18,606,077
Management and general	429,166	-	2,140	3,625	-	434,931
Fundraising	239,766	-	-	-	-	239,766
Total Expenses	<u>19,286,534</u>	<u>-</u>	<u>2,140</u>	<u>3,625</u>	<u>(11,525)</u>	<u>19,280,774</u>
Change in Net Assets	<u>3,568,637</u>	<u>3,255,445</u>	<u>513,335</u>	<u>1,216,875</u>	<u>-</u>	<u>8,554,292</u>
Net Assets at Beginning of Year	<u>67,000,290</u>	<u>45,308,826</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>112,309,116</u>
Net Assets at End of Year	<u>\$ 70,568,927</u>	<u>\$ 48,564,271</u>	<u>\$ 513,335</u>	<u>\$ 1,216,875</u>	<u>\$ -</u>	<u>\$ 120,863,408</u>