

THE GREATER PIKE COMMUNITY FOUNDATION

FINANCIAL STATEMENTS

DECEMBER 31, 2021

## INDEX

### PAGE

2-3	Independent Auditor's Report
4	Statement of Financial Position
5	Statement of Activities
6	Statement of Functional Expenses – 2021
7	Statement of Cash Flows
8-19	Notes to Financial Statements



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## Independent Auditor's Report

To the Board of Trustees  
The Greater Pike Community Foundation  
Milford, Pennsylvania

### Report on the Audit of the Financial Statements

#### *Opinion*

We have audited the financial statements of The Greater Pike Community Foundation, which comprise the statement of financial position as of December 31, 2021, the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of The Greater Pike Community Foundation as of December 31, 2021, and the results of its operations 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 Greater Pike Community Foundation and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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

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

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

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To the Board of Trustees  
The Greater Pike Community Foundation  
Milford, Pennsylvania

*Auditor's Responsibilities for the Audit of the Financial Statements*

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with 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 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 Greater Pike Community Foundation's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about The Greater Pike Community Foundation's ability to continue as a going concern for a reasonable period of time.

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

*McGill Mehler Quinn  
& Associates, P.C.*

Scranton, Pennsylvania  
May 4, 2022

THE GREATER PIKE COMMUNITY FOUNDATION

STATEMENT OF FINANCIAL POSITION

DECEMBER 31, 2021

ASSETS

Cash	\$ 448,304
Cash subject to program restrictions	10,400
Contributions receivable	300,000
Investments	3,960,797
Prepaid expenses	954
Total assets	<u>\$ 4,720,455</u>

LIABILITIES AND NET ASSETS

Liabilities	
Accounts payable	\$ 4,822
Total liabilities	<u>4,822</u>
Net assets	
Without donor restrictions	
Operating funds	119,956
Board designated funds	60,095
Donor-advised and other funds	4,525,182
Total without donor restrictions	<u>4,705,233</u>
With donor restrictions	10,400
Total net assets	<u>4,715,633</u>
Total liabilities and net assets	<u>\$ 4,720,455</u>

The accompanying Notes are an integral part of these Financial Statements.

THE GREATER PIKE COMMUNITY FOUNDATION

STATEMENT OF ACTIVITIES

YEAR ENDED DECEMBER 31, 2021

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Public support, revenues, and reclassifications			
Contributions	\$ 738,894	\$ 25,500	\$ 764,394
Investment income	70,730	-	70,730
Realized gain on investments	72,067	-	72,067
Unrealized gain on investments	283,808	-	283,808
Net assets released from restrictions:			
Satisfaction of program restrictions	<u>22,300</u>	<u>(22,300)</u>	<u>-</u>
Total public support, revenues, and reclassifications	<u>1,187,799</u>	<u>3,200</u>	<u>1,190,999</u>
Expenses			
Program services	210,353	-	210,353
Supporting services			
Management and general	70,902	-	70,902
Fundraising	<u>29,790</u>	<u>-</u>	<u>29,790</u>
Total expenses	<u>311,045</u>	<u>-</u>	<u>311,045</u>
Change in net assets	876,754	3,200	879,954
Net assets at beginning of year	3,828,479	7,200	3,835,679
Net assets end of year	<u>\$ 4,705,233</u>	<u>\$ 10,400</u>	<u>\$ 4,715,633</u>

The accompanying Notes are an integral part of these Financial Statements.

THE GREATER PIKE COMMUNITY FOUNDATION

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED DECEMBER 31, 2021

	<u>SUPPORT SERVICES</u>			
	<u>Program Services</u>	<u>Management &amp; General</u>	<u>Fundraising</u>	<u>Total</u>
Grants and awards	\$ 210,353	\$ -	\$ -	\$ 210,353
Dues and subscriptions	-	1,180	-	1,180
Bank Charges	-	923	-	923
Computers & website maintenance	-	11,073	-	11,073
Contract services	-	41,378	18,580	59,958
Insurance	-	1,547	-	1,547
Licences and fees	-	250	-	250
Marketing	-	-	7,748	7,748
Office expenses	-	1,074	-	1,074
Postage	-	681	-	681
Printing	-	194	-	194
Professional fees	-	6,730	-	6,730
Rent expense	-	3,996	-	3,996
Telecommunications	-	1,462	-	1,462
Travel and meetings	-	414	-	414
Special event expenses	-	-	3,462	3,462
	<u>\$ 210,353</u>	<u>\$ 70,902</u>	<u>\$ 29,790</u>	<u>\$ 311,045</u>

The accompanying Notes are an integral part of these Financial Statements.

THE GREATER PIKE COMMUNITY FOUNDATION

STATEMENT OF CASH FLOWS

YEAR ENDED DECEMBER 31, 2021

Operating activities	
Change in net assets	\$ 879,954
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Realized gains on investments	(72,067)
Unrealized gains on investments	(283,808)
(Increase) decrease in operating assets:	
Contributions receivable	(300,000)
Prepaid expenses	57
Increase (decrease) in operating liabilities:	
Accounts payable	(3,261)
Net cash provided by operating activities	<u>220,875</u>
Investing activities	
Proceeds from sales of investments	219,239
Purchases of investments	(444,957)
Net cash used in investing activities	<u>(225,718)</u>
Financing activities	
None	<u>-</u>
Net decrease in cash	(4,843)
Cash and restricted cash at beginning of year	<u>463,547</u>
Cash and restricted cash at end of year	<u>\$ 458,704</u>

The accompanying Notes are an integral part of these Financial Statements.



## NOTES TO FINANCIAL STATEMENTS

### Note 1 - Nature of Operations and Summary of Significant Accounting Policies

#### Nature of Operations

Greater Pike Community Foundation (Greater Pike) is a not-for-profit corporation organized under the laws of the Commonwealth of Pennsylvania on February 27, 2012, for the primary purpose of enabling generous individuals, families, and local businesses to maximize their charitable support through organized, targeted community philanthropy. Greater Pike encourages the establishment of new charitable endowment funds and provides discretionary, donor-defined and scholarship grants to qualified charitable organizations primarily in the Pike County region.

Secondarily, Greater Pike was organized to create a single charitable institution in its geographic area of focus, with detailed, in-depth, and current knowledge of the broader universe of charitable organizations serving the Pike County community. The goal of providing this knowledge, is to enable a more effective deployment of donor funds from all sources within the Community, by acting as an information clearing house focused on the "not for profit" environment and institutions. Among the many beneficiaries of such detailed knowledge is local Government, and related institutions whose focus is on community well-being. The delivery of their mission is enhanced by the institutional knowledge provided by Greater Pike on an on-going basis.

#### Basis of Accounting

The financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP).

#### Use of Estimates

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

#### Variance Power

Accounting principles generally accepted in the United States of America and the Not-for-Profit Entities Topic of the FASB Standards Codification provide that if the governing body of an organization has the unilateral power to redirect use of a donor's contribution to another beneficiary, such contributions must be classified as net assets without donor restrictions. The Board of Directors of Greater Pike has the ability, known as variance power, to modify donor intent; however, Greater Pike attempts to abide by donor stipulations unless the stated purpose of a contribution becomes no longer applicable, inconsistent with charitable needs of the community or incapable of fulfillment.

Donor fund agreements generally contain advice regarding the use of principal; however, Greater Pike's governing documents provide that all or part of the principal of any fund may be used subject to certain conditions, at the approval of the Board of Directors. Therefore, such contributions are reported as net assets without donor restrictions. However, this classification does not imply that such funds are available for claims of general creditors of Greater Pike.

Note 1 - Nature of Operations and Summary of Significant Accounting Policies - (Continued)

Donor-Restricted Gifts

Unconditional promises to give cash and other assets are reported at fair value at the date the promise is received, which is then treated as cost. Contributions are reported as support with donor restrictions if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the Statements of Activities as net assets released from restrictions. Contributions with donor restrictions that are met within the same year as received are reflected as contributions without donor restriction in the accompanying financial statements.

Net Assets With Donor Restrictions

Net assets with donor restrictions are those whose use by Greater Pike have been limited by donors to a specific time period or purpose. Greater Pike has no net assets restricted in perpetuity.

Net Assets Without Donor Restrictions

Net assets without donor restrictions consist of the following types of internally designated funds:

*Operating funds* – Funds available for the general operations of Greater Pike.

*Board designated funds* – Funds set-aside by the Board of Directors to support community needs in Pike County through discretionary grants and distributions approved by the Board.

*Donor-advised and other funds* - Funds established by donor contributions that enable donors to make recommendations from time to time about distributions from the funds. The donors' advice in the grant-making process is considered by the Board of Directors in making grants from these resources. Other funds include field of interest funds used to support particular interests of the donor, designated funds intended to benefit designated charitable organizations, and scholarship funds intended to provide support and recognition for education.

Revenue Recognition

In accordance with FASB Accounting Standards Codification (“ASC”) Topic 606, *Revenue from Contracts with Customers* (ASC 606), Greater Pike recognizes revenue when control of the services is transferred to outside parties in an amount that reflects the consideration Greater Pike expects to be entitled to in exchange for the services.

Greater Pike has identified revenue sources that are accounted for as exchange transactions, including fee income and miscellaneous income.

## Note 1 - Nature of Operations and Summary of Significant Accounting Policies - (Continued)

### Revenue Recognition - (Continued)

#### Private Grants and Contributions

Contributions and private foundation grants, which include unconditional promises to give (pledges), are recorded as revenue, at their fair value, when received or promised unconditionally. Contributions received with donor restrictions that limit their use are reported as revenues with donor restrictions. As donor restrictions are met through the passage of time or fulfillment of a purpose, the net assets are released from restriction in the statement of activities and reclassified as net assets without donor restrictions. Donor restricted contributions are initially reported in the net assets with donor restriction class, even if such restrictions were met within the same or current reporting period.

A contribution is conditional if the agreement includes both a barrier that must be overcome for the recipient to be entitled to the assets transferred and a right of return for the transferred assets or right of release of the grantor's obligation to the transferred assets. Conditional contributions are recognized as revenue when the barriers on which they depend have been met.

Certain grants are accounted for as exchange transactions whereby revenue is recognized when the related expenses are incurred. Under these arrangements, amounts received but not yet expended are reported as deferred revenue.

#### Fee Income Earned from Endowments

Fees are charged to endowment accounts for the administrative functions of setting up, managing the funds, and making grant awards. Revenue is recognized within the fiscal year as administrative services are provided. Greater Pike earned fees of \$48,745 from permanent endowment funds management and other pass-through funds. These amounts are netted with the expenses charged to the individual fund accounts.

#### Special Event Revenues

Greater Pike recognizes revenue from sponsors, ticket sales and auction proceeds upon sale or date of service, as applicable.

#### Investment Income

Investment income is recorded on an accrual basis, and purchases and sales of investment securities are reflected on a trade-date basis. Realized gains and losses are calculated using average cost for securities sold.

#### Other Income

Revenue from miscellaneous sources include vendor refunds or other claims. Greater Pike recognizes miscellaneous income as an exchange transaction.

## Note 1 - Nature of Operations and Summary of Significant Accounting Policies - (Continued)

### Donated Services

The Directors of Greater Pike and other volunteers have made contributions of their time to the development of Greater Pike's growth, principally in the solicitation of donors and management of investment portfolios. The value of this contributed time is not reflected in these statements because it does not meet the requirements for recording under generally accepted accounting principles.

### Cash

Greater Pike considers all short-term liquid investments available for current use with original maturities of three months or less to be cash equivalents. Cash and cash equivalents temporarily held by financial institutions for investment purposes are included in investments in the statement of financial position.

During the year ended December 31, 2021, Greater Pike did not pay any interest.

### Investments

Investments in equity securities with readily determinable fair values and all investments in debt securities are measured at fair value in the Statements of Financial Position. Investment income or loss (including realized and unrealized gains and losses on investments, interest and dividends) is reported in the Statements of Activities as increases or decreases in net assets without donor restrictions unless the income or loss is restricted by donor or law. Investment income with donor restrictions is reported as an increase in net assets with donor restrictions.

All beneficially held investments are managed by Greater Pike.

Greater Pike maintains pooled investment accounts for its donor and operating funds. Investment income and realized and unrealized gains and losses from securities in the pooled investment accounts are allocated monthly to individual funds based on the relationship of the fair value of interest of each endowment to the total fair value of the pooled investment accounts, as adjusted for additions to or deductions from those accounts.

The charitable funds of Greater Pike are managed by Greater Pike's Investment Advisor in a fiduciary capacity in accordance with Greater Pike's investment policy and oversight of its Finance Committee. Greater Pike's investment policy provides for strategic asset allocation based on a long-term perspective. The objectives of Greater Pike's investment policy include maintaining the purchasing power of assets and maximizing long-term return within reasonably prudent levels of risk.

### Income Tax Status

Greater Pike is exempt from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code. The Internal Revenue Service has granted Greater Pike permanent Public Foundation status. Consequently, Greater Pike is required to draw its support from a broad base of the community.

Note 1 - Nature of Operations and Summary of Significant Accounting Policies - (Continued)

Income Tax Status - (Continued)

In accordance with The Financial Accounting Standards Board guidance on accounting for uncertainty in income taxes, Management evaluated Greater Pike's tax positions and concluded that Greater Pike had taken no uncertain tax positions that require adjustments to the financial statements to comply with the provisions of this guidance. With few exceptions, Greater Pike is no longer subject to income tax examinations by the Federal, state or local tax authorities for years before 2018.

Advertising

All advertising costs are expensed as incurred. For the year ended December 31, 2021, advertising expense amounted to \$7,748.

Cost Allocations

The financial statements report certain expense categories that are attributable to more than one function. Therefore, these expenses require an allocation on a reasonable basis that is consistently applied. Contract services are allocated to a functional region based on estimated time and effort.

Liquidity

Greater Pike's financial assets available for general expenditure within one year of the balance sheet date are as follows:

Financial assets at year end:	
Cash	\$ 448,304
Contributions receivable	300,000
Investments	<u>3,960,797</u>
Total financial assets	<u>4,709,101</u>
Less amounts not available to be used within one year:	
Board designated funds	<u>(60,095)</u>
Financial assets not available to be used within one year	<u>(60,095)</u>
Financial assets available to meet general expenditures within one year	<u>\$ 4,649,006</u>

Greater Pike's liquidity management includes a policy of structuring its financial assets to be available to meet its grant-making and general expenditures and other obligations as they come due. Cash is the primary liquid resource used by Greater Pike to meet these obligations. While financial assets invested in long-term investments can be liquidated within one year, those investments are made and managed with a 5-10 year time horizon. Net assets including donor advised funds and funds designated for specific charities could be spent for operations if necessary; however, Greater Pike's Board of Directors does not intend to spend these funds for purposes other than those specified.

## Note 1 - Nature of Operations and Summary of Significant Accounting Policies - (Continued)

### Recent Accounting Pronouncements

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*. The guidance in this ASU supersedes the leasing guidance in Topic 840, *Leases*. Under the new guidance, lessees are required to recognize lease assets and lease liabilities on the balance sheet for all leases with terms longer than 12 months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the income statement. The new standard was effective for fiscal years beginning after December 15, 2020. In June 2020, the FASB issued ASU 2020-05 which defers the effective date of ASU 2016-02 one year making it effective for annual reporting periods beginning after December 15, 2021. Greater Pike is currently evaluating the impact of their pending adoption of the new standard on the financial statements.

In September 2020, the FASB issued ASU 2020-07, *Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*, which requires a not-for-profit entity to present contributed nonfinancial assets in the statement of activities as a line item that is separate from contributions of cash or other financial assets. ASU 2020-07 also requires additional qualitative and quantitative disclosures about contributed nonfinancial assets received, disaggregated by category. This guidance is effective for fiscal years beginning after June 15, 2021. The adoption of ASU 2020-07 is not expected to have a significant impact on Greater Pike's financial statements.

### Reclassifications

Certain items have been reclassified to conform to the current year's format.

### Subsequent Events

Greater Pike has evaluated subsequent events through May 4, 2022, the date that these financial statements were available to be issued, and concluded no events or transactions occurred during the period requiring recognition or disclosure.

## Note 2 - Cash

Cash at December 31, 2021, consisted of the following:

Wayne Bank	\$ 236,734
Vanguard	<u>221,970</u>
Total cash and restricted cash shown in the Statement of Cash Flows	458,704
Less: Restricted cash	<u>(10,400)</u>
Total cash	<u>\$ 448,304</u>

The above table provides a reconciliation of cash and restricted cash reported within the Statement of Cash Flows to the totals shown in the Statement of Financial Position.

Restricted cash consists of the cash held to meet the requirements of net assets with donor restrictions.

### Note 3 - Investments

Investments, as of December 31, 2021, are summarized as follows:

	Cost	Fair Value
Mutual Funds	<u>\$ 3,031,403</u>	<u>\$ 3,960,797</u>

Investment income, for the year ended December 31, 2021, consisted of the following:

Interest and dividends	\$ 84,423
Investment fees	<u>(13,693)</u>
Investment income, net	<u>\$ 70,730</u>

Net realized and unrealized gains for the year ended December 31, 2021 are summarized as follows:

Net realized gains	\$ 72,067
Net unrealized gains	<u>283,808</u>
Total net realized and unrealized gains	<u>\$ 355,875</u>

### Note 4 - Fair Value of Financial Instruments

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. In determining fair value, Greater Pike uses various methods including market, income and cost approaches. Based on these approaches, Greater Pike often utilizes certain assumptions about risk and or the risks inherent in the inputs to the valuation technique. These inputs can be readily observable, market corroborated, or generally unobservable inputs. Greater Pike utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs. Based on the observability of the inputs used in the valuation techniques, Greater Pike is required to provide the following information according to the fair value hierarchy. The fair value hierarchy ranks the quality and reliability of the information used to determine fair values. Financial assets and liabilities carried at fair value will be classified and disclosed in one of the following three categories:

- Level I: Valuations for assets and liabilities traded in active exchange markets, such as the New York Stock Exchange.
- Level II: Valuations for assets and liabilities traded in less active dealer or broker markets. Valuations are obtained from third party pricing services for identical or similar assets or liabilities.
- Level III: Valuations for assets and liabilities that are derived from other valuation methodologies, including option pricing models, discounted cash flow models and similar techniques, and not based on market exchange, dealer or broker traded transactions. Level 3 valuation incorporate certain assumptions and projections in determining the fair value assigned to such assets or liabilities.

Note 4 - Fair Value of Financial Instruments - (Continued)

Following is a description of the valuation methodologies used for assets measured at fair value:

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

The preceding methods may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while Greater Pike 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.

The following table presents the assets measured at fair value on a recurring basis by level within the hierarchy.

	December 31, 2021			Total
	Level I	Level II	Level III	
Assets Measured at Fair Value on a Recurring Basis:				
Mutual Funds				
Equity	\$ 2,778,033	\$ -	\$ -	\$ 2,778,033
Fixed Income	1,182,764	-	-	1,182,764
Total Mutual Funds	3,960,797	-	-	3,960,797
	<u>\$ 3,960,797</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,960,797</u>

Note 5 – Net Assets Without Donor Restrictions

Operating funds: Funds available for the general operations of Greater Pike. At December 31, 2021, operating funds totaled \$119,956.

Board Designated funds: Funds set-aside by the Board of Directors to support community needs in Pike County through discretionary grants and distributions approved by the Board. At December 31, 2021, board-designated funds totaled \$60,095.

Donor-advised and other funds: Funds established by donor contributions that enable donors to make recommendations from time to time about distributions from the funds. The donors' advice in the grant-making process is considered by the Board of Directors in making grants from these resources. Other funds include field of interest funds used to support particular interests of the donor, designated funds intended to benefit designated charitable organizations, and scholarship funds intended to provide support and recognition for education. At December 31, 2021, donor-advised and other funds consisted of 29 funds, both endowed and pass-through, made up of the following:

Donor-advised funds	\$ 269,170
Field of interest funds	3,540,565
Donor-designated funds	382,037
Scholarship funds	333,410
Total donor-advised and other funds	<u>\$ 4,525,182</u>



#### Note 6 - Net Assets With Donor Restrictions

Net assets with donor restrictions, as of December 31, 2021, are available for the educational improvement and Pre-K tax credit programs as follows:

Educational improvement scholarship program	\$ 9,200
Pre-K scholarship program	<u>1,200</u>
Total net assets with donor restrictions	<u>\$ 10,400</u>

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of other events specified by donors as follows:

Educational improvement scholarship program	\$ 10,800
Pre-K scholarship program	<u>11,500</u>
Total releases	<u>\$ 22,300</u>

#### Note 7 - Endowments

The Greater Pike's endowments consist of over twenty-eight individual funds established for a variety of purposes. The endowment includes both funds established by donors and funds set aside by the Board for both operating and philanthropic purposes. Greater Pike maintains variance power over all the endowments (including those established by donors) as provided within the fund agreements. As required by accounting principles generally accepted in the United States (GAAP), net assets associated with endowment funds, including those established by the Board, are classified and reported based on the existence or absence of donor-imposed restrictions.

Greater Pike offers different funds which are categorized as follows:

##### Discretionary Funds

*Area of Interest Funds* represent funds to be used at the Board's discretion to meet a general area of charitable need (geography, program, or purpose) as defined by the donor.

*Community Partnership Funds* represent funds restricted for the Greater Pike's discretionary grant making.

*Undesignated Funds* represent those over which the Greater Pike's Board of Directors has full discretion in making distributions for charitable purposes.

##### Donor-Defined Funds

*Area of Interest Funds* award grants based on the recommendations of a community committee that oversees a specific initiative.

*Donor-Advised Funds* represent funds for which the donor has reserved the right to make nonbinding suggestions for charitable giving to the Board.

*Designated funds* represent funds for which the donors have designated specific organizations for ongoing support.

## Note 7 - Endowments - (Continued)

### Donor-Defined Funds - (Continued)

*Scholarship and Award Funds* represent funds intended to provide support for education and to provide grants to recognize achievement in areas such as teaching, the arts, or scientific research.

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

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

From time to time, the fair value of the assets associated with individual donor funds may fall below historical gift value. At December 31, 2021, Greater Pike had no individual donor fund balances that fell below the original gift value as a result of unfavorable market conditions.

While Greater Pike ultimately has variance power over all of the assets maintained in endowment funds, in accordance with Pennsylvania Act 141, Greater Pike considers the following factors in making a determination to appropriate funds for expenditure or accumulate endowment funds:

- Duration and preservation of the fund
- Purposes of Greater Pike and the fund
- General economic conditions
- Possible effect of inflation and deflation
- Expected return from investment income and appreciation/depreciation of investments
- Other resources of Greater Pike
- Investment policies of Greater Pike

Greater Pike's spending policy determines the amount of money to be distributed annually from donor funds for grant making and operational support. Greater Pike assesses an administrative fee on donor funds. The fee is established independently of the spending rate. The administrative fee ranges from 1% to 2% of the fund balance at the end of each quarter. The spending rate is established annually by the Board of Directors, and the approved rate was 4.25% for the year ended December 31, 2021. The amount available for spending is calculated based on the average market value of endowment funds over sixteen rolling quarters. Greater Pike's spending policy is intended to allow Greater Pike to meet the needs of both its current beneficiaries and its future ones. Therefore, the spending rate is set each year to balance current spending level needs against the need to achieve long term asset growth. This is consistent with Greater Pike's objective to maintain the purchasing power of endowment assets held as well to provide additional real growth through new gifts and investment return.

Note 7 – Endowments - (Continued)

Endowment Net Asset Composition by type of fund as of December 31, 2021 is as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Operating endowment funds	\$ 67,480	\$ -	\$ 67,480
Board-designated endowment Funds	60,095	-	60,095
Donor-advised and other endowment funds	4,495,808	-	4,495,808
Total	<u>\$ 4,623,383</u>	<u>\$ -</u>	<u>\$ 4,623,383</u>

Changes in Endowment Net Assets for the year ended December 31, 2021 are as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	\$ 3,705,863	\$ -	\$ 3,705,863
Investment return:			
Investment income, net	70,730	-	70,730
Net realized and unrealized gains	355,875	-	355,875
Total investment return	426,605	-	426,605
Contributions	674,978	-	674,978
Appropriation of endowment assets for expenditure	(184,063)	-	(184,063)
Endowment net assets, end of year	<u>\$ 4,623,383</u>	<u>\$ -</u>	<u>\$ 4,623,383</u>

### Note 8 - Lease Commitments

Greater Pike leases office space with the Milford Community House. The lease expired in May 2021, and was renewed for a three-year term effective January 1, 2022 with an automatic one-year renewal option.

Minimum rental commitments on non-cancelable, long-term leases are as follows:

<u>Year</u>	<u>Amount</u>
2022	\$ 11,988
2023	11,988
2024	<u>11,988</u>
Total	<u>\$ 35,964</u>

Rental expense under the lease amounted to \$3,996 for the year ended December 31, 2021.

### Note 9 - Risks and Uncertainties

Investment securities are exposed to various risks, such as interest rate, credit and overall market volatility. Due to the level of risk associated with certain investment securities, it is reasonably possible that changes in risks and values of investment securities will occur in the near term, and that such change could materially affect the amounts reported in the statement of financial position.

During the year, Greater Pike maintained cash accounts in local commercial banks within Pennsylvania. The checking and savings type account groups are secured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000 per group, per trustee. Greater Pike did not have any deposits in excess of FDIC coverage as of December 31, 2021.

Financial instruments that potentially subject Greater Pike to concentrations of credit risk consist principally of debt and equity investments. The market value of these investments as of December 31, 2021 was \$3,960,797 and is subject to fluctuations on a year-to-year basis. Greater Pike's securities balance exceeded SIPC protection by \$3,460,797.

On January 30, 2020, the World Health Organization declared the coronavirus outbreak a "Public Health Emergency of International Concern" and on March 10, 2020 declared it to be a pandemic. Actions taken around the world to help mitigate the spread of the coronavirus include restrictions on travel, quarantines in certain areas and forced closures of certain types of public places and businesses. The coronavirus and actions taken to mitigate it have had and are expected to continue to have an adverse impact on the economies and financial markets of many countries, including the United States. It is uncertain how long these conditions will last and what the complete financial effect will be to Greater Pike. It is reasonably possible that estimates made in the financial statements have been, or will be materially and adversely impacted in the near term as a result of these conditions.