

**SCHUYLKILL AREA COMMUNITY FOUNDATION**

**POTTSVILLE, PENNSYLVANIA**

**FOR THE YEAR ENDED DECEMBER 31, 2015**

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# JONES & CO.

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CERTIFIED PUBLIC ACCOUNTANTS*

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## INDEPENDENT AUDITOR'S REPORT

Board of Directors  
Schuylkill Area Community Foundation  
Pottsville, Pennsylvania

We have audited the accompanying financial statements of The Schuylkill Area Community Foundation (a nonprofit organization), which comprise the statement of financial position as of December 31, 2015, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

### **Management's Responsibility for the Financial Statements**

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

### **Auditor's Responsibility**

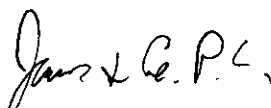
Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about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

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

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

### **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Schuylkill Area Community Foundation as of December 31, 2015, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.



March 31, 2016  
Pottsville, Pennsylvania

**SCHUYLKILL AREA COMMUNITY FOUNDATION**

**STATEMENT OF FINANCIAL POSITION**

**DECEMBER 31, 2015**

**ASSETS**

**CURRENT ASSETS**

Cash and Cash Equivalents \$ 547,833

Investments:

Equities 12,075,835

Preferred Stocks 1,823,440

Master Limited Partnerships 604,567

Corporate Bonds 12,365

Mutual Funds 2,506,160

**TOTAL CURRENT ASSETS** 17,570,200

**PROPERTY AND EQUIPMENT**

Community Pearl Computer System 55,667

Less: Accumulated Depreciation (22,029)

**TOTAL PROPERTY AND EQUIPMENT - NET** 33,638

**TOTAL ASSETS** \$ 17,603,838

**LIABILITIES AND NET ASSETS**

**LIABILITIES**

Accrued Expenses \$ 5,029

Deferred Revenue 28,767

Scholarships Payable 46,433

Funds Held for Other Agencies 285,282

**TOTAL LIABILITIES - ALL CURRENT** 365,511

**NET ASSETS**

Unrestricted 8,544

Temporarily Restricted 5,268,188

Permanently Restricted 11,961,595

**TOTAL NET ASSETS** 17,238,327

**TOTAL LIABILITIES AND NET ASSETS** \$ 17,603,838

See notes to financial statements  
which are an integral part of this statement.

**SCHUYLKILL AREA COMMUNITY FOUNDATION**

**STATEMENT OF ACTIVITIES**

**FOR THE YEAR ENDED DECEMBER 31, 2015**

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
<b>REVENUES, GAINS AND OTHER SUPPORT</b>				
Contributions	\$ 0	\$ 91,862	\$ 815,522	\$ 907,384
Other Revenue:				
Investment Income	80,296	393,858	0	474,154
Miscellaneous and Sponsor Income	0	9,167	0	9,167
Realized Gain (Loss) on Investments	0	140,902	0	140,902
Changes of Unrealized/Realized Gain (Loss) on Investments	0	(639,582)	0	(639,582)
<b>TOTAL REVENUES, GAINS, AND OTHER SUPPORT</b>	<b>80,296</b>	<b>(3,793)</b>	<b>815,522</b>	<b>892,025</b>
 <b>EXPENSES</b>				
Program Services	45,320	407,866	0	453,186
General and Administrative	28,633	257,697	0	286,329
Fundraising	2,743	24,687	0	27,430
<b>TOTAL EXPENSES</b>	<b>76,696</b>	<b>690,250</b>	<b>0</b>	<b>766,945</b>
 <b>CHANGE IN NET ASSETS</b>	<b>3,601</b>	<b>(694,043)</b>	<b>815,522</b>	<b>125,080</b>
 <b>NET ASSETS AT BEGINNING OF YEAR</b>	<b>4,943</b>	<b>5,962,231</b>	<b>11,146,073</b>	<b>17,113,247</b>
 <b>NET ASSETS AT END OF YEAR</b>	<b>\$ 8,544</b>	<b>\$ 5,268,188</b>	<b>\$ 11,961,595</b>	<b>\$ 17,238,327</b>

See notes to financial statements  
which are an integral part of this statement.

**SCHUYLKILL AREA COMMUNITY FOUNDATION**

**STATEMENT OF FUNCTIONAL EXPENSES**

**FOR THE YEAR ENDED DECEMBER 31, 2015**

	<u>Fundraising</u>	<u>General and Administrative</u>	<u>Program Services</u>	<u>Total</u>
Grants to Other Organizations	\$ 0	\$ 0	\$ 453,186	\$ 453,186
Salaries	20,670	88,305	0	108,975
Office Supplies and Small Equipment	0	3,143	0	3,143
Publicity, Advertising and Printing	2,766	1,986	0	4,752
Payroll Taxes	1,705	7,641	0	9,346
Rent	0	9,120	0	9,120
Depreciation	0	5,567	0	5,567
Professional Fees	0	7,891	0	7,891
Computer Consulting/Maintenance Costs	0	8,213	0	8,213
Postage	690	1,035	0	1,725
Utilities	0	2,460	0	2,460
Dues and Subscriptions	0	265	0	265
Telephone	0	3,073	0	3,073
Insurance	0	4,751	0	4,751
Investment Managers Fees	0	70,983	0	70,983
Indirect Administrative Fees	0	5,500	0	5,500
Memberships and Organizations	0	1,827	0	1,827
Executive Director Expenses and Travel	983	1,476	0	2,459
Retirement Plan	616	925	0	1,541
Maintenance	0	1,342	0	1,342
Foreign Taxes Paid	0	5,817	0	5,817
Conferences and Training	0	480	0	480
Other	0	54,529	0	54,529
<b>TOTAL</b>	<u>\$ 27,430</u>	<u>\$ 286,329</u>	<u>\$ 453,186</u>	<u>\$ 766,945</u>

See notes to financial statements  
which are an integral part of this statement.

**SCHUYLKILL AREA COMMUNITY FOUNDATION**

**STATEMENT OF CASH FLOWS**

**FOR THE YEAR ENDED DECEMBER 31, 2015**

<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Increase in Net Assets	\$ 125,080
Adjustment to Reconcile Increase in Net Assets to Net Cash provided by Operating Activities:	
(Add) Deduct:	
Depreciation Expense	5,567
Realized (Gain) Loss on Investments	(140,902)
Increase (Decrease) in:	
Funds Held by Other Agencies	1,705
Accrued Expenses	(119)
Scholarships Payable	(3,933)
Deferred Revenue	(5,567)
Unrealized (Gain) Loss on Marketable Securities	<u>639,582</u>
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<b>621,413</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Net Purchases of and Proceeds from the Sales of Investments	<u>1,096,519</u>
<b>NET CASH PROVIDED BY INVESTING ACTIVITIES</b>	<b>1,096,519</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>	<u>0</u>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>1,717,932</b>
<b>CASH AND CASH EQUIVALENTS - JANUARY 1, 2015</b>	<u>15,852,268</u>
<b>CASH AND CASH EQUIVALENTS - DECEMBER 31, 2015</b>	<u><u>\$ 17,570,200</u></u>

**SUPPLEMENTAL DISCLOSURES:**

Interest paid and expensed	None
Income taxes paid	Not Applicable

See notes to financial statements  
which are an integral part of this statement.

# **SCHUYLKILL AREA COMMUNITY FOUNDATION**

## **NOTES TO FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED DECEMBER 31, 2015**

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

#### **DESCRIPTION OF ENTITY**

Schuykill Area Community Foundation is a nonprofit organization exempt from federal income tax under Section 501 (c)(3) of the Internal Revenue Code. In addition, the Foundation qualifies for the charitable contribution deduction under Section 170 (b)(1)(A) and has been classified as an organization that is not a private foundation under Section 509 (a)(3). The Foundation was incorporated on January 16, 1967 for the purposes of administering funds of a public nature for educational, charitable, scientific, or literary uses and purposes, or other of similar nature to meet the existing and changing community needs in Schuykill County.

#### **BASIS OF ACCOUNTING**

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

#### **ADVERTISING COSTS**

The Company follows the policy of charging costs of advertising to expense as incurred. Advertising expense for the year ended December 31, 2015 was \$4,752.

#### **USE OF ESTIMATES**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from those estimates.

#### **RELATED PARTY TRANSACTIONS**

Keith J. Strouse, Esq., Secretary/Treasurer, performed indirect administrative duties in the amount of \$5,500.

#### **FINANCIAL STATEMENT PRESENTATION**

The Foundation has adopted Statement of Financial Accounting Standards (SFAS) No. 117, "Financial Statements of Not-for-Profit Organizations." Under SFAS No. 117, the Foundation is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets temporarily restricted net assets and permanently restricted net assets.



**SCHUYLKILL AREA COMMUNITY FOUNDATION**  
**NOTES TO FINANCIAL STATEMENTS - continued**  
**FOR THE YEAR ENDED DECEMBER 31, 2015**

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

**CONTRIBUTIONS**

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted net assets depending on the existence or nature of any donor restrictions. Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is recognized. All donor contributions are considered to be permanently restricted because the Foundation has agreements with the donors stating that the principal amount of their gifts will be held in perpetuity. The earnings from these contributions are considered either temporarily restricted or unrestricted, depending on whether there were further donor restrictions placed on the earnings. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities as net assets released from restrictions.

**CONTRIBUTIONS RECEIVABLE (PROMISES TO GIVE)**

Contributions are recognized when the donor makes a promise to give to the Foundation, that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in temporarily or donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

The Foundation uses the allowance method to determine uncollectible unconditional promises receivable. The allowance is based on prior years' experience and management's analysis of specific promises made.

**CASH AND CASH EQUIVALENTS**

For the purpose of the Statement of Cash Flows, the Foundation considers all unrestricted highly liquid investments with an initial maturity of three months or less to be cash equivalents. There are no uninsured cash balances for the year ended December 31, 2015.

**SCHUYLKILL AREA COMMUNITY FOUNDATION**  
**NOTES TO FINANCIAL STATEMENTS - continued**  
**FOR THE YEAR ENDED DECEMBER 31, 2015**

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

**INVESTMENTS**

The Foundation elected to adopt Statement of Financial Accounting Standards (SFAS) No. 124, "Accounting for Certain Investments Held by Not-for-Profit Organizations," in 2000. Under SFAS No. 124, investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair values in the statement of financial position. Unrealized gains and losses are included in the change in net assets. Investment income and gains restricted by the donor are reported as increases in unrestricted net assets if the restrictions are met (either by passage of time or by use) in reporting period in which the income and gains are recognized.

**PROPERTY, EQUIPMENT, DEPRECIATION AND AMORTIZATION**

Depreciation of property, plant and equipment is provided on the straight-line method in amounts sufficient to relate the cost of depreciable assets to operations over their estimated service lives. Depreciation expense for the current year was \$5,567.

**DONATED SERVICES**

During the year ended December 31, 2015, the value of contributed services meeting the requirements for recognition in the financial statements was not material and has not been recorded. In addition, many individuals volunteer their time and perform a variety of tasks, but these services do not meet the criteria for recognition as contributed services.

**NOTE 2 - COMMITMENTS:**

On September 19, 2007, the Foundation entered into a one-year lease of office facilities with Secorp Partners beginning January 1, 2008 and ending on December 31, 2008. Leased premises are the first floor at 216 South Centre Street, Pottsville, PA. Monthly rent installments are \$725., not including utilities for the one-year term of the lease. On December 1, 2015 the lease was renewed under substantially the same terms for the period beginning January 1, 2016 and ending on December 31, 2016. Total lease expense for the current year was \$9,120.

On February 19, 2015 the entity entered into a lease agreement with Edwards Business Systems for a Konica Minolta copier. Lease terms require 60 monthly payments of \$80.88. The lease is classified as an operating lease. Total current year expense was \$890.

**SCHUYLKILL AREA COMMUNITY FOUNDATION**  
**NOTES TO FINANCIAL STATEMENTS - continued**  
**FOR THE YEAR ENDED DECEMBER 31, 2015**

**NOTE 3 - INVESTMENTS:**

Investments as of December 31, 2015, are as follows:

Marketable Securities, at cost	\$ 11,840,765
Net Unrealized Gain (Loss) on Marketable Securities	<u>5,181,602</u>
Marketable Securities, at market	<u>\$ 17,022,367</u>

These investments constitute equity funds, mutual funds, and investments in government and corporate bonds.

Financial Accounting Standards Board Statement No. 157, Fair Value Measurements (FASB Statement No. 157), establishes a 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 Statement No. 157 are described below:

**Level 1** - Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets the Foundation has the ability to access.

**Level 2** - Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets
- Quoted prices for identical or similar assets or liabilities in inactive markets
- Inputs other than quoted prices that are observable for the asset or liability
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

**Level 3** - Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

**SCHUYLKILL AREA COMMUNITY FOUNDATION**  
**NOTES TO FINANCIAL STATEMENTS - continued**  
**FOR THE YEAR ENDED DECEMBER 31, 2015**

**NOTE 3 - INVESTMENTS - continued**

The inputs or methodology used for valuing investments are not an indication of the risk associated with investing in those securities.

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

All investments on the Statement of Financial Position are reported at fair value. Inputs used to determine the fair value of the Foundation's investments are considered to be Level 1.

**NOTE 4 - FUNDS HELD FOR OTHER AGENCIES:**

Schuykill Area Community Foundation has agreements with other agencies to serve as a conduit of funds owned by other agencies. Funds in this conduit are subject to the Foundation's control but are themselves earmarked for distribution for other agencies. Funds held in this capacity are included as liabilities in the Statement of Financial Position.

**NOTE 5 - RETIREMENT PLAN:**

The Company sponsors a savings incentive match plan for employees (SIMPLE) Retirement Plan for eligible employees. Employee contributions are subject to limits established by the Internal Revenue Service. Company contributions for the current year were \$1,541.

**NOTE 6 - DEFERRED REVENUE:**

The Foundation received various grants totaling \$50,796 which were utilized to partially fund the purchase of new accounting foundation operations software (Community Pearl). The acquisition of this software took place during 2012. Annually, an amount equal to the depreciation expense on the Community Pearl System (\$5,567. in 2015) will be recognized as income. At December 31, 2015, the remaining deferred revenue is \$28,767.

**SCHUYLKILL AREA COMMUNITY FOUNDATION**  
**NOTES TO FINANCIAL STATEMENTS - continued**  
**FOR THE YEAR ENDED DECEMBER 31, 2015**

**NOTE 7 - SUBSEQUENT EVENTS:**

The Company has evaluated events and transactions occurring subsequent to the balance sheet date of December 31, 2015 for items that should potentially be recognized or disclosed in these financial statements. The evaluation was conducted through March 31, 2016, the date these financial statements were available to be issued.