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**THE WOODLANDS FOUNDATION, INC.**

**Financial Statements for the Years Ended December 31,  
2022 and 2021 and Independent Auditors' Report**

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**THE WOODLANDS FOUNDATION, INC.**

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## **INDEPENDENT AUDITORS' REPORT**

To the Board of Directors  
The Woodlands Foundation, Inc.

### **Opinion**

We have audited the accompanying financial statements of The Woodlands Foundation, Inc. (a Pennsylvania nonprofit organization), which comprise the statements of financial position as of December 31, 2022 and 2021 and the related statements of activities and change in net assets, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Woodlands Foundation, Inc. as of December 31, 2022 and 2021, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### **Basis for Opinion**

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of The Woodlands Foundation, Inc. and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. 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 Woodlands Foundation, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

### **Auditors' 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 auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing

standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of The Woodlands Foundation, Inc.'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 Woodlands Foundation, Inc.'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.

*Grossman Yanak + Fors LLP*

Pittsburgh, Pennsylvania  
June 26, 2023

**THE WOODLANDS FOUNDATION, INC.**

**STATEMENTS OF FINANCIAL POSITION  
DECEMBER 31, 2022 AND 2021**

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	<u>2022</u>	<u>2021</u>
<b><u>ASSETS</u></b>		
Cash and cash equivalents	\$ 2,768,302	\$ 1,253,720
Receivables	76,175	88,463
Employee Retention Credits	-	385,188
Investments	2,886,109	3,514,062
Prepaid expenses	24,078	33,726
Right of use asset	33,231	-
Property, plant and equipment, net	<u>3,159,606</u>	<u>3,014,188</u>
<b>TOTAL ASSETS</b>	<b><u>\$ 8,947,501</u></b>	<b><u>\$ 8,289,347</u></b>
<b><u>LIABILITIES AND NET ASSETS</u></b>		
<b>LIABILITIES:</b>		
Accounts payable and accrued expenses	\$ 245,363	\$ 152,228
Line of credit	-	143,000
Notes payable, net of deferred loan fees	370,325	601,814
Deferred revenue	62,191	92,244
Operating lease liability	<u>33,231</u>	<u>-</u>
<b>TOTAL LIABILITIES</b>	<b><u>711,110</u></b>	<b><u>989,286</u></b>
<b>NET ASSETS:</b>		
Without donor restrictions		
Undesignated	2,711,241	2,655,563
Designated by the board	<u>327,303</u>	<u>356,120</u>
<b>Total net assets without donor restrictions</b>	<b><u>3,038,544</u></b>	<b><u>3,011,683</u></b>
With donor restrictions		
Purpose restrictions	2,639,040	1,130,436
Perpetual in nature	<u>2,558,807</u>	<u>3,157,942</u>
<b>Total net assets with donor restrictions</b>	<b><u>5,197,847</u></b>	<b><u>4,288,378</u></b>
<b>TOTAL NET ASSETS</b>	<b><u>8,236,391</u></b>	<b><u>7,300,061</u></b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b><u>\$ 8,947,501</u></b>	<b><u>\$ 8,289,347</u></b>

See accompanying notes to the financial statements.

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**THE WOODLANDS FOUNDATION, INC.**

**STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS  
FOR THE YEAR ENDED DECEMBER 31, 2022**

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	Without Donor Restrictions	With Donor Restrictions	Total
REVENUES AND OTHER SUPPORT:			
Contributions	\$ 196,885	\$ 1,437,872	\$ 1,634,757
Grants	160,661	822,581	983,242
Special events	668,681	-	668,681
Facility user fees	583,687	-	583,687
Investment loss, net	(20,447)	(453,136)	(473,583)
Donated materials and services	138,686	-	138,686
Net assets released from restriction	<u>897,848</u>	<u>(897,848)</u>	<u>-</u>
Total revenues and other support	<u>2,626,001</u>	<u>909,469</u>	<u>3,535,470</u>
EXPENSES:			
Client services	885,063	-	885,063
Facility operations	784,496	-	784,496
Management and general	314,734	-	314,734
Marketing and fund development	<u>614,847</u>	<u>-</u>	<u>614,847</u>
Total expenses	<u>2,599,140</u>	<u>-</u>	<u>2,599,140</u>
INCREASE IN NET ASSETS	26,861	909,469	936,330
NET ASSETS, BEGINNING	<u>3,011,683</u>	<u>4,288,378</u>	<u>7,300,061</u>
NET ASSETS, ENDING	<u>\$ 3,038,544</u>	<u>\$ 5,197,847</u>	<u>\$ 8,236,391</u>

See accompanying notes to the financial statements.

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**THE WOODLANDS FOUNDATION, INC.****STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS  
FOR THE YEAR ENDED DECEMBER 31, 2021**

	Without Donor Restrictions	With Donor Restrictions	Total
<b>REVENUES AND OTHER SUPPORT:</b>			
Contributions	\$ 149,775	\$ 397,994	\$ 547,769
Grants	128,425	389,553	517,978
Special events	421,534		421,534
Facility user fees	403,223	-	403,223
Investment income, net	34,010	324,075	358,085
Donated materials and services	87,310	-	87,310
Net assets released from restriction	<u>539,783</u>	<u>(539,783)</u>	<u>-</u>
Total revenues and other support	<u>1,764,060</u>	<u>571,839</u>	<u>2,335,899</u>
<b>EXPENSES:</b>			
Client services	658,095	-	658,095
Facility operations	743,967	-	743,967
Management and general	344,336	-	344,336
Marketing and fund development	<u>494,455</u>	<u>-</u>	<u>494,455</u>
Total expenses	<u>2,240,853</u>	<u>-</u>	<u>2,240,853</u>
<b>OTHER INCOME:</b>			
Paycheck Protection Program forgiveness income	428,721	-	428,721
Employee Retention Credits	<u>385,188</u>	<u>-</u>	<u>385,188</u>
Total other income	<u>813,909</u>	<u>-</u>	<u>813,909</u>
INCREASE IN NET ASSETS	337,116	571,839	908,955
NET ASSETS, BEGINNING	<u>2,674,567</u>	<u>3,716,539</u>	<u>6,391,106</u>
NET ASSETS, ENDING	<u>\$ 3,011,683</u>	<u>\$ 4,288,378</u>	<u>\$ 7,300,061</u>

See accompanying notes to the financial statements.

**THE WOODLANDS FOUNDATION, INC.**

STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED DECEMBER 31, 2022

	Program Services		Support Services		Total
	Client Services	Facility Operations	Management and General	Marketing and Fund Development	
Salaries	\$ 531,945	\$ 228,913	\$ 169,722	\$ 228,466	\$ 1,159,046
Employer payroll taxes	40,818	17,824	18,055	17,868	94,565
Health and life insurance	19,423	41,544	11,630	20,656	93,253
Special events - fundraising	-	-	-	249,599	249,599
Depreciation	-	179,947	3,840	-	183,787
Utilities	402	117,927	201	201	118,731
Contract services	81,605	46,548	6,401	6,696	141,250
Repairs and maintenance	10,729	66,329	3,303	2,642	83,003
Audit and professional fees	-	-	24,626	8,345	32,971
Insurance	-	54,775	3,957	-	58,732
Food and beverage	71,563	-	2,960	828	75,351
Interest	-	-	27,664	-	27,664
Program supplies	39,875	-	332	-	40,207
Equipment and furnishings	6,348	1,819	12,064	3,909	24,140
Telephone	9,087	1,257	4,398	3,772	18,514
Dues and subscriptions	9,837	640	8,180	7,162	25,819
Worker's compensation	9,827	4,232	3,114	4,258	21,431
403(b) match	7,146	3,974	3,965	5,148	20,233
Bank and credit card fees	2,161	36	328	14,023	16,548
Office supplies	808	55	3,457	6,898	11,218
Janitorial supplies	20	7,236	-	-	7,256
Staff development	25,253	(50)	1,950	2,517	29,670
Payroll fees	8,310	1,334	2,508	982	13,134
Marketing	2,499	-	-	28,970	31,469
Real estate taxes - west campus	-	9,515	-	-	9,515
Travel	5,507	-	176	1,806	7,489
Miscellaneous	-	641	1,903	101	2,645
Bad debts	1,900	-	-	-	1,900
<b>Total</b>	<b>\$ 885,063</b>	<b>\$ 784,496</b>	<b>\$ 314,734</b>	<b>\$ 614,847</b>	<b>\$ 2,599,140</b>

See accompanying notes to the financial statements.



**THE WOODLANDS FOUNDATION, INC.**

STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED DECEMBER 31, 2021

	Program Services		Support Services		Total
	Client Services	Facility Operations	Management and General	Marketing and Fund Development	
Salaries	\$ 384,563	\$ 188,000	\$ 162,666	\$ 211,687	\$ 946,916
Employer payroll taxes	70,731	15,020	23,859	16,628	126,238
Health and life insurance	16,132	38,294	21,962	21,199	97,587
Special events - fundraising	-	-	-	179,021	179,021
Depreciation	-	185,736	4,879	-	190,615
Utilities	100	105,246	374	100	105,820
Contract services	52,889	49,090	1,102	-	103,081
Repairs and maintenance	6,262	78,782	3,131	2,505	90,680
Audit and professional fees	-	-	62,692	6,325	69,017
Insurance	-	39,412	5,889	-	45,301
Food and beverage	28,412	118	2,614	654	31,798
Interest	-	-	31,401	-	31,401
Program supplies	26,043	-	120	-	26,163
Equipment and furnishings	16,742	1,043	4,206	3,772	25,763
Telephone	4,167	12,227	1,658	1,747	19,799
Dues and subscriptions	8,110	627	3,169	6,992	18,898
Worker's compensation	7,056	3,464	2,978	3,906	17,404
403(b) match	4,805	3,377	3,840	4,458	16,480
Bank and credit card fees	1,481	-	1,069	13,163	15,713
Office supplies	656	-	1,822	12,911	15,389
Janitorial supplies	2,796	11,449	53	-	14,298
Staff development	8,921	50	972	1,647	11,590
Payroll fees	6,258	1,354	2,389	1,103	11,104
Marketing	4,634	-	-	5,808	10,442
Real estate taxes - west campus	-	9,294	-	-	9,294
Travel	4,002	9	546	166	4,723
Miscellaneous	804	1,375	945	663	3,787
Bad debts	2,531	-	-	-	2,531
<b>Total</b>	<b>\$ 658,095</b>	<b>\$ 743,967</b>	<b>\$ 344,336</b>	<b>\$ 494,455</b>	<b>\$ 2,240,853</b>

See accompanying notes to the financial statements.

**THE WOODLANDS FOUNDATION, INC.****STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021**

	<u>2022</u>	<u>2021</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Increase in net assets	\$ 936,330	\$ 908,955
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Paycheck Protection Program forgiveness income	-	(428,721)
Depreciation	183,787	190,615
Net realized and unrealized losses (gains) on investments	591,421	(194,014)
Amortization of deferred loan fees	1,495	1,431
(Increase) decrease in:		
ERC receivables	385,188	(385,188)
Receivables	12,288	1,882
Prepaid expenses	9,648	(14,206)
Increase (decrease) in:		
Accounts payable and accrued expenses	93,135	78,104
Deferred revenue	<u>(30,053)</u>	<u>54,024</u>
Net cash provided by operating activities	<u>2,183,239</u>	<u>212,882</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Purchases of property and equipment	(329,205)	(30,828)
Purchases of investments	(625,068)	(782,104)
Proceeds from sale of investments	<u>661,600</u>	<u>768,232</u>
Net cash used in investing activities	<u>(292,673)</u>	<u>(44,700)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Line of credit, net	(143,000)	143,000
Proceeds from Paycheck Protection Program loans	-	169,421
Repayments of notes payable	<u>(232,984)</u>	<u>(105,596)</u>
Net cash provided by (used in) financing activities	<u>(375,984)</u>	<u>206,825</u>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>1,514,582</b>	<b>375,007</b>
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>	<b><u>1,253,720</u></b>	<b><u>878,713</u></b>
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	<b><u>\$ 2,768,302</u></b>	<b><u>\$ 1,253,720</u></b>
<b>SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:</b>		
Cash paid for interest	<u>\$ 22,044</u>	<u>\$ 24,734</u>

See accompanying notes to the financial statements.

## THE WOODLANDS FOUNDATION, INC.

### NOTES TO FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

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#### 1. ORGANIZATION AND PURPOSE

The Woodlands Foundation, Inc. (the "Organization") is incorporated under the laws of the Commonwealth of Pennsylvania as a voluntary nonprofit corporation. The purpose of the Organization is to develop and maintain The Woodlands, a multi-use program facility for persons with disabilities, located in Southwestern Pennsylvania. The Organization promotes and fosters personal and physical development and strengthens community awareness of The Woodlands and funds these activities through contributions, grants, endowment investment income, and through fees charged to the groups who use The Woodlands' facilities.

#### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

*Revenue Recognition* - Income earned from use of the Organization's facilities, programs, retreats and fundraisers can be recognized at a point in time or over a period of time, depending on the satisfaction of the performance obligation under contract. Payments received in advance of goods and services to be provided are recognized as deferred revenue. Revenue related to events and other fundraising activities is recognized upon completion of the event and/or activity.

Payment for participation in programs is generally due upon receipt of the invoice. Certain participants are eligible for waiver funding which is billed to the appropriate agency after completion of the program. Participants seeking outside assistance for program costs are billed at the time of enrollment, generally with payment terms of 30 days. Assistance directly provided to participants is reflected as a reduction in user fees.

*Contributions* - Contributions received, as well as unconditional promises to give, are recognized in the period received. All contributions are considered to be available for use without donor restriction unless specifically restricted by the donor. Amounts received that are designated for future periods or are restricted by the donor for specific purposes are reported as donor restricted support that increase that net asset class.

*Financial Statement Presentation* - The Organization is required to report information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions.

Net assets without donor restrictions are net assets that are not restricted by donor or grantor-imposed stipulations. Net assets without donor restrictions designated by the governing board are funds without donor restrictions set aside by actions of the Board for other specific purposes. Net assets with donor restrictions result from contributions or other

inflows of assets limited by donor stipulations that either expire by the passage of time, can be fulfilled and removed by actions of the Organization pursuant to those stipulations, or are restricted in perpetuity. When the restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and are reported in the statement of activities as net assets released from restriction. The Organization records donor-restricted contributions for which restrictions are met in the same reporting period as support without donor restrictions.

*Use of Estimates* - The preparation of financial statements in conformity with U.S. generally accepted accounting principles ("U.S. GAAP") 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 dates of the financial statements and the reported amounts of revenue and expenses during the reporting periods. Actual results could differ from those estimates.

*Cash and Cash Equivalents* - For purposes of the statements of cash flows, the Organization considers all highly liquid debt instruments with original maturities of three months or less to be cash equivalents (excluding those held as investments). The Organization maintains at financial institutions, cash and cash equivalents, which may at times exceed federally insured amounts and may at times exceed statement of financial position amounts due to outstanding checks.

*Receivables* - Receivables consist of pledges, which are recorded at the amount pledged in writing by the donor, and amounts due to the Organization for services rendered, which are stated at the amount of consideration that the Organization has an unconditional right to receive. The Organization does not record pledges receivable if any unfulfilled conditions coincident to their receipt exist at year-end. The collectability of receivables is evaluated throughout the year based on a combination of factors, and balances are written off once management determines collectability is not likely. Management believes that no allowance for doubtful accounts or pledges is needed at December 31, 2022 and 2021.

*Charitable Lead Annuity Trust* - The Organization is a beneficiary of a charitable lead annuity trust agreement. Under this type of charitable lead trust, the Organization receives a specific dollar amount from the trust. The beneficial interest in the trust is measured at the present value of the estimated future distributions the Organization expects to receive over the term of the agreement. In each subsequent year, the recognized revenue is recorded at its net present value with the difference between the cash receipt and that year's discounted receivable balance being recorded as contribution revenue.

*Investments* - Investments are reflected at fair value. Recognized gains and losses as well as changes in the unrealized appreciation or depreciation of investments are reflected in the statement of activities and changes in net assets using the specific identification method.

*Fair Value Measurements* - U.S. GAAP establishes a framework for measuring fair value of financial assets. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy are described below:

- Level 1 - Quoted prices (unadjusted) in active markets for identifiable assets and liabilities;
- Level 2 - Inputs, other than the quoted prices in active markets, that are observable either directly or indirectly; and
- Level 3 - Unobservable inputs that reflect the reporting entity's own assumptions.

The Organization utilizes level 1 inputs to value the cash and cash equivalents held as investments, common stocks, mutual funds, fixed income and government securities, and alternatives. The charitable lead annuity trust is based on the net present value of future payments to be received (level 3 inputs).

There have been no changes in the methodologies used at December 31, 2022 or 2021.

*Property and Equipment* - Property and equipment are recorded at cost or the estimated fair market value at the time of donation, if such value is greater than \$5,000. All capitalized assets, with the exception of land, are being depreciated. Depreciation is computed using the straight-line basis over the assets' estimated useful lives of 3-40 years.

*Leases* - Effective January 1, 2022, the Company adopted the various Accounting Standards Update that culminated in Accounting Standards Codification Topic 842, *Leases*. The most significant change in the new guidance is the requirement to recognize right-of-use (ROU) assets and lease liabilities for operating leases.

ROU assets represent the right to use an underlying asset for the lease term, and lease liabilities represent the obligation to make lease payments. Operating lease ROU assets and liabilities are recognized at the lease commencement date based on the present value of lease payments over the lease term. Operating lease ROU assets also include any lease payments made at or before the lease commencement date and exclude any lease incentives. Lease expense is recognized on a straight-line basis over the lease term.

*Impairment of Long-Lived Assets* - Management evaluates the valuation and depreciation, as applicable, of the Organization's various long-lived assets. Management's evaluation considers both current and future levels of undiscounted cash flows generated by the related assets to determine when impairment has occurred. Any write-downs due to impairment are charged to operations at the time the impairment is identified. No such write-downs were required for the years ended December 31, 2022 or 2021.

*Deferred Loan Fees* - Costs of \$14,604 are capitalized and amortized over the term of the related debt. Amortization expense, reflected as interest, was \$1,495 and \$1,431 for the years ended December 31, 2022 and 2021, respectively. Accumulated amortization was \$8,822 and \$7,327 at December 31, 2022 and 2021, respectively. These costs are presented (net of accumulated amortization) as a reduction in the carrying value of the related debt (see Note 7).

*Contributed Nonfinancial Assets* - Effective January 1, 2022, the Organization has adopted Financial Accounting Standards Update ("ASU") 2020-07, *Presentation and Disclosure by Not-for-Profit Entities for Contributed Nonfinancial Assets*. The ASU requires segregation of nonfinancial assets in the statement of activities and enhances disclosures related to the description, valuation and utilization of such assets.

Contributed services and materials are recorded at fair value at the time of receipt to the extent an objective basis is available to measure the value of the services or materials. These contributions are recognized as both support and expenses or assets in the financial statements. Contributed assets, materials and services are used to advance program services by the Organization.

For the years ended December 31, 2022 and 2021, contributed nonfinancial assets and services recognized within the statement of activities were as follows:

	<u>2022</u>	<u>2021</u>
Prizes	\$ 99,015	\$ 80,745
Food/drink	8,843	577
Facilities	2,000	-
Equipment/furnishings	20,284	3,800
Services	2,438	2,188
Other	<u>6,106</u>	<u>-</u>
Total	<u>\$ 138,686</u>	<u>\$ 87,310</u>

*Income Taxes* - The Organization is exempt from income tax under Section 501(c)(3) of the Internal Revenue Code. Management believes that there is no liability related to uncertain tax positions at December 31, 2022 or 2021. The Organization is no longer subject to tax examinations for years before 2019.

*Availability of Financial Assets* - The Organization's financial assets available within one year of the statement of financial position to meet cash needs for general expenditures are as follows at December 31, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Cash and cash equivalents	\$ 2,768,302	\$ 1,253,720
Investments	2,886,109	3,514,062
Receivables	76,175	88,463
Employee Retention Credits receivable	<u>-</u>	<u>385,188</u>
Total financial assets	5,730,586	5,241,433
Less those unavailable for general expenditures within one year:		
Donor restricted investments	(2,558,807)	(3,157,942)
Other donor restricted funds	(2,639,040)	(1,130,436)
Charitable lead trust receivable - noncurrent	(23,138)	(29,962)
Plus: Endowment proceeds (estimated)	<u>150,000</u>	<u>150,000</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 659,601</u>	<u>\$ 1,073,093</u>

The Organization also maintains a \$300,000 line of credit (Note 7).

*Endowment Spending Policy* - Commonwealth of Pennsylvania law permits the Organization to allocate to income each year a portion of endowment return. The law allows non-profit organizations to spend a percentage of the average market value of their endowment funds, including realized and unrealized gains. The percentage, which by law must be between 2% and 7%, is elected by the Board. The amount available for spending is based upon an average of the fair value for the prior three years.

*Functional Allocation of Expenses* - The costs of providing various programs and other activities have been summarized on a functional basis in the statement of activities and changes in net assets and in the statement of functional expenses. Directly identifiable expenses are charged to programs and supporting services. Certain costs related to more than one function have been allocated among the programs and support services benefited. Such expenses include salary and related payroll expenses, depreciation, contract services, professional fees,

insurance, and food and beverage. Salary and related payroll expenses are allocated based on historical analyses of where efforts are expended. Depreciation for buildings and other assets allocable to specific programs or buildings are allocated to those buildings or programs. Contract services, professional fees, and food and beverage are allocated based on the service in which the benefit is received. Certain liability insurance expenses are allocated to buildings or programs based upon historical analyses of usage by programs or benefits received by buildings.

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

*Advertising Costs* - The Organization incurred \$31,469 and \$10,442 in advertising costs for the years ended December 31, 2022 and 2021, respectively. Advertising costs are expensed as incurred. These expenses are recorded in marketing costs on the statement of functional expenses.

*Subsequent Events* - Management has evaluated subsequent events through June 26, 2023, the date which the financial statements were available to be issued.

### 3. RECEIVABLES

Receivables consist of the following at December 31, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Programs and events	\$ 6,077	\$ 18,374
Charitable lead annuity trust	29,962	37,260
Pledges	<u>40,136</u>	<u>32,829</u>
Total	<u>\$ 76,175</u>	<u>\$ 88,463</u>

Pledges receivable are due to be received through 2027, in the following time frames:

2023	\$ 46,960
2024	6,380
2025	5,965
2026	5,578
2027	<u>5,215</u>
Total	<u>\$ 70,098</u>

Noncurrent pledges receivable are not discounted to present value due to the insignificance of the effect.



#### 4. CHARITABLE LEAD ANNUITY TRUST

On December 12, 2007, an irrevocable charitable lead annuity trust was established naming the Organization as a beneficiary. The annuity will be paid from the trust income, and to the extent trust income is insufficient, from trust principal until it is exhausted. Under the terms of the trust, \$400,000 is expected to accumulate from the initial investment that is expected to grow at a discounted rate of 6.5% over 20 years. The annuity term will terminate 20 years after the commencement date of December 12, 2007. Each year, the \$20,000 annuity payment will be distributed on or about December 12 and in no event later than December 31 of each calendar year. The present value of the charitable lead annuity trust receivable was \$29,962 and \$37,260 at December 31, 2022 and 2021, respectively, and is included in receivables in the statement of financial position.

#### 5. INVESTMENTS AND FAIR VALUE MEASUREMENTS

Investments consist of the following at December 31, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Cash and cash equivalents	\$ 224,763	\$ 233,749
Common stocks	1,510,531	1,893,949
Mutual funds	718,843	890,450
Fixed income and government securities	401,153	463,209
Alternatives	<u>30,819</u>	<u>32,705</u>
Total	<u>\$ 2,886,109</u>	<u>\$ 3,514,062</u>

Fair values of assets measured on a recurring basis at December 31, 2022 and 2021 are as follows:

	<u>Level 1</u>	<u>Level 3</u>	<u>Total</u>
<u>December 31, 2022:</u>			
Investments	\$ 2,886,109		\$ 2,886,109
Charitable lead annuity trust	<u>                    </u>	<u>\$ 29,962</u>	<u>29,962</u>
Total	<u>\$ 2,886,109</u>	<u>\$ 29,962</u>	<u>\$ 2,916,071</u>
	<u>Level 1</u>	<u>Level 3</u>	<u>Total</u>
<u>December 31, 2021:</u>			
Investments	\$ 3,514,062		\$ 3,514,062
Charitable lead annuity trust	<u>                    </u>	<u>\$ 37,260</u>	<u>37,260</u>
Total	<u>\$ 3,514,062</u>	<u>\$ 37,260</u>	<u>\$ 3,551,322</u>

The following is a reconciliation of the beginning and ending balance of recurring fair value measurements recognized in the statement of financial position using significant unobservable (Level 3) inputs:

	<u>Charitable Lead Annuity Trust</u>
Beginning balance, January 1, 2021	\$ 45,065
Settlement on the account	<u>(7,805)</u>
Ending balance, December 31, 2021	37,260
Settlement on the account	<u>(7,298)</u>
Ending balance, December 31, 2022	<u>\$ 29,962</u>

The composition of the investment return, which includes money market accounts, as reported in the statement of activities and changes in net assets for the years ended December 31, 2022 and 2021, was as follows:

	<u>December 31, 2022</u>		
	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Interest and dividends	\$ 16,066	\$ 117,820	\$ 133,886
Investment income, net of fees	5,491	40,265	45,756
Net unrealized depreciation	<u>(79,391)</u>	<u>(582,204)</u>	<u>(661,595)</u>
Total	<u>\$ (57,834)</u>	<u>\$ (424,119)</u>	<u>\$ (481,953)</u>
	<u>December 31, 2021</u>		
	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Interest and dividends	\$ 17,915	\$ 172,652	\$ 190,567
Investment income, net of fees	23,205	221,471	244,676
Net unrealized depreciation	<u>(7,310)</u>	<u>(70,047)</u>	<u>(77,357)</u>
Total	<u>\$ 33,810</u>	<u>\$ 324,076</u>	<u>\$ 357,886</u>

## 6. PROPERTY AND EQUIPMENT

Property and equipment consist of the following at December 31, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Buildings and land improvements	\$ 4,307,680	\$ 4,269,891
Land	689,374	689,374
Furniture and equipment	301,383	286,859
Construction in progress	<u>304,689</u>	<u>27,797</u>
Total	5,603,126	5,273,921
Less accumulated depreciation	<u>(2,443,520)</u>	<u>(2,259,733)</u>
Property and equipment, net	<u>\$ 3,159,606</u>	<u>\$ 3,014,188</u>

Depreciation expense was \$183,787 and \$190,615 for the years ended December 31, 2022 and 2021, respectively.

## 7. DEBT

Debt as of December 31, 2022 and 2021, consists of the following:

	<u>2022</u>	<u>2021</u>
Note payable to a bank in monthly payments of \$5,139, including interest at 4.39%, through June 23, 2026; secured by a mortgage on real property	\$ 226,107	\$ 276,490
Note payable to a bank in monthly payments of \$5,620, including interest at 4.63%; repaid in August 2022	-	182,601
Note payable to SBA with monthly payments of \$641, including interest at 2.75%, from January 2023 through July 28, 2050; secured by all tangible and intangible personal property.	<u>150,000</u>	<u>150,000</u>
Total debt	376,107	609,091
Unamortized deferred loan fees	<u>(5,782)</u>	<u>(7,277)</u>
Total	<u>\$ 370,325</u>	<u>\$ 601,814</u>

Aggregate maturities of long-term debt and amortization of the deferred loan fees subsequent to December 31, 2022 are as follows:

	<u>Principal Payments</u>	<u>Unamortized Deferred Loan Fees</u>	<u>Net</u>
2023	\$ 57,305	\$ (1,563)	\$ 55,742
2024	59,931	(1,632)	58,299
2025	62,603	(1,705)	60,898
2026	61,650	(882)	60,768
2027	4,044	-	4,044
Thereafter	<u>130,574</u>	<u>-</u>	<u>130,574</u>
Total	<u>\$ 376,107</u>	<u>\$ (5,782)</u>	<u>\$ 370,325</u>

The Organization has a \$300,000 line of credit that bears interest at the simple SOFR (Secured Overnight Financing Rate), which was 4.31% and 1.04% at December 31, 2022 and 2021, respectively, plus 1.90%, commencing October 25, 2021. This line is secured by an open-ended mortgage along with all the deposits with the bank. Outstanding borrowings on the line of credit were \$143,000 at December 31, 2021. There were no outstanding borrowings on the line of credit at December 31, 2022.

The bank notes contain certain financial covenants ordinary to such facilities that, among other things, require maintenance of a minimum debt service coverage ratio.

#### **8. CHARITABLE REMAINDER TRUST - CONDITIONAL PLEDGE**

The Organization has been named a beneficiary of a partially revocable direction of charitable remainder trust, in the amount of \$100,000. This amount has not been recorded in the Organization's statement of financial position and statement of activities and changes in net assets because the pledge may be revoked or amended at any time by the donor during his lifetime. If received, this donation will be recorded as net assets with donor restrictions.

#### **9. LEASES**

The Organization leases office equipment under a lease agreement which expires in August 2025. The following summarizes the line items on the statement of financial position which include amounts for the operating lease as of December 31, 2022:

Right of use asset	<u>\$ 33,231</u>
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Operating lease liability (current)	\$ 12,098
Operating lease liability (long-term)	<u>21,133</u>
Total operating lease liability	<u><u>\$ 33,231</u></u>

The initial value of the ROU asset recognized at January 1, 2022 was \$44,326.

The weighted average remaining lease term of the operating leases is approximately 2.58 years and the discount rate is 3%.

Future minimum lease payments, which incorporate an escalation fee of approximately 5%, for the years subsequent to December 31, 2022 are as follows:

2023	\$ 12,932
2024	13,585
2025	<u>8,085</u>
Total	34,602
Less amount representing interest	<u>(1,371)</u>
Total	<u><u>\$ 33,231</u></u>

Lease expenses for the years ended December 31, 2022 and 2021 totalled \$12,724 and \$11,095, respectively.

The Organization also leases certain use of its facilities to unrelated organizations under operating leases with terms expiring at various dates through December 2024. Approximately \$152,000 and \$141,000 of rental income related to these leases is included in "Facility user fees" in the statement of activities and changes in net assets for each of the years ended December 31, 2022 and 2021, respectively.

Future minimum lease payments expected to be received subsequent to December 31, 2022 are as follows:

2023	\$ 127,941
2024	<u>65,450</u>
Total	<u><u>\$ 193,391</u></u>

## 10. ENDOWMENT FUND

The Organization's endowment fund consists of donor-restricted funds established in 1999 to provide annual income for general operating costs. Additional contributions to the endowment fund are subject to donor restrictions that stipulate the original principal of the gift to be held and invested by the Organization indefinitely and earned income from the fund is to provide annual income for general operating costs. The

Organization has adopted investment and spending policies based on the requirements of PA Act 141. As a result of the Organization's interpretation of PA Act 141, and in accordance with donor restrictions, contributions to the endowment fund are classified as net assets with donor restrictions - perpetual in nature.

The endowment fund is invested in investment securities pursuant to the Organization's investment and spending objectives of subjecting the fund to low investment risk and providing the Organization with investment income. The Organization will expand the endowment fund's investment income for the donor-designated purpose when the need arises.

The purpose of the endowment fund is to provide annual income to apply towards general operating costs including, but not limited to the following: building and grounds maintenance and repair, insurance, janitorial service, utilities, and staff salaries to perform related functions to ensure the continued mission of the Organization. The objective is to create an endowment fund sufficient in size to provide annual income to cover a significant portion of all above mentioned annual expenses. The expected growth of the endowment fund (total return minus fees) is 6.5% - 7.5% over the time horizon of 15 years, on an average, annualized basis.

Per the investment and distribution policy, investments of the endowment fund shall maintain a diversified portfolio mix of publicly traded equities, mutual funds, fixed income instruments, and cash equivalent investments. Investment manager(s) should adhere to the investment discipline and make reasonable efforts to control risk and preserve capital.

The investment and distribution policy intends to follow a "total return" policy for management of its long-term endowment assets. This approach defines net investment return as the total change in the overall value of funds, including interest, dividends, and unrealized capital gains, less fees. The investment and distribution policy applies a spending policy for income from donor-restricted endowment funds based on the preceding three years' trailing average fair value at the beginning of the year. In accordance with the donor's restrictions and PA Act 141, the Organization cannot spend more than 5% - 7% of the three-years calculated average fair value.

The following schedule provides a reconciliation of the Organization's endowments and accumulated expendable net assets earned on the endowment fund:

	Without donor restrictions	With donor restrictions	Total
Balance at January 1, 2021	\$ 283,603	\$ 3,022,573	\$ 3,306,176
Interest and dividends	17,915	172,652	190,567
Net realized/unrealized appreciation	18,431	175,583	194,014

Investment fees	\$ (2,536)	\$ (24,159)	\$ (26,695)
Reclassification	38,707	(38,707)	-
Program expenditures	-	(150,000)	(150,000)
Balance at December 31, 2021	356,120	3,157,942	3,514,062
Interest and dividends	16,066	117,820	133,886
Net realized/unrealized depreciation	(41,953)	(549,468)	(591,421)
Investment fees	(2,930)	(21,488)	(24,418)
Contributions	-	4,000	4,000
Program expenditures	-	(150,000)	(150,000)
Balance at December 31, 2022	<u>\$ 327,303</u>	<u>\$ 2,558,806</u>	<u>\$ 2,886,109</u>

## 11. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consists of the following at December 31, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Purpose restricted:		
Program services	\$ 900,771	\$ 1,016,250
Facilities and capital improvements	<u>1,738,269</u>	<u>114,186</u>
Total	2,639,040	1,130,436
Perpetual in nature	<u>2,558,807</u>	<u>3,157,942</u>
Net assets with donor restrictions	<u>\$ 5,197,847</u>	<u>\$ 4,288,378</u>

Net assets were released from donor restrictions for the years ended December 31, 2022 and 2021 by incurring expenses satisfying the restricted purposes or by the occurrence of events specified by the donors as follows:

	<u>2022</u>	<u>2021</u>
Program services	\$ 728,348	\$ 535,283
Facilities and capital improvements	<u>169,500</u>	<u>4,500</u>
Total net assets released from restrictions	<u>\$ 897,848</u>	<u>\$ 539,783</u>

## 12. RETIREMENT SAVINGS PLAN

The Organization sponsors a 403(b) retirement plan for all eligible employees as defined by the Plan. The participants may contribute up to 100% of their salary not to exceed certain Internal Revenue Code limits. The Organization matches 50% of the employee's contribution up to 5% of their salary. Total employer contributions for the years ended December 31, 2022 and 2021 were \$20,233 and \$16,480, respectively.

**13. GOVERNMENT ASSISTANCE**

The Organization received Paycheck Protection Program ("PPP") loans of \$169,421 and \$259,300 during the years ended December 31, 2021 and 2020, respectively. The Organization reflected the full amount of the PPP loans of \$428,721 as PPP forgiveness income during the year ended December 31, 2021. In addition, the organization qualified for Employee Retention Credits ("ERC") of \$385,188 and accordingly reflected the full amount as other income in 2021 and a receivable at December 31, 2021.

**14. COMMITMENTS**

In December 2021, the Organization was notified that they were the recipient of \$2,000,000 in Redevelopment Assistance Capital Program funding for the purpose of upgrading dormitory and program space. Under the provisions of the grant, the Organization is required to match the funding award based upon specifications identified in the award letter. As the grant is conditional based upon the specifications within the agreement, the Organization has not recorded revenue for the year ended December 31, 2021 or 2022.

The Organization received a contribution during 2022 in the amount of \$250,000 related to this matching requirement from a board member.

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