

First Nonprofit Foundation
Financial Statements and
Supplementary Information
December 31, 2016 and 2015



First Nonprofit Foundation

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December 31, 2016 and 2015

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Independent Auditor's Report

To the Board of Directors
First Nonprofit Foundation
Hummelstown, Pennsylvania

Report on the Financial Statements

We have audited the accompanying financial statements of First Nonprofit Foundation, which comprise the statement of financial position as of December 31, 2016 and 2015, and the related statements of activities, changes in unrestricted net assets, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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 audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of 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 First Nonprofit Foundation as of December 31, 2016 and 2015, and the changes in its unrestricted net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matter

Supplementary Information

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

RKL LLP

March 27, 2017
York, Pennsylvania

First Nonprofit Foundation

Statement of Financial Position

	December 31,	
	2016	2015
Assets		
Current Assets		
Cash and cash equivalents	\$ 71,525	\$ 35,791
Prepaid expenses	536	13,635
Total Current Assets	72,061	49,426
Investments	5,926,562	6,850,781
Total Assets	\$ 5,998,623	\$ 6,900,207
Liabilities and Unrestricted Net Assets		
Current Liabilities		
Accounts payable	\$ 17,658	\$ 12,925
Accrued payroll and payroll taxes	7,787	7,008
Total Liabilities	25,445	19,933
Unrestricted Net Assets	5,973,178	6,880,274
Total Liabilities and Unrestricted Net Assets	\$ 5,998,623	\$ 6,900,207

First Nonprofit Foundation

Statement of Activities

	Years Ended December 31,	
	2016	2015
Support, Revenue, and Gains		
Investment revenue		
Interest and dividends	\$ 172,471	\$ 193,333
Net realized and unrealized gains (losses) on investments	136,569	(684,521)
Total Investment Revenue	309,040	(491,188)
Contribution revenue	1,623	515,000
Other revenue		
Interest income	341	462
Total Support, Revenue, and Gains	311,004	24,274
Expenses		
Grants paid for education and other charitable purposes	821,732	1,312,700
Expenses paid for safekeeping of securities, collection of revenue, and other administrative costs	396,144	392,879
Excise tax expense	224	5,898
Total Expenses	1,218,100	1,711,477
Changes in Unrestricted Net Assets	\$ (907,096)	\$ (1,687,203)

First Nonprofit Foundation

Statement of Changes in Unrestricted Net Assets

	Years Ended December 31,	
	2016	2015
	<u> </u>	<u> </u>
Unrestricted Net Assets at Beginning of Year	\$ 6,880,274	\$ 8,567,477
Changes in unrestricted net assets	<u>(907,096)</u>	<u>(1,687,203)</u>
Unrestricted Net Assets at End of Year	<u>\$ 5,973,178</u>	<u>\$ 6,880,274</u>

First Nonprofit Foundation

Statement of Cash Flows

	Years Ended December 31,	
	2016	2015
Cash Flows from Operating Activities		
Changes in unrestricted net assets	\$ (907,096)	\$ (1,687,203)
Adjustments to reconcile changes in unrestricted net assets to net cash used in operating activities		
Net realized and unrealized (gains) losses on investments	(136,569)	684,521
(Increase) decrease in assets		
Prepaid expenses	13,099	(3,209)
Increase (decrease) in liabilities		
Accounts payable	4,733	781
Accrued payroll and payroll taxes	779	5,021
Grant payable	-	(25,000)
Net Cash Used in Operating Activities	(1,025,054)	(1,025,089)
Cash Flows from Investing Activities		
Purchase of investments	(160,212)	(378,161)
Proceeds from sale of investments	1,221,000	1,426,000
Net Cash Provided by Investing Activities	1,060,788	1,047,839
Net Increase in Cash and Cash Equivalents	35,734	22,750
Cash and Cash Equivalents at Beginning of Year	35,791	13,041
Cash and Cash Equivalents at End of Year	\$ 71,525	\$ 35,791
Supplementary Cash Flows Information		
Excise taxes paid	\$ 224	\$ 5,898

First Nonprofit Foundation

Notes to Financial Statements

December 31, 2016 and 2015

Note 1 - Nature of Operations

First Nonprofit Foundation (Foundation) is a private foundation that makes contributions to entities that qualify as public charities under the Internal Revenue Code. The Foundation's primary purpose is to provide grants to further the establishment, development and expansion of nonprofit organizations. The Foundation supports local, state, regional and other significant 501(c)(3) nonprofits located throughout the United States. The Foundation's primary sources of support and revenue are from contributions and investment revenue.

The Foundation board believes that nonprofits improve people's lives in every community in this country. This uniquely American experience faces challenges never seen before. In order to create a sustainable model of service in response to these challenges, we will require leaders who are smarter, more innovative and more efficient. Our mission is to foster effective risk management practices and the overall development and advancement of nonprofit leaders through unique, creative initiatives. Making the nonprofit community safer and more efficient will expand on the genetic markers of what makes this country great and ultimately uplift worthy causes and citizens.

The Foundation was incorporated in 2003 in the state of Illinois. During the year ended December 31, 2013, the Foundation was re-incorporated from Illinois to Pennsylvania.

Note 2 - Summary of Significant Accounting Policies

A summary of the significant accounting policies consistently applied in the preparation of the accompanying financial statement follows:

Use of Estimates

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

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Foundation considers all highly-liquid debt instruments purchased with an original maturity of three months or less to be cash equivalents.

Investments

Investments in debt and equity securities with readily determinable fair values are reported at fair value, based on quoted market prices.

Unrealized gains and losses are reported as increases or decreases in unrestricted net assets unless their use is temporarily or permanently restricted by explicit donor stipulation or by law. Realized gains and losses, if any, on the sale or disposal of investments are computed on a specific identification basis and are also included as increases or decreases in unrestricted net assets unless their use is temporarily or permanently restricted by explicit donor stipulation or by law.

First Nonprofit Foundation

Notes to Financial Statements

December 31, 2016 and 2015

Note 2 - Summary of Significant Accounting Policies (continued)

Net Assets

Net assets of the Foundation and changes therein are classified and reported as follows:

Unrestricted net assets - Net assets that are not subject to donor-imposed stipulations.

Temporarily restricted net assets - Net assets subject to donor-imposed stipulations that may or will be met either by the actions of the Foundation and/or the passage of time. The Foundation currently has no temporarily restricted net assets.

Permanently restricted net assets - Net assets subject to donor-imposed stipulations that must be maintained permanently by the Foundation. The Foundation currently has no permanently restricted net assets.

Contributions

All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as temporarily restricted or permanently restricted support that increases those net asset classes.

Risks and Uncertainties

Investment securities are exposed to various risks, such as interest rate, market and credit. Due to the level of risk associated with certain investment securities and the level of uncertainty related to changes in the value of investment securities, it is at least reasonably possible that changes in the value of investments in the near term would materially affect the amounts reported in the statement of financial position and the statement of activities.

Advertising Expense

Advertising costs are expensed as incurred. Advertising expense amounted to \$12,320 and \$4,030 for the years ended December 31, 2016 and 2015, respectively.

Recent Accounting Pronouncement

In August 2016, the Financial Accounting Standards Board issued Accounting Standards Update 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*. The amendments in this ASU make certain improvements that address many, but not all, of the identified issues about the current financial reporting for not-for-profit entities. The standard improves current requirements related to net asset classifications, liquidity assessment, expense reporting consistency, and methods used to present cash flow from operations. This guidance is effective for fiscal years beginning after December 15, 2017.

The Foundation is currently evaluating the impact of the pending adoption of the new standard on the financial statements.

First Nonprofit Foundation

Notes to Financial Statements

December 31, 2016 and 2015

Note 2 - Summary of Significant Accounting Policies (continued)

Subsequent Events

The Foundation has evaluated subsequent events through March 27, 2017, which is the date the financial statements were available to be issued. No material events subsequent to December 31, 2016 were noted.

Note 3 - Tax-Exempt Status

The Foundation is a not-for-profit private foundation as described in Section 501(c)(3) of the Internal Revenue Code and is exempt from income taxes on related activities pursuant to Section 509(a) of the Code. The Foundation did not claim a classification as an operating private foundation as defined in Section 4942(j)(3) of the Code. The Foundation is required to make certain minimum distributions in accordance with a formula established by the Internal Revenue Service. The Foundation has met this requirement. The Foundation also pays excise tax on net investment income.

Accounting principles generally accepted in the United States of America require management to evaluate tax positions taken by the Foundation, including whether the entity is exempt from income taxes. Management evaluated the tax positions taken and concluded that the Foundation had taken no uncertain tax positions that require recognition or disclosure in the financial statements. With few exceptions, the Foundation is no longer subject to income tax examinations by the U.S. Federal, state, or local tax authorities for years before December 31, 2013.

Note 4 - Concentrations of Cash and Credit Risk

Financial instruments which subject the Foundation to concentrations of credit risk consist primarily of cash and cash equivalents and equity securities.

At times during the years ended December 31, 2016 and 2015, the Foundation's cash balances may have exceeded the federally insured limit of \$250,000.

First Nonprofit Foundation

Notes to Financial Statements

December 31, 2016 and 2015

Note 5 - Fair Value of Financial Instruments

The fair value hierarchy prioritizes the inputs to valuation methods 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 as follows:

- Level 1: Unadjusted quoted prices in active markets that are accessible at the measurement date for identical assets or liabilities.
- Level 2: Quoted prices in markets that are not active, or inputs that are observable either directly or indirectly, for substantially the full term of the asset or liability.
- Level 3: Prices or valuation techniques that require inputs that are both significant to the fair value measurement and unobservable (i.e., supported with little or no market activity).

An asset's or liability's level within the fair value hierarchy is based on the lowest level of 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.

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

Cash and cash equivalents - The carrying amounts approximate fair value because of the short-term nature of these investments.

Equity securities and mutual funds - Fair value of equity securities and mutual funds was based on quoted market prices for the identical security.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Foundation 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.

First Nonprofit Foundation

Notes to Financial Statements

December 31, 2016 and 2015

Note 5 - Fair Value of Financial Instruments (continued)

For assets measured at fair value on a recurring basis, the fair value measurements by level within the fair value hierarchy consist of the following as of December 31:

	2016			
	Total	Level 1	Level 2	Level 3
Cash and Cash Equivalents	\$ 834,598	\$ 834,598	\$ -	\$ -
Equity Securities				
Basic materials	1,454,144	1,454,144	-	-
Healthcare	976,977	976,977	-	-
Services	709,125	709,125	-	-
Technology	672,988	672,988	-	-
Financial	410,854	410,854	-	-
Utilities	397,550	397,550	-	-
Industrial goods	226,098	226,098	-	-
Mutual Funds				
Convertible	244,228	244,228	-	-
	<u>\$ 5,926,562</u>	<u>\$ 5,926,562</u>	<u>\$ -</u>	<u>\$ -</u>
2015				
Cash and Cash Equivalents	\$ 15,152	\$ 15,152	\$ -	\$ -
Equity Securities				
Basic materials	1,341,597	1,341,597	-	-
Healthcare	1,504,716	1,504,716	-	-
Services	1,011,305	1,011,305	-	-
Technology	1,097,477	1,097,477	-	-
Financial	372,408	372,408	-	-
Utilities	195,075	195,075	-	-
Industrial goods	221,165	221,165	-	-
Mutual Funds				
Convertible	930,736	930,736	-	-
Exchange traded	161,150	161,150	-	-
	<u>\$ 6,850,781</u>	<u>\$ 6,850,781</u>	<u>\$ -</u>	<u>\$ -</u>

First Nonprofit Foundation

Notes to Financial Statements

December 31, 2016 and 2015

Note 5 - Fair Value of Financial Instruments (continued)

Changes in Fair Value Levels

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

We evaluated the significance of transfers between levels based upon the nature of the financial instruments and size of the transfer relative to total assets. For the years ended December 31, 2016 and 2015, there were no transfers in or out of Level 3.

Note 6 - Investments

Investments consist of the following as of December 31:

	2016		2015	
	Cost	Fair Value	Cost	Fair Value
Cash and Cash Equivalents	<u>\$ 834,598</u>	<u>\$ 834,598</u>	<u>\$ 15,152</u>	<u>\$ 15,152</u>
Equity Securities				
Basic materials	1,516,421	1,454,144	1,671,295	1,341,597
Healthcare	603,711	976,977	1,008,862	1,504,716
Services	563,317	709,125	822,259	1,011,305
Technology	574,152	672,988	917,876	1,097,477
Financial	299,122	410,854	301,756	372,408
Utilities	401,766	397,550	200,534	195,075
Industrial goods	203,354	226,098	201,711	221,165
	<u>4,161,843</u>	<u>4,847,736</u>	<u>5,124,293</u>	<u>5,743,743</u>
Mutual Funds				
Convertible	242,076	244,228	1,006,241	930,736
Exchange traded	-	-	187,587	161,150
	<u>242,076</u>	<u>244,228</u>	<u>1,193,828</u>	<u>1,091,886</u>
	<u>\$ 5,238,517</u>	<u>\$ 5,926,562</u>	<u>\$ 6,333,273</u>	<u>\$ 6,850,781</u>

First Nonprofit Foundation

Notes to Financial Statements

December 31, 2016 and 2015

Note 6 - Investments (continued)

Investment revenue and investment fees consist of the following for the years ended December 31:

	<u>2016</u>	<u>2015</u>
Investment Revenue		
Interest and dividends	\$ 172,471	\$ 193,333
Net realized and unrealized gains (losses) on investments	<u>136,569</u>	<u>(684,521)</u>
	<u>\$ 309,040</u>	<u>\$ (491,188)</u>
Investment Fees	<u>\$ 12,259</u>	<u>\$ 15,172</u>

Investments held as of December 31, 2016 and 2015 are comprised of investments in various debt and equity securities. The Foundation has recorded unrealized holding losses on eight and sixteen of these securities as of December 31, 2016 and 2015, respectively. The following tables show the investments' gross unrealized losses and fair value, aggregated by investment category and length of time that the individual investments have been in a continuous unrealized loss position as of December 31:

	<u>2016</u>					
	<u>Less than 12 Months</u>		<u>12 Months or More</u>		<u>Total</u>	
	<u>Market Value</u>	<u>Unrealized Loss</u>	<u>Market Value</u>	<u>Unrealized Loss</u>	<u>Market Value</u>	<u>Unrealized Loss</u>
Equity securities	<u>\$ 400,227</u>	<u>\$ (6,126)</u>	<u>\$ 1,296,845</u>	<u>\$ (257,399)</u>	<u>\$ 1,697,072</u>	<u>\$ (263,525)</u>
	<u>2015</u>					
Equity securities	\$ 2,269,484	\$ (354,219)	\$ 403,898	\$ (159,438)	\$ 2,673,382	\$ (513,657)
Mutual funds	<u>1,193,828</u>	<u>(101,942)</u>	<u>-</u>	<u>-</u>	<u>1,193,828</u>	<u>(101,942)</u>
	<u>\$ 3,463,312</u>	<u>\$ (456,161)</u>	<u>\$ 403,898</u>	<u>\$ (159,438)</u>	<u>\$ 3,867,210</u>	<u>\$ (615,599)</u>

First Nonprofit Foundation

Schedule of Expenses

	Years Ended December 31,	
	2016	2015
Grants	\$ 821,732	\$ 1,312,700
Salaries	205,118	206,724
Professional fees	77,576	77,037
Payroll taxes and benefits	29,636	31,234
Travel	14,744	15,170
Advertising	12,320	4,030
Investment fees	12,259	15,172
Technology	11,781	10,857
Meetings	10,321	9,031
Dues and subscriptions	7,285	7,392
Insurance	6,622	4,038
Contract labor	5,740	5,345
Other contributions	1,000	1,015
Supplies	885	935
Postage	595	825
Excise tax expense	224	5,898
Licenses and fees	144	105
Publications	118	-
Rent	-	3,869
Telephone	-	100
	<u>\$ 1,218,100</u>	<u>\$ 1,711,477</u>