

First Nonprofit Foundation
Financial Statements and
Supplementary Information
December 31, 2017 and 2016



First Nonprofit Foundation

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December 31, 2017 and 2016

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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, 2017 and 2016, 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, 2017 and 2016, 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 20, 2018
York, Pennsylvania

First Nonprofit Foundation

Statement of Financial Position

	December 31,	
	2017	2016
Assets		
Current Assets		
Cash and cash equivalents	\$ 96,828	\$ 71,525
Accounts receivable	25,000	-
Prepaid expenses	-	536
Total Current Assets	121,828	72,061
Investments	5,229,603	5,926,562
Total Assets	\$ 5,351,431	\$ 5,998,623
Liabilities and Unrestricted Net Assets		
Current Liabilities		
Accounts payable	\$ 24,407	\$ 17,658
Accrued payroll and payroll taxes	7,787	7,787
Grant payable	50,000	-
Total Liabilities	82,194	25,445
Unrestricted Net Assets	5,269,237	5,973,178
Total Liabilities and Unrestricted Net Assets	\$ 5,351,431	\$ 5,998,623

First Nonprofit Foundation

Statement of Activities

	Years Ended December 31,	
	2017	2016
Support, Revenue, and Gains		
Investment revenue		
Net realized and unrealized gains on investments	\$ 402,636	\$ 136,569
Interest and dividends	136,887	172,471
Total Investment Revenue	539,523	309,040
Contribution revenue	401,839	1,623
Other revenue		
Interest income	386	341
Total Support, Revenue, and Gains	941,748	311,004
Expenses		
Grants for education and other charitable purposes	1,250,042	821,732
Expenses for safekeeping of securities, collection of revenue, and other administrative costs	392,189	396,144
Excise tax expense	3,458	224
Total Expenses	1,645,689	1,218,100
Changes in Unrestricted Net Assets	\$ (703,941)	\$ (907,096)

First Nonprofit Foundation

Statement of Changes in Unrestricted Net Assets

	Years Ended December 31,	
	2017	2016
	<u> </u>	<u> </u>
Unrestricted Net Assets at Beginning of Year	\$ 5,973,178	\$ 6,880,274
Changes in unrestricted net assets	<u>(703,941)</u>	<u>(907,096)</u>
Unrestricted Net Assets at End of Year	<u>\$ 5,269,237</u>	<u>\$ 5,973,178</u>

First Nonprofit Foundation

Statement of Cash Flows

	Years Ended December 31,	
	2017	2016
Cash Flows from Operating Activities		
Changes in unrestricted net assets	\$ (703,941)	\$ (907,096)
Adjustments to reconcile changes in unrestricted net assets to net cash used in operating activities		
Net realized and unrealized gains on investments	(402,636)	(136,569)
(Increase) decrease in assets		
Prepaid expenses	536	13,099
Accounts receivable	(25,000)	-
Increase (decrease) in liabilities		
Accounts payable	6,749	4,733
Accrued payroll and payroll taxes	-	779
Grant payable	50,000	-
Net Cash Used in Operating Activities	(1,074,292)	(1,025,054)
Cash Flows from Investing Activities		
Purchase of investments	(125,405)	(160,212)
Proceeds from sale of investments	1,225,000	1,221,000
Net Cash Provided by Investing Activities	1,099,595	1,060,788
Net Increase in Cash and Cash Equivalents	25,303	35,734
Cash and Cash Equivalents at Beginning of Year	71,525	35,791
Cash and Cash Equivalents at End of Year	\$ 96,828	\$ 71,525
Supplementary Cash Flows Information		
Excise taxes paid	\$ -	\$ 224

First Nonprofit Foundation

Notes to Financial Statements

December 31, 2017 and 2016

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's 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.

Accounts Receivable

Accounts receivable are stated at outstanding balances. The Foundation considers accounts receivable to be fully collectible. If collection becomes doubtful, an allowance for doubtful accounts will be established or the accounts will be charged to income when that determination is made by management. Unpaid balances remaining after the stated payment terms are considered past due. Recoveries of previously charged off accounts are recorded when received.

First Nonprofit Foundation

Notes to Financial Statements

December 31, 2017 and 2016

Note 2 - Summary of Significant Accounting Policies (continued)

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.

Grant Payable

Grant payable is recognized when the grant is approved by the Foundation and is stated at the outstanding balance.

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 \$-0- and \$12,320 for the years ended December 31, 2017 and 2016, respectively.

First Nonprofit Foundation

Notes to Financial Statements

December 31, 2017 and 2016

Note 2 - Summary of Significant Accounting Policies (continued)

Recent Accounting Pronouncement

In August 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 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.

Subsequent Events

The Foundation has evaluated subsequent events through March 20, 2018, which is the date the financial statements were available to be issued. No material events subsequent to December 31, 2017 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, 2014.

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, 2017 and 2016, the Foundation's cash balances may have exceeded the federally insured limit of \$250,000.

First Nonprofit Foundation

Notes to Financial Statements

December 31, 2017 and 2016

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, 2017 and 2016

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, 2017 and 2016, there were no transfers in or out of Level 3.

Note 6 - Investments

Investments consist of the following as of December 31:

	2017		2016	
	Cost	Fair Value	Cost	Fair Value
Cash and Cash Equivalents	<u>\$ 48,634</u>	<u>\$ 48,634</u>	<u>\$ 834,598</u>	<u>\$ 834,598</u>
Equity Securities				
Basic materials	1,742,553	1,413,446	1,516,421	1,454,144
Services	547,621	997,646	563,317	709,125
Technology	578,568	696,971	574,152	672,988
Healthcare	377,834	687,087	603,711	976,977
Utilities	401,766	507,216	401,766	397,550
Financial	100,017	259,668	299,122	410,854
Industrial goods	142,050	87,250	203,354	226,098
	<u>3,890,409</u>	<u>4,649,284</u>	<u>4,161,843</u>	<u>4,847,736</u>
Mutual Funds				
Convertible	242,076	270,710	242,076	244,228
Healthcare	200,981	260,975	-	-
	<u>443,057</u>	<u>531,685</u>	<u>242,076</u>	<u>244,228</u>
	<u>\$ 4,382,100</u>	<u>\$ 5,229,603</u>	<u>\$ 5,238,517</u>	<u>\$ 5,926,562</u>

First Nonprofit Foundation

Notes to Financial Statements

December 31, 2017 and 2016

Note 6 - Investments (continued)

Investment fees amounted to \$11,482 and \$12,259 for the years ended December 31, 2017 and 2016, respectively.

Investments held as of December 31, 2017 and 2016 are comprised of investments in various debt and equity securities. The Foundation has recorded unrealized holding losses on eight of these securities as of December 31, 2017 and 2016. 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:

	2017					
	Less than 12 Months		12 Months or More		Total	
	Market Value	Unrealized Loss	Market Value	Unrealized Loss	Market Value	Unrealized Loss
Equity securities	<u>\$ 541,037</u>	<u>\$ (213,727)</u>	<u>\$ 689,202</u>	<u>\$ (176,707)</u>	<u>\$ 1,230,239</u>	<u>\$ (390,434)</u>
	2016					
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>

Note 7 - Grant Payable

As of December 31, 2017, the Foundation has an outstanding authorized but unpaid grant commitment, which is classified on the statement of financial position as grant payable. The due date of grant payable, assuming no change in current terms, consists of \$50,000 for the year ending December 31, 2018.

Note 8 - Related Parties

Several of the Foundation's directors are employed by an organization that provided significant contributions to the Foundation. For the year ended December 31, 2017, contributions from this organization amounted to \$300,000. No contributions were received from this organization during the year ended December 31, 2016.

First Nonprofit Foundation

Schedule of Expenses

	Years Ended December 31,	
	2017	2016
Grants	\$ 1,250,042	\$ 821,732
Salaries	206,882	205,118
Professional fees	70,226	77,576
Payroll taxes and benefits	32,630	29,636
Travel	25,034	14,744
Technology	15,418	11,781
Investment fees	11,482	12,259
Dues and subscriptions	8,287	7,285
Meetings	7,410	10,321
Contract labor	6,025	5,740
Insurance	5,452	6,622
Excise tax expense	3,458	224
Other contributions	1,605	1,000
Publications	898	118
Supplies	406	885
Postage	250	595
Licenses and fees	184	144
Advertising	-	12,320
	<u>\$ 1,645,689</u>	<u>\$ 1,218,100</u>