

First Nonprofit Foundation
Financial Statements
December 31, 2019 and 2018



First Nonprofit Foundation

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December 31, 2019 and 2018

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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, 2019 and 2018, and the related statements of activities, changes in net assets, functional expenses - by natural classification, 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 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 First Nonprofit Foundation as of December 31, 2019 and 2018, 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.

RKL LLP

April 1, 2020
York, Pennsylvania

First Nonprofit Foundation

Statement of Financial Position

	December 31,	
	2019	2018
Assets		
Current Assets		
Cash and cash equivalents	\$ 160,746	\$ 155,408
Investments	<u>3,572,412</u>	<u>4,031,628</u>
Total Assets	<u>\$ 3,733,158</u>	<u>\$ 4,187,036</u>
Liabilities and Net Assets		
Current Liabilities		
Accounts payable	\$ 34,601	\$ 16,732
Accrued payroll and payroll taxes	18,786	8,669
Grants payable	<u>333,333</u>	<u>-</u>
Total Liabilities	386,720	25,401
Net Assets		
Without donor restrictions	<u>3,346,438</u>	<u>4,161,635</u>
Total Liabilities and Net Assets	<u>\$ 3,733,158</u>	<u>\$ 4,187,036</u>

First Nonprofit Foundation

Statement of Activities

	Years Ended December 31,	
	2019	2018
Support, Revenue, and Gains		
Contributions	<u>\$ 1,000,000</u>	<u>\$ 1,100,000</u>
Investment revenue		
Net realized and unrealized gains on investments	909,480	40,117
Interest and dividends, net of fees	<u>91,305</u>	<u>108,908</u>
Total Investment Revenue	<u>1,000,785</u>	<u>149,025</u>
Other revenue		
Interest income	<u>1,100</u>	<u>628</u>
Total Support, Revenue, and Gains	<u>2,001,885</u>	<u>1,249,653</u>
Expenses		
Program services	2,666,939	2,232,122
Supporting services		
Management and general	<u>150,143</u>	<u>125,133</u>
Total Expenses	<u>2,817,082</u>	<u>2,357,255</u>
Changes in Net Assets	<u>\$ (815,197)</u>	<u>\$ (1,107,602)</u>

First Nonprofit Foundation

Statement of Changes in Net Assets

	Years Ended December 31,	
	<u>2019</u>	<u>2018</u>
Net Assets Without Donor Restrictions at Beginning of Year	\$ 4,161,635	\$ 5,269,237
Changes in net assets	<u>(815,197)</u>	<u>(1,107,602)</u>
Net Assets Without Donor Restrictions at End of Year	<u>\$ 3,346,438</u>	<u>\$ 4,161,635</u>

First Nonprofit Foundation

Statement of Functional Expenses - by Natural Classification

	Year Ended December 31, 2019		
		Support Services	
	Program Services	Management and General	Total
Grants	\$ 2,359,646	\$ -	\$ 2,359,646
Salaries	216,642	38,231	254,873
Professional fees	26,400	53,500	79,900
Payroll taxes and benefits	30,076	5,307	35,383
Contract labor	-	17,140	17,140
Excise tax expense	-	16,775	16,775
Travel	13,470	2,377	15,847
Technology	11,392	2,010	13,402
Dues and subscriptions	-	8,074	8,074
Meetings	5,086	897	5,983
Insurance	4,227	746	4,973
Other contributions	-	2,576	2,576
Supplies	-	1,216	1,216
Postage	-	1,137	1,137
Licenses and fees	-	157	157
Publications	-	-	-
	<u>\$ 2,666,939</u>	<u>\$ 150,143</u>	<u>\$ 2,817,082</u>

First Nonprofit Foundation

Statement of Functional Expenses - by Natural Classification (continued)

	Year Ended December 31, 2018		
		Support Services	
	Program Services	Management and General	Total
Grants	\$ 1,951,972	\$ -	\$ 1,951,972
Salaries	184,162	32,499	216,661
Professional fees	26,400	53,875	80,275
Payroll taxes and benefits	27,805	4,907	32,712
Contract labor	-	10,920	10,920
Excise tax expense	-	2,204	2,204
Travel	17,800	3,141	20,941
Technology	14,158	2,499	16,657
Dues and subscriptions	-	10,124	10,124
Meetings	5,524	975	6,499
Insurance	4,301	759	5,060
Other contributions	-	2,211	2,211
Supplies	-	412	412
Postage	-	275	275
Licenses and fees	-	141	141
Publications	-	191	191
	<u>\$ 2,232,122</u>	<u>\$ 125,133</u>	<u>\$ 2,357,255</u>

First Nonprofit Foundation

Statement of Cash Flows

	Years Ended December 31,	
	2019	2018
Cash Flows from Operating Activities		
Changes in net assets	\$ (815,197)	\$ (1,107,602)
Adjustments to reconcile changes in net assets to net cash used in operating activities		
Net realized and unrealized gains on investments	(909,480)	(40,117)
(Increase) decrease in assets		
Accounts receivable	-	25,000
Increase (decrease) in liabilities		
Accounts payable	17,869	(7,675)
Accrued payroll and payroll taxes	10,117	882
Grants payable	333,333	(50,000)
Net Cash Used in Operating Activities	(1,363,358)	(1,179,512)
Cash Flows from Investing Activities		
Purchase of investments	(91,304)	(108,908)
Proceeds from sale of investments	1,460,000	1,347,000
Net Cash Provided by Investing Activities	1,368,696	1,238,092
Net Increase in Cash and Cash Equivalents	5,338	58,580
Cash and Cash Equivalents at Beginning of Year	155,408	96,828
Cash and Cash Equivalents at End of Year	\$ 160,746	\$ 155,408
Supplementary Cash Flows Information		
Excise taxes paid	\$ 2,306	\$ 3,458

First Nonprofit Foundation

Notes to Financial Statements

December 31, 2019 and 2018

Note 1 - Nature of Operations

First Nonprofit Foundation (the 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 statements 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 net assets without donor restrictions unless their use is restricted by explicit donor stipulation. 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 net assets without donor restrictions unless their use is restricted by explicit donor stipulation.

First Nonprofit Foundation

Notes to Financial Statements

December 31, 2019 and 2018

Note 2 - Summary of Significant Accounting Policies (continued)

Net Assets

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

Net assets without donor restrictions - Net assets that are not subject to donor-imposed stipulations.

Net assets with donor restrictions - Net assets subject to donor-imposed stipulations that are restricted for a specified purpose or passage of time or are restricted in perpetuity. The Foundation currently has no net assets with donor restrictions.

Contributions

The Foundation recognizes contributions when cash, securities or other assets, an unconditional promise to give, or notification of a beneficial interest is received. Conditional promises to give, that is, those with a measurable performance or other barrier, and a right of return, are not recognized until the conditions on which they depend have been substantially met.

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 increases in net assets with donor restrictions. However, if a restriction is fulfilled in the same time period in which the contribution is received, the Foundation reports the support as support without donor restrictions.

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.

Grants

The Foundation recognizes grants expense when an unconditional promise to give is made. Conditional promises to give, that is, those with a measurable performance or other barrier, and a right of return, are not recognized until the conditions on which they depend have been substantially met. All grants payable are due within one year of the date of the statement of financial position.

Advertising Expense

Advertising costs are expensed as incurred.

First Nonprofit Foundation

Notes to Financial Statements

December 31, 2019 and 2018

Note 2 - Summary of Significant Accounting Policies (continued)

Functional Expenses

The costs of providing the Foundation's programs and supporting services have been summarized on a functional basis in the statement of activities and statement of functional expenses - by natural classification. Accordingly, certain costs have been allocated among the program and supporting services benefited. Supporting services include management and general and fundraising expenses. The Foundation's management estimates fundraising expenses to be insignificant, and are therefore, not segregated from management and general expenses. Expenses require allocation on a reasonable basis that is consistently applied. Expenses are generally allocated on the basis of estimates of time and effort.

Change in Accounting Principle

In June 2018, the Financial Accounting Standards Board issued Accounting Standards Update (ASU) 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*, which clarifies and improves the scope and the accounting guidance for contributions. The update provides a more robust framework to determine when a transaction should be accounted for as a contribution under Subtopic 958-605 or as an exchange transaction accounted for under other guidance. For contributions received, this guidance is effective for annual periods beginning after December 15, 2018, or annual periods beginning after June 15, 2018 for public business entities. For contributions made, this guidance is effective for the annual period beginning after December 15, 2019, or annual periods beginning after December 15, 2018 for public business entities. During the year ended December 31, 2019, the Foundation implemented the provisions of ASU 2018-08 applicable to both contributions received and to contributions made under a modified perspective basis. Accordingly, there is no effect on net assets in connection with the Foundation's implementation of ASU 2018-08.

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 (the 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, 2016.

First Nonprofit Foundation

Notes to Financial Statements

December 31, 2019 and 2018

Note 4 - Liquidity and Availability

Financial assets available for grants and other expenditures, that is, without donor restrictions or other designations limiting their use, within one year of the statement of financial position, comprise the following as of December 31:

	<u>2019</u>	<u>2018</u>
Financial Assets		
Cash and cash equivalents	\$ 160,746	\$ 155,408
Investments	<u>3,572,412</u>	<u>4,031,628</u>
Total Financial Assets Available to be Used Within One Year	<u>3,733,158</u>	<u>4,187,036</u>
Less Amounts Not Available to be Used for General Expenditures		
Net assets with donor restriction	-	-
Board designated net assets	<u>-</u>	<u>-</u>
	<u>-</u>	<u>-</u>
Financial Assets Available for General Expenditures	<u>\$ 3,733,158</u>	<u>\$ 4,187,036</u>

As part of the Foundation's liquidity management, it has a policy to structure its financial assets to be available as its awarded grants, general expenditures, liabilities, and other obligations become due. The Foundation's Board of Directors meets during the year to review and approve grant requests.

Note 5 - 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 investment securities.

At times during the years ended December 31, 2019 and 2018, the Foundation's cash balances may have exceeded the federally insured limit of \$250,000.

First Nonprofit Foundation

Notes to Financial Statements

December 31, 2019 and 2018

Note 6 - 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.

Common stock and mutual funds - Fair value of common stock 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, 2019 and 2018

Note 6 - 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:

	2019			
	Total	Level 1	Level 2	Level 3
Cash and Cash Equivalents	\$ 526,653	\$ 526,653	\$ -	\$ -
Mutual Funds				
Large blend	1,070,026	1,070,026	-	-
Real estate	544,670	544,670	-	-
Foreign large blend	536,331	536,331	-	-
Small blend	533,177	533,177	-	-
Emerging markets	361,555	361,555	-	-
	<u>\$ 3,572,412</u>	<u>\$ 3,572,412</u>	<u>\$ -</u>	<u>\$ -</u>
	2018			
Cash and Cash Equivalents	\$ 43,318	\$ 43,318	\$ -	\$ -
Common Stock				
Basic materials	851,808	851,808	-	-
Services	840,423	840,423	-	-
Technology	708,898	708,898	-	-
Healthcare	550,378	550,378	-	-
Utilities	370,119	370,119	-	-
Financial	267,476	267,476	-	-
Mutual Funds				
Convertible	250,327	250,327	-	-
Healthcare	148,881	148,881	-	-
	<u>\$ 4,031,628</u>	<u>\$ 4,031,628</u>	<u>\$ -</u>	<u>\$ -</u>

First Nonprofit Foundation

Notes to Financial Statements

December 31, 2019 and 2018

Note 6 - 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, 2019 and 2018, there were no transfers in or out of Level 3.

Note 7 - Investments

Investments consist of the following as of December 31:

	2019		2018	
	Cost	Fair Value	Cost	Fair Value
Cash and Cash Equivalents	<u>\$ 526,653</u>	<u>\$ 526,653</u>	<u>\$ 43,318</u>	<u>\$ 43,318</u>
Common Stock				
Basic materials	-	-	1,156,193	851,808
Services	-	-	431,764	840,423
Technology	-	-	578,568	708,898
Healthcare	-	-	261,758	550,378
Utilities	-	-	329,462	370,119
Financial	-	-	100,017	267,476
	<u>-</u>	<u>-</u>	<u>2,857,762</u>	<u>3,589,102</u>
Mutual Funds				
Large blend	1,053,783	1,070,026	-	-
Real estate	529,888	544,670	-	-
Foreign large blend	530,283	536,331	-	-
Small blend	527,191	533,177	-	-
Emerging markets	354,003	361,555	-	-
Convertible	-	-	242,076	250,327
Healthcare	-	-	135,621	148,881
	<u>2,995,148</u>	<u>3,045,759</u>	<u>377,697</u>	<u>399,208</u>
	<u>\$ 3,521,801</u>	<u>\$ 3,572,412</u>	<u>\$ 3,278,777</u>	<u>\$ 4,031,628</u>

First Nonprofit Foundation

Notes to Financial Statements

December 31, 2019 and 2018

Note 7 - Investments (continued)

Investments held as of December 31, 2019 and 2018 are comprised of investments in various debt and equity securities. The Foundation has recorded unrealized holding losses on seven of these securities as of December 31, 2018. No unrealized holding losses were recorded as of December 31, 2019. 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:

	2019					
	Less than 12 Months		12 Months or More		Total	
	Market Value	Unrealized Loss	Market Value	Unrealized Loss	Market Value	Unrealized Loss
Common stock	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
	2018					
Common stock	\$ 241,491	\$ (58,667)	\$ 632,771	\$ (312,318)	\$ 874,262	\$ (370,985)

Note 8 - Related Parties

Several of the Foundation's directors are employed by an organization that provided significant contributions to the Foundation. For the years ended December 31, 2019 and 2018, contributions from this organization amounted to \$1,000,000 and \$1,100,000, respectively.

Note 9 - Subsequent Events

The Foundation has evaluated subsequent events through April 1, 2020. This date is the date the financial statements were available to be issued. The following event was noted subsequent to December 31, 2019:

On January 30, 2020, the World Health Organization declared the coronavirus outbreak a "Public Health Emergency of International Concern" and on March 10, 2020, declared it to be a pandemic. The actions taken to mitigate it have had and are expected to continue to have an adverse impact on the economy, financial markets, and the geographical area in which the Foundation operates. It is unknown how long these conditions will last and what the complete financial effect will be to the Foundation.

Additionally, it is reasonably possible that estimates made in the financial statements have been, or will be, materially and adversely impacted in the near term as a result of these conditions.

No other material events subsequent to December 31, 2019 were noted.