

First Nonprofit Foundation
Financial Statements
December 31, 2018 and 2017



First Nonprofit Foundation

Table of Contents

December 31, 2018 and 2017

	Page
INDEPENDENT AUDITOR'S REPORT	1 and 2
FINANCIAL STATEMENTS	
Statement of Financial Position	3
Statement of Activities	4
Statement of Changes in Net Assets	5
Statement of Functional Expenses	6 and 7
Statement of Cash Flows	8
Notes to Financial Statements	9 to 16



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, 2018 and 2017, and the related statements of activities, changes in net assets, functional expenses, 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, 2018 and 2017, 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

March 22, 2019
York, Pennsylvania

First Nonprofit Foundation

Statement of Financial Position

	December 31,	
	2018	2017
Assets		
Current Assets		
Cash and cash equivalents	\$ 155,408	\$ 96,828
Accounts receivable	-	25,000
Total Current Assets	155,408	121,828
Investments	4,031,628	5,229,603
Total Assets	\$ 4,187,036	\$ 5,351,431
Liabilities and Net Assets		
Current Liabilities		
Accounts payable	\$ 16,732	\$ 24,407
Accrued payroll and payroll taxes	8,669	7,787
Grant payable	-	50,000
Total Liabilities	25,401	82,194
Net Assets		
Without donor restrictions	4,161,635	5,269,237
Total Liabilities and Net Assets	\$ 4,187,036	\$ 5,351,431

First Nonprofit Foundation

Statement of Activities

	Years Ended December 31,	
	2018	2017
Support, Revenue, and Gains		
Contribution revenue	<u>\$ 1,100,000</u>	<u>\$ 401,839</u>
Investment revenue		
Interest and dividends, net of fees	108,908	125,405
Net realized and unrealized gains on investments	<u>40,117</u>	<u>402,636</u>
Total Investment Revenue	<u>149,025</u>	<u>528,041</u>
Other revenue		
Interest income	<u>628</u>	<u>386</u>
Total Support, Revenue, and Gains	<u>1,249,653</u>	<u>930,266</u>
Expenses		
Program services	2,232,122	1,521,258
Supporting services		
Management and general	<u>125,133</u>	<u>112,949</u>
Total Expenses	<u>2,357,255</u>	<u>1,634,207</u>
Changes in Net Assets	<u>\$ (1,107,602)</u>	<u>\$ (703,941)</u>

First Nonprofit Foundation

Statement of Changes in Net Assets

	Years Ended December 31,	
	<u>2018</u>	<u>2017</u>
Net Assets Without Donor Restrictions at Beginning of Year	\$ 5,269,237	\$ 5,973,178
Changes in net assets	<u>(1,107,602)</u>	<u>(703,941)</u>
Net Assets Without Donor Restrictions at End of Year	<u>\$ 4,161,635</u>	<u>\$ 5,269,237</u>

First Nonprofit Foundation

Statement of Functional Expenses

	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
Travel	17,800	3,141	20,941
Technology	14,158	2,499	16,657
Contract labor	-	10,920	10,920
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
Excise tax expense	-	2,204	2,204
Supplies	-	412	412
Postage	-	275	275
Publications	-	191	191
Licenses and fees	-	141	141
	<u>\$ 2,232,122</u>	<u>\$ 125,133</u>	<u>\$ 2,357,255</u>

First Nonprofit Foundation

Statement of Functional Expenses (continued)

	Year Ended December 31, 2017		
	Program Services	Support Services Management and General	Total
Grants	\$ 1,250,042	\$ -	\$ 1,250,042
Salaries	175,850	31,032	206,882
Professional fees	22,315	47,911	70,226
Payroll taxes and benefits	27,735	4,895	32,630
Travel	21,279	3,755	25,034
Technology	13,105	2,313	15,418
Contract labor	-	6,025	6,025
Dues and subscriptions	-	8,287	8,287
Meetings	6,298	1,112	7,410
Insurance	4,634	818	5,452
Other contributions	-	1,605	1,605
Excise tax expense	-	3,458	3,458
Supplies	-	406	406
Postage	-	250	250
Publications	-	898	898
Licenses and fees	-	184	184
	<u>\$ 1,521,258</u>	<u>\$ 112,949</u>	<u>\$ 1,634,207</u>

First Nonprofit Foundation

Statement of Cash Flows

	Years Ended December 31,	
	2018	2017
Cash Flows from Operating Activities		
Changes in net assets	\$ (1,107,602)	\$ (703,941)
Adjustments to reconcile changes in net assets to net cash used in operating activities		
Net realized and unrealized gains on investments	(40,117)	(402,636)
(Increase) decrease in assets		
Prepaid expenses	-	536
Accounts receivable	25,000	(25,000)
Increase (decrease) in liabilities		
Accounts payable	(7,675)	6,749
Accrued payroll and payroll taxes	882	-
Grant payable	(50,000)	50,000
Net Cash Used in Operating Activities	(1,179,512)	(1,074,292)
Cash Flows from Investing Activities		
Purchase of investments	(108,908)	(125,405)
Proceeds from sale of investments	1,347,000	1,225,000
Net Cash Provided by Investing Activities	1,238,092	1,099,595
Net Increase in Cash and Cash Equivalents	58,580	25,303
Cash and Cash Equivalents at Beginning of Year	96,828	71,525
Cash and Cash Equivalents at End of Year	\$ 155,408	\$ 96,828
Supplementary Cash Flows Information		
Excise taxes paid	\$ 3,458	\$ -

First Nonprofit Foundation

Notes to Financial Statements

December 31, 2018 and 2017

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 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.

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, 2018 and 2017

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 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.

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, revenues, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net assets without donor restrictions - net assets available for use in general operations and not subject to donor-imposed restrictions.

Net assets with donor restrictions - net assets subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both. The Foundation currently has no net assets with donor restrictions.

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 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.

First Nonprofit Foundation

Notes to Financial Statements

December 31, 2018 and 2017

Note 2 - Summary of Significant Accounting Policies (continued)

Advertising Expense

Advertising costs are expensed as incurred.

Functional Expenses

The financial statements report certain categories of expenses that are attributable to more than one program or supporting service. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. Supporting services consist of management and general expenses. The Foundation's management estimates fundraising expenses to be insignificant, and are therefore not segregated from management and general expenses. The expenses that are allocated include salaries, professional fees, payroll taxes and benefits, travel, technology, meetings and insurance, which are allocated based on the estimate of time and effort.

Recent Accounting Pronouncements

In August 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*, which simplifies and improves how a not-for-profit organization classifies its net assets, as well as the information it presents in financial statements and notes about liquidity, financial performance, and cash flows. Among other changes, the ASU replaces the three current classes of net assets with two new classes, "net assets with donor restrictions" and "net assets without donor restrictions", and expands disclosures about the nature and amount of any donor restrictions. This guidance is effective for annual periods beginning after December 15, 2017. The Foundation implemented this standard during the year ended December 31, 2018. The ASU has been applied retrospectively to all periods presented, which had no effect on net asset restrictions.

Subsequent Events

The Foundation has evaluated subsequent events through March 22, 2019, which is the date the financial statements were available to be issued. No material events subsequent to December 31, 2018 were noted.

First Nonprofit Foundation

Notes to Financial Statements

December 31, 2018 and 2017

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, 2015.

Note 4 - Liquidity and Availability

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

	<u>2018</u>	<u>2017</u>
Financial Assets		
Cash	\$ 155,408	\$ 96,828
Accounts receivable	-	25,000
Investments	<u>4,031,628</u>	<u>5,229,603</u>
Total Financial Assets Available to be Used Within One Year	4,187,036	5,351,431
Less Amounts Not Available to be Used for General Expenditures		
Net assets with donor restriction	-	-
Board designated net assets	<u>-</u>	<u>-</u>
Financial Assets Available for General Expenditures	<u>\$ 4,187,036</u>	<u>\$ 5,351,431</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.

First Nonprofit Foundation

Notes to Financial Statements

December 31, 2018 and 2017

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 equity securities.

At times during the years ended December 31, 2018 and 2017, the Foundation's cash balances may have exceeded the federally insured limit of \$250,000.

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.

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, 2018 and 2017

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, 2018 and 2017, there were no transfers in or out of Level 3.

Note 7 - Investments

Investments consist of the following as of December 31:

	2018		2017	
	Cost	Fair Value	Cost	Fair Value
Cash and Cash Equivalents	<u>\$ 43,318</u>	<u>\$ 43,318</u>	<u>\$ 48,634</u>	<u>\$ 48,634</u>
Equity Securities				
Basic materials	1,156,193	851,808	1,742,553	1,413,446
Services	431,764	840,423	547,621	997,646
Technology	578,568	708,898	578,568	696,971
Healthcare	261,758	550,378	377,834	687,087
Utilities	329,462	370,119	401,766	507,216
Financial	100,017	267,476	100,017	259,668
Industrial goods	-	-	142,050	87,250
	<u>2,857,762</u>	<u>3,589,102</u>	<u>3,890,409</u>	<u>4,649,284</u>
Mutual Funds				
Convertible	242,076	250,327	242,076	270,710
Healthcare	135,621	148,881	200,981	260,975
	<u>377,697</u>	<u>399,208</u>	<u>443,057</u>	<u>531,685</u>
	<u>\$ 3,278,777</u>	<u>\$ 4,031,628</u>	<u>\$ 4,382,100</u>	<u>\$ 5,229,603</u>

First Nonprofit Foundation

Notes to Financial Statements

December 31, 2018 and 2017

Note 7 - Investments (continued)

Investments held as of December 31, 2018 and 2017 are comprised of investments in various debt and equity securities. The Foundation has recorded unrealized holding losses on seven and eight of these securities as of December 31, 2018 and 2017, 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:

	2018					
	Less than 12 Months		12 Months or More		Total	
	Market Value	Unrealized Loss	Market Value	Unrealized Loss	Market Value	Unrealized Loss
Equity securities	<u>\$ 241,491</u>	<u>\$ (58,667)</u>	<u>\$ 632,771</u>	<u>\$ (312,318)</u>	<u>\$ 874,262</u>	<u>\$ (370,985)</u>
	2017					
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>

Note 8 - 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 grant was paid during the year ended December 31, 2018. There are no grants payable as of December 31, 2018.

Note 9 - 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, 2018 and 2017, contributions from this organization amounted to \$1,100,000 and \$300,000, respectively.

Note 10 - Reclassifications

Certain information in the 2017 financial statements and related footnotes contain reclassifications necessary to make that information comparable to information presented in the 2018 financial statements. There was no change to total changes in net assets or total net assets.