



LEHIGH VALLEY COMMUNITY FOUNDATION, INC.

FINANCIAL STATEMENTS

Years Ended June 30, 2024 and 2023

TABLE OF CONTENTS

	Pages
INDEPENDENT AUDITOR'S REPORT	1 - 2
FINANCIAL STATEMENTS	
Statements of Financial Position	3 - 4
Statements of Activities.....	5 - 6
Statements of Functional Expenses.....	7 - 8
Statements of Cash Flows.....	9
Notes to Financial Statements.....	10 - 26

INDEPENDENT AUDITOR'S REPORT

**To the Board of Governors
Lehigh Valley Community Foundation, Inc.
Allentown, Pennsylvania**

Opinion

We have audited the accompanying financial statements of Lehigh Valley Community Foundation, Inc. (a nonprofit organization), which comprise the statements of financial position as of June 30, 2024 and 2023, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements present fairly, in all material respects, the financial position of Lehigh Valley Community Foundation as of June 30, 2024 and 2023, 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 Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Lehigh Valley Community Foundation and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. 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 Lehigh Valley Community Foundation's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's 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 auditor's 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 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 Lehigh Valley Community Foundation '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 Lehigh Valley Community Foundation '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.

Herbein + Company, Inc.

Reading, Pennsylvania
December 9, 2024

LEHIGH VALLEY COMMUNITY FOUNDATION, INC.

STATEMENT OF FINANCIAL POSITION

June 30, 2024 with Comparative Totals for June 30, 2023

ASSETS	Without Donor Restrictions	With Donor Restrictions	Total June 30	
			2024	2023
CURRENT ASSETS				
Cash and cash equivalents	\$ 4,915,607	\$ 20,513	\$ 4,936,120	\$ 4,110,982
Grants and gifts receivable	3,419	-	3,419	5,151
Prepaid expenses	70,481	-	70,481	51,285
TOTAL CURRENT ASSETS	4,989,507	20,513	5,010,020	4,167,418
NONCURRENT ASSETS				
Investments, at market (Note 2)	74,420,181	4,653,740	79,073,921	72,134,825
Investments - split interest agreements	-	341,734	341,734	340,556
Life insurance policy gift	5,963	-	5,963	315,032
Equipment (net of accumulated depreciation)	8,428	-	8,428	12,318
Right-of-use assets, operating leases	134,104	-	134,104	205,048
TOTAL NONCURRENT ASSETS	74,568,676	4,995,474	79,564,150	73,007,779
TOTAL ASSETS	\$ 79,558,183	\$ 5,015,987	\$ 84,574,170	\$ 77,175,197
LIABILITIES AND NET ASSETS				
CURRENT LIABILITIES				
Accounts payable and accrued expenses	\$ 36,881	\$ -	\$ 36,881	\$ 45,225
Grants committed	193,644	-	193,644	145,415
Operating lease liabilities	67,296	-	67,296	69,778
TOTAL CURRENT LIABILITIES	297,821	-	297,821	260,418
NONCURRENT LIABILITIES				
Funds held for organizations (Note 6)	-	4,674,253	4,674,253	4,330,487
Liabilities under split interest agreements	-	328,567	328,567	328,716
Operating lease liabilities, net	70,750	-	70,750	132,557
TOTAL NONCURRENT LIABILITIES	70,750	5,002,820	5,073,570	4,791,760
TOTAL LIABILITIES	368,571	5,002,820	5,371,391	5,052,178
NET ASSETS				
Without donor restrictions (Notes 7 & 8)	79,189,612	-	79,189,612	72,111,179
With donor restrictions	-	13,167	13,167	11,840
TOTAL NET ASSETS	79,189,612	13,167	79,202,779	72,123,019
TOTAL LIABILITIES AND NET ASSETS	\$ 79,558,183	\$ 5,015,987	\$ 84,574,170	\$ 77,175,197

The accompanying notes are an integral part of the financial statements.

LEHIGH VALLEY COMMUNITY FOUNDATION, INC.

STATEMENT OF FINANCIAL POSITION

June 30, 2023

ASSETS	Without Donor Restrictions	With Donor Restrictions	Total
CURRENT ASSETS			
Cash and cash equivalents	\$ 4,095,579	\$ 15,403	\$ 4,110,982
Grants and gifts receivable	5,151	-	5,151
Prepaid expenses	51,285	-	51,285
TOTAL CURRENT ASSETS	4,152,015	15,403	4,167,418
NONCURRENT ASSETS			
Investments, at market (Note 2)	67,819,741	4,315,084	72,134,825
Investments - split interest agreements	-	340,556	340,556
Life insurance policy gift	315,032	-	315,032
Equipment (net of accumulated depreciation)	12,318	-	12,318
Right-of-use assets, operating leases	205,048	-	205,048
TOTAL NONCURRENT ASSETS	68,352,139	4,655,640	73,007,779
TOTAL ASSETS	<u>\$ 72,504,154</u>	<u>\$ 4,671,043</u>	<u>\$ 77,175,197</u>
LIABILITIES AND NET ASSETS			
CURRENT LIABILITIES			
Accounts payable and accrued expenses	\$ 45,225	\$ -	\$ 45,225
Grants committed	145,415	-	145,415
Operating lease liabilities	69,778	-	69,778
TOTAL CURRENT LIABILITIES	260,418	-	260,418
NONCURRENT LIABILITIES			
Funds held for organizations (Note 6)	-	4,330,487	4,330,487
Liabilities under split interest agreements	-	328,716	328,716
Operating lease liabilities, net	132,557	-	132,557
TOTAL NONCURRENT LIABILITIES	132,557	4,659,203	4,791,760
TOTAL LIABILITIES	392,975	4,659,203	5,052,178
NET ASSETS			
Without donor restrictions (Notes 7 & 8)	72,111,179	-	72,111,179
With donor restrictions	-	11,840	11,840
TOTAL NET ASSETS	72,111,179	11,840	72,123,019
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 72,504,154</u>	<u>\$ 4,671,043</u>	<u>\$ 77,175,197</u>

The accompanying notes are an integral part of the financial statements.

LEHIGH VALLEY COMMUNITY FOUNDATION, INC.

STATEMENT OF ACTIVITIES

Year Ended June 30, 2024 with Comparative Totals for June 30, 2023

	Without Donor Restrictions	With Donor Restrictions	Total Year Ended June 30	
			2024	2023
PUBLIC SUPPORT AND REVENUE				
Contributions of cash and other financial assets	\$ 6,736,643	\$ -	\$ 6,736,643	\$ 8,317,594
Contributions of nonfinancial assets	412,699	-	412,699	222,317
Administrative and community services income	42,107	-	42,107	43,260
Net investment return (Note 2)	8,481,073	-	8,481,073	6,087,653
Net investment return - split interest agreements	-	6,935	6,935	5,965
Change in value of split interest agreements	-	(5,087)	(5,087)	(5,052)
Change in cash surrender value of life insurance policies gifted	12,528	-	12,528	7,943
Net assets released from restrictions	521	(521)	-	-
TOTAL PUBLIC SUPPORT AND REVENUE	15,685,571	1,327	15,686,898	14,679,680
EXPENSES				
Grantmaking and community leadership	7,879,159	-	7,879,159	7,729,182
Asset development and donor services	457,152	-	457,152	452,886
General and administrative	270,827	-	270,827	215,114
TOTAL EXPENSES	8,607,138	-	8,607,138	8,397,182
CHANGES IN NET ASSETS	7,078,433	1,327	7,079,760	6,282,498
NET ASSETS AT BEGINNING OF YEAR	72,111,179	11,840	72,123,019	65,840,521
NET ASSETS AT END OF YEAR	\$ 79,189,612	\$ 13,167	\$ 79,202,779	\$ 72,123,019

LEHIGH VALLEY COMMUNITY FOUNDATION, INC.

STATEMENT OF ACTIVITIES

Year Ended June 30, 2023

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
PUBLIC SUPPORT AND REVENUE			
Contributions of cash and other financial assets	\$ 8,317,594	\$ -	\$ 8,317,594
Contributions of nonfinancial assets	222,317	-	222,317
Administrative and community services income	43,260	-	43,260
Net investment return (Note 2)	6,087,653	-	6,087,653
Net investment return - split interest agreements	-	5,965	5,965
Change in value of split interest agreements	-	(5,052)	(5,052)
Change in cash surrender value of life insurance policies gifted	7,943	-	7,943
Net assets released from restrictions	524	(524)	-
TOTAL PUBLIC SUPPORT AND REVENUE	14,679,291	389	14,679,680
EXPENSES			
Grantmaking and community leadership	7,729,182	-	7,729,182
Asset development and donor services	452,886	-	452,886
General and administrative	215,114	-	215,114
TOTAL EXPENSES	8,397,182	-	8,397,182
CHANGES IN NET ASSETS	6,282,109	389	6,282,498
NET ASSETS AT BEGINNING OF YEAR	65,829,070	11,451	65,840,521
NET ASSETS AT END OF YEAR	\$ 72,111,179	\$ 11,840	\$ 72,123,019

The accompanying notes are an integral part of the financial statements.

LEHIGH VALLEY COMMUNITY FOUNDATION, INC.

STATEMENT OF FUNCTIONAL EXPENSES

Year Ended June 30, 2024

	Program Service		Total Program	General and Administrative	Total
	Grantmaking and Community Leadership	Asset Development and Donor Services			
Grants	\$ 7,206,724	\$ 3,000	\$ 7,209,724	\$ -	\$ 7,209,724
Salaries and related taxes and benefits	437,073	342,089	779,162	170,975	950,137
Professional fees and services	139,761	20,421	160,182	62,339	222,521
Advertising and promotion	-	4,149	4,149	-	4,149
Office expense	1,260	1,645	2,905	1,250	4,155
Information technology	33,135	30,437	63,572	12,070	75,642
Occupancy	33,767	26,428	60,195	13,209	73,404
Professional development	8,046	6,856	14,902	5,481	20,383
Meetings and travel	12,316	16,586	28,902	2,025	30,927
Insurance	1,780	1,393	3,173	696	3,869
Dues and subscriptions	3,509	2,746	6,255	2,082	8,337
Depreciation	1,788	1,402	3,190	700	3,890
	<u>\$ 7,879,159</u>	<u>\$ 457,152</u>	<u>\$ 8,336,311</u>	<u>\$ 270,827</u>	<u>\$ 8,607,138</u>

LEHIGH VALLEY COMMUNITY FOUNDATION, INC.

STATEMENT OF FUNCTIONAL EXPENSES

Year Ended June 30, 2023

	Program Service		Total Program	General and Administrative	Total
	Grantmaking and Community Leadership	Asset Development and Donor Services			
Grants	\$ 7,055,549	\$ -	\$ 7,055,549	\$ -	\$ 7,055,549
Salaries and related taxes and benefits	400,668	307,402	708,070	132,374	840,444
Professional fees and services	185,622	48,190	233,812	46,989	280,801
Advertising and promotion	9,435	16,947	26,382	-	26,382
Office expense	3,310	4,717	8,027	1,335	9,362
Information technology	18,252	18,113	36,365	5,761	42,126
Occupancy	36,722	30,363	67,085	14,637	81,722
Professional development	6,365	8,288	14,653	4,553	19,206
Meetings and travel	4,459	12,659	17,118	6,531	23,649
Insurance	1,790	1,376	3,166	595	3,761
Dues and subscriptions	4,823	3,150	7,973	1,612	9,585
Depreciation	2,187	1,681	3,868	727	4,595
	<u>\$ 7,729,182</u>	<u>\$ 452,886</u>	<u>\$ 8,182,068</u>	<u>\$ 215,114</u>	<u>\$ 8,397,182</u>

The accompanying notes are an integral part of the financial statements.

LEHIGH VALLEY COMMUNITY FOUNDATION, INC.

STATEMENTS OF CASH FLOWS

	Years Ended June 30	
	2024	2023
CASH FLOWS FROM OPERATING ACTIVITIES		
Changes in net assets	\$ 7,079,760	\$ 6,282,498
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Depreciation	3,890	4,595
Change in value split interest agreements	5,087	5,052
Change in cash surrender value	(12,528)	(7,943)
Realized and unrealized (gains) losses	(6,540,004)	(4,476,268)
Restricted net investment return	(6,935)	(5,965)
Contributions of nonfinancial assets	(411,435)	(195,466)
Noncash lease expense	75,361	75,361
Changes in assets and liabilities:		
Grants and gifts receivable	1,732	9,383
Prepaid expenses	(19,196)	(19,901)
Accounts payable and accrued expenses	(8,344)	(911)
Grants committed	48,229	(245,798)
Funds held for organizations	(70,614)	73,274
Operating lease liabilities	(68,706)	(78,074)
	<u>76,297</u>	<u>1,419,837</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	76,297	1,419,837
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of investments	63,941,589	17,527,064
Purchase of investments	(63,925,540)	(20,357,024)
Proceeds from sale of contributions of nonfinancial assets	411,435	195,466
	<u>427,484</u>	<u>(2,634,494)</u>
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	427,484	(2,634,494)
CASH FLOWS FROM FINANCING ACTIVITIES		
Restricted net investment return	6,935	5,965
Proceeds from surrender of life insurance policy	321,597	-
Payments on split interest agreements	(7,175)	(7,175)
	<u>321,357</u>	<u>(1,210)</u>
NET CASH PROVIDED (USED) BY FINANCING ACTIVITIES	321,357	(1,210)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	825,138	(1,215,867)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	4,110,982	5,326,849
CASH AND CASH EQUIVALENTS AT END OF YEAR	\$ 4,936,120	\$ 4,110,982
SUPPLEMENTAL DISCLOSURE OF NONCASH INVESTING AND FINANCING ACTIVITIES:		
Right-of-use assets - operating leases in exchange for operating lease liabilities	\$ -	\$ 273,725

The accompanying notes are an integral part of the financial statements.

LEHIGH VALLEY COMMUNITY FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2024 and 2023

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

The Lehigh Valley Community Foundation (the "Foundation") was originally established in 1967 as the Bethlehem Area Foundation. In 1992, a nonprofit corporation, the Lehigh Valley Community Foundation, Inc., was created and the Bethlehem Area Foundation was renamed to reflect the regionalization of activities.

The Foundation is a publicly supported community foundation and is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. The purpose of the Foundation is to develop, manage, and distribute the philanthropy of a variety of donors in order to improve the quality of life for residents of the Lehigh Valley. The Foundation's major sources of revenue are derived from contributions and investment activities.

Basis of Accounting

The financial statements of the Lehigh Valley Community Foundation, Inc. have been prepared on the accrual basis of accounting, in conformity with accounting principles generally accepted in the United States of America.

Cash and Cash Equivalents

The Foundation maintains its cash and cash equivalents in bank deposit and money market accounts with highly rated financial institutions. The primary component of cash and cash equivalents is funds held in a money market account. For purposes of reporting cash flows, cash and cash equivalents do not include cash and cash equivalents within endowment investment portfolios. At times during the year, balances held in accounts may exceed insured limits; however, the Foundation does not anticipate any losses.

Grants and Gifts Receivable

Grants and gifts receivable are stated at unpaid balances. The Foundation bases its receivable on the subsequent receipt of funds recognized during the reporting period. Therefore, grants and gifts receivable are recorded at their net realizable value and no allowance account is necessary.

Investments/Financial Instruments

The charitable funds of the Foundation are managed by diverse financial managers in accordance with the Foundation's Investment Policy and under the oversight of its finance committee and investment consultant. The Foundation's Investment Policy provides for strategic asset allocation based on a long-term perspective. The objectives of the Foundation's Investment Policy include maintaining the purchasing power of assets and maximizing long-term return within reasonable and prudent levels of risk.

Investments are reported at fair value in the statements of financial position. Investment return, including gains and losses of investments, interest and dividends, and investment fees are included in the statements of activities as increases or decreases in net assets without donor restrictions unless the income or loss is restricted by donor or law. The amounts the Foundation will ultimately realize could differ materially from the reported amounts, and significant fluctuations in fair values could occur from year to year.

LEHIGH VALLEY COMMUNITY FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2024 and 2023

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Investments/Financial Instruments - continued

Investments are exposed to various risks such as interest rate, credit, and overall market volatility. Due to the level of risk associated with certain investment securities, it is reasonably possible that changes in the fair value of investments will occur in the near-term and that such changes could materially affect the amounts reported in the statements of financial position.

Equipment

Purchased equipment is capitalized at cost. Donations of equipment are recorded as contributions at their fair market value. The Foundation's policy is to capitalize any assets in excess of \$2,500 with an estimated useful life of more than one year. Depreciation is computed using the straight-line method over the estimated useful lives of the related assets as follows:

Equipment	5 years
-----------	---------

Maintenance and repairs of equipment are charged to operations and improvements are capitalized. Upon retirement, sale, or other disposition of equipment, the cost and accumulated depreciation are eliminated from the accounts and gain or loss is included in operations.

Leases

The Foundation leases office space and computer equipment. The Foundation determines if an arrangement is a lease at inception. In evaluating contracts to determine if they qualify as a lease, the Foundation considers factors such as if they have obtained substantially all of the rights to the underlying asset through exclusivity, if they can direct the use of the asset by making decisions about how and for what purpose the asset will be used, and if the lessor has substantive substitution rights. This evaluation may require significant judgment. The office space and computer equipment are included in operating lease right-of-use (ROU) assets and operating lease liabilities on the statements of financial position.

The Foundation elected the practical expedient to not recognize ROU assets and liabilities for operating leases with shorter than 12-month terms. These leases will be expensed on a straight-line basis, and no operating lease liability will be recorded.

The Foundation elected the practical expedient to use the risk-free rate as the discount rate for all leases based on the information available at commencement date in determining the present value of lease payments.

ROU assets represent the Foundation's right to use an underlying asset for the lease term and lease liabilities represent their obligation to make lease payments arising from the lease. Operating lease ROU assets and liabilities are recognized at commencement date based on the present value of lease payments over the lease term. The Foundation uses a risk-free rate based on the information available at the commencement date in determining the present value of lease payments. The operating lease ROU assets also include any lease payments made and excludes lease incentives. The Foundation's lease terms may include options to extend or terminate the lease when it is reasonably certain that they will exercise that option. Lease expense for lease payments is recognized on a straight-line basis over the lease term.

LEHIGH VALLEY COMMUNITY FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2024 and 2023

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Leases - continued

Variable lease costs are not included within the measurement of the lease liability as they are entirely variable and the difference between the portion captured within the lease liability and the actual cost will be expensed as incurred.

The Foundation's lease agreements do not contain any material residual value guarantees or material restrictive covenants.

Net Asset Classification

Substantially all contributions, including those with donor-imposed restrictions, are subject to the unilateral variance power in accordance with the Foundation's governing documents and United States Treasury regulations. The variance power gives the Foundation the right to modify any restriction or condition on the distribution of funds for any specified charitable purpose or to specific organizations under certain circumstances. While the Foundation retains variance power, it is Foundation policy that the donors' intention will be honored unless a restriction or condition becomes, in effect, unnecessary, incapable of fulfillment, or inconsistent with the charitable needs of the community served in the sole judgement of the Foundation's Board of Governors. As a result of the variance power, the majority of contributions are classified as net assets without donor restrictions for financial statement purposes.

The Foundation reports net assets of the Foundation and changes therein according to two classes of net assets:

Net Assets Without Donor Restrictions - Net assets not subject to donor-imposed stipulations.

Net Assets With Donor Restrictions - Net assets subject to donor-imposed stipulations that limit use to specified purposes or to later periods of time or after specified dates.

The Foundation reports gifts of cash and other assets as revenue with donor restrictions if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, the net assets are reclassified as net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions.

LEHIGH VALLEY COMMUNITY FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2024 and 2023

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Contribution Revenue

The Foundation recognizes revenue from contributions in accordance with 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*. In accordance with ASU 2018-08, the Foundation evaluates whether a transfer of assets is (1) an exchange transaction in which a resource provider is receiving commensurate value in return for the resources transferred or (2) a contribution. If the transfer of assets is determined to be an exchange transaction, the Foundation applies guidance under ASC-606. If the transfer of assets is determined to be a contribution, the Foundation evaluates whether the contribution is conditional based upon whether the agreement includes both (1) one or more barriers that must be overcome before the Foundation is entitled to the assets transferred and promised, and (2) a right of return of assets transferred or a right or release of a promisor's obligation to transfer assets.

The Foundation recognizes unconditional contributions and conditional contributions in which the conditions have been met or waived by the donor as support with or without donor restrictions, depending on the existence or nature of any donor restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions. Contributions with donor restrictions that are used for the purpose specified by the donor in the same year as the contribution is recognized as revenues without donor restrictions.

Donated securities are recorded at fair market value as of the date of donation and converted to assets, in accordance with the Foundation's Investment Policy.

Contributed Nonfinancial Assets

Contributed nonfinancial assets are presented as support without donor restrictions unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as support with donor restrictions. Absent explicit donor stipulations about how long these long-lived assets must be maintained, the Foundation reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service (as the assets are used in the Foundation's activities).

Contributed nonfinancial assets are reflected as contributions in the accompanying financial statements at their estimated fair value at the date of receipt. Donated cryptocurrency and services totaled \$412,699 and \$222,317 at June 30, 2024 and 2023, respectively. The amount of such donated materials, cryptocurrency, and certain services, excluding advertising, was \$412,699 and \$198,730 for the years ended June 30, 2024 and 2023, respectively.

The Foundation's Board of Governors and volunteers donate significant amounts of time to its various operations; however, these donated services are not reflected in the financial statements since they do not meet the criteria for recognition.

LEHIGH VALLEY COMMUNITY FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2024 and 2023

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Advertising Costs

The Foundation expenses advertising costs when incurred. Advertising expense for the years ended June 30, 2024 and 2023, totaled \$4,149, and \$26,382, respectively. Advertising expense includes in-kind advertising totaling \$0 and \$23,587 at June 30, 2024 and 2023, respectively.

Functional Expense Allocations

Expenses that can be identified with specific programs and support services are allocated directly to their natural expenditure classification. Expenses relating to more than one function are allocated to program and supporting services based on the Foundation's estimate of time spent by key personnel between functions and related expenses incurred for the programs and supporting services benefited.

Reclassification

Certain amounts in the prior year financial statements have been reclassified for comparative purposes to conform to the presentation of current year financial statements.

Tax Exempt Status

The Foundation is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. The Foundation annually files federal and state information returns as required. There is no current year provision for federal or state income taxes.

In accordance with generally accepted accounting principles, the Foundation accounts for uncertain tax positions relative to unrelated business income, if any, as required.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles 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 date of the financial statements, and the reported amounts of revenues and expenses, including functional allocations, during the reporting period. Actual results could differ from those estimates.

Subsequent Events

In preparing these financial statements, the Foundation has evaluated events and transactions for potential recognition or disclosure through December 9, 2024, the date the financial statements were available to be issued.

LEHIGH VALLEY COMMUNITY FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2024 and 2023

NOTE 2 - INVESTMENTS AND FAIR VALUE MEASUREMENTS

Investments as of June 30 consist of the following:

	2024	2023
Cash	\$ 2,338,182	\$ 1,474,491
Equity securities and funds	54,433,623	52,677,121
Bonds and fixed income funds	22,302,116	17,983,213
	\$ 79,073,921	\$ 72,134,825

The market value of bonds by contracted maturity dates at June 30 is shown below. Expected maturities will differ from contracted maturities because borrowers have the right to call on the prepay obligations with or without call or prepayment penalties.

	2024	2023
Due in less than 1 year	\$ 198,702	\$ 140,516
Due after 1 through 5 years	2,011,506	1,281,906
Due after 5 through 10 years	758,257	968,455
Due after 10 through 20 years	92,664	125,791
Due after 20 years	886,800	776,943
	\$ 3,947,929	\$ 3,293,611

Net investment activity is as follows at June 30:

	2024	2023
Investment income	\$ 2,282,112	\$ 1,942,038
Realized and unrealized gain on investments	6,540,004	4,476,268
Custodial and investment management fees	(341,043)	(330,653)
	\$ 8,481,073	\$ 6,087,653

LEHIGH VALLEY COMMUNITY FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2024 and 2023

NOTE 2 - INVESTMENTS AND FAIR VALUE MEASUREMENTS - CONTINUED

Financial accounting standards require the use of fair value measurement. The Foundation, in accordance with generally accepted accounting principles, has applied fair value measurement and disclosure in these financial statements as follows:

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: Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Foundation has the ability to access.

Level 2: Inputs to the valuation methodology include:

- Quoted prices for similar assets and liabilities in active markets;
- Quoted prices for identical or similar assets and liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

Level 3: Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

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

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at June 30, 2024 and 2023.

Long-Term Investments

Custodians hold the investments of the Foundation in accordance with the Investment Policy of the Foundation. Investments are comprised of cash and cash equivalents, fixed income, and equities for which fair value is based on quoted market prices in an active market. If a quoted market price is not available, fair value is estimated using quoted market prices for similar securities.

Equity Securities and Funds:

The custodians of the investments use quoted prices in active markets for identical assets to determine the fair value of Level 1 investments.

Bonds and Fixed Income Funds:

The custodians of the investments use various market inputs to determine fair value of Level 2 investments. These inputs include outside pricing services and computerized pricing models.

LEHIGH VALLEY COMMUNITY FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2024 and 2023

NOTE 2 - INVESTMENTS AND FAIR VALUE MEASUREMENTS - CONTINUED

Long-Term Investments - continued

The following tables set forth by level, within the fair value hierarchy, the Foundation's assets at fair value as of June 30, 2024:

	Fair Value	Valuation (Level 1)	Valuation (Level 2)
Investments			
Equity Securities - U.S.	\$ 13,342,184	\$ 13,342,184	\$ -
Equity Securities - International	3,292,289	3,292,289	-
Equity Mutual Funds - U.S.	25,024,919	25,024,919	-
Equity Mutual Funds - International	12,774,231	12,774,231	-
Corporate Bonds	1,578,162	-	1,578,162
U.S. Treasury Bonds	1,480,649	-	1,480,649
Municipal Bonds	39,304	-	39,304
Government Agency Bonds	849,814	-	849,814
Bond Mutual Funds - U.S.	17,613,260	-	17,613,260
Bond Mutual Funds - International	740,927	-	740,927
	<u>76,735,739</u>	<u>54,433,623</u>	<u>22,302,116</u>
Investments - Split Interest Agreements			
Equity Mutual Funds	218,493	218,493	-
Bond Mutual Funds	113,825	-	113,825
	<u>332,318</u>	<u>218,493</u>	<u>113,825</u>
Total investments	<u>\$ 77,068,057</u>	<u>\$ 54,652,116</u>	<u>\$ 22,415,941</u>

LEHIGH VALLEY COMMUNITY FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2024 and 2023

NOTE 2 - INVESTMENTS AND FAIR VALUE MEASUREMENTS - CONTINUED

Long-Term Investments - continued

The estimated fair values of the Foundation's financial instruments as of June 30, 2023, are as follows:

	Fair Value	Valuation (Level 1)	Valuation (Level 2)
Investments			
Equity Securities - U.S.	\$ 8,573,822	\$ 8,573,822	\$ -
Equity Securities - International	2,859,501	2,859,501	-
Equity Mutual Funds - U.S.	28,132,162	28,132,162	-
Equity Mutual Funds - International	13,111,636	13,111,636	-
Corporate Bonds	1,185,848	-	1,185,848
U.S. Treasury Bonds	1,242,807	-	1,242,807
Government Agency Bonds	864,956	-	864,956
Bond Mutual Funds - U.S.	12,329,128	-	12,329,128
Bond Mutual Funds - International	2,360,474	-	2,360,474
	70,660,334	52,677,121	17,983,213
Investments - Split Interest Agreements			
Equity Mutual Funds	216,792	216,792	-
Bond Mutual Funds	116,362	-	116,362
	333,154	216,792	116,362
Total investments	\$ 70,993,488	\$ 52,893,913	\$ 18,099,575

NOTE 3 - INVESTMENTS - SPLIT INTEREST AGREEMENTS

Investments - split interest agreements represent the fair market value of assets held under charitable remainder trusts and gift annuity agreements. The Foundation has segregated the assets under these agreements as separate and distinct funds, independent from other funds, and not to be applied to payment of the obligations of the Foundation or any other purpose other than benefits specified in the agreements.

LEHIGH VALLEY COMMUNITY FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2024 and 2023

NOTE 3 - INVESTMENTS - SPLIT INTEREST AGREEMENTS - CONTINUED

Total assets by type of split interest agreement are as follows at June 30:

	<u>2024</u>	<u>2023</u>
Gift Annuities	\$ 60,529	\$ 61,288
Charitable remainder trusts	<u>281,205</u>	<u>279,268</u>
	<u>\$ 341,734</u>	<u>\$ 340,556</u>

Split interest assets are as follows at June 30:

	<u>2024</u>	<u>2023</u>
Cash	\$ 9,416	\$ 7,402
Equity securities and funds	218,493	216,792
Bonds and fixed income funds	<u>113,825</u>	<u>116,362</u>
	<u>\$ 341,734</u>	<u>\$ 340,556</u>

Gift Annuities

The Foundation administers several charitable gift annuities. Gift annuity assets received are recorded at fair value on the date received by the Foundation. The gift annuity agreements provide for the payment of distributions at a stated return to the beneficiaries as long as they live, at which time the remaining assets are to be used for the establishment of or addition to charitable funds of the Foundation based on donor intent.

Distributions to beneficiaries are calculated based on rates varying from 5.9% to 7.1%. Total annual distributions were \$7,175 for both the years ended June 30, 2024 and 2023, respectively. Net investment return totaled \$6,935 and \$5,965 for the years ended June 30, 2024 and 2023, respectively. Annuity obligations represent the present value of expected future cash flows to be paid to the beneficiaries based on life expectancies. Annuity obligations are fully funded by the investments held.

Charitable Remainder Trusts

The Foundation is currently serving as the trustee of a charitable remainder annuity trust. As specified in the trust agreement, distributions from the annuity trust are \$25,000 annually.

LEHIGH VALLEY COMMUNITY FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2024 and 2023

NOTE 4 - EQUIPMENT

Equipment and related accumulated depreciation are as follows at June 30:

	2024	2023
Equipment	\$ 37,325	\$ 37,325
Accumulated depreciation	(28,897)	(25,007)
	\$ 8,428	\$ 12,318

Depreciation expense for the years ended June 30, 2024 and 2023 was \$3,890 and \$4,595, respectively.

NOTE 5 - LEASES

The Foundation leases office space and computer equipment. The leases have remaining lease terms of 1 to 23 months.

The Foundation included the following amounts related to operating lease assets and liabilities within the statements of financial position as of June 30:

		2024	2023
<u>Assets:</u>	Classification		
Right-of-use assets	Operating leases	\$ 134,104	\$ 205,048
<u>Liabilities:</u>			
Current operating lease	Operating lease liabilities	\$ 67,296	\$ 69,778
Noncurrent operating lease	Operating lease liabilities	70,750	132,557
	Total lease liabilities	\$ 138,046	\$ 202,335

The components of lease expense were as follows for the years ended June 30:

	2024	2023
Operating lease expense	\$ 75,361	\$ 75,361

LEHIGH VALLEY COMMUNITY FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2024 and 2023

NOTE 5 - LEASES - CONTINUED

Supplemental cash flow information related to leases was as follows for the years ended June 30:

	2024	2023
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash flows from operating lease	\$ 68,706	\$ 78,074
Right-of-use assets obtained in exchange for lease obligations:		
Operating leases	\$ -	\$ 273,725

Supplemental balance sheet information related to leases was as follows:

	2024	2023
Weighted Average Remaining Lease Term		
Operating leases	1.99 years	2.93 years
Weighted Average Discount Rate		
Operating leases	2.88%	2.88%

Maturities of operating lease liabilities are as follows for the years ending June 30:

2025	\$	70,212
2026		71,687
Total lease payments		141,899
Less: present value discount		(3,853)
Total	\$	138,046

LEHIGH VALLEY COMMUNITY FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2024 and 2023

NOTE 6 - FUNDS HELD FOR ORGANIZATIONS

The Foundation follows ASC 958-605, *Revenue Recognition, Transfers of Assets to a Not-For-Profit Foundation or Charitable Trust that raises or holds contributions for others*, which provides standards for transactions in which a community foundation accepts a contribution from a donor and agrees to transfer those assets, the return on investment of those assets, or both, to another entity that is specified by the donor. ASC 958-605 specifically requires that if a nonprofit organization establishes a fund at a community foundation with its own funds and specifies itself as the beneficiary of that fund, the community foundation must account for the transfer of such assets as a liability. The Foundation classifies these funds as agency funds and for financial statement purposes, refers to them as funds held for organizations.

The Foundation maintains variance power and legal ownership of funds held for organizations, and as such, continues to report the funds as assets of the Foundation. However, in accordance with ASC 958-605, a liability has been established for the fair value of the funds, which is generally equivalent to the present value of future payments expected to be made to the nonprofit organizations.

At June 30, 2024 and 2023, the Foundation was the owner of 30 and 31 agency funds, respectively, with a combined value of \$4,674,253 and \$4,330,487, respectively. The following table summarizes activity in such funds:

	<u>2024</u>	<u>2023</u>
Funds held for organizations' balances at July 1	\$ 4,330,487	\$ 3,967,120
New contributions	100,086	147,391
Net investment income (loss)	546,579	411,948
Fees	(36,160)	(33,796)
Grants and expenses	<u>(266,739)</u>	<u>(162,176)</u>
Funds held for organizations' balances at June 30	<u>\$ 4,674,253</u>	<u>\$ 4,330,487</u>

LEHIGH VALLEY COMMUNITY FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2024 and 2023

NOTE 7 - NET ASSETS

The Foundation's net assets without donor restrictions are as follows at June 30:

	<u>2024</u>	<u>2023</u>
Endowed Funds	\$ 65,186,012	\$ 59,617,465
Non-Endowed Funds	13,609,870	12,108,342
Operations and administration	<u>393,730</u>	<u>385,372</u>
	<u>\$ 79,189,612</u>	<u>\$ 72,111,179</u>

Included in the above are assets the Board has designated for the following purposes at June 30:

	<u>2024</u>	<u>2023</u>
Endowed for:		
Foundation discretionary use	\$ 4,146,258	\$ 3,872,378
Foundation-directed leadership grantmaking	811,992	750,750
Reserves for operations and other expenses	<u>256,150</u>	<u>304,151</u>
	<u>\$ 5,214,400</u>	<u>\$ 4,927,279</u>

Net assets with donor restrictions at June 2024 and 2023 are restricted under split interest agreements and total \$13,167 and \$11,840, respectively.

Net assets were released from donor restrictions by satisfying the restricted purposes specified by donors under the split interest agreements totaling \$521 and \$524 at June 30, 2024 and 2023, respectively.

NOTE 8 - ENDOWMENT FUNDS

The Foundation's charitable endowed funds are all classified as without donor restrictions in the accompanying statements of financial position.

Interpretation of Relevant Law

The Foundation has elected to be governed by the Pennsylvania Act 141 which relates to nonprofit endowments and requires foundations to adopt and follow a total return investment policy and a spending policy. The Foundation has adopted investment and spending policies for endowment assets. These policies work together in an attempt to provide a predictable stream of funding for grants and programs while seeking to maintain the purchasing power of the endowment assets.

LEHIGH VALLEY COMMUNITY FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2024 and 2023

NOTE 8 - ENDOWMENT FUNDS - CONTINUED

Investment Objectives

The Foundation's investment objective is to maximize return within reasonable and prudent levels of risk while maintaining an appropriate portfolio asset allocation. Investment guidelines are based on an investment horizon of greater than five years. To satisfy its long-term rate of return objective, the Foundation's Investment Policy pursues a total return approach to the management of assets in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends).

Spending Policy

The Foundation's spending policy determines the amount available for grant making from endowment funds. The spending rate is established annually by the Board of Governors, and the approved rate was 4.50% for the years ended June 30, 2024 and 2023. The amount available for spending is calculated based on the average asset value of an endowment fund over 12 rolling quarters.

Underwater Endowment Funds

The Foundation considers a fund to be underwater if the fair value of the fund is less than the original value of initial and subsequent amounts donated or designated to the fund.

At June 30, 2024 and 2023, the fair value of underwater endowments totaled \$1,196,860 for 13 funds and \$3,989,819 for 21 funds, respectively. The original gifts required to be held related to the underwater endowment totaled \$1,393,119 and \$4,247,781, respectively. The deficiencies in the underwater endowment funds totaled \$196,259 and \$257,962 at June 30, 2024 and 2023, respectively. The Foundation's policy permits grantmaking from underwater endowment funds unless otherwise precluded by donor intent or wishes or relevant laws and regulations.

Changes in endowment net assets for the fiscal years ended June 30 are as follows:

	<u>2024</u>	<u>2023</u>
Endowment net assets - beginning of year	\$ 59,617,465	\$ 54,466,983
Gifts	1,937,934	2,860,015
Investment income, net of fees	1,518,066	1,299,580
Appreciation	5,811,162	4,001,591
Amounts appropriated for expenditure	(3,698,615)	(3,189,341)
Conversion of fund	-	178,637
	<u> </u>	<u> </u>
Endowment net assets - end of year	<u>\$ 65,186,012</u>	<u>\$ 59,617,465</u>

LEHIGH VALLEY COMMUNITY FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2024 and 2023

NOTE 8 - ENDOWMENT FUNDS - CONTINUED

Endowment net assets by type of fund as of June 30 are as follows:

	2024	2023
Areas of interest	\$ 7,109,115	\$ 6,838,599
Community investments	7,039,542	6,575,863
Donor-advised	8,701,810	7,977,920
Designated	34,670,263	31,186,339
Agency	46,960	43,735
Scholarship/award	2,968,425	2,652,400
Unrestricted	4,649,897	4,342,609
Total endowment funds	<u>\$ 65,186,012</u>	<u>\$ 59,617,465</u>

NOTE 9 - CONTRIBUTED NONFINANCIAL ASSETS

The value of contributed nonfinancial assets provided by local businesses and donors to benefit the Foundation included with revenue in the financial statements and the corresponding expenses are as follows for the years ended:

	2024	2023
Advertising	\$ -	\$ 23,587
Other services	1,264	3,264
Cryptocurrency	411,435	195,466
	<u>\$ 412,699</u>	<u>\$ 222,317</u>

Valuation Techniques:

Contributed services and materials are recognized as contributed nonfinancial assets at their estimated fair value if they create or enhance nonfinancial assets or they require specialized skills that would need to be purchased, if they were not donated. The Foundation received contributed advertising and other services that are reported using current rates for similar services. Contributions of non-financial assets also include gifts of cryptocurrency. These gifts are sold by a third-party cryptocurrency donation platform upon receipt.

Donor Restrictions:

There are no restrictions on contributed nonfinancial assets at year end. With the exception of donated cryptocurrency which is monetized upon receipt, the Foundation does not sell contributed nonfinancial assets and only utilizes contributed nonfinancial assets for the programs detailed above.

LEHIGH VALLEY COMMUNITY FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2024 and 2023

NOTE 10 - PENSION PLAN

Effective January 1, 2012, the Foundation adopted a 401(k) Plan. Employees meeting hours and length of service requirements are eligible to participate. The Foundation will determine the amount of any matching or profit sharing contributions on an annual basis. Contributions totaling \$33,750 and \$27,888 were made by the Foundation during the years ended June 30, 2024 and 2023, respectively.

NOTE 11 - LIQUIDITY AND AVAILABILITY OF FINANCIAL RESOURCES

Financial assets available for general expenditures and Foundation-directed grants within one year of the statements of financial position are comprised of the following at June 30:

	<u>2024</u>	<u>2023</u>
Cash	\$ 626,589	\$ 434,063
Investments	<u>2,128,079</u>	<u>2,116,210</u>
	<u>\$ 2,754,668</u>	<u>\$ 2,550,273</u>

Grants are made from endowed funds in accordance with donor intent based on the Foundation's spending policy as described in note 8. The total amount available for grants from endowed funds at June 30 are as follows:

	<u>2024</u>	<u>2023</u>
General operating expenditures	\$ 201,740	\$ 194,400
Foundation-directed grants	1,018,160	1,019,790
Donor-directed grants	<u>1,696,130</u>	<u>1,676,860</u>
	<u>\$ 2,916,030</u>	<u>\$ 2,891,050</u>

In managing liquidity, the Foundation structures its financial assets to be available as its general expenditures, liabilities, and other obligations become due. Systematic transfers of amounts appropriated for current year grant payments are made from long-term investments to cash accounts as needed. Additionally, the Foundation invests cash in excess of daily requirements in money market funds.