The Foundation for Enhancing Communities

Consolidated Financial Statements and Supplementary Information

Year Ended December 31, 2024
with Independent Auditor's Report

MaherDuessel

THE FOUNDATION FOR ENHANCING COMMUNITIES

YEAR ENDED DECEMBER 31, 2024

TABLE OF CONTENTS

MaherDuessel

Independent Auditor's Report

Board of Directors
The Foundation for Enhancing Communities

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the accompanying consolidated financial statements of The Foundation for Enhancing Communities (Foundation), which comprise the consolidated statement of financial position as of December 31, 2024, and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Foundation as of December 31, 2024, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit 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 Consolidated Financial Statements section of our report. We are required to be independent of the Foundation, and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. 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 Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Foundation's ability to continue as a going concern within one year after the date that the consolidated financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated 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 consolidated 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 consolidated 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 consolidated 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 the 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 consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the 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.

Emphasis of Matter

As discussed in Note 1 to the consolidated financial statements, TFEC Properties, Inc. is included in the consolidated financial statements of the Foundation for the year ended December 31, 2024 and there were no financial transactions for TFEC Properties, Inc. prior to January 1, 2024. Our opinion is not modified with respect to this matter.

Report on Summarized Comparative Information

We have previously audited the Foundation's 2023 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated March 19, 2024. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2023, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Report on Supplementary Information

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

Maher Duessel

Harrisburg, Pennsylvania
March 21, 2025

THE FOUNDATION FOR ENHANCING COMMUNITIES

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

DECEMBER 31, 2024

(With Comparative Totals at December 31, 2023)

	2024	2023
Assets		
Current assets:		
Cash and cash equivalents	$ 921,513	$ 1,538,192
Accounts receivable	43,018	63,157
Prepaid expenses	65,932	60,933
Total current assets	1,030,463	1,662,282
Noncurrent assets:		
Pledges receivable	51,764	63,074
Operating lease right of use asset	466,763	653,471
Property and equipment:		
Land	629,902	-
Buildings	944,852	-
Furniture and equipment	527,511	501,125
	2,102,265	501,125
Less: accumulated depreciation	465,753	433,412
Net property and equipment	1,636,512	67,713
Investments	140,441,490	117,627,564
Split-interest agreements	12,725,019	11,028,140
Total Assets	$ 156,352,011	$ 131,102,244
Liabilities and Net Assets		
Liabilities:		
Current liabilities:		
Accounts payable and accrued expenses	$ 113,888	$ 7,581
Grants payable	425,795	363,176
Deferred revenue	72,219	65,977
Current portion of loan payable	19,808	-
Current portion of operating lease liability	235,417	192,261
Total current liabilities	867,127	628,995
Noncurrent liabilities:		
Grants payable, net of current portion	355,695	363,247
Noncurrent portion of loan payable	1,164,192	-
Noncurrent portion of operating lease liability	267,394	502,811
Liability to resource providers	8,604,079	7,497,339
Liabilities under split-interest agreements	7,776,856	7,025,386
Total Liabilities	19,035,343	16,017,778
Net Assets:		
Without donor restrictions:		
Designated by the Board for Endowment	108,323,329	89,007,680
Undesignated	22,394,796	20,251,035
	130,718,125	109,258,715
With donor restrictions:		
Split-interest agreements	4,948,163	4,002,754
Fiscal sponsorships	1,650,380	1,822,997
	6,598,543	5,825,751
Total Net Assets	137,316,668	115,084,466
Total Liabilities and Net Assets	$ 156,352,011	$ 131,102,244

The accompanying notes are an integral part of these consolidated financial statements.

THE FOUNDATION FOR ENHANCING COMMUNITIES

CONSOLIDATED STATEMENT OF ACTIVITIES

YEAR ENDED DECEMBER 31, 2024
(With Comparative Totals For Year Ended December 31, 2023)

	Without Donor Restrictions	With Donor Restrictions	Total 2024	Total 2023
Revenue, Gains, and Other Support:				
Contributions	$ 12,958,961	$ 372,207	$ 13,331,168	$ 4,184,061
Investment income (loss), net	20,299,395	-	20,299,395	18,998,407
Fee income	500,886	-	500,886	485,303
Other income	155,578	-	155,578	138,745
Split-interest agreements	-	469,316	469,316	303,806
Change in value of split-interest agreements	-	476,093	476,093	510,557
Net assets released from restrictions	544,824	(544,824)	-	-
Total revenue, gains, and other support	34,459,644	772,792	35,232,436	24,620,879
Expenses:				
Asset development	546,268	-	546,268	346,285
General and administrative	1,242,503	-	1,242,503	1,225,582
Program services	11,211,463	-	11,211,463	10,924,176
Total expenses	13,000,234	-	13,000,234	12,496,043
Change in Net Assets	21,459,410	772,792	22,232,202	12,124,836
Net Assets:				
Beginning of year	109,258,715	5,825,751	115,084,466	102,959,630
End of year	$ 130,718,125	$ 6,598,543	$ 137,316,668	$ 115,084,466

The accompanying notes are an integral part of these consolidated financial statements.

THE FOUNDATION FOR ENHANCING COMMUNITIES

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED DECEMBER 31, 2024

(With Comparative Totals For Year Ended December 31, 2023)

	Asset Development	General and Adminis-trative	Program Services	Total 2024	Total 2023
Expenses:					
Fund Administration:					
Fees	$ 6,966	$ 16,449	$ 19,474	$ 42,889	$ 41,978
Grants	-	-	7,930,778	7,930,778	7,655,710
Contributions of non-financial assets	10,067	23,771	28,144	61,982	39,316
Projects and events	20,071	-	1,809,642	1,829,713	1,900,557
Office:					
Depreciation	5,253	12,403	14,685	32,341	34,720
General	75,402	178,047	210,796	464,245	505,762
Occupancy	39,799	93,977	111,262	245,038	260,551
Professional fees	27,929	65,947	78,077	171,953	133,301
Salaries, benefits, and professional development	360,781	851,909	1,008,605	2,221,295	1,924,148
Total expenses	$ 546,268	$ 1,242,503	$ 11,211,463	$13,000,234	$12,496,043

The accompanying notes are an integral part of these consolidated financial statements.

THE FOUNDATION FOR ENHANCING COMMUNITIES

CONSOLIDATED STATEMENT OF CASH FLOWS

YEAR ENDED DECEMBER 31, 2024

(With Comparative Totals For Year Ended December 31, 2023)

	2024	2023
Reconciliation of Change in Net Assets to Net Cash Provided by (Used in) Operating Activities:		
Change in net assets	$ 22,232,202	$ 12,124,836
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Net realized and unrealized (gain) loss on investments	(19,504,785)	(18,294,396)
Split-interest agreements	(469,316)	(303,806)
Net change in value of split-interest agreements	(476,093)	(510,557)
Termination of split interest agreement	-	120,938
Donated investments	(825,820)	(253,703)
Depreciation	32,341	34,720
Amortization of right of use asset	186,708	186,708
(Increase) decrease in:		
Receivables	31,449	49,328
Prepaid expenses	(4,999)	30,813
Increase (decrease) in:		
Accounts payable and accrued expenses	106,307	3,749
Grants payable	55,067	(22,498)
Deferred revenue	6,242	17,772
Operating lease liabilities	(192,261)	(164,583)
Liability to resource providers	1,106,740	1,099,484
Net cash provided by (used in) operating activities	2,283,782	(5,881,195)
Cash Flows from Investing Activities:		
Purchase of property	(390,754)	-
Purchase of equipment	(26,386)	(59,711)
Purchase of investments	(8,127,538)	(8,703,447)
Proceeds from the sale of investments	5,644,217	14,119,399
Net cash provided by (used in) investing activities	(2,900,461)	5,356,241
Net Increase (Decrease) in Cash and Cash Equivalents	(616,679)	(524,954)
Cash and Cash Equivalents		
Beginning of year	1,538,192	2,063,146
End of year	$ 921,513	$ 1,538,192
Noncash Capital Financing Activity:		
Financed purchase of land and building	$ (1,184,000)	

The accompanying notes are an integral part of these consolidated financial statements.

1. Organization and Summary of Significant Accounting Policies

Organization

The consolidated financial statements (financial statements) of The Foundation for Enhancing Communities consist of The Foundation for Enhancing Communities and TFEC Properties, Inc. (collectively referred to as the Foundation). The Foundation is a non-profit community foundation. Its primary purpose is to attract, manage, and disburse funds for philanthropic purposes to organizations and provide scholarships in the Central Pennsylvania area.

TFEC Properties, Inc. is a 501(c)(2) entity created in 2007 to hold real estate for the Foundation. The Foundation determines the direction of management and policies of TFEC Properties, Inc. and the TFEC Properties, Inc. Board of Directors is chosen by the Foundation's Governance Committee.

Prior to January 1, 2024, TFEC Properties, Inc. had no financial transactions. During the year ended December 31, 2024, TFEC Properties, Inc. purchased a property in the amount of $1,550,000 that will be the future office of the Foundation. The property purchase was financed by a loan payable (see Note 9) in the amount of $1,184,000, with the remaining contributed by the Foundation.

Principles of Consolidation

The financial statements include the accounts of The Foundation for Enhancing Communities and TFEC Properties, Inc. All material inter-company transactions and balances have been eliminated.

Basis of Accounting

The Foundation prepares its financial statements on the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded when liabilities are incurred.

Statement of Cash Flows

For the purpose of the statement of cash flows, the Foundation considers all highly liquid investments with an initial maturity of three months or less to be cash equivalents.

The net realized and unrealized gain/(loss) on investments presented in the statement of cash flows for the year ended December 31, 2024 is reported in the financial statements as follows:

Net realized and unrealized gain on investments	$	19,504,785
Attributable to assets held for resource providers		(1,203,070)
	$	18,301,715

Receivables

The Foundation considers all contributions, and pledges receivable to be fully collectible. Accordingly, no allowance for doubtful accounts is reported. If amounts become uncollectible, they will be charged to the change in net assets when that determination is made.

Investments

Fair Value Measurements

The Foundation records its investments based on fair value. The use of observable inputs is maximized, and the use of unobservable inputs are minimized by using observable inputs when available.

Observable inputs are inputs that market participants would use in pricing the asset or liability based on market data obtained from independent sources. Unobservable inputs reflect assumptions that market participants would use in pricing the asset or liability based on the best information available in the circumstances. The hierarchy is broken down into three levels based on the transparency of inputs as follows:

Level 1 — Quoted prices are available in active markets for identical assets or liabilities as of the report date. A quoted price for an identical asset or liability in an active market provides the most reliable fair value measurement because it is directly observable to the market.

Level 2 — Pricing inputs are other than quoted prices in active markets, which are either directly or indirectly observable as of the report date. The nature of these securities includes investments for which quoted prices are available, but traded less frequently, and investments that are fair valued using other securities, the parameters of which can be directly observed.

Level 3 — Securities that have little to no pricing observability as of the report date. These securities are measured using management's best estimate of fair value, where the inputs into the determination of fair value are not observable and require significant management judgment or estimation.

Inputs are used in applying the various valuation techniques and broadly refer to the assumptions that market participants use to make valuation decisions, including assumptions about risk. Inputs may include price information, volatility statistics, specific and broad credit data, liquidity statistics, and other factors. A financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. However, the determination of what constitutes "observable" requires significant judgment by the Foundation. The Foundation considers observable data to be that market data that is readily available, regularly distributed or updated, reliable and verifiable, not proprietary, and provided by independent sources that are actively involved in the relevant market. The categorization of a financial instrument within the hierarchy is based upon the pricing transparency of the instrument and does not necessarily correspond to the Foundation's perceived risk of that instrument.

Valuation of Investments

Investments whose values are based on quoted market prices in active markets, and are therefore classified within Level 1, include active equity and fixed income exchange traded funds.

Investments that trade in markets that are not considered to be active, but are valued based on quoted market prices, dealer quotations, or alternative pricing sources supported by observable inputs are classified within Level 2. Level 2 instruments include life insurance annuities, beneficial interests in life insurance policies, and certificates of deposit recorded at face value which approximates fair value. As Level 2 investments include positions that are not traded in active markets and/or are subject to transfer restrictions, valuations may be adjusted to reflect illiquidity and/or non-transferability, which are generally based on available market information.

Investments classified within Level 3 have significant unobservable inputs, as they trade infrequently or not at all. Level 3 instruments include tuition credits. When observable prices are not available for Level 3 securities, the Foundation uses one or more valuation techniques (e.g., the market approach, the income approach, or the cost approach) for which sufficient and reliable data is available. Within Level 3, the use of the market approach generally consists of using comparable market transactions, while the use of the income approach generally consists of the net present value of estimated future cash flows, adjusted as appropriate for liquidity, credit, market, and/or other risk factors.

The inputs used by the Foundation in estimating the value of Level 3 investments may include the original transaction price, recent transactions in the same or similar instruments, completed or pending third-party transactions in the underlying investment or comparable issuers, subsequent rounds of financing, recapitalizations, other transactions across the capital structure, offerings in the equity or debt capital markets, and changes in financial ratios or cash flows. Level 3 investments may also be adjusted to reflect illiquidity and/or non-transferability, with the amount of such discount estimated by the Foundation in the absence of market information. The fair value measurement of Level 3 investments does not include transaction costs that may have been capitalized as part of the security's cost basis. Assumptions used by the Foundation due to the lack of observable inputs may significantly impact the resulting fair value and, therefore, the Foundation's results of operations.

Investments in marketable securities with readily determinable fair values are recorded at fair value in the Statement of Financial Position. Unrealized gains and losses are included in the change in net assets in the accompanying Statement of Activities.

Property and Equipment

Land, building, furniture, and equipment are recorded at cost or fair value (if donated), less accumulated depreciation. Donated assets are reported as contributions without donor restrictions unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use are reported as contributions with donor restrictions. Depreciation policies reflect the use of the straight-line method with useful lives ranging from two to thirty-nine years. When assets are retired or otherwise disposed of, the cost and the related accumulated depreciation are removed from the accounts and any resulting gain or loss is recognized in income for the period. The cost of maintenance and repairs is charged to expense as incurred; significant renewals and betterments are capitalized. Deductions are made for retirements resulting from renewals or betterments.

Liability to Resource Providers

Liability to resource providers consists of assets transferred from non-profit organizations that specified itself or an affiliate as the beneficiary of the fund created. In such circumstances, the Foundation recognizes the fair value of the assets transferred as an increase in its investments and a liability to the not-for-profit. The liability established is generally equivalent to the present value of future payments expected to be made to the not-for-profit organization.

Deferred Revenue

The Foundation receives certain fee for service revenues in advance of services performed. When this occurs that revenue is treated as deferred until services are performed and then revenue is recognized.

Revenue and Support

For financial statement purposes, support that is restricted by the donor is reported as an increase in net assets without donor restrictions if the restriction expires in the same period. Restrictions not met in the same period are reported as an increase in net assets with donor restrictions. When a restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the Statement of Activities as net assets released from restrictions.

Management Service Agreement Revenue

Revenue received from the management service agreements is recognized when the Foundation performs the services per the specific agreements.

Leases

The Foundation leases certain office space and parking. The Foundation determines if an arrangement is a lease at inception. Operating leases are included in operating lease right-of-use (ROU) assets, other current liabilities, and operating lease liabilities on the statement of financial position.

ROU assets represent the Foundation’s right to use an underlying asset for the lease term and lease liabilities represent the Foundation’s 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. As most of the Foundation’s leases do not provide an implicit rate, the incremental borrowing rate is used which is based on the information available at commencement date in determining the present value of lease payments. The operating lease ROU asset also includes 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.

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

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.

In allocating consideration in the contract to the separate lease components and the non-lease components, the Foundation uses the standalone prices of the lease and non-lease components. Observable standalone prices are used, if available. If the standalone price for a component has a high level of variability or uncertainty, this allocation may require significant judgment.

In determining the discount rate used to measure the ROU asset and lease liability, the Foundation uses rates implicit in the lease, or if not readily available, they use their incremental borrowing rate. The incremental borrowing rate is based on an estimated secured rate comprised of a risk-free rate plus a credit spread as secured by the Foundation's assets. Determining a credit spread as secured by the assets may require significant judgment.

During the year ended December 31, 2024, the Foundation began leasing the property purchased by TFEC Properties, Inc. (see Note 8) under an operating lease agreement. Lease income is recognized on a straight-line basis over the lease term.

<u>Net Assets</u>

Net assets without donor restrictions - Net assets available for use in general operations and not subject to donor restrictions. The Board has designated, from net assets without donor restrictions, net assets for an operating reserve and Board-designated endowments.

Net assets with donor restrictions - Net assets with donor restrictions result from contributions and other inflows of assets, other asset enhancements and diminishments, and reclassifications to (or from) other classes of net assets whose use is limited by donor-imposed stipulations that either expire by passage of time, can be fulfilled and removed by actions of the Foundation pursuant to those stipulations, or those that must be maintained permanently by the Foundation.

Conditional Promises and Indications of Intentions to Give

The Foundation does not recognize conditional promises, that is those with a measurable performance or other barrier and a right of return, as revenue until the condition is met.

From time to time, the Foundation is the beneficiary under various wills, the total value of which is not determinable. Such amounts are recorded as contributions when clear title is established and the proceeds are clearly measurable.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Functional Expense Allocation

The costs of providing various programs and other activities have been summarized on a functional basis in the Statement of Activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

The Foundation allocates expenses into three categories: Asset Development; General and Administrative; and Program Services. Asset Development includes activities undertaken to encourage potential donors to contribute cash, securities, property, and other assets to the Foundation. These activities include maintaining donor mailing lists, preparing, and distributing fund information, and conducting other activities involved in soliciting contributions from individuals, foundations, government agencies, and others. General and administrative includes activities undertaken for specific operational activities of the Foundation. These activities include oversight, payroll, budgeting, investment management, contract administration, collecting fees, disseminating information to inform the public about the Foundation's stewardship of contributions, producing annual reports, human resource management, and all other management and administration functions which do not fall into the categories of Asset Development or Program Services. Program service includes activities undertaken in fulfilling the Foundation's mission and purpose, and are the major purpose for, and output of, the Foundation. These activities include direct and indirect costs related to providing program services.

Expenses are allocated using an on-line time tracking system whereby all employees log time for the various programs and tasks related to Asset Development, General and Administrative, or Program Services. At the end of each year, percentages are calculated based on the time summaries, and certain expenses are allocated based on these calculated percentages. Certain expenses are directly charged to a specific function; however, the majority of expenses are allocated based on the calculated percentages.

Endowment Investment and Spending Policies

The Board of Directors, on the advice of legal counsel, has determined that the majority of the Foundation's contributions are subject to the terms of its governing documents. Certain contributions are received subject to other gift instruments or are subject to specific agreements with the Foundation. Under the terms of the Foundation's governing documents, the Board of Directors has the ability to distribute all or a portion of the original principal of any trust or separate gift, device, bequest, or fund as the Board of Directors shall determine. As a result of the ability to distribute the original principal, all contributions not classified as net assets with donor restrictions are classified as net assets without donor restrictions for financial statement purposes.

The Foundation has adopted investment and spending policies, approved by the Board of Directors, for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowments while seeking to maintain the purchasing power of those endowment assets over the long-term. The Foundation's spending and investment policies work together to achieve this objective. The investment policy establishes an achievable return objective through diversification of asset classes. To satisfy its long-term rate-of-return objectives, the Foundation relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Foundation targets a diversified asset allocation to achieve its long-term return objectives with prudent risk parameters.

The spending policy calculates the amount of money annually distributed from the Foundation's various endowed funds for grant-making and administration. Based on the investment model selected by the donor, the current spending policy is to distribute between 3.0% and 6.2% of a moving five-year trailing average of the fair value of the endowment funds plus a historical performance factor. Accordingly, over the long-term, the

Foundation expects its current spending policy to allow its endowment assets to grow. This is consistent with the Foundation's objective to maintain the purchasing power of endowment assets as well as to provide additional real growth through investment return.

Tax Status

The Foundation for Enhancing Communities is exempt under Section 501(c)(3) of the Internal Revenue Code (Code) and is a publicly supported organization as described in Section 509(a)(1) of the Code. Contributions to the Foundation are deductible for federal income tax purposes because it is an organization described in Section 170(c)(2). The Foundation files Form 990 - Return of Organization Exempt from Income Tax (Form 990), on an annual basis.

TFEC Properties, Inc. is exempt under Section 501(c)(2) of the Code and filed Form 990-N prior to January 1, 2024 due to no financial transactions. Beginning with the year ended December 31, 2024, TFEC Properties, Inc. will annually file Form 990.

Comparative Information

The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Foundation's financial statements for the year ended December 31, 2023, from which the summarized information was derived. The financial statements for the year ended December 31, 2023 were not consolidated as there were no financial transactions for TFEC Properties, Inc. prior to January 1, 2024.

Risks and Uncertainties

Financial instruments, which potentially expose the Foundation to concentrations of credit risk, include cash and investments in marketable securities. As a matter of policy, the Foundation maintains cash balances only with financial institutions having a high credit quality. Concentration of credit risk for investments in marketable securities is mitigated by the overall diversification of managed investment portfolios. Investment securities are also exposed to various other risks such as interest rate and market risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in values of investment securities will occur in the near-term and that such changes could materially affect the amount reported on the Statement of Financial Position.

Reclassification

Certain reclassifications have been made to the prior year financial statements in order for them to be in conformity with the current year presentation.

Subsequent Events

Subsequent events have been evaluated through the Independent Auditor's Report date, which is the date the financial statements were available to be issued.

2. Deposits

Cash and cash equivalents with a book value and bank balance of $921,513, and $1,457,296, respectively, at December 31, 2024 consist of $432,445 of deposits that are insured by the Federal Deposit Insurance Corporation (FDIC), $151,072 that are insured by the Securities Investors Protection Corporation (SIPC), and $873,779 of checking account and money market account deposits that are uninsured.

3. Investments

The Foundation's investments are, in part, comprised of funds held awaiting distribution to approved recipients of such funds and investments held under custodial agreements.

Fair Value of Financial Instruments

The following tables summarize the valuation of the Foundation’s investments subject to measurements at fair value as of December 31, 2024:

	Level	Fair Value
Exchange Traded Funds - Equities:		
Large cap funds	1	74,905,847
Mid cap funds	1	19,623,028
Small cap funds	1	22,088,424
International developed	1	42,315
Emerging markets	1	6,645,147
Exchange Traded Funds - Fixed:		
Corporate bonds	1	14,732,827
Certificates of Deposit	2	1,920,737
Tuition credits	3	483,165
Total Investments		$ 140,441,490

Tuition credits represent an investment in the Pennsylvania 529 Guaranteed Savings Plan fund, a separate fund established by the Commonwealth of Pennsylvania and managed by the Pennsylvania Department of the Treasury, to be used for qualified college expenses. Contributions to the account must be held for approximately one year before withdrawn.

The following table represents the Foundation's Level 3 financial instruments, the valuation techniques used to measure the fair value of those financial instruments, and the significant unobservable inputs and the ranges of values for those inputs.

Instrument	Fair Value	Principal Valuation Technique	Unobservable Inputs	Range of Significant Input Values	Weighted Average
Tuition Credits	$ 483,165	Income approach	Tuition inflation projections	3.00% to 5.25%	4.19%
			Investment return, net of investment expense	5.50%	5.50%

The weighted average of tuition inflation projections, consistent with 2023, is 4.19%.

The following table summarizes the valuation of the Foundation's split-interest agreements subject to measurements at fair value as of December 31, 2024:

	Level	Fair Value
Cash and cash equivalents	1	$ 69,678
Exchange traded funds - equities:		
Large cap funds	1	6,613,136
Mid cap funds	1	$1,484,675
Small cap funds	1	$1,811,405
International developed	1	$21,082
Emerging markets	1	$593,923
Exchange traded funds - fixed income:		
Intermediate bonds	1	$1,550,523
Short-term bonds	1	$373,746
Life insurance annuities	2	$206,851
Total Split-Interest Agreements		$ 12,725,019

Fair value of life insurance annuities categorized as Level 2 is determined based on the life of the contract and an interest rate that is equal to the yield of a comparable U.S. Treasury Strip.

All changes in value of split-interest agreements in the table above is reflected in the accompanying statement of activities.

Income on investments consists of the following for the year ended December 31, 2024:

Interest and dividends	$ 1,997,680
Net realized and unrealized gain (not including assets held for resource providers)	18,301,715
	$ 20,299,395

4. Split-Interest Agreements

The Foundation is trustee for several charitable remainder unitrusts and annuity trusts with a fair value of the assets at December 31, 2024 of $12,725,019. The unitrusts and annuity trusts require annual distributions to the donors or other listed beneficiaries and the remainder is distributed to the Foundation at termination of the trust. The present value of future payment liabilities on unitrusts and annuity trusts, based on the donors' ages and a discount factor of 1.0% to 8.0% is $4,948,163 at December 31, 2024.

Fair value of split-interest agreements at December 31, 2024	$ 12,725,019
Present value of contributions to the Foundation	4,948,163
Present value of future liabilities under split-interest agreements at December 31, 2024	$ 7,776,856

5. Grants Payable

A grant is considered a conditional grant if the recipient is required to meet certain criteria or barriers. Grant expenses is not recognized until that barrier has been met.

Grants are authorized by the Board of Directors with consideration of the donor's recommendation. During the year ended December 31, 2024, grant expense was $7,930,778.

At December 31, 2024, $935,860 of grants awards were approved by the Board; however, barriers for payment had not been met. The conditions for payment of the grants are as follows:

Scholarships	$	935,860

Grants payable, totaling $781,490 at December 31, 2024, represents amounts approved by the Board of Directors, for which the barriers for payment have been met or for which the grant awards had been recognized in a prior year. Future payments for these amounts are as follows:

Less than one year	$	425,795
One to five years		355,695
	$	781,490

6. Restrictions on Net Assets

For financial statement purposes, at December 31, 2024, net assets without donor restrictions of $130,718,125 include approximately $22,395,000 in non-permanent funds and $108,323,000 in Board-designated endowment funds, of which approximately $2,168,000 is maintained in an Operating Reserve fund. While the Foundation retains variance power in its Bylaws to change conditions and restrictions on a fund under certain circumstances, except at the request of the donor, the Foundation may not change the purpose or a specific beneficiary of a fund without court approval.

Board-designated endowment net asset activity for the year ended December 31, 2024 is as follows:

Beginning balance	$ 89,008,000
Contributions	9,899,000
Other income	657,000
Investment gain	15,918,000
Program/grant expenses	(7,157,000)
Ending balance	$ 108,325,000

For financial statement purposes, at December 31, 2024, net assets with donor restrictions consist of split-interest agreements which are subject to time restrictions totaling $4,948,163 and fiscal sponsorships which are subject to purpose restrictions totaling $1,650,380.

7. Availability and Liquidity

The following represents the Foundation's financial assets available to meet general expenditures as of December 31, 2024:

Financial Assets:		
Cash and cash equivalents	$	921,513
Accounts receivable		43,018
Pledges receivable		51,764
Investments		140,441,490
Split-interest agreements		12,725,019
		154,182,804
Less: amounts not available for general expenditures:		
Fiscal sponsorships - cash		27,156
Pledges receivable scheduled to be collected in more than one year		51,764
Investments not available for spending		140,441,490
Add back: Non-permanent fund investments		(22,200,230)
Add back: Endowment spending policy		(6,167,745)
Add back: Operating reserve		(2,167,756)
Split-interest agreements		12,725,019
		122,709,698
Financial assets available to meet cash needs for general expenditures within one year	$	31,473,106

The Foundation receives contributions with donor restrictions to be used in accordance with the associated purpose. The Foundation also receives contributions without donor restrictions to establish Board-designated endowment funds that will be held in perpetuity and non-permanent funds. In addition, the Foundation receives fee income related to asset management and various management agreements.

The Foundation considers investment income without donor restrictions, appropriated earnings from the Board-designated endowment funds, amounts held in non-permanent funds, and fee income to be available to meet cash needs for general expenditures. General expenditures expected to be paid in the subsequent year include general and administrative expenses, asset development expenses, and program service expenses, excluding grants and expenses related to fiscal sponsorship funds. Annual operations are defined as activities occurring during the Foundation's fiscal year.

The Foundation manages its cash available to meet general expenditures following three guiding principles:

- Operating with a prudent range of financial soundness and stability;
- Maintaining adequate liquid assets; and
- Maintaining sufficient reserves to provide reasonable assurance that long-term grant commitments and obligations under Board-designated endowments that support mission fulfillment will continue to be met, ensuring the sustainability of the Foundation.

8. Leases

The Foundation conducts its operations from an office that is leased under an operating lease. The original operating lease also includes parking. In December 2019, the lease was amended to include additional office space as well as three additional parking spaces. All other terms of the operating lease remained the same. The lease term for the additional space is April 1, 2020 through March 31, 2027. The lease term for the original leased space was October 1, 2016 through September 30, 2021. In July 2021, the lease term for the original leased space was amended to extend the lease term through March 2027 and to add one additional parking space. In July 2023, the lease was amended to include additional office space and the lease term for all leased space was extended through June 30, 2027. At December 31, 2024, the lease has a remaining lease term of 2 years and six months.

During the year ended December 31, 2024, the Foundation recognized lease expense associated with the operating leases of $231,214.

Future minimum rental payments under non-cancellable operating leases as of December 31, 2024 are as follows:

Year Ending December 31,	
2025	$ 198,935
2026	203,495
2027	102,905
Total future minimum lease payments	505,335
Less: interest	(2,524)
Total	$ 502,811

Because the Foundation does not have access to the rate implicit in the lease, it utilizes the US Treasury rate as the incremental borrowing rate. The weighted average discount rate associated with the operating leases at December 31, 2024 was .37%. The remaining term of the lease is 2.5 years.

As disclosed in Note 9, the Foundation became a lessor in an operating lease for a property purchased during the year ended December 31, 2024. The operating lease agreement was executed in mid-December 2024 and ends January 1, 2027 with no options to extend or terminate. Annual rent to be paid to the Foundation is $119,900, with a pro-rated amount of $4,996 recognized as revenue in the consolidated financial statements for the year ended December 31, 2024. Amounts to be received under this operating lease are: $119,990 in 2025 and $114,904 in 2026.

9. Debt

On December 17, 2024, TFEC Properties, Inc. entered into an agreement with the Home Builders Association of Metropolitan Harrisburg (HBA) for the real estate purchase and sale with lease-back where TFEC Properties, Inc. purchased property at 2416 Park Drive Harrisburg from HBA for $1,550,000. TFEC Properties entered into a loan agreement and open-ended mortgage and security agreement with Mid Penn Bank for $1,184,000 with an interest rate of 7.50% per annum to partially fund the purchase.

In accordance with the agreements with Mid Penn Bank, the Foundation assigns all lease revenue to be received by HBA to Mid Penn Bank and the loan is secured through the 2416 Park Drive property. Prepayment premiums are able to be imposed by the bank in the event of refunding through another financial institution and accelerated call option can be exercised by the bank in the event of default as in accordance with the loan agreement. Future payments on the loan are as follows:

December 31,	Principal	Interest
2025	$ 19,808	$ 89,347
2026	21,368	87,788
2027	23,051	86,105
2028	24,620	84,536
2029	26,805	82,351
Thereafter	1,068,348	896,455
	$ 1,184,000	$ 1,326,582

SUPPLEMENTARY INFORMATION

THE FOUNDATION FOR ENHANCING COMMUNITIES

CONSOLIDATING STATEMENT OF FINANCIAL POSITION

DECEMBER 31, 2024

	The Foundation for Enhancing Communities	TFEC Properties, Inc.	Consolidated Total
Assets			
Current assets:			
Cash and cash equivalents	$ 910,816	$ 10,697	$ 921,513
Accounts receivable	43,018	-	43,018
Prepaid expenses	65,932	-	65,932
Total current assets	1,019,766	10,697	1,030,463
Noncurrent assets:			
Pledges receivable	51,764	-	51,764
Operating lease right of use asset	466,763	-	466,763
Property and equipment:			
Land	-	629,902	629,902
Buildings	-	944,852	944,852
Furniture and equipment	527,511	-	527,511
	527,511	1,574,754	2,102,265
Less: accumulated depreciation	465,753	-	465,753
Net property and equipment	61,758	1,574,754	1,636,512
Investments	140,441,490	-	140,441,490
Split-interest agreements	12,725,019	-	12,725,019
Total Assets	$ 154,766,560	$ 1,585,451	$ 156,352,011
Liabilities and Net Assets			
Liabilities:			
Current liabilities:			
Accounts payable and accrued expenses	$ 113,888	$ -	$ 113,888
Grants payable	425,795	-	425,795
Deferred revenue	62,227	9,992	72,219
Current portion of loan payable	-	19,808	19,808
Current portion of operating lease liability	235,417	-	235,417
Total current liabilities	837,327	29,800	867,127
Noncurrent liabilities:			
Grants payable, net of current portion	355,695	-	355,695
Noncurrent portion of operating lease liability	267,394	-	267,394
Noncurrent portion of loan payable	-	1,164,192	1,164,192
Liability to resource providers	8,604,079	-	8,604,079
Liabilities under split-interest agreements	7,776,856	-	7,776,856
Total Liabilities	17,841,351	1,193,992	19,035,343
Net Assets:			
Without donor restrictions:			
Designated by the Board for Endowment	108,323,329	-	108,323,329
Undesignated	22,003,337	391,459	22,394,796
	130,326,666	391,459	130,718,125
With donor restrictions:			
Split-interest agreements	4,948,163	-	4,948,163
Fiscal sponsorships	1,650,380	-	1,650,380
	6,598,543	-	6,598,543
Total Net Assets	136,925,209	391,459	137,316,668
Total Liabilities and Net Assets	$ 154,766,560	$ 1,585,451	$ 156,352,011

THE FOUNDATION FOR ENHANCING COMMUNITIES

CONSOLIDATING STATEMENT OF ACTIVITIES

YEAR ENDED DECEMBER 31, 2024

	The Foundation for Enhancing Communities		TFEC Properties, Inc.	Eliminations	Consolidated Totals	
	Without Donor Restrictions	With Donor Restrictions	Without Donor Restrictions	Without Donor Restrictions	Without Donor Restrictions	With Donor Restrictions
Revenue, Gains, and Other Support:						
Contributions	$ 12,958,961	$ 372,207	$ 390,870	$ (390,870)	$ 12,958,961	$ 372,207
Investment income (loss), net	20,299,395	-	-	-	20,299,395	-
Fee income	500,886	-	-	-	500,886	-
Other income	150,582	-	4,996	-	155,578	-
Split-interest agreements	-	469,316	-	-	-	469,316
Change in value of split-interest agreements	-	476,093	-	-	-	476,093
Net assets released from restrictions	544,824	(544,824)	-	-	544,824	(544,824)
Total revenue, gains, and other support	34,454,648	772,792	395,866	(390,870)	34,459,644	772,792
Expenses:						
Asset development	546,268	-	-	-	546,268	-
General and administrative	1,240,501	-	2,002	-	1,242,503	-
Program services	11,599,928	-	2,405	(390,870)	11,211,463	-
Total expenses	13,386,697	-	4,407	(390,870)	13,000,234	-
Change in Net Assets	21,067,951	772,792	391,459	-	21,459,410	772,792
Net Assets:						
Beginning of year	109,258,715	5,825,751	-	-	109,258,715	5,825,751
End of year	$ 130,326,666	$ 6,598,543	$ 391,459	$ -	$ 130,718,125	$ 6,598,543