

BERKS COUNTY COMMUNITY FOUNDATION, INC.
AND SUPPORTING ORGANIZATIONS

FINANCIAL REPORT

June 30, 2001

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BERKS COUNTY COMMUNITY FOUNDATION, INC.
AND SUPPORTING ORGANIZATIONS

COMBINED STATEMENTS OF FINANCIAL POSITION
June 30, 2001 and 2000

	2001	2000
ASSETS		
Cash and cash equivalents	\$ 827,207	\$ 500,110
Accounts receivable	3,411	2,627
Contributions receivable	3,992,181	3,810,120
Prepaid expenses	1,492	17,634
Property and equipment, net of accumulated depreciation	103,873	121,085
Organizational costs, net of accumulated amortization	-	6,624
Investments, at market value	<u>20,349,888</u>	<u>20,450,351</u>
 Total assets	 \$ 25,278,052 =====	 \$ 24,908,551 =====
 LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable	\$ 144,740	\$ 44,296
Grants payable	1,413,951	1,230,101
Accrued expenses	2,618	7,846
Notes payable	123,478	142,682
Annuity payment liabilities	<u>464,696</u>	<u>238,773</u>
 Total liabilities	 2,149,483	 1,663,698
 NET ASSETS		
Unrestricted	2,685,828	2,380,222
Temporarily restricted	<u>20,442,741</u>	<u>20,864,631</u>
 Total net assets	 <u>23,128,569</u>	 <u>23,244,853</u>
 Total liabilities and net assets	 \$ 25,278,052 =====	 \$ 24,908,551 =====

See accompanying notes to financial statements.

BERKS COUNTY COMMUNITY FOUNDATION, INC.
AND SUPPORTING ORGANIZATIONS

COMBINED STATEMENT OF ACTIVITIES
Year Ended June 30, 2001

	Unrestricted	Temporarily Restricted	Total
REVENUE AND OTHER SUPPORT			
Contributions	\$ 65,472	\$ 3,910,560	\$ 3,976,032
Other revenue and gains (losses)			
Investment income	584,574	-	584,574
Net unrealized (loss) on investments	-	(1,668,251)	(1,668,251)
Other income	39,023	10,861	49,884
Rental income	3,475	-	3,475
Net assets released from restrictions:			
Restrictions satisfied by payments	2,675,060	(2,675,060)	-
Total revenue and other support	3,367,604	(421,890)	2,945,714
EXPENSES			
Program services	2,600,015	-	2,600,015
General and administrative	249,197	-	249,197
Fundraising	206,162	-	206,162
Total expenses	3,055,374	-	3,055,374
Change in net assets before cumulative effect of a change in accounting principle	312,230	(421,890)	(109,660)
Cumulative effect of a change in accounting principle	(6,624)	-	(6,624)
Change in net assets	305,606	(421,890)	(116,284)
NET ASSETS AT BEGINNING OF YEAR	2,380,222	20,864,631	23,244,853
NET ASSETS AT END OF YEARS	2,685,828	\$ 20,442,741	\$ 23,128,569

See accompanying notes to financial statements.

BERKS COUNTY COMMUNITY FOUNDATION, INC.
AND SUPPORTING ORGANIZATIONS

COMBINED STATEMENT OF ACTIVITIES
Year Ended June 30, 2000

	Unrestricted	Temporarily Restricted	Total
REVENUE AND OTHER SUPPORT			
Contributions	\$ 220,701	\$ 9,062,279	\$ 9,282,980
Other revenue and gains (losses)			
Investment income	494,949	-	494,949
Net unrealized gain on investments	-	1,377,723	1,377,723
Other income	39,529	-	39,529
Rental income	3,135	-	3,135
Net assets released from restrictions:			
Restrictions satisfied by payments	2,285,094	(2,285,094)	-
Total revenue and other support	3,043,408	8,154,908	11,198,316
EXPENSES			
Program services	2,256,026	-	2,256,026
General and administrative	219,979	-	219,979
Fundraising	218,460	-	218,460
Total expenses	2,694,465	-	2,694,465
Change in net assets	348,943	8,154,908	8,503,851
NET ASSETS AT BEGINNING OF YEAR	2,031,279	12,709,723	14,741,002
NET ASSETS AT END OF YEAR	\$ 2,380,222	\$ 20,864,631	\$ 23,244,853

See accompanying notes to financial statements.

BERKS COUNTY COMMUNITY FOUNDATION, INC.
AND SUPPORTING ORGANIZATIONS
COMBINED STATEMENT OF FUNCTIONAL EXPENSES
Year Ended June 30, 2001

	<u>Total</u>	<u>Program Services</u>	<u>General and Fund Administrative</u>	<u>Raising</u>
Grants to other organizations	\$ 2,228,246	\$ 2,228,246	\$ -	\$ -
Program expense	129,810	129,810	-	-
Salaries	296,426	107,524	78,608	110,294
Office supplies	12,244	3,428	5,388	3,428
Publicity	53,760	16,128	20,966	16,666
Depreciation	30,186	8,452	13,282	8,452
Payroll taxes	22,850	8,289	6,060	8,501
Rent	34,915	11,661	11,627	11,627
Cost of real property	5,439	-	5,439	-
Interest expense	8,803	2,934	2,935	2,934
Conferences and meetings	23,064	3,229	11,532	8,303
Professional fees	39,742	3,577	32,588	3,577
Investment management fees	30,129	2,711	24,707	2,711
Outside services	7,495	675	6,145	675
Employee benefits	16,157	5,861	4,284	6,012
Postage	6,283	1,885	2,576	1,822
Travel and parking	9,013	2,794	4,056	2,163
Special events	46,023	46,023	-	-
Professional dues and subscriptions	9,784	1,762	4,011	4,011
Telephone	7,161	2,385	2,391	2,385
Insurance	3,090	1,032	1,029	1,029
Equipment maintenance	17,749	5,929	5,910	5,910
Software expense	<u>17,005</u>	<u>5,680</u>	<u>5,663</u>	<u>5,662</u>
	<u>\$ 3,055,374</u>	<u>\$ 2,600,015</u>	<u>\$ 249,197</u>	<u>\$ 206,162</u>
	=====	=====	=====	=====

See accompanying notes to financial statements.

BERKS COUNTY COMMUNITY FOUNDATION, INC.
AND SUPPORTING ORGANIZATIONS

COMBINED STATEMENT OF FUNCTIONAL EXPENSES
Year Ended June 30, 2000

	Total	Program Services	General and Administrative	Fund Raising
Grants to other organizations	\$ 2,051,327	\$ 2,051,327	\$ -	\$ -
Program expense	47,200	47,200	-	-
Salaries	252,074	84,258	68,991	98,825
Office supplies	12,229	3,424	5,381	3,424
Publicity	38,828	6,580	8,554	23,694
Depreciation and amortization expense	32,003	8,961	14,081	8,961
Payroll taxes	19,709	6,586	5,394	7,729
Rent	32,290	10,785	10,753	10,752
Costs of real property	3,675	-	3,675	-
Interest expense	10,221	3,407	3,407	3,407
Conferences and meetings	18,358	2,570	9,179	6,609
Professional fees	61,481	3,218	29,316	28,947
Investment management fees	53,920	4,853	44,214	4,853
Outside services	2,645	238	2,169	238
Employee benefits	8,730	2,891	2,431	3,408
Postage	4,184	1,255	1,715	1,214
Travel and parking	6,801	2,108	3,060	1,633
Special events	7,382	7,382	-	-
Professional dues and subscriptions	9,244	1,664	3,790	3,790
Telephone	6,164	2,053	2,059	2,052
Insurance	3,618	1,208	1,205	1,205
Equipment maintenance	6,774	2,263	2,256	2,255
Software expense	5,320	1,777	1,772	1,771
Other	288	18	252	18
	\$ 2,694,465	\$ 2,256,026	\$ 223,654	\$ 214,785
	=====	=====	=====	=====

See accompanying notes to financial statements.

BERKS COUNTY COMMUNITY FOUNDATION, INC.
AND SUPPORTING ORGANIZATIONS

COMBINED STATEMENTS OF CASH FLOWS
Years Ended June 30, 2001 and 2000

	2001	2000
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (116,284)	\$ 8,503,851
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	36,810	32,003
Unrealized losses (gains) on marketable securities	1,668,251	(1,377,723)
Receipt of real estate	(3,000)	(27,900)
Change in operating assets and liabilities:		
(Increase) Decrease in:		
Accounts receivable	(784)	7,480
Contributions receivable	(182,061)	244,045
Prepaid expenses	16,142	(12,333)
Increase (Decrease) in:		
Accounts payable	100,444	30,274
Grants payable	183,850	1,172,906
Accrued expenses	(5,228)	3,153
Annuity payment liabilities	225,923	238,773
	1,924,063	8,814,529
NET CASH PROVIDED BY OPERATING ACTIVITIES	1,924,063	8,814,529
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investments	(1,884,118)	(9,443,608)
Acquisition of property and equipment	(12,974)	(2,173)
Proceeds from sale of securities	319,330	696,140
	(1,577,762)	(8,749,641)
NET CASH (USED) BY INVESTING ACTIVITIES	(1,577,762)	(8,749,641)
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayments on loans	(19,204)	(17,966)
Proceeds from borrowings on line of credit, net of (repayments)	-	(40,000)
	(19,204)	(57,966)
NET CASH (USED) BY FINANCING ACTIVITIES	(19,204)	(57,966)
NET INCREASE IN CASH AND CASH EQUIVALENTS	327,097	6,922
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	500,110	493,188
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 827,207	\$ 500,110
SUPPLEMENTAL CASH FLOWS DATA		
Cash paid during the year for interest	\$ 8,803	\$ 10,221

See accompanying notes to financial statements

NOTES

Note 1. Summary of Significant Accounting Policies

The Berks County Community Foundation, Inc. and Supporting Organizations (the Foundation) are nonprofit organizations exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. In addition, the Foundation qualifies for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified as an organization that is not a private foundation under Section 509(a)(2). The Foundation was incorporated on June 7, 1994 to develop, manage, and distribute funding to meet existing and changing community needs in Berks County. See Note 2 for discussion of supporting organizations.

Basis of Accounting

The financial statements of the Foundation have been prepared on the accrual basis of accounting and, accordingly, reflect all significant receivables, payables, and other liabilities.

Use of Estimates

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

Contributions

Contributions received are recorded as unrestricted or temporarily restricted, depending on the existence and/or nature of any donor restrictions. The Foundation has not received any permanently restricted support.

Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in temporarily restricted net assets. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statements of Activities as net assets released from restrictions.

Contributions Receivable (Promises to Give)

Unconditional promises to give, less an allowance for uncollectible amounts, are recognized as revenue in the period received and as assets. Conditional promises to give are recognized when the conditions on which they depend are substantially met. Contributions receivable are reflected at a discount of 3% per year on pledges receivable, and at the stipulated discount rate for charitable remainder trusts. This is done to present the receivables at the estimated present value of future cash flows.

Note 1. Summary of Significant Accounting Policies (continued)

Combined Financial Statements

Supporting organizations under common control of the Berks County Community Foundation are reported as one economic entity with the Foundation. As such, interorganizational revenue and expenses are eliminated in preparing the combined financial statements.

Cash and Cash Equivalents

For purposes of the Statements of Cash Flows, the Foundation considers all unrestricted highly liquid investments with an initial maturity of three months or less to be cash equivalents.

Investments

The Foundation accounts for investments under Statement of Financial Accounting Standards (SFAS) No. 124, *Accounting for Certain Investments Held by Not-for-Profit Organizations*. Under SFAS No. 124, investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair values in the Statements of Financial Position.

Property, Equipment, Depreciation and Amortization

Property and equipment are stated at cost, or if donated, at fair market value at the date of donation. Donations of depreciable assets in excess of \$ 5,000 are subject to appraisal. Property and equipment acquisitions are capitalized if they are in excess of \$ 500. Items that are less than the capitalization threshold are expensed in the year acquired. Donations of long-lived assets received without stipulations as to use are classified as unrestricted contributions in the year received. Depreciation is provided on the straight-line method over the estimated useful lives of the assets. Estimated useful lives are as follows:

Computer software	3 years
Computers and office equipment	3 - 5 years
Furniture and fixtures	7 years

Amortization of leasehold improvements is provided on the straight-line method over the remaining term of the lease.

Donated Services

Under SFAS No. 116, *Accounting for Contributions Received and Contributions Made*, the Foundation recognizes services requiring specialized skills such as those provided by accountants, attorneys, marketing consultants, and other professionals if the services would need to be purchased if not donated. Contributions on the Statements of Activities include donated services valued at \$ 12,902 and \$ 6,783 for 2001 and 2000, respectively, which consist of legal, accounting and marketing services.

Note 1. Summary of Significant Accounting Policies (continued)

Functional Expense Allocations

Expenses relating to more than one function are allocated to program service, general and administrative, and fundraising costs based on employee time estimates or other appropriate usage factors.

Reclassifications

Certain items in the 2000 financial statements have been reclassified to conform with current year presentation.

Note 2. Supporting Organizations of Berks County Community Foundation

During the fiscal year ended June 30, 2000, Berks County Community Foundation Properties, Inc. was formed specifically to hold title to and manage property for the benefit of the Berks County

Community Foundation, Inc. Berks County Community Foundation Properties, Inc. is a Pennsylvania nonprofit corporation with 501(c)(3) tax-exempt status for federal income tax purposes. During the fiscal years ended June 30, 2001 and 2000, one property each year valued at \$ 3,000 and \$27,900, respectively was donated to Berks County Community Foundation Properties, Inc. These contributions are included in temporarily restricted net assets. Rental income and expenses associated with the property contributed in 2000 are included in unrestricted net assets.

Boyertown Area Community Trust, Inc. (the Trust) previously transferred the majority of its assets to the Berks County Community Foundation, Inc. The entity Boyertown Area Community Trust exists to capture specific bequests to the Trust. Boyertown Area Community Trust, Inc. entered a 5-year advance-ruling period on January 1, 2000 to terminate private foundation status and be treated as a public charity under section 509(a)(3) of the IRS Code. Boyertown Area Community Trust, Inc. had no activity for the 12-month period ended June 30, 2000. At June 30, 2001, Boyertown Area Community Trust, Inc. recorded a contribution receivable in the amount of \$ 189,352.

Boyertown Area Community Trust, Inc., Berks County Community Foundation Properties, Inc. and Berks County Community Foundation, Inc. are under common control. Combined financial statements of these organizations are presented in the Statements of Financial Position, Statements of Activities and Statements of Functional Expenses. The components of net assets of Berks County Community Foundation, Inc. and Supporting Organizations are as follows:

Note 2. Supporting Organizations of Berks County Community Foundation (continued)

	2001	2000
NET ASSETS		
Unrestricted		
Berks County Community Foundation, Inc.	\$ 2,688,358	\$ 2,380,788
Berks County Community Foundation Properties, Inc.	<u>(2,530)</u>	<u>(566)</u>
Total Unrestricted Net Assets	<u>\$ 2,685,828</u>	<u>\$ 2,380,222</u>
Temporarily restricted		
Berks County Community Foundation, Inc.	\$ 20,222,489	\$ 20,836,731
Berks County Community Foundation Properties, Inc.	30,900	27,900
Boyertown Area Community Trust, Inc.	<u>189,352</u>	<u>-</u>
Total Temporarily Restricted Net Assets	<u>\$ 20,442,741</u>	<u>\$ 20,864,631</u>

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Note 3. Concentration of Credit Risk

Financial instruments that potentially subject the Foundation to concentrations of credit risk consist principally of unconditional promises to give, as these originate within Berks County.

Uninsured cash balances totaled \$ 810,917 and \$477,907 for the years ended June 30, 2001 and 2000, respectively. Management believes that the risk is limited because these funds reside in a large national institution with a strong financial position.

Note 4. Contributions Receivable

Contributions receivable consist of unconditional promises to give. At June 30, 2001 and 2000, contributions receivable are as follows:

Note 4. Contributions Receivable (continued)

	2001	2000
Receivable in less than one year	\$ 1,170,537	\$ 1,693,000
Receivable in one to five years	2,777,917	1,423,200
Receivable in six to ten years	<u>305,000</u>	<u>900,000</u>
Total contributions receivable	4,253,454	4,016,200
Less discounts to net present value	<u>378,578</u>	<u>319,781</u>
	3,874,876	3,696,419
Charitable remainder trusts (Note 8)	<u>117,305</u>	<u>113,701</u>
Net contributions receivable at June 30, 2001 and 2000	<u>\$ 3,992,181</u>	<u>\$ 3,810,120</u>

Note 5. Property and Equipment

Property and equipment at June 30, 2001 and 2000, are summarized as follows by major classification:

	2001	2000
Equipment	\$ 97,769	\$ 84,796
Furniture and fixtures	38,829	38,829
Leasehold improvements	<u>87,419</u>	<u>87,419</u>
	224,017	211,044
Less: accumulated depreciation	<u>120,144</u>	<u>89,959</u>
	<u>\$ 103,873</u>	<u>\$ 121,085</u>

Note 6. Commitments

On June 5, 1998 the Foundation entered into a 10-year lease of office facilities located in downtown Reading, PA.

Note 6. Commitments (continued)

Rent expense was \$ 37,703 and \$ 36,335 in 2001 and 2000, respectively. Sublease rental receipts for the years ended June 30, 2001 and June 30, 2000 decreased rental expense by \$ 2,788 and \$ 4,045, respectively.

Future minimum lease payments for the year ended June 30,

2002	\$ 38,875
2003	40,047
2004	41,219
2005	42,391
2006	43,563
2007, and thereafter	<u>90,642</u>
	\$ 296,737
	=====

Note 7. Investments

Investments consist of the following:

	2001	2000	Change
Marketable securities, at cost	\$ 18,837,587	\$ 17,272,800	\$ 1,564,787
Real estate, at donated value	30,900	27,900	3,000
Net unrealized gain on marketable securities	<u>1,481,400</u>	<u>3,149,651</u>	<u>(1,668,251)</u>
Investments, at market	\$ 20,349,887	\$ 20,450,351	\$ (100,464)
	=====	=====	=====

Investment income is reported net of investment managers' fees on the Statements of Activities.

Investment income consisted of:	2001	2000
Net realized (losses) gains	\$ (167,240)	\$ 137,603
Interest and dividend income	<u>751,814</u>	<u>357,346</u>
Investment income	\$ 584,574	\$ 494,949
	=====	=====

Note 8. Charitable Remainder Trusts

The Foundation has been named as a beneficiary of several charitable remainder trusts, three of which were quantifiable as of the year ended June 30, 2001. A charitable remainder trust provides for the payment of distributions to the grantor or other designated beneficiaries over the trust's terms (usually the designated beneficiary's lifetime). The present value attributable to the future interest of the Foundation is recorded in the statement of activities as a temporarily restricted contribution in the period that the trust is established. In subsequent years the change in present value attributable to the future interest of the Foundation is recorded as an increase or (decrease) in temporarily restricted contributions.

The present value of the estimated future payments is calculated using a discount rate of 5% and applicable mortality tables. It is included in the Statements of Financial Position as contributions receivable of \$ 117,305 and \$ 113,701 for years ended June 30, 2001 and 2000, respectively.

Note 9. Grants Payable

Grants authorized but unpaid at year-end are reported as liabilities in accordance with SFAS No. 116. Grants to be paid in more than one year are discounted 3% per year. The following is a summary of grants authorized and payable.

	2001	2000
To be paid in less than one year	\$ 657,230	\$ 298,515
To be paid in one to five years	716,100	805,700
To be paid in more than five years	<u>160,000</u>	<u>240,000</u>
Gross grants authorized but unpaid	1,533,330	1,344,215
Less: Discount on long-term grants	<u>(119,379)</u>	<u>(114,114)</u>
Net grants authorized but unpaid	\$ 1,413,951 =====	\$ 1,230,101 =====

Note 10. Line of Credit

The Foundation has an agreement with First Union National Bank for an unsecured line of credit in the amount of \$ 100,000. Interest at prime is payable monthly. As of June 30, 2001 and 2000 none of the line was in use.

Note 11. Long-Term Debt

Long-term debt is summarized as follows:

	2001	2000
Note payable, National Penn Bank, obtained June 1998, due July 2005 in monthly installments of \$ 1,384 including		

interest at a rate of 6.40%, collateralized by the corporate assets of the Foundation. \$ 58,492 \$ 71,057

Note payable, National Penn Bank, obtained June 1998 due July 2008 in monthly installments of \$ 950 including interest at a rate of 6.57%, collateralized by the corporate assets of the Foundation. 64,787 71,625

\$ 123,279 \$ 142,682
=====

Future maturities of long-term debt for the year ended June 30,

2002	\$	20,677
2003		22,054
2004		23,521
2005		25,105
2006		9,653
2007, and thereafter		<u>22,269</u>
	\$	<u>123,279</u> =====

Note 12. Charitable Gift Annuity

Contributions received under charitable gift annuity agreements totaled \$ 283,706 and \$601,707 for the years ended June 30, 2001 and 2000. Present value of future annuity payments is recognized as a liability on the Statements of Financial Position. For the years ended June 30, 2001 and 2000, the annuity payment liabilities totaled \$ 464,696 and \$ 238,773, respectively.

Note 12. Charitable Gift Annuity (continued)

The charitable gift annuities provide for the periodic payment of distributions to designated individuals (the annuitants) over a specified period of time. At the end of the specified term, the remaining assets are available for the Foundation's use.

Note 13. Employee Benefits

Effective September 1, 1998, the Foundation adopted a 403(b) retirement plan. The Foundation contributes 50% of employee contributions up to a maximum of 4% of salary. The Foundation contributed \$ 4,345 and \$ 3,583 toward the 403(b) plan in fiscal years 2001 and 2000, respectively.

Note 14. SFAS No. 136 *Transfers of Assets to a Not-for-Profit Organization or Charitable Trust that Raises or Holds Contributions for Others.*

This statement establishes 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. SFAS 136 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 effect of adoption of this pronouncement does not have a material effect on the net assets of the Foundation, therefore, the Foundation is not required to adopt this pronouncement and has not done so as of June 30, 2001.

Note 15. Cumulative Effect of a Change in Accounting Principle

Effective July 1, 2000, the Foundation adopted SOP 98-5, "Reporting on Start-Up Activities." As a result of this change, the Foundation expensed the remaining organization costs, net of accumulated amortization. The effect of this change was to reduce total assets by \$ 6,624.

Note 16. Subsequent Event

Subsequent to year-end, in August 2001, Berks County Community Foundation Properties, Inc. sold the real estate that was donated in fiscal year end June 30, 2000. The contract sales price was \$ 11,000. The Foundation received \$ 6,280 after settlement charges and fees.