

The Luzerne Foundation

Consolidated Financial Statements

December 31, 2022 and 2021

The Luzerne Foundation

Table of Contents
December 31, 2022 and 2021

	<u>Page</u>
Independent Auditors' Report	1
Consolidated Financial Statements	
Consolidated Statements of Financial Position	3
Consolidated Statements of Activities	4
Consolidated Statements of Cash Flows	5
Notes to Consolidated Financial Statements	6

Independent Auditors' Report

To the Board of Directors of
The Luzerne Foundation

Opinion

We have audited the consolidated financial statements of The Luzerne Foundation and subsidiary (the Foundation), which comprise the consolidated statements of financial position as of December 31, 2022 and 2021, and the related consolidated statements of activities and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Foundation as of December 31, 2022 and 2021, 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 (GAAP).

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditors' 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 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 Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with GAAP, 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.

Auditors' 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 auditors' 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 GAAS 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 GAAS, 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.

Baker Tilly US, LLP

Wilkes-Barre, Pennsylvania
October 17, 2023

The Luzerne Foundation

Consolidated Statements of Financial Position
December 31, 2022 and 2021

	<u>2022</u>	<u>2021</u>
Assets		
Cash and Cash Equivalents	\$ 1,801,572	\$ 2,628,604
Investments	51,179,745	48,637,730
Investment in Real Estate	5,797,806	-
Contribution Receivable From Remainder Trusts	1,990,430	2,097,095
Contribution Receivable From Annuity	38,375	55,197
Property and Equipment, Net	<u>631,795</u>	<u>650,798</u>
Total assets	<u>\$ 61,439,723</u>	<u>\$ 54,069,424</u>
Liabilities and Net Assets		
Funds Held as Agency Endowment	\$ 10,449,068	\$ 10,522,959
Paycheck Protection Program Loan	-	70,622
Liability Under Unitrusts	<u>783,980</u>	<u>797,681</u>
Total liabilities	<u>11,233,048</u>	<u>11,391,262</u>
Net Assets		
Without donor restrictions	49,000,222	41,378,745
With donor restrictions	<u>1,206,453</u>	<u>1,299,417</u>
Total net assets	<u>50,206,675</u>	<u>42,678,162</u>
Total liabilities and net assets	<u>\$ 61,439,723</u>	<u>\$ 54,069,424</u>

See notes to financial statements

The Luzerne Foundation

Consolidated Statements of Activities
Years Ended December 31, 2022 and 2021

	<u>2022</u>	<u>2021</u>
Changes in Net Assets Without Donor Restrictions		
Revenues and other support:		
Contributions	\$ 13,763,238	\$ 3,532,422
Contribution of nonfinancial assets	5,600,000	-
Net investment (loss) income	(6,241,470)	4,936,222
Forgiveness of PPP loan	70,622	63,299
Other revenue	7,131	11,003
	<u>13,199,521</u>	<u>8,542,946</u>
Expenses:		
Program services:		
Grants	3,505,660	2,143,406
Salaries and benefits	154,709	156,717
	<u>3,660,369</u>	<u>2,300,123</u>
Management and general:		
Salaries and benefits	237,374	230,353
Professional fees	46,272	45,483
Technological advances	46,109	36,474
Payroll taxes	35,128	35,302
Property expense	33,771	8,796
Miscellaneous	46,630	44,862
Depreciation expense	19,003	19,003
Insurance	16,479	10,088
Auto expense	6,941	11,768
Advertising	3,643	1,064
Dues and subscriptions	10,911	15,593
Telephone	5,024	5,551
Conferences, conventions and meetings	18,767	5,380
	<u>526,052</u>	<u>469,717</u>
Fundraising:		
Special events	1,221,044	333,828
Salaries and benefits	170,579	120,614
	<u>1,391,623</u>	<u>454,442</u>
Total fundraising	<u>1,391,623</u>	<u>454,442</u>
Total expenses	<u>5,578,044</u>	<u>3,224,282</u>
Increase in net assets without donor restrictions	<u>7,621,477</u>	<u>5,318,664</u>
Changes in Net Assets With Donor Restrictions		
Change in value of remainder trusts	(92,964)	241,028
Increase in net assets	7,528,513	5,559,692
Net Assets, Beginning	<u>42,678,162</u>	<u>37,118,470</u>
Net Assets, Ending	<u>\$ 50,206,675</u>	<u>\$ 42,678,162</u>

See notes to financial statements

The Luzerne Foundation

Consolidated Statements of Cash Flows
Years Ended December 31, 2022 and 2021

	<u>2022</u>	<u>2021</u>
Cash Flows From Operating Activities		
Increase in net assets	\$ 7,528,513	\$ 5,559,692
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation	19,003	19,003
Contribution of nonfinancial assets	(5,600,000)	-
Forgiveness of PPP loan	(70,622)	(63,299)
Unrealized and realized losses (gains), net	7,167,838	(4,298,829)
Change in value of remainder trusts and annuity	123,487	(343,288)
Changes in assets and liabilities:		
Funds held as agency endowment	(73,891)	1,508,293
Liability under unitrusts	(13,701)	119,083
	<u>9,080,627</u>	<u>2,500,655</u>
Net cash provided by operating activities		
Cash Flows From Investing Activities		
Purchase of investments	(31,872,785)	(9,889,636)
Costs paid related to investment in real estate	(197,806)	-
Proceeds from sale of investments	22,162,932	8,460,693
	<u>(9,907,659)</u>	<u>(1,428,943)</u>
Net cash used in investing activities		
Cash Flows From Financing Activities		
Proceeds from Paycheck Protection Program Loan	-	70,622
	<u>(827,032)</u>	<u>1,142,334</u>
Net (decrease) increase in cash and cash equivalents		
Cash and Cash Equivalents, Beginning	<u>2,628,604</u>	<u>1,486,270</u>
Cash and Cash Equivalents, Ending	<u>\$ 1,801,572</u>	<u>\$ 2,628,604</u>
Supplementary Disclosure of Cash Flow Information		
Noncash contribution for investment in real estate	<u>\$ 5,600,000</u>	<u>\$ -</u>

See notes to financial statements

The Luzerne Foundation

Notes to Consolidated Financial Statements
December 31, 2022 and 2021

1. Nature of Operations and Summary of Significant Accounting Policies

Nature of Operations

The Luzerne Foundation (the Foundation), a community foundation, is a nonstock, not-for-profit corporation located in Luzerne County, Pennsylvania. The Foundation was formed to serve the interests and needs of Luzerne County, Pennsylvania and the surrounding areas and thereby enhance the quality of life for residents of those communities. This objective will be achieved by receiving, managing and disbursing funds for charitable and educational purposes as well as engaging in activities and functions for the benefit of those communities. Support is derived through direct solicitation of individuals, businesses and the community at large.

In 2022, TLF Realty Holdings, LLC (the Company), a limited liability company, was formed for the purpose of owning and renting any real property owned by the Company along with any related improvements. The sole member of the Company is the Foundation.

Principles of Consolidation

The accompanying consolidated financial statements reflect the consolidation of the individual financial statements of The Luzerne Foundation and TLF Realty Holdings, LLC. All material intercompany transactions and balances have been eliminated.

Revenue and Revenue Recognition

Contributions received are recorded as increases in net assets without donor restrictions and net assets with donor restrictions, depending on the existence and nature of any donor restrictions. When a donor restriction is accomplished, net assets with donor restrictions are reclassified as net assets without donor restrictions and reported in the consolidated statements of activities as net assets released from restrictions.

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

Net Assets

The Foundation reports information regarding its financial position and activities according to two classes of net assets: without donor restrictions and with donor restrictions. Net assets without donor restrictions are defined as assets that are free of donor-imposed restrictions, and include all investment income and appreciation not subject to donor-imposed restrictions, as discussed below. Net assets with donor restrictions are net assets whose use has been limited by donor-imposed time or purpose restrictions or those that are defined as net assets required by the donor restrictions or law to be maintained by the Foundation in perpetuity. The Foundation reflects restricted contributions whose restrictions are met in the same reporting period as support without donor restrictions.

Pursuant to donor restrictions, the Foundation classified each of its component funds into the following types: unrestricted funds, field of interest funds, donor-advised funds, scholarship funds, designated funds and organizational endowment funds. While it is the intent of the Foundation to hold these assets as endowment funds, its Board of Directors may, by majority vote, modify any restriction or condition on the distribution of funds from its component trusts if, in their judgment, such restriction becomes unnecessary, incapable of fulfillment or inconsistent with the charitable needs of the community (i.e., variance power). Authoritative guidance on accounting for contributions received and contributions made provides that if the governing body has variance power, contributions should be classified as net assets without donor restrictions.

The Luzerne Foundation

Notes to Consolidated Financial Statements
December 31, 2022 and 2021

Accordingly, all net assets and related activity over which the management of the Foundation exercises direct control are classified as without donor restrictions in the accompanying consolidated financial statements. The Board of Directors of the Foundation ratified a recommendation limiting the current year grant distribution from individual endowment funds to 5.00% of the average market value, using a 16 quarter trailing average of the principal fair value of each fund. For funds less than four years old, the fair value will be the average of all quarterly fair values to date. The funds noted above are classified as investments in the accompanying consolidated statements of financial position.

The Board of Directors has that ability (i.e. variance power); however, it would only exercise this authority if circumstances rendered the donor's requests unnecessary, undesirable, impracticable, impossible or incapable of fulfillment. Accordingly, the Foundation's consolidated financial statements classify substantially all amounts as net assets without donor restrictions.

Cash and Cash Equivalents

For purposes of the consolidated statements of cash flows, the Foundation considers all highly liquid debt instruments purchased with an original maturity of three months or less to be cash equivalents, except the portion of its investment portfolio which are being invested in cash and other instruments with maturities of less than three months.

Investments and Investment Risk

Investments in equity securities with readily determinable fair values and all investments in debt securities are measured at fair value in the consolidated statements of financial position. Investment income or loss (including realized and unrealized gains and losses on investments, interest and dividends, and investment fees), is included in net assets without donor restrictions unless the income or loss is restricted by donor or law.

The cost of investments received as gifts is fair value as determined upon receipt. The cost of investments sold is determined by use of the specific identification method.

The Foundation's investments are comprised of a variety of financial instruments and are managed by investment advisors. The fair values reported in the consolidated statements of financial position are subject to various risks including changes in the equity markets, the interest rate environment and general economic conditions. Due to the level of risk associated with certain investment securities and the level of uncertainty related to changes in the fair value of investment securities, it is reasonably possible that the amounts reported in the accompanying consolidated financial statements could change materially in the near term.

Investment in Real Estate

The fair value of investment in real estate received as gifts is the fair value as determined based on the appraised value at the date of the gift along with any costs or expenses necessary to place the assets in use.

Property and Equipment

Property and equipment are recorded at cost, or fair value at the date of contribution in the case of gifts. Depreciation is computed using the straight-line method over the following estimated useful lives: buildings and improvements (7-40 years) and furniture and equipment (5 years).

The Luzerne Foundation

Notes to Consolidated Financial Statements

December 31, 2022 and 2021

Income Taxes

The Foundation is a not-for-profit corporation organized under the laws of the Commonwealth of Pennsylvania and is exempt from federal income taxes on its exempt income under Section 501(a) of the Internal Revenue Code.

The Foundation accounts for uncertainty in income taxes by prescribing a recognition threshold of more-likely-than-not to be sustained upon examination by the appropriate taxing authority. Measurement of the tax uncertainty occurs if the recognition threshold has been met. Management determined that there were no tax uncertainties that met the recognition threshold in 2022 and 2021.

Use of Estimates

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Functional Expenses

The costs of providing the Foundation's programs and other activities have been summarized on a functional basis in the consolidated statements of activities. Expenses related directly to program services or supporting activities are charged directly, while employee salaries and benefits have been allocated based upon the estimated time and effort of Foundation employees.

Donated Services

Donated services are recognized as contributions in accordance with authoritative guidance, if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills and would otherwise be purchased by the Foundation. Volunteer-provided services are not recognized as contributions in the consolidated financial statements since the criteria as prescribed in the authoritative guidance are not met.

New Accounting Standards Adopted in the Current Year

During 2022, the Foundation and the Company adopted Accounting Standards Update (ASU) No. 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. ASU No. 2020-07 improves financial reporting by providing new presentation and disclosure requirements about contributed nonfinancial assets, including additional disclosure requirements for recognized contributed services. The Foundation and the Company have added disclosures of nonfinancial assets (see Note 8). ASU 2020-07 has been applied retrospectively to all periods presented.

Subsequent Events

In preparing these consolidated financial statements, the Foundation has evaluated events and transactions for potential recognition or disclosure through October 17, 2023, the date the consolidated financial statements were available to be issued. See Note 12 for additional information related to subsequent events.

The Luzerne Foundation

Notes to Consolidated Financial Statements
December 31, 2022 and 2021

2. Investments and Fair Value Measurement

The Foundation measures its investments and contribution receivable from remainder trusts and annuity trusts at fair value on a recurring basis in accordance with accounting principles generally accepted in the United States of America.

Fair value is defined as the price that would be received to sell an asset or the price that would be paid to dispose of a liability in an orderly transaction between market participants at the measurement date. The framework that the authoritative guidance establishes for measuring fair value includes a hierarchy used to classify the inputs used in measuring fair value. The hierarchy prioritizes the inputs used in determining valuations into three levels. The level in the fair value hierarchy within which the fair value measurement falls is determined based on the lowest level input that is significant to the fair value measurement.

The levels of the fair value hierarchy are as follows:

Level 1 - Fair value is based on unadjusted quoted prices in active markets that are accessible to the Foundation for identical assets. These generally provide the most reliable evidence and are used to measure fair value whenever available.

Level 2 - Fair value is based on significant inputs, other than Level 1 inputs, that are observable either directly or indirectly for substantially the full term of the asset through corroboration with observable market data. Level 2 inputs include quoted market prices in active markets for similar assets, quoted market prices in markets that are not active for identical or similar assets, and other observable inputs.

Level 3 - Fair value would be based on significant unobservable inputs. Examples of valuation methodologies that would result in Level 3 classification include option pricing models, discounted cash flows and other similar techniques.

The fair values of the Foundation's investments and contributions receivable from remainder trusts and annuity were measured with the following inputs at December 31, 2022 and 2021:

	2022			
	Total	Level 1	Level 2	Level 3
Investments:				
Cash and cash equivalents	\$ 1,352,740	\$ 1,352,740	\$ -	\$ -
U.S. government and agency bonds	9,788,731	-	9,788,731	-
Corporate bonds	428,905	-	428,905	-
Residential mortgage-back securities	4,644	-	4,644	-
Municipal bonds	1,424,334	-	1,424,334	-
Equity securities	24,122,796	24,122,796	-	-
Mutual funds	13,951,249	13,951,249	-	-
Other	106,346	106,346	-	-
Total investments	51,179,745	39,533,131	11,646,614	-
Investment in real estate	5,797,806	-	-	5,797,806
Contribution receivable from remainder trusts	1,990,430	-	-	1,990,430
Contribution receivable from annuity, net	38,375	-	-	38,375
Total assets	<u>\$ 59,006,356</u>	<u>\$ 39,533,131</u>	<u>\$ 11,646,614</u>	<u>\$ 7,826,611</u>

The Luzerne Foundation

Notes to Consolidated Financial Statements

December 31, 2022 and 2021

	2021			
	Total	Level 1	Level 2	Level 3
Investments:				
Cash and cash equivalents	\$ 4,645,058	\$ 4,645,058	\$ -	\$ -
U.S. government and agency bonds	3,389,977	-	3,389,977	-
Corporate bonds	753,220	-	753,220	-
Residential mortgage-back securities	9,606	-	9,606	-
Municipal bonds	1,966,430	-	1,966,430	-
Equity securities	27,910,650	27,910,650	-	-
Mutual funds	9,817,274	9,817,274	-	-
Other	145,515	145,515	-	-
Total investments	48,637,730	42,518,497	6,119,233	-
Contribution receivable from remainder trusts	2,097,095	-	-	2,097,095
Contribution receivable from annuity, net	55,197	-	-	55,197
Total assets	\$ 50,790,022	\$ 42,518,497	\$ 6,119,233	\$ 2,152,292

The following is a description of the valuation methodologies used to determine fair value for instruments measured at fair value on a recurring basis.

- Cash and cash equivalents are reported at cost which approximates fair value due to the short-term nature of the instruments.
- U.S. government and agency bonds, corporate bonds, residential-mortgage backed securities and municipal bonds are measured at fair value using quoted prices in active markets when available. Otherwise, these securities are valued using matrix pricing which relies on the security's relationship to various benchmark prices.
- Equity securities and other are measured at fair value based on upon quoted market prices in active markets for those securities.
- Mutual funds are measured at fair value based upon quoted market prices in active markets for those securities.
- Investment in real estate are determined using the market approach using appraised values and other information for similar assets.
- Contribution receivable from the remainder trusts are measured at the present value of the estimated future payments to be distributed upon the donor's death.
- Contribution receivable from annuity, net is measured at the present value of the estimated future cash flows to the Foundation.

The Luzerne Foundation

Notes to Consolidated Financial Statements
December 31, 2022 and 2021

The composition of investment return is as follows:

	<u>2022</u>	<u>2021</u>
Interest and dividend income	\$ 1,099,140	\$ 701,501
Investment fees	(172,772)	(64,108)
Unrealized and realized (losses) gains, net	<u>(7,167,838)</u>	<u>4,298,829</u>
Net investment (loss) income	<u>\$ (6,241,470)</u>	<u>\$ 4,936,222</u>

The Foundation charges an annualized fee on endowment assets which combines both investment management (moneys paid out to investment managers) and administration of the Foundation. The total fees from both sources for an endowment fund at the Foundation ranges from 1.25% to 2.00% annualized based on the type of fund and the level of administrative duties required. All fees are annualized and accepted quarterly based on the prior three month average fund balance.

3. Contribution Receivable From Remainder Trusts

Contributions receivable from remainder trusts represent funds expected to remain under charitable remainder unitrusts established for the benefit of the Foundation. The trustee is required to distribute a calculated amount to the donor during the donor's life. Upon the donor's death, the remaining assets in the unitrusts are to be distributed to the Foundation. The assets are recorded at the present value of the estimated future payment to be distributed upon the donor's death using a discount rate of 5.2% in 2022 and 1.6% in 2021 and are classified as net assets with donor restrictions. Where the Foundation serves as trustee, the obligation to make payments to the trust beneficiaries is reported as a liability under unitrusts. When trusts are established, the assets transferred to the Foundation are recognized at their fair value, and a liability is established for the present value of the estimated future payments to be made to the beneficiaries. The difference between those two amounts is recognized as a restricted contribution. Annually, the obligation is adjusted for changes in the value of the trust assets and actuarial changes in the estimates of future benefits. The annual adjustment is reported in the consolidated statements of activities as the change in value of remainder trusts.

4. Contribution Receivable From Annuity

Contribution receivable from annuity represents the present value of the future cash flows to the Foundation. The Foundation used a discount rate of 5.2% in 2022 and 1.6% in 2021.

5. Property and Equipment

Property and equipment consist of the following at December 31:

	<u>2022</u>	<u>2021</u>
Land	\$ 31,000	\$ 31,000
Buildings and improvements	682,086	682,086
Furniture and equipment	<u>33,263</u>	<u>33,263</u>
Total cost	746,349	746,349
Less accumulated depreciation	<u>114,554</u>	<u>95,551</u>
Net	<u>\$ 631,795</u>	<u>\$ 650,798</u>

The Luzerne Foundation

Notes to Consolidated Financial Statements
December 31, 2022 and 2021

6. Funds Held as Agency Endowment

Funds held as agency endowment represent funds received from donors for the express purpose of providing permanent on-going support to the donor agency. The Foundation has variance power over the use of these assets. These funds are included in investments in the accompanying consolidated statements of financial position. Carbon County had funds totaling \$1,242,332 and \$758,200 as of December 31, 2022 and 2021, respectively.

7. Paycheck Protection Program

On May 7, 2020, the Foundation received loan proceeds in the amount of \$63,299 under the Paycheck Protection Program (PPP) which was established as part of the Coronavirus Aid, Relief and Economic Security (CARES) Act and is administered through the Small Business Administration (SBA).

The Foundation met the PPP's loan forgiveness requirements, and therefore, applied for forgiveness. On March 11, 2021, the Foundation received legal release from the SBA, and therefore, recorded the amount forgiven, \$63,299 as loan forgiveness income in its 2021 consolidated statements of activities.

On March 16, 2021, the Foundation received a second PPP loan in the amount of \$70,622 under the PPP round two which was established as part of the Consolidated Appropriations Act and is administered through the SBA. Loan terms have remained consistent with the May 7, 2020 loan; however, any unforgiven portion is now payable over 5 years.

The Foundation met the second PPP's loan forgiveness requirements, and therefore, applied for forgiveness. On June 9, 2022, the Foundation received legal release from the SBA, and therefore, recorded the amount forgiven, \$70,622 as loan forgiveness income in its 2022 consolidated statements of activities.

The SBA reserves the right to audit any PPP loan, regardless of size. These audits may occur after forgiveness has been granted. In accordance with the CARES Act and Consolidated Appropriations Act, all borrowers are required to maintain their PPP loan documentation for six years after the PPP loan was forgiven or repaid in full and to provide that documentation to the SBA upon request.

8. Contributed Nonfinancial Assets

For the year ended December 31, 2022, contributed nonfinancial assets within the consolidated financial statements included a rental property with an appraised value of \$5,600,000. At this time, due to current tenants, the property will continue to provide rental revenue until such time that the tenants lease terms expire and the property can be sold. The property and related costs was included in investments, real estate on the consolidated statements of financial position.

9. Related-Party Transactions

The Foundation received contributions from members of the Foundation's management and governing board. Contributions from related parties were approximately \$5,660,950 and \$155,782 in 2022 and 2021, respectively. For 2022, the balance included a noncash contribution in real estate of \$5,600,000.

The Foundation has various depositor relationships with banks and investment managers that have officers that are also members of the Board. The relationships include traditional checking accounts and investment accounts.

The Luzerne Foundation

Notes to Consolidated Financial Statements
December 31, 2022 and 2021

10. Significant Concentrations and Credit Risk

The Foundation maintains cash accounts, which, at times, may exceed federally insured limits. The Foundation has not experienced any losses from maintaining cash accounts in excess of federally insured limits. Management believes that it is not subject to any significant credit risk on its cash accounts.

11. Liquidity and Availability of Resources

The following table reflects the Foundation's financial assets available for general expenditures within one year. Financial assets are considered unavailable when illiquid or not convertible to cash within one year. Unavailable financial assets consist of: (a) assets whose use is limited by Board designations, donor restrictions, regulatory bodies and loan and other agreements; and (b) assets held for others.

	<u>2022</u>	<u>2021</u>
Financial assets:		
Cash and cash equivalents	\$ 1,801,572	\$ 2,628,604
Investments	51,179,745	48,637,730
Investment in real estate	5,797,806	-
Contributions receivable from remainder trusts	1,990,430	2,097,095
Contribution receivable from annuity	38,375	55,197
	<u>60,807,928</u>	<u>53,418,626</u>
Total financial assets		
	60,807,928	53,418,626
Less those unavailable for general expenditures within one year:		
Investment in real estate	5,797,806	-
Contributions collectible beyond one year	2,028,805	2,152,292
Funds held as agency endowment	10,449,068	10,522,959
Donor designated	1,206,453	1,299,417
	<u>19,482,132</u>	<u>14,074,668</u>
Total	<u>\$ 41,325,796</u>	<u>\$ 39,443,958</u>

12. Subsequent Event, Merger

In January 2021, the Foundation announced their intention to merge with the Wyoming Valley Health and Education Foundation (WVHEF), a Pennsylvania not-for-profit, tax-exempt organization. The merger is intended to combine both entities resources to better and more efficiently accomplish and further their missions in a more cost-effective and efficient manner. WVHEF began liquidating and transferring assets to the Foundation and is expected to be completed by December 31, 2023.