SCHUYLKILL AREA COMMUNITY FOUNDATION

POTTSVILLE, PENNSYLVANIA

FOR THE YEAR ENDED DECEMBER 31, 2016

CERTIFIED PUBLIC ACCOUNTANTS

Jones & Co.

A PROFESSIONAL CORPORATION

TABLE OF CONTENTS

JONES & CO.

A PROFESSIONAL CORPORATION
CERTIFIED PUBLIC ACCOUNTANTS

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Schuylkill Area Community Foundation
Pottsville, Pennsylvania

We have audited the accompanying financial statements of The Schuylkill Area Community Foundation (a nonprofit organization), which comprise the statement of financial position as of December 31, 2016, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

The Organization's management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Schuylkill Area Community Foundation as of December 31, 2016, 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.

Jones & Co. P.C.

July 27, 2017
Pottsville, Pennsylvania

SCHUYLKILL AREA COMMUNITY FOUNDATION

STATEMENT OF FINANCIAL POSITION

DECEMBER 31, 2016

ASSETS

CURRENT ASSETS	
Cash and Cash Equivalents	$ 479,869
Investments:	
Common Stocks	13,982,918
Preferred Stocks	1,991,620
Master Limited Partnerships	762,727
Corporate Bonds	11,770
Mutual Funds	1,625,381
TOTAL CURRENT ASSETS	18,854,285
PROPERTY AND EQUIPMENT	
Community Pearl Computer System	55,667
Less: Accumulated Depreciation	(27,596)
TOTAL PROPERTY AND EQUIPMENT - NET	28,071
TOTAL ASSETS	$ 18,882,356

LIABILITIES AND NET ASSETS

LIABILITIES	
Accrued Expenses	$ 5,638
Deferred Revenue	23,200
Scholarships Payable	63,463
Funds Held for Other Agencies	274,964
TOTAL LIABILITIES - ALL CURRENT	367,265
NET ASSETS	
Unrestricted	9,737
Temporarily Restricted	6,413,927
Permanently Restricted	12,091,427
TOTAL NET ASSETS	18,515,091
TOTAL LIABILITIES AND NET ASSETS	$ 18,882,356

See notes to financial statements
which are an integral part of this statement.

SCHUYLKILL AREA COMMUNITY FOUNDATION

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED DECEMBER 31, 2016

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
REVENUES, GAINS AND OTHER SUPPORT				
Contributions	$ 0	$ 39,854	$ 129,832	$ 169,686
Other Revenue:				
Investment Income	82,769	441,958	0	524,727
Miscellaneous and Sponsor Income	0	2,529	0	2,529
Realized Gain (Loss) on Investments	0	411,762	0	411,762
Changes of Unrealized/Realized Gain (Loss) on Investments	0	983,822	0	983,822
TOTAL REVENUES, GAINS, AND OTHER SUPPORT	82,769	1,879,925	129,832	2,092,526
EXPENSES				
Program Services	50,208	451,876	0	502,084
General and Administrative	28,567	257,100	0	285,667
Fundraising	2,801	25,210	0	28,011
TOTAL EXPENSES	81,576	734,186	0	815,762
CHANGE IN NET ASSETS	1,193	1,145,739	129,832	1,276,764
NET ASSETS AT BEGINNING OF YEAR	8,544	5,268,188	11,961,595	17,238,327
NET ASSETS AT END OF YEAR	$ 9,737	$ 6,413,927	$ 12,091,427	$ 18,515,091

See notes to financial statements
which are an integral part of this statement.

SCHUYLKILL AREA COMMUNITY FOUNDATION

STATEMENT OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED DECEMBER 31, 2016

	Fundraising	General and Administrative	Program Services	Total
Salaries	$ 22,000	$ 95,135	$ 0	$ 117,135
Payroll Taxes	1,817	8,204	0	10,021
Office Supplies and Small Equipment	0	4,825	0	4,825
Publicity, Advertising and Printing	2,324	3,485	0	5,809
Utilities	0	2,523	0	2,523
Memberships and Organizations	0	447	0	447
Dues and Subscriptions	0	270	0	270
Insurance	0	4,806	0	4,806
Executive Director Expenses and Travel	274	1,588	0	1,862
Investment Managers Fees	0	73,655	0	73,655
Grants to Other Organizations	0	0	502,084	502,084
Other	0	40,566	0	40,566
Rent	0	9,120	0	9,120
Depreciation	0	5,567	0	5,567
Professional Fees	0	8,091	0	8,091
Computer Consulting/Maintenance Costs	0	8,125	0	8,125
Postage	936	1,405	0	2,341
Telephone	0	3,114	0	3,114
Indirect Administrative Fees	0	5,500	0	5,500
Retirement Plan	660	1,258	0	1,918
Maintenance	0	1,008	0	1,008
Foreign Taxes Paid	0	6,292	0	6,292
Conferences and Training	0	683	0	683
TOTAL	$ 28,011	$ 285,667	$ 502,084	$ 815,762

See notes to financial statements
which are an integral part of this statement.

SCHUYLKILL AREA COMMUNITY FOUNDATION

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31, 2016

CASH FLOWS FROM OPERATING ACTIVITIES	
Increase in Net Assets	$ 1,276,764
Adjustment to Reconcile Increase in Net Assets to Net Cash provided by Operating Activities:	
(Add) Deduct:	
Depreciation Expense	5,567
Realized (Gain) Loss on Investments	411,762
Increase (Decrease) in:	
Funds Held by Other Agencies	(10,318)
Accrued Expenses	609
Scholarships Payable	17,030
Deferred Revenue	(5,567)
Unrealized (Gain) Loss on Marketable Securities	(983,822)
NET CASH PROVIDED BY OPERATING ACTIVITIES	712,025
CASH FLOWS FROM INVESTING ACTIVITIES	
Net Purchases of and Proceeds from the Sales of Investments	572,060
NET CASH PROVIDED BY INVESTING ACTIVITIES	572,060
CASH FLOWS FROM FINANCING ACTIVITIES	0
NET INCREASE IN CASH AND CASH EQUIVALENTS	1,284,085
CASH AND CASH EQUIVALENTS - JANUARY 1, 2016	17,570,200
CASH AND CASH EQUIVALENTS - DECEMBER 31, 2016	$ 18,854,285

SUPPLEMENTAL DISCLOSURES:

Interest paid and expensed	None
Income taxes paid	Not Applicable

See notes to financial statements
which are an integral part of this statement.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

DESCRIPTION OF ENTITY

Schuylkill Area Community Foundation is a nonprofit organization 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)(3). The Foundation was incorporated on January 16, 1967 for the purposes of administering funds of a public nature for educational, charitable, scientific, or literary uses and purposes, or other of similar nature to meet the existing and changing community needs in Schuylkill County.

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.

ADVERTISING COSTS

The Company follows the policy of charging costs of advertising to expense as incurred. Advertising expense for the year ended December 31, 2016 was $2,866.

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. Actual results could differ from those estimates.

RELATED PARTY TRANSACTIONS

Keith J. Strouse, Esq., Secretary/Treasurer, performed indirect administrative duties in the amount of $5,500.

FINANCIAL STATEMENT PRESENTATION

The Foundation has adopted Statement of Financial Accounting Standards (SFAS) No. 117, "Financial Statements of Not-for-Profit Organizations." Under SFAS No. 117, the Foundation is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets temporarily restricted net assets and permanently restricted net assets.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

CONTRIBUTIONS

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted net assets depending on the existence or nature of any donor restrictions. 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 donor contributions are considered to be permanently restricted because the Foundation has agreements with the donors stating that the principal amount of their gifts will be held in perpetuity. The earnings from these contributions are considered either temporarily restricted or unrestricted, depending on whether there were further donor restrictions placed on the earnings. 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 Statement of Activities as net assets released from restrictions.

CONTRIBUTIONS RECEIVABLE (PROMISES TO GIVE)

Contributions are recognized when the donor makes a promise to give to the Foundation, that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in temporarily or donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

The Foundation uses the allowance method to determine uncollectible unconditional promises receivable. The allowance is based on prior years' experience and management's analysis of specific promises made.

CASH AND CASH EQUIVALENTS

For the purpose of the Statement of Cash Flows, the Foundation considers all unrestricted highly liquid investments with an initial maturity of three months or less to be cash equivalents. There are no uninsured cash balances for the year ended December 31, 2016.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

INVESTMENTS

The Foundation elected to adopt Statement of Financial Accounting Standards (SFAS) No. 124, "Accounting for Certain Investments Held by Not-for-Profit Organizations," in 2000. 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 statement of financial position. Unrealized gains and losses are included in the change in net assets. Investment income and gains restricted by the donor are reported as increases in unrestricted net assets if the restrictions are met (either by passage of time or by use) in reporting period in which the income and gains are recognized.

PROPERTY, EQUIPMENT, DEPRECIATION AND AMORTIZATION

Depreciation of property, plant and equipment is provided on the straight-line method in amounts sufficient to relate the cost of depreciable assets to operations over their estimated service lives. Depreciation expense for the current year was $5,567.

DONATED SERVICES

During the year ended December 31, 2016, the value of contributed services meeting the requirements for recognition in the financial statements was not material and has not been recorded. In addition, many individuals volunteer their time and perform a variety of tasks, but these services do not meet the criteria for recognition as contributed services.

NOTE 2 - COMMITMENTS:

On September 19, 2007, the Foundation entered into a one-year lease of office facilities with Secorp Partners beginning January 1, 2008 and ending on December 31, 2008. Leased premises are the first floor at 216 South Centre Street, Pottsville, PA. Monthly rent installments are $725., not including utilities for the one-year term of the lease. On December 1, 2016 the lease was renewed under substantially the same terms for the period beginning January 1, 2016 and ending on December 31, 2016. Total lease expense for the current year was $9,120.

On February 19, 2015 the entity entered into a lease agreement with Edwards Business Systems for a Konica Minolta copier. Lease terms require 60 monthly payments of $80.88. The lease is classified as an operating lease. Total current year expense was $972.

NOTE 3 - INVESTMENTS:

Investments as of December 31, 2016, are as follows:

Marketable Securities, at cost	$ 12,208,697
Net Unrealized Gain (Loss) on Marketable Securities	6,165,719
Marketable Securities, at market	$ 18,374,416

These investments constitute equity funds, mutual funds, and investments in government and corporate bonds.

Financial Accounting Standards Board Statement No. 157, Fair Value Measurements (FASB Statement No. 157), establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy under FASB Statement No. 157 are described below:

Level 1 - Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets the Foundation has the ability to access.

Level 2 - Inputs to the valuation methodology include:

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

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

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

NOTE 3 - INVESTMENTS - continued

The inputs or methodology used for valuing investments are not an indication of the risk associated with investing in those securities.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

All investments on the Statement of Financial Position are reported at fair value. Inputs used to determine the fair value of the Foundation's investments are considered to be Level 1.

NOTE 4 - FUNDS HELD FOR OTHER AGENCIES:

Schuylkill Area Community Foundation has agreements with other agencies to serve as a conduit of funds owned by other agencies. Funds in this conduit are subject to the Foundation's control but are themselves earmarked for distribution for other agencies. Funds held in this capacity are included as liabilities in the Statement of Financial Position.

NOTE 5 - RETIREMENT PLAN:

The Company sponsors a savings incentive match plan for employees (SIMPLE) Retirement Plan for eligible employees. Employee contributions are subject to limits established by the Internal Revenue Service. Company contributions for the current year were $1,918.

NOTE 6 - DEFERRED REVENUE:

In prior years the Foundation received various grants totaling $50,796 which were utilized to partially fund the purchase of new accounting foundation operations software (Community Pearl). The acquisition of this software took place during 2012. Annually, an amount equal to the depreciation expense on the Community Pearl System ($5,567. in 2016) will be recognized as income until fully amortized. At December 31, 2016, the remaining deferred revenue is $23,200.

NOTE 7 - SUBSEQUENT EVENTS:

The Company has evaluated events and transactions occurring subsequent to the balance sheet date of December 31, 2016 for items that should potentially be recognized or disclosed in these financial statements. The evaluation was conducted through July 27, 2017, the date these financial statements were available to be issued.