

November 13, 2020

To the Board of Directors of the
Community Foundation of Warren County:

Enclosed are the audited financial statements of the Community Foundation of Warren County for the year ended December 31, 2019.

Should you have any questions regarding your financial statements, please let us know and we will discuss them with you.

Very truly yours,

KERSEY & ASSOCIATES, PC



Lisa M. McDermott

COMMUNITY FOUNDATION
OF WARREN COUNTY

FINANCIAL STATEMENTS

For the Year Ended December 31, 2019

CONTENTS

	PAGE
Independent Auditor's Report	1
Statement of Assets, Liabilities, and Net Assets - Modified Cash Basis	3
Statement of Support, Revenues, Expenses, and Other Changes in Net Assets - Modified Cash Basis	4
Statement of Functional Expenses - Modified Cash Basis	5
Notes to Financial Statements	6

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Community Foundation of Warren County:

We have audited the accompanying financial statements of Community Foundation of Warren County (a nonprofit organization), which comprise the statement of assets, liabilities, and net assets - modified cash basis as of December 31, 2019, the related statements of support, revenues, expenses, and other changes in net assets - modified cash basis, and of functional expenses - modified cash basis for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the modified cash basis of accounting as described in Note 2; this includes determining that the modified cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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.

INDEPENDENT AUDITOR'S REPORT
(Continued)

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the assets, liabilities, and net assets of Community Foundation of Warren County as of December 31, 2019, and its support, revenues, expenses, and other changes in net assets for the year then ended in accordance with the modified cash basis of accounting as described in Note 2.

Emphasis of Matter

We draw attention to Note 2 of the financial statements, which describes the basis of accounting. The financial statements are prepared on the modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to that matter.

As discussed in Note 16 to the financial statements, the 2018 financial statements have been restated for the correction of an error. Our opinion is not modified with respect to this matter.

As discussed in Note 17 to the financial statements, in 2019, the Foundation adopted new accounting guidance ASU 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. Our opinion is not modified with respect to this matter.

Report on Summarized Comparative Information

We have previously audited the Community Foundation of Warren County's 2018 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated December 2, 2019. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2018, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Kerney + Associates, P.C.

Warren, Pennsylvania
November 10, 2020

COMMUNITY FOUNDATION OF WARREN COUNTY

**STATEMENT OF ASSETS, LIABILITIES, AND NET ASSETS
MODIFIED CASH BASIS**

As of December 31, 2019

With Summarized Comparative Information as of December 31, 2018

	Assets	
	<u>2019</u>	<u>2018</u>
Current Assets:		
Cash and cash equivalents	<u>\$ 2,708,555</u>	<u>\$ 2,153,198</u>
Total Current Assets	<u>2,708,555</u>	<u>2,153,198</u>
Other Assets:		
Investments, at market value	85,868,837	72,668,251
Investments under split-interest agreements	<u>3,258,638</u>	<u>2,856,230</u>
Total Other Assets	<u>89,127,475</u>	<u>75,524,481</u>
Total Assets	<u><u>\$ 91,836,030</u></u>	<u><u>\$ 77,677,679</u></u>
	Liabilities and Net Assets	
Current Liabilities:		
Accrued payroll liabilities	<u>\$ 3,192</u>	<u>\$ 2,042</u>
Total Current Liabilities	<u>3,192</u>	<u>2,042</u>
Other Liabilities:		
Amounts held for others	<u>2,735,572</u>	<u>2,249,088</u>
Total Liabilities	<u>2,738,764</u>	<u>2,251,130</u>
Net Assets:		
Without donor restrictions	85,838,628	72,570,319
With donor restrictions	<u>3,258,638</u>	<u>2,856,230</u>
Total Net Assets	<u>89,097,266</u>	<u>75,426,549</u>
Total Liabilities and Net Assets	<u><u>\$ 91,836,030</u></u>	<u><u>\$ 77,677,679</u></u>

See Accompanying Notes to Financial Statements

COMMUNITY FOUNDATION OF WARREN COUNTY

**STATEMENT OF SUPPORT, REVENUES, EXPENSES, AND OTHER CHANGES IN NET ASSETS
MODIFIED CASH BASIS**

For the Year Ended December 31, 2019

With Summarized Comparative Information for the Year Ended December 31, 2018

	Without Donor Restrictions	With Donor Restrictions	2019 Total	2018 Total
Support and Revenues:				
Contributions	\$ 685,362	\$ -	\$ 685,362	\$ 2,306,392
Investment income, net	1,677,411	-	1,677,411	1,141,096
Net realized and unrealized gains on investments	13,541,246	-	13,541,246	(6,318,393)
Change in value of split- interest agreements	-	402,408	402,408	(354,632)
Total Support and Revenues	15,904,019	402,408	16,306,427	(3,225,537)
Expenses:				
Program	2,389,584	-	2,389,584	2,955,975
Administrative	239,846	-	239,846	194,489
Fundraising	6,280	-	6,280	20,736
Total Expenses	2,635,710	-	2,635,710	3,171,200
Changes in Net Assets	13,268,309	402,408	13,670,717	(6,396,737)
Net Assets at Beginning of Year	72,570,319	2,856,230	75,426,549	81,823,286
Net Assets at End of Year	\$ 85,838,628	\$ 3,258,638	\$ 89,097,266	\$ 75,426,549

See Accompanying Notes to Financial Statements

COMMUNITY FOUNDATION OF WARREN COUNTY

**STATEMENT OF FUNCTIONAL EXPENSES
MODIFIED CASH BASIS**

For the Year Ended December 31, 2019

With Summarized Comparative Information for the Year Ended December 31, 2018

	Program	Supporting Services		2019	2018
		Administrative	Fundraising	Total	Total
Grants to charities	\$ 2,020,053	\$ -	\$ -	\$ 2,020,053	\$ 2,023,618
Student scholarships	369,531	-	-	369,531	932,357
Salaries and benefits	-	116,911	-	116,911	117,357
Office	-	49,283	6,280	55,563	45,910
Legal and professional	-	50,741	-	50,741	26,345
Utilities	-	4,503	-	4,503	4,967
Building rent	-	9,350	-	9,350	11,050
Dues and subscriptions	-	1,450	-	1,450	1,100
Insurance	-	6,598	-	6,598	6,699
Leasehold improvements	-	-	-	-	1,185
Equipment rent	-	1,010	-	1,010	612
Total Expenses	\$ 2,389,584	\$ 239,846	\$ 6,280	\$ 2,635,710	\$ 3,171,200

See Accompanying Notes to Financial Statements

COMMUNITY FOUNDATION OF WARREN COUNTY

NOTES TO FINANCIAL STATEMENTS

December 31, 2019

Note 1 - Organization

The Community Foundation of Warren County (the Foundation) is comprised of trust and corporate divisions. The trust division was created in 1949 by a Resolution and Declaration of Trust adopted by the Warren National Bank and the Warren Bank and Trust Company. In 2003, the board of directors established the corporate division to broaden its investment options while still retaining its trust division. For purposes of these financial statements, the trust and corporate divisions are collectively referred to as the Foundation.

Support and revenue is derived principally from contributions, investment income, and investment gains and losses. Funds are disbursed at the approval of the Foundation's distribution committee to enhance the quality of life in and about the community.

Note 2 - Summary of Significant Accounting Policies

Basis of Accounting: The records of the Foundation are maintained on the modified cash basis of accounting and the accompanying financial statements have been prepared on that basis. Except for reporting investments and split-interest agreements at market value and recording amounts held for others and payroll liabilities, all transactions are recognized as support, revenue, or expense. The modified cash basis differs from accounting principles generally accepted in the United States of America primarily because support and revenues are generally recognized when received rather than when earned and expenses are generally recognized when paid rather than when the obligation is incurred. Accordingly, these statements are not intended to present the financial position or results of operations in conformity with accounting principles generally accepted in the United States of America.

Investments: Investments are held and administered by two commercial banks and one wealth management firm. The Foundation's board of directors is responsible for establishing standards and reviewing investment manager performance. The Foundation's investments are recorded at market value, and realized and unrealized gains and losses are reflected in the statement of support, revenues, expenses, and other changes in net assets - modified cash basis. The market values of the investments are based on quoted market prices.

Fair Value Measurements: ASC Topic 820, *Fair Value Measurements and Disclosures*, defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at a measurement date. It establishes a hierarchy for inputs used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that observable inputs be used when available. Observable inputs are inputs that market participants would use in pricing the asset based on market data obtained from sources independent of the Foundation. Unobservable inputs are inputs that would reflect the Foundation's judgments about the assumptions market participants would use in pricing the asset based on the best information available in the circumstances. The hierarchy is broken down into three levels based on the reliability of inputs, as follows:

Level 1 - Valuations are based on quoted market prices in active markets for identical assets that the Foundation has the ability to access. Valuation adjustments

COMMUNITY FOUNDATION OF WARREN COUNTY

NOTES TO FINANCIAL STATEMENTS

December 31, 2019

Note 2 - Summary of Significant Accounting Policies (Continued)

Fair Value Measurements: (Continued)

are not applied to level 1 instruments. Since valuations are based on quoted market prices that are readily available in an active market, valuation of these products does not entail a significant degree of judgment.

Level 2 - Valuations are based on one or more quoted prices in markets that are not active or for which all significant inputs are observable, either directly or indirectly.

Level 3 - Valuations are based on inputs that are unobservable and significant to the overall fair value measurement.

Variance Power: The 1949 Resolution and Declaration of Trust provides the Foundation's board of directors with variance power, which is the unilateral power to redirect the use of contributed assets to another beneficiary.

Net Assets: Support, revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of the Foundation and changes therein are classified and reported as follows:

Net Assets without Donor Restrictions - Net assets not subject to donor-imposed restrictions.

Net Assets with Donor Restrictions - Net assets subject to donor-imposed restrictions.

All of the Foundation's individual funds, including those that were established with donor-imposed restrictions, are subject to the variance power of the board of directors, as established by the 1949 Resolution and Declaration of Trust. This variance power gives the board of directors the ability to modify donor-imposed restrictions that become either impossible to accomplish or inconsistent with the charitable needs of the community. As a result of this variance power, most of the Foundation's contributions and net assets are classified as net assets without donor restrictions for financial statement purposes.

Donated Services: A portion of the Foundation's functions, such as committee services, is contributed. The value of these services is not reflected in the accompanying financial statements.

Functional Expense Allocation: The costs of program and supporting services have been summarized on a functional basis in the statement of support, revenues, expenses, and other changes in net assets - modified cash basis and in the statement of functional expenses - modified cash basis.

COMMUNITY FOUNDATION OF WARREN COUNTY

NOTES TO FINANCIAL STATEMENTS

December 31, 2019

Note 2 - Summary of Significant Accounting Policies (Continued)

Use of Estimates: The preparation of financial statements in conformity with the modified cash basis of accounting requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Financial Statement Presentation: The financial statements include prior-year summarized comparative information in total but not by net asset and functional expense classification. Such information does not include sufficient detail to constitute a presentation in conformity with the modified cash basis of accounting. Accordingly, such information should be read in conjunction with the Foundation's financial statements for the prior year from which the summarized information was derived.

Note 3 - Cash and Cash Equivalents

Cash and cash equivalents consist of checking accounts and funds invested in money market accounts.

Note 4 - Liquidity and Availability of Financial Resources

The following reflects the Foundation's financial assets as of December 31, 2019 and 2018, reduced by amounts not available for general expenditures within one year.

	<u>2019</u>	<u>2018</u>
Financial assets:		
Cash and equivalents	\$ 2,708,555	\$ 2,153,198
Investments	85,868,837	72,668,251
Investments under split-interest agreements	<u>3,258,638</u>	<u>2,856,230</u>
Total financial assets	<u>91,836,030</u>	<u>77,677,679</u>
Less:		
Investments held by Foundation trustees	(85,868,837)	(72,668,251)
Investments held under split-interest agreements	(3,258,638)	(2,856,230)
Cash attributed to distributions from donor-designated, scholarship, and donor advised funds	<u>(2,176,011)</u>	<u>(1,152,635)</u>
Net financial assets available to meet cash needs for general expenditures within one year	<u>\$ 532,544</u>	<u>\$ 1,000,563</u>

The Foundation manages liquid assets to meet cash needs for general expenditures by investing excess cash in money market savings accounts, through its investment spending policy and by the administration fees charged to each fund.

COMMUNITY FOUNDATION OF WARREN COUNTY

NOTES TO FINANCIAL STATEMENTS

December 31, 2019

Note 5 - Investments

The carrying values of investments are summarized as follows:

	Market Value	
	2019	2018
Cash and cash equivalents	\$ 2,691,721	\$ 3,465,740
Common stock	4,948,620	11,626,206
Equity mutual funds	43,663,106	31,325,257
Fixed income mutual funds	16,211,270	15,797,649
Alternative investment mutual funds	6,857,524	6,314,939
Equity exchange traded funds	10,374,469	3,081,143
Fixed income exchange traded funds	1,122,127	1,057,317
	<u>\$ 85,868,837</u>	<u>\$ 72,668,251</u>

The following schedule summarizes the investment return:

	2019	2018
Realized and unrealized gains on investments	<u>\$ 13,541,246</u>	<u>\$ (6,318,393)</u>
Investment income	\$ 2,044,483	\$ 1,481,961
Investment fees	(367,072)	(340,865)
Investment income, net	<u>\$ 1,677,411</u>	<u>\$ 1,141,096</u>

In prior years, the Foundation received contributions of various real estate interests, including mineral interests, and these assets have not been included in the financial statements. Foundation management believes that the values of these interests are not material to the financial statements.

Note 6 - Fair Value

The following table presents the Foundation's assets and liabilities that are measured at fair value on a recurring basis as of December 31, 2019:

	Level 1	Level 2	Level 3	Total
Assets:				
Investments	\$ 85,868,837	\$ -	\$ -	\$ 85,868,837
Investments under split-interest agreements	-	3,258,638	-	3,258,638
Total Assets	<u>\$ 85,868,837</u>	<u>\$ 3,258,638</u>	<u>\$ -</u>	<u>\$ 89,127,475</u>
Liabilities:				
Amounts held for others	\$ -	\$ 2,735,572	\$ -	\$ 2,735,572

COMMUNITY FOUNDATION OF WARREN COUNTY

NOTES TO FINANCIAL STATEMENTS

December 31, 2019

Note 6 - Fair Value (Continued)

The following table presents the Foundation's assets and liabilities that are measured at fair value on a recurring basis as of December 31, 2018:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Assets:				
Investments	\$ 72,668,251	\$ -	\$ -	\$ 72,668,251
Investments under split-interest agreements	-	2,856,230	-	2,856,230
Total Assets	<u>\$ 72,668,251</u>	<u>\$ 2,856,230</u>	<u>\$ -</u>	<u>\$ 75,524,481</u>
Liabilities:				
Amounts held for others	<u>\$ -</u>	<u>\$ 2,249,088</u>	<u>\$ -</u>	<u>\$ 2,249,088</u>

The Foundation's beneficial interest in level 2 investments under split-interest agreements is determined by apportioning to the related trusts' fair value (level 1), the portion of the original investment into the trusts that was contributed for the benefit of the Foundation. Management calculates the level 2 fair value of the liability for funds held for others based on the original contribution to the investment pools by the donor organizations.

There were no changes in valuation techniques applied to the Foundation's level 2 measurements during the years 2019 and 2018.

Note 7 - Endowments

The assets of the Foundation are a union of numerous gifts and bequests, contributed through the Foundation, to the trustees. The distributions from all funds held by the trustees in endowments are subject to the Foundation's variance power as discussed in Note 2.

The Foundation adopted the total return concept for long-term management of its corporate division assets. The total return concept is defined as asset growth and income combined. The total market value averaged over three years, along with a board authorized spending policy, are taken into consideration in determining available grant dollars for each year's distribution. By smoothing market volatility and reviewing the spending policy annually, the Foundation maintains relative stability in the amount of funds available for charitable distributions and provides for increasing contributions over time and protection from inflation. The corporate division spending policy is the established rate in terms of percent that determines the amount expended for charitable distributions, grants, scholarships, and administration and is determined annually.

The third-party trustees determine the spending policies annually for the Foundation's trust division.

COMMUNITY FOUNDATION OF WARREN COUNTY

NOTES TO FINANCIAL STATEMENTS

December 31, 2019

Note 7 - Endowments (Continued)

The Foundation's endowment assets totaled \$85,868,837 and \$72,668,251, as of December 31, 2019 and 2018, respectively.

Changes in endowment funds were as follows:

	<u>2019</u>	<u>2018</u>
Beginning balance	\$ 72,668,251	\$ 78,924,101
Additions	761,459	2,096,381
Investment income	2,109,970	1,529,091
Investment gains (loss)	13,979,422	(6,516,411)
Fees	(377,388)	(351,249)
Distributions	<u>(3,272,877)</u>	<u>(3,013,662)</u>
Ending balance	<u>\$ 85,868,837</u>	<u>\$ 72,668,251</u>

Note 8 - Investments Under Split-interest Agreements

The Foundation records its interests in split-interest agreements at fair market value in the statement of assets, liabilities, and net assets - modified cash basis.

The terms of the agreements call for the Foundation to receive income distributions from the trusts, with the trusts to retain the principal balance in perpetuity. Increases and decreases in the fair value of investments under split-interest agreements are recorded as change in value of net assets with donor restrictions.

Note 9 - Unconditional Promises to Give

The board of directors approve certain grants that are payable in future years. The Foundation had the following unconditional promises to give to others as of December 31, 2019:

	<u>Due in 2020</u>	<u>Due in 2021</u>	<u>Due in 2022</u>	<u>Due in Total</u>
Warren General Hospital	\$ 50,000	\$ 50,000	\$ 50,000	\$ 150,000
YMCA Capital Campaign	50,000	-	-	50,000
Northern PA Regional College	50,000	-	-	50,000
	<u>\$ 150,000</u>	<u>\$ 50,000</u>	<u>\$ 50,000</u>	<u>\$ 250,000</u>

COMMUNITY FOUNDATION OF WARREN COUNTY

NOTES TO FINANCIAL STATEMENTS

December 31, 2019

Note 10 - Funds Held for Others

ASC Topic 958, *Not-for-Profit Entities*, establishes standards for transactions in which the Foundation accepts a contribution from a donor and agrees to transfer the assets, the return on investment of the assets, or both, to a not-for-profit organization that is specified by the donor. When the donor is a not-for-profit organization that established a fund at the Foundation using its own funds and for its own benefit, accounting standards require the Foundation to account for such funds as a liability.

The Foundation was the custodian of 17 such funds held for others with a combined value of \$2,735,572 and \$2,249,088 at December 31, 2019 and 2018, respectively.

Transactions of the liability for funds held for others are summarized as follows:

	<u>2019</u>	<u>2018</u>
Additions:		
Contributions and transfers	\$ 115,628	\$ 33,217
Net unrealized and realized gains (losses) on investments	438,176	(198,020)
Investment income	65,487	47,131
Total Additions	<u>619,291</u>	<u>(117,672)</u>
Deductions:		
Distributions of grants	122,491	87,374
Investment management fees	10,316	10,384
Total Deductions	<u>132,807</u>	<u>97,758</u>
Change in Balance	486,484	(215,430)
Balance, Beginning of Year	<u>2,249,088</u>	<u>2,464,518</u>
Balance, End of Year	<u>\$ 2,735,572</u>	<u>\$ 2,249,088</u>

Note 11 - Concentration of Credit Risk

The Foundation is subject to concentrations of credit risk with respect to cash held at financial institutions in amounts in excess of the federally insured deposit limits. The Foundation held uninsured cash deposits totaling \$2,316,886 and \$1,782,334 at December 31, 2019 and 2018, respectively.

COMMUNITY FOUNDATION OF WARREN COUNTY

NOTES TO FINANCIAL STATEMENTS

December 31, 2019

Note 12 - Leases

The Foundation leases office and storage space. The lease is classified as an operating lease, has a one-year term, and renews annually. The current lease requires monthly payments of \$850, payable in advance. There is no provision for adjustment to the lease amount for the term of the lease agreement. Rent paid totaled \$9,350 and \$11,050 in 2019 and 2018, respectively. Future payments due in 2020 under the current lease term total \$3,400.

The Foundation renewed its agreement with a vendor for the lease of a postage meter effective December 30, 2018, for a period of 51 months. The lease is classified as an operating lease and is non-cancelable. The lease requires quarterly payments of \$202, payable in advance. There is no provision for adjustment to the lease amount for the term of the lease agreement. Rent paid totaled \$1,010 and \$612 in 2019 and 2018, respectively. Future payments under the current lease term total \$2,626 and are due as follows:

Due in 2020	\$	808
Due in 2021		808
Due in 2022		808
Due in 2023		202
Total	\$	<u>2,626</u>

Note 13 - Related-party Transactions

During 2019 and 2018, the Foundation received contributions from related-party individuals totaling \$66,128 and \$52,868, respectively. During 2019 and 2018, the Foundation made payments to a related party totaling \$32,466 and \$0, respectively.

Note 14 - Income Taxes

The Foundation was determined to be exempt from federal income tax under the provisions of Section 501(c)(3) of the Internal Revenue Code and has been classified as an organization which is not a private foundation as defined in Sections 509(9)(1) and 170(b)(1)(A)(vi) of the Code.

Note 15 - Subsequent Events

Management has evaluated subsequent events through November 10, 2020, the date the financial statements were available to be issued.

COMMUNITY FOUNDATION OF WARREN COUNTY

NOTES TO FINANCIAL STATEMENTS

December 31, 2019

Note 16 - Prior Period Restatement

Amounts for 2018 have been restated to include three additional investments under split-interest agreements that were identified during the 2019 audit. The effect of the restatement was to increase net assets with donor restrictions at December 31, 2018 and 2017, by \$1,257,648 and \$1,433,807, respectively, and to decrease the change in net assets with donor restrictions for 2018 by \$176,159.

Note 17 - Change in Accounting Principle

In 2018, the Foundation adopted ASU 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*. This accounting standards update significantly amends the financial reporting requirements for nonprofit organizations and the presentation of their financial statements related to liquidity and availability of financial resources, financial performance, and cash flow. In 2018 the guidance in the ASU was applied retrospectively.

In 2019, the Foundation adopted ASU 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. This accounting standards update clarifies and improves the current guidance regarding whether a transfer of assets (or the reduction, settlement, or cancellation of liabilities) is a contribution or an exchange transaction. This guidance has been applied to the Foundation's financial statements on a modified prospective basis.