The Erie Community Foundation

CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2019 AND 2018

McGill, Power, Bell & Associates, LLP
Certified Public Accountants · Business & Financial Advisors

THE ERIE COMMUNITY FOUNDATION
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McGill, Power, Bell & Associates, LLP
Certified Public Accountants • Business & Financial Advisors
90 Years and Still Counting

INDEPENDENT AUDITOR'S REPORT

Board of Trustees
The Erie Community Foundation
Erie, Pennsylvania

We have audited the accompanying consolidated financial statements of The Erie Community Foundation (Foundation) and its affiliated organizations (nonprofit organizations), which comprise the consolidated statements of financial position as of December 31, 2019, and the related consolidated statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated 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 consolidated 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated financial statements.

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

Erie • Meadville • Franklin • Grove City • Titusville

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of The Erie Community Foundation and its affiliated organizations as of December 31, 2019, 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.

Emphasis of Matters

As described in Notes A and L to the consolidated financial statements, in 2019, the Foundation adopted ASU 2014-09, *Revenue from Contracts with Customers*, regarding recognition of revenue with customers.

As described in Note A to the consolidated financial statements, 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*, regarding accounting for contributions and grants.

Prior Year Audited by Other Auditors

The consolidated financial statements as of December 31, 2018 and for the year then ended, were audited by other auditors, and their report thereon, dated October 28, 2019, expressed an unmodified opinion.

McGill, Power, Bell & Associates, LLP

McGill, Power, Bell & Associates, LLP
Erie, Pennsylvania
July 28, 2020

CONSOLIDATED FINANCIAL STATEMENTS

THE ERIE COMMUNITY FOUNDATION
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2019 AND 2018

	2019	2018
ASSETS		
Cash and Cash Equivalents	$ 2,990,946	$ 2,936,853
Investments	279,676,817	241,432,615
Other Investments - Deferred Compensation	432,672	353,198
Other Assets	930,182	877,351
Property and Equipment, Net	2,549,093	2,521,296
TOTAL ASSETS	$ 286,579,710	$ 248,121,313
LIABILITIES AND NET ASSETS		
Liabilities		
Grants Payable	$ 5,239,875	$ 4,333,312
Accounts Payable and Accrued Expenses	560,535	484,587
Annuity Obligations	1,704,291	1,728,000
Amounts Held for Others	58,687,112	51,678,395
TOTAL LIABILITIES	66,191,813	58,224,294
Net Assets		
Without Donor Restrictions	219,911,306	189,607,712
With Donor Restrictions	476,591	289,307
TOTAL NET ASSETS	220,387,897	189,897,019
TOTAL LIABILITIES AND NET ASSETS	$ 286,579,710	$ 248,121,313

See notes to consolidated financial statements.

THE ERIE COMMUNITY FOUNDATION
CONSOLIDATED STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2019

	2019		
	Without Donor Restrictions	With Donor Restrictions	Total
REVENUES, GAINS AND OTHER SUPPORT			
Public Support and Revenue	$ 19,895,256	$ -	$ 19,895,256
Administrative Revenue from Funds	277,879	-	277,879
Change in Value of Split Interest Agreements	19,079	210,415	229,494
Net Realized and Unrealized Gains on Investments	29,882,078	45,791	29,927,869
Investment Income, Net of Fees of $1,231,423	1,749,727	11,884	1,761,611
Other Revenue	168,975	-	168,975
TOTAL REVENUES, GAINS AND OTHER SUPPORT	51,992,994	268,090	52,261,084
NET ASSETS RELEASED RESULTING FROM SATISFACTION OF RESTRICTIONS	80,806	(80,806)	-
EXPENSES			
Grants Awarded	19,234,016	-	19,234,016
Other Program Expenses	1,073,245	-	1,073,245
TOTAL PROGRAM EXPENSES	20,307,261	-	20,307,261
Management and General	741,022	-	741,022
Development and Fundraising	721,923	-	721,923
TOTAL SUPPORTING SERVICES	1,462,945	-	1,462,945
TOTAL EXPENSES	21,770,206	-	21,770,206
CHANGE IN NET ASSETS	30,303,594	187,284	30,490,878
NET ASSETS, BEGINNING OF YEAR	189,607,712	289,307	189,897,019
NET ASSETS, END OF YEAR	$ 219,911,306	$ 476,591	$ 220,387,897

See notes to consolidated financial statements.

THE ERIE COMMUNITY FOUNDATION
CONSOLIDATED STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2018

	2018		
	Without Donor Restrictions	With Donor Restrictions	Total
REVENUES, GAINS AND OTHER SUPPORT			
Public Support and Revenue	$ 23,746,117	$ -	$ 23,746,117
Administrative Revenue from Funds	289,165	-	289,165
Change in Value of Split Interest Agreements	(24,720)	(226,386)	(251,106)
Net Realized and Unrealized Losses on Investments	(13,239,722)	(22,707)	(13,262,429)
Investment Income, Net of Fees of $1,050,614	1,726,689	1,667	1,728,356
Other Revenue	26,877	-	26,877
TOTAL REVENUES, GAINS AND OTHER SUPPORT	12,524,406	(247,426)	12,276,980
NET ASSETS RELEASED RESULTING FROM SATISFACTION OF RESTRICTIONS	54,721	(54,721)	-
EXPENSES			
Grants Awarded	16,939,418	-	16,939,418
Other Program Expenses	965,386	-	965,386
TOTAL PROGRAM EXPENSES	17,904,804	-	17,904,804
Management and General	672,499	-	672,499
Development and Fundraising	590,706	-	590,706
TOTAL SUPPORTING SERVICES	1,263,205	-	1,263,205
TOTAL EXPENSES	19,168,009	-	19,168,009
CHANGE IN NET ASSETS	(6,588,882)	(302,147)	(6,891,029)
NET ASSETS, BEGINNING OF YEAR	196,196,594	591,454	196,788,048
NET ASSETS, END OF YEAR	$ 189,607,712	$ 289,307	$ 189,897,019

See notes to consolidated financial statements.

THE ERIE COMMUNITY FOUNDATION
CONSOLIDATED STATEMENTS OF FUNCTIONAL EXPENSES
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

	2019				2018			
	Program Expenses	Management & General	Development & Fundraising	Total	Program Expenses	Management & General	Development & Fundraising	Total
Grants Awarded	$ 19,234,016	$ -	$ -	$ 19,234,016	$ 16,939,418	$ -	$ -	$ 16,939,418
Salaries	491,663	396,497	347,130	1,235,290	446,088	361,982	304,645	1,112,715
Payroll Taxes	34,403	28,191	22,721	85,315	30,975	24,902	21,387	77,264
Employee Benefits	141,456	100,144	129,447	371,047	92,881	74,671	64,129	231,681
Professional Services	56,255	37,698	33,740	127,693	32,964	31,314	32,320	96,598
Rent and Occupancy	22,250	20,833	16,297	59,380	24,595	19,773	16,982	61,350
Equipment Purchased/Rental and Maintenance	36,054	26,573	25,864	88,491	34,275	23,752	20,645	78,672
Office Supplies and Expense	12,610	10,714	11,010	34,334	11,535	9,342	8,718	29,595
Marketing	53,744	55,140	60,796	169,680	48,338	48,818	50,975	148,131
Meetings and Conferences	28,836	16,586	29,031	74,453	37,220	18,918	20,694	76,832
Professional Development	7,998	6,357	6,152	20,507	10,734	8,630	7,411	26,775
Dues and Subscriptions	5,488	5,907	5,777	17,172	6,643	5,586	4,840	17,069
Insurances	14,933	11,870	11,487	38,290	14,783	11,884	10,206	36,873
Vehicle Costs	3,102	1,551	3,101	7,754	2,700	600	2,700	6,000
Interest	-	500	-	500	-	3,155	-	3,155
Depreciation	164,453	22,461	19,370	206,284	171,655	29,172	25,054	225,881
Total	$ 20,307,261	$ 741,022	$ 721,923	$ 21,770,206	$ 17,904,804	$ 672,499	$ 590,706	$ 19,168,009

See notes to consolidated financial statements.

THE ERIE COMMUNITY FOUNDATION
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	$ 30,490,878	$ (6,891,029)
Items not Requiring (Providing) Cash		
Depreciation	206,284	225,881
Net Realized and Unrealized (Gains) Losses on Investments	(29,927,869)	13,262,429
Donated Securities	(8,847,680)	(5,370,947)
Changes in		
Other Assets and Other Investments	130,747	269,115
Accounts Payable, Accrued Expenses and Grants Payable	982,511	2,260,338
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	(6,965,129)	3,755,787
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of Investments	(73,477,651)	(66,591,278)
Proceeds from Sale of Investments	73,929,526	66,965,205
Purchase of Property and Equipment	(234,081)	(122,529)
NET CASH PROVIDED BY INVESTING ACTIVITIES	217,794	251,398
CASH FLOWS FROM FINANCING ACTIVITIES		
Principal Payments on Long-Term Debt	-	(62,237)
Payments on Annuity Obligations	(207,289)	(269,672)
Change in Amounts Held for Others	7,008,717	(6,538,444)
NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES	6,801,428	(6,870,353)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	54,093	(2,863,168)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	2,936,853	5,800,021
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 2,990,946	$ 2,936,853
SUPPLEMENTAL CASH FLOWS INFORMATION		
Interest Paid	$ 500	$ 3,155

See notes to consolidated financial statements.

NOTE A NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations

The Erie Community Foundation (Foundation) is a public charity primarily serving donors and the nonprofit sector in Erie County, Pennsylvania. The Foundation encourages the establishment of new charitable endowment funds and provides competitive, donor-advised/designated and scholarship grants to arts and culture, community development, education, health, neighborhood revitalization and human service organizations. The Foundation also provides a donor education program. Substantially all contributions received are from individuals with ties to Erie County.

Principles of Consolidation

The Foundation coordinates and controls the activity of two affiliated organizations and one supporting organization; The Corry Community Foundation, The North East Community Foundation, and The Union City Community Foundation. The consolidated financial statements include the financial transactions of the Foundation and these organizations. All material inter and intra-organizational accounts and transactions have been eliminated.

Use of Estimates

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

Net Assets

Net assets, revenues, gains and losses are classified based on the existence or absence of donor restrictions.

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

Net assets with donor restrictions are subject to donor restrictions. Some restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. There are no perpetually restricted net assets.

Donors may restrict contributions for certain beneficiaries. However, the Foundation has “variance power” over these net assets and, accordingly, they are presented as net assets without donor restrictions. The Foundation abides by donor intentions; however, it can modify donor intent when any restriction or conditions are unnecessary, incapable of fulfillment, or inconsistent with the charitable needs of the community.

Cash and Cash Equivalents

The Foundation considers all liquid investments with original maturities of three months or less to be cash equivalents. At December 31, 2019 and 2018, cash equivalents consisted primarily of money market funds.

At December 31, 2019, the Foundation's cash accounts exceeded federally insured limits by approximately $2,889,000.

Investments and Net Investment Return

Investments in equity securities having readily determinable fair values and in all debt securities are carried at fair value. Investment return includes dividends, interest and realized and unrealized gains and losses on investments.

The Foundation invests in certain private equity, hedge funds, real estate and natural resource funds, which are primarily held through limited partnerships. The estimated fair values of these limited partnership investments are based on valuations provided by the external investment managers or general partners, adjusted for cash receipts, disbursements and significant known valuation changes. The Foundation believes the carrying values of these investments are a reasonable estimate of fair value. Because these investments are not readily marketable and may be subject to withdrawal restrictions, their estimated value is subject to uncertainty and, therefore, may differ from the value that would have been used had a ready market for such investments existed. Such differences could be material.

Investment return that is initially restricted by donor stipulation and for which the restriction will be satisfied in the same year is included in net assets without donor restrictions. Other investment return is reflected in the statements of activities with or without donor restrictions based upon the existence and nature of any donor or legally imposed restrictions.

The Foundation maintains pooled investment accounts for certain of its endowments. Investment income and realized and unrealized gains and losses from securities in the pooled investment accounts are allocated monthly to the individual endowments based on the relationship of the fair value of the interest of each endowment to the total fair value of the pooled investment accounts, as adjusted for additions to or deductions from those accounts. The amounts held for others are also a component of the pooled investment fund and reflect the funds held by the Foundation for the benefit of outside parties.

Property and Equipment

Property and equipment acquisitions over $500 are stated at cost less accumulated depreciation. Depreciation is charged to expense using the straight-line method over the estimated useful life of each asset. The estimated useful lives of the assets are as follows:

	Years
Land Improvements	10 - 20
Buildings	40
Building Improvements	10 - 20
Furniture and Fixtures	5 - 20
Computer Software	3

Long-Lived Asset Impairment

The Foundation evaluates the recoverability of the carrying value of long-lived assets whenever events or circumstances indicate the carrying amount may not be recoverable. If a long-lived asset is tested for recoverability and the undiscounted estimated future cash flows expected to result from the use and eventual disposition of the asset is less than the carrying amount of the asset, the asset cost is adjusted to fair value and an impairment loss is recognized as the amount by which the carrying amount of a long-lived asset exceeds it fair value.

No asset impairment was recognized during the years ended December 31, 2019 or 2018.

Grants Payable

Grants that are not paid in the year of award are shown as grants payable at year end and are typically paid in the subsequent year.

Amounts Held for Others

The Foundation occasionally receives contributions from other unrelated not-for-profit organizations in which the donor organization specifies itself as the beneficiary of the fund. In such instances, the Foundation records the contributed assets and any accumulated investment earnings as a liability on the consolidated statements of financial position.

	2019	2018
Balance, January 1	$ 51,678,395	$ 58,216,839
Additions	1,309,346	1,416,458
Net Investment Income (Loss), Net of Investment Fees	9,259,328	(2,874,967)
Expenses	(278,805)	(289,717)
Withdrawals	(3,281,152)	(4,790,218)
Balance, December 31	$ 58,687,112	$ 51,678,395

Contributions

Contributions are provided to the Foundation either with or without restrictions placed on the gift by the donor. Revenues and net assets are separately reported to reflect the nature of those gifts – with or without donor restrictions. The value recorded for each contribution is recognized as follows:

Nature of the Gift	Value Recognized
Conditional gifts, with or without restriction	
Gifts that depend on the Foundation overcoming a donor-imposed barrier to be entitled to the funds	Not recognized until the gift becomes unconditional, *i.e.* the donor-imposed barrier is met
Unconditional gifts, with or without restriction	
Received at date of gift – cash and other assets	Fair value
Received at date of gift – property, equipment and long-lived assets	Estimated fair value
Expected to be collected within one year	Net realizable value
Collected in future years	Initially reported at fair value determined using the discounted present value of estimated future cash flows technique

In addition to the amount initially recognized, revenue for unconditional gifts to be collected in future years is also recognized each year as the present-value discount is amortized using the level-yield method.

When a donor stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the consolidated statements of activities as net assets released from restrictions. Absent explicit donor stipulations for the period of time that long-lived assets must be held, expirations of restrictions for gifts of land, buildings, equipment and other long-lived assets are reported when those assets are placed in service.

The Foundation distinguishes between contributions received for each net asset category in accordance with donor-imposed restrictions. Resources are classified for accounting and reporting purposes into net asset categories according to externally (donor) imposed restrictions. The Foundation reports gifts of cash and other assets as restricted support, if they are received with donor stipulations that limit the use of the donated assets to a specific time period or purpose.

Gifts having donor stipulations which are satisfied in the period the gift is received are reported as revenue and net assets without donor restrictions.

Contributed Services

The Trustees of the Foundation and other volunteers have made contributions of their time to the development of the Foundation's growth, principally in the solicitation of donors and management of investment portfolios. The value of this contributed time is not reflected in these statements.

Income Taxes

All of the aforementioned entities are exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and a similar provision of state law. However, all entities are subject to federal income tax on any unrelated business taxable income.

The Foundation and its related entities file tax returns in the U.S. federal jurisdiction. With a few exceptions, the Foundation is no longer subject to U.S. federal examinations by tax authorities for years before 2016.

Functional Allocation of Expenses

The costs of supporting the various programs and other activities have been summarized on a functional basis in the consolidated statements of activities. The consolidated statements of functional expenses present the natural classification detail of expenses by function. Certain costs have been allocated among the program, grant, administrative and development expense categories based on time and effort and other methods.

Risks and Uncertainties

Investment securities are exposed to various risks, such as interest rate, credit and overall market volatility. Due to the level of risk associated with certain investment securities, it is reasonably possible that changes in risks and values of investment securities will occur in the near term, and that such changes could materially affect the amounts reported in the consolidated statements of financial position.

Reclassifications

Certain reclassifications have been made to the 2018 consolidated financial statements to conform to the 2019 financial statement presentation. These reclassifications had no effect on the change in net assets.

Recent Accounting Pronouncements

Revenue from Contracts with Customers: In May 2014, the Financial Accounting Standards Board ("FASB") issued a new accounting standard (ASC Topic 606) that amends the accounting guidance on revenue recognition. The new standard is intended to provide a more robust framework for addressing revenue issues, improve comparability of revenue recognition practices, and improve disclosure requirements. Under the new standard, revenue is recognized when a customer obtains control of promised goods or services and is recognized in an amount that reflects the consideration which the entity expects to receive in exchange for those goods or services. The principles in the standard should be applied using a five-step model that includes 1) identifying the contract(s) with a customer, 2) identifying the performance obligations in the contract, 3) determining the transaction price, 4) allocating the transaction price to the performance obligations in the contract, and 5) recognizing revenue when (or as) the performance obligations are satisfied. The standard also requires disclosure of the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers. In addition, the standard amends the existing requirements for the recognition of a gain or loss on the transfer of nonfinancial assets that are not in a contract with a customer (for example, sales of real estate) to be consistent with the standard's guidance on recognition and measurement (including the constraint on revenue). The FASB also subsequently issued several amendments to the standard, including clarification on principal versus agent guidance, identifying performance obligations, and immaterial goods and services in a contract.

The new accounting standard update must be applied using either of the following transition methods: (i) a full retrospective approach reflecting the application of the standard in each prior reporting period with the option to elect certain practical expedients, or (ii) a modified retrospective approach with the cumulative effect on initially adopting the standard recognized at the date of adoption (which requires additional footnote disclosures).

Also, while Topic 606 is generally applied to an individual contract with a customer, as a practical expedient, the Foundation will apply this guidance to a portfolio of contracts (or performance obligations) with similar characteristics. The Foundation reasonably expects that the effects of applying this guidance to the portfolio would not differ materially from applying the guidance to the individual contracts (or performance obligations) within the portfolio.

The new accounting standard is effective for reporting periods beginning after December 15, 2018. The Foundation adopted the standard effective January 1, 2019, using the modified retrospective approach applied only to contracts not completed as of the date of adoption, with no restatement of comparative periods. Therefore, the comparative information has not been adjusted and continues to be reported under ACS Topic 605. Adoption of the new accounting standard had no impact on opening net assets.

Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made: In June 2018, the FASB issued ASU 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made.* The ASU provides a more robust framework for determining whether a transaction should be accounted for as a contribution or as an exchange transaction. The guidance also helps determine whether a contribution is conditional and better distinguishes a donor-imposed condition from a donor-imposed restriction. The Foundation adopted ASU No. 2018-08 effective January 1, 2019 utilizing the modified retrospective basis and has determined that the adoption will not result in a material change to how it accounts for revenue from gifts, grants, and contracts.

NOTE B DISCLOSURES ABOUT FAIR VALUE OF ASSETS AND LIABILITIES

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value measurements must maximize the use of observable inputs and minimize the use of unobservable inputs. There is a hierarchy of three levels of inputs that may be used to measure fair value:

Level 1 Quoted prices in active markets for identical assets or liabilities

Level 2 Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities

Level 3 Unobservable inputs supported by little or no market activity and are significant to the fair value of the assets or liabilities

Recurring Measurements

The following table presents the fair value measurements of assets recognized in the accompanying consolidated statements of financial position measured at fair value on a recurring basis and the level within the fair value hierarchy in which the fair value measurements fall at December 31, 2019 and 2018:

		Fair Value Measurements Using		
	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
December 31, 2019				
Cash and Money Market Funds	$ 6,724,004	$ 6,724,004	$ -	$ -
Common Stocks	20,911,210	20,911,210	-	-
Mutual Funds	87,152,993	87,152,993	-	-
Common Trust Funds	37,175,617	-	37,175,617	-
Total Investments at Fair Value	151,963,824	$ 114,788,207	$ 37,175,617	$ -
Alternative Investments Measured at Net Asset Value (a)	127,712,993			
Total Investments	$ 279,676,817			
Other Investments				
Cash and Money Market Funds	$ 11,938	$ 11,938	$ -	$ -
Common Stock	5,785	5,785	-	-
Mutual Funds	414,949	414,949	-	-
Total Other Investments at Fair Value	$ 432,672	$ 432,672	$ -	$ -
Beneficial Interests in Trusts	$ 447,349	$ -	$ -	$ 447,349

		Fair Value Measurements Using		
	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
December 31, 2018				
Cash and Money Market Funds	$ 7,674,666	$ 7,674,666	$ -	$ -
Common Stocks	19,987,751	19,987,751	-	-
Mutual Funds	73,766,318	73,766,318	-	-
Common Trust Funds	33,364,050	-	33,364,050	-
Total Investments at Fair Value	134,792,785	$ 101,428,735	$ 33,364,050	$ -
Alternative Investments Measured at Net Asset Value (a)	106,639,830			
Total Investments	$ 241,432,615			
Other Investments				
Cash and Money Market Funds	$ 26,316	$ 26,316	$ -	$ -
Common Stock	4,386	4,386	-	-
Mutual Funds	322,496	322,496	-	-
Total Other Investments at Fair Value	$ 353,198	$ 353,198	$ -	$ -
Beneficial Interests in Trusts	$ 390,703	$ -	$ -	$ 390,703

(a) Certain investments that are measured at fair value using the net asset value per share (or its equivalent) practical expedient have not been classified in the fair value hierarchy. The fair value amounts included above are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the consolidated statements of financial position.

Following is a description of the valuation methodologies and inputs used for assets measured at fair value on a recurring basis and recognized in the accompanying consolidated statements of financial position, as well as the general classification of such assets pursuant to the valuation hierarchy. There have been no significant changes in the valuation techniques during the year ended December 31, 2019. For assets classified within Level 3 of the fair value hierarchy, the process used to develop the reported fair value is described below.

Investments

Where quoted market prices are available in an active market, securities are classified within Level 1 of the valuation hierarchy. If quoted market prices are not available, then fair values are estimated by using quoted prices of securities with similar characteristics or independent asset pricing services and pricing models, the inputs of which are market-based or independently sourced market parameters, including, but not limited to, yield curves, interest rates, volatilities, prepayments, defaults, cumulative loss projections and cash flows. Such securities are classified in Level 2 of the valuation hierarchy. In certain cases where Level 1 or Level 2 inputs are not available, securities are classified within Level 3 of the hierarchy.

Alternative Investments

Investments in certain entities measured at fair value using the net asset value per share as a practical expedient consist of the following:

	2019			
	Fair Value	Unfunded Commitments	Redemption Frequency (if Currently Eligible)	Redemption Notice Period
ASSETS				
Private Equity (a)	$ 39,327,709	$ 18,211,774	N/A	N/A
International Equity (b)	30,508,307	-	Daily/Monthly	30 days
Real Assets (c)	28,932,045	15,496,433	Monthly	30 days
Absolute Return (d)	20,505,958	-	Monthly/Quarterly	30/65 days
Hedge Equity (e)	8,438,974	-	Monthly	30 days
	$ 127,712,993	$ 33,708,207		

	2018			
	Fair Value	Unfunded Commitments	Redemption Frequency (if Currently Eligible)	Redemption Notice Period
ASSETS				
Private Equity (a)	$ 32,404,527	$ 17,330,383	N/A	N/A
International Equity (b)	18,511,231	-	Daily/Monthly	30 days
Real Assets (c)	22,291,879	16,019,957	Monthly	30 days
Absolute Return (d)	13,891,189	-	Monthly/Quarterly	30/65 days
Hedge Equity (e)	19,541,004	-	Monthly	30 days
	$ 106,639,830	$ 33,350,340		

(a) The investment objective for private equity is long-term capital appreciation in excess of what is available in the public markets. Private equity funds generally hold illiquid debt and equity securities of public and/or privately held companies. This asset class includes venture capital, secondary, mezzanine, buyout, and distressed funds.

(b) The investment objective for international equity includes investing in debt or equity securities of primarily international companies at various stages within their life cycle. The partnerships are either direct, fund of funds or secondary issuances across multiple strategies expected to significantly exceed performance of traditional equity indices. It is estimated that the underlying assets of the fund will be liquidated over the next two to seven years. Because it is not probable that any individual investment will be sold, the fair value of each individual investment has been estimated using the net asset value of the Foundation's ownership interest in partners' capital.

(c) The investment objective for real assets is long-term capital appreciation with an additional benefit of the potential to provide protection against inflation. Real assets include liquid and illiquid investments in funds that own real estate, commodities, oil and gas, natural resources, inflation-protected fixed income securities, and other assets.

(d) The investment objective for absolute return funds is long-term capital appreciation with less volatility and/or returns that are less correlated to the equity markets. Absolute return funds may include investment strategies in which some of the underlying securities may trade privately rather than on public exchanges. This asset class includes a variety of active strategies, including arbitrage, event-driven, market neutral, and distressed investing.

(e) The investment objective for hedged equity is long-term capital appreciation with low volatility. Hedged equity funds include investment strategies where the majority of the underlying securities are traded on public exchanges. Managers in this class can be long or short equities and utilize options, futures, and other derivatives.

At December 31, 2019 and 2018, the Foundation's investments in certain alternative investments are subject to various withdrawal restrictions that impact the liquidity of the investments.

Investments that are available for redemption may be redeemed by the Foundation generally with 60- to 100-day advance notice on a semi-annual or annual basis subject to the terms of the investment agreement. Investments that can be redeemed on a semi-annual basis are restricted to redemption of up to 25% of the investment as of June 30th of any fiscal year, and all or any portion of the investment as of the last day of the fiscal year.

Investments subject to distribution cannot be redeemed by the Foundation, but rather will be distributed by the investment fund upon the liquidation of the underlying assets of the fund or limited partnership. Distributions are generally expected, but not guaranteed, over the next one to twelve years.

Beneficial Interests in Trusts

These investments consist of the Foundation's estimated portion of trusts of which it is named as a beneficiary. These investments are valued based upon the expected present value of cash flows. These investments are classified as Level 3, based upon the significant estimates used in calculating present value.

Fair Value of Financial Instruments

The following methods were used to estimate the fair value of all other financial instruments recognized in the accompanying consolidated statements of financial position at amounts other than fair value.

Cash and Cash Equivalents: The carrying value approximates fair value.

Grants Payable: The carrying value approximates fair value, which is estimated using a discounted cash flow model.

Annuity Obligations: The carrying value approximates fair value, which is estimated based on the borrowing rates currently available to the Foundation for bank loans with similar terms and maturities.

Amounts Held for Others: The carrying amount approximates fair value.

NOTE C NET ASSETS

A description of the Foundation's net asset categories follows.

i. Without Donor Restriction:

Discretionary – Funds in which the Board has full discretion with no donor stipulations.

Donor Advised – Donor established funds whereby the donor suggests specific organizations to benefit. Such donor recommendations are not binding on the Foundation, but are taken into consideration when making grants.

Donor Designated – Funds in which the donor has named recipients to receive funds for a particular charitable purpose over a specified period of time. Such designations are not binding on the Foundation, but are taken into consideration when making grants. Upon completion of the particular charitable purpose over a specified period of time, the Fund may be reclassified.

Field of Interest – Funds which benefit charitable organizations within a specific field (e.g. health care).

Geographic – Funds which benefit a specific geographic area, generally within Erie County.

Scholarship Funds – Funds in which the donor has designated distributions for scholarship recipients. Such designations are not binding on the Foundation, but are taken into consideration when making scholarship awards.

ii. With Donor Restriction:

Annuities and Trusts – These net assets are from charitable remainder and lead trusts and annuities in which the Foundation is the trustee and are restricted due to time restrictions.

Net Assets Without Donor Restrictions

Net assets without donor restrictions at December 31 have been designated for the following purposes:

	2019	2018
Program Support	$ 72,494,163	$ 65,560,566
Designated		
Donor Advised	64,065,713	54,803,196
Donor Designated	57,298,935	47,862,056
Field of Interest	4,588,293	2,543,766
Geographic	2,251,572	2,003,519
Scholarship	19,212,630	16,834,609
	147,417,143	124,047,146
Net Assets Without Donor Restrictions	$ 219,911,306	$ 189,607,712

Net Assets With Donor Restrictions

Net assets with donor restrictions at December 31 are restricted for the following purposes:

	2019	2018
Beneficial Interest in Charitable Trusts Held by Others	$ 476,591	$ 289,307

NOTE D ENDOWMENTS

The Foundation's endowments consist of over 800 individual funds established for a variety of purposes. The endowment includes both funds established by donors and funds designated by the Board to function as endowments (board-designated endowment funds). The Foundation maintains variance power over all of the endowment funds (including those established by donors) as provided within the fund agreements. As required by accounting principles generally accepted in the United States of America (GAAP), net assets associated with endowment funds, including board-designated endowment funds, are classified and reported based on the existence or absence of donor-imposed restrictions.

While the Foundation ultimately has variance power over all of the assets maintained in endowment funds, the Foundation considers the following factors in making a determination to appropriate or accumulate endowment funds:

1. Duration and preservation of the fund
2. Purposes of the Foundation and the fund
3. General economic conditions
4. Possible effect of inflation and deflation
5. Expected total return from investment income and appreciation or depreciation of investments
6. Other resources of the Foundation
7. Investment policies of the Foundation

To satisfy its long-term rate-of-return objectives, the Foundation relies on a total return strategy in which investment returns are achieved through both current yield (investment income such as dividends and interest) and capital appreciation (both realized and unrealized). The Foundation targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

The Foundation has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs and other items supported by its endowment, while seeking to maintain the purchasing power of the endowment. Under the Foundation's policies, endowment assets are invested in a manner that is intended to produce results that exceed each investment strategy's respective index, while assuming a moderate level of investment risk.

The primary investment objective of the Foundation is to achieve an annualized total return (net of fees and expenses), equal to or greater than the rate of inflation plus any spending and administrative expenses thus, at a minimum, maintaining the purchasing power of the funds. The assets are to be managed in a manner that will meet the primary investment objective, while at the same time attempting to limit volatility in year-to-year spending. Actual returns in any given year may vary from this amount.

The Foundation has a policy (the spending policy) of appropriating for expenditure each year 4 percent of its endowment funds (generally a 20-quarter rolling average of market value, adjusted to reflect material net cash flows) plus annual administrative costs. In establishing this policy, the Foundation considered the long-term expected return on its endowment. Accordingly, over the long term, the Foundation expects the current spending policy to allow its endowments to grow at a consistent rate annually. This is consistent with the Foundation's objective to maintain the purchasing power of endowment assets held in perpetuity or for a specified term, as well as to provide additional real growth through new gifts and investment return.

At December 31, 2019 and 2018, substantially all of the net assets of the Foundation consist of the endowment funds. The activity of the endowment funds is substantially represented by the consolidated statements of activities.

At December 31, 2019 and 2018, the Foundation's endowment funds without donor restriction were $219,911,306 and $189,607,712, respectively.

Changes in endowment net assets for the years ended December 31, 2019 and 2018 were:

	Without Donor Restriction	
	2019	2018
Endowment Net Assets, Beginning of Year	$ 189,607,712	$ 196,196,594
Investment Return		
Investment Income, Net of Fees	1,749,727	1,726,689
Net Appreciation (Depreciation)	29,882,078	(13,239,722)
Total Investment Return	31,631,805	(11,513,033)
Contributions	19,895,256	23,746,117
Appropriation of Endowment Assets for Expenditure	(21,223,467)	(18,821,966)
Endowment Net Assets, End of Year	$ 219,911,306	$ 189,607,712

NOTE E LIQUIDITY AND AVAILABILITY

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of December 31, 2019 and 2018, comprise the following:

	2019	2018
Cash and Cash Equivalents	$ 2,990,946	$ 2,936,853
Short-Term Investments	6,724,004	7,674,666
Payout on Quasi-Endowments for Use Over Next 12 Months	9,631,034	9,235,574
	$ 19,345,984	$ 19,847,093

The endowment includes both funds established by donors and funds designated by the Board to function as endowments (board-designated endowment funds). Donor-restricted endowment funds are not available for general expenditure. Income from donor-restricted endowments is restricted for specific purposes, with the exception of the amounts available for general use.

The board-designated endowment of $219,911,306 is subject to an annual spending rate of 4 percent as described in Note D. Although the Foundation does not intend to spend from this board-designated endowment (other than amounts appropriated for general expenditure as part of the Foundation's Board annual budget approval and appropriation), these amounts could be made available if necessary. To help manage unanticipated liquidity needs, the Foundation has access to its line of credit, which it could draw upon. See Note J for further information.

The Foundation manages its liquidity and reserves following three guiding principles: operating within a prudent range of financial soundness and stability, maintaining adequate liquid assets to fund near-term operating needs and maintaining sufficient reserves to provide reasonable assurance that long-term obligations will be discharged. The Foundation evaluates its future cash flows and monitors its liquidity and reserves regularly.

NOTE F PROPERTY AND EQUIPMENT

Property and equipment at December 31 consists of:

	2019	2018
Land and Land Improvements	$ 532,263	$ 509,963
Buildings	285,866	285,866
Building Improvements	2,385,257	2,179,397
Furniture and Fixtures	893,570	887,650
Computer Software	48,455	48,455
	4,145,411	3,911,331
Less Accumulated Depreciation	1,596,318	1,390,035
	$ 2,549,093	$ 2,521,296

NOTE G GRANTS PAYABLE

As of December 31, 2019 and 2018, the Foundation was committed to various charitable organizations for grants payable over future years in the amounts of $5,239,875 and $4,333,312, respectively. Grant activities detailed during the years are as follows:

	2019	2018
Grants Payable, Beginning of Year	$ 4,333,312	$ 2,078,576
Grants Paid	18,327,453	14,684,682
Grants Approved	19,234,016	16,939,418
Grants Payable, End of Year	$ 5,239,875	$ 4,333,312

Future maturities of grants payable are as follows:

2020	$ 3,804,961
2021	1,425,168
2022	9,750
Total Grants Payable	$ 5,239,875

NOTE H SPLIT-INTEREST AGREEMENTS

Assets Held and Annuity Obligations

The Foundation administers various charitable remainder trusts and gift annuities. These trusts and annuities provide for the payment of distributions to the grantor or other designated beneficiaries over the trust or annuity terms (usually the designated beneficiary's lifetime). At the end of the term, the remaining assets are available for the Foundation's use. The portion of the trust attributable to the present value of the future benefits to be received by the Foundation is recorded in the consolidated statements of activities as a contribution with donor restriction in the period the trust or annuity is established. There were no contributions received in 2019 or 2018. Assets held in these trusts totaled $2,182,882 and $2,017,307 at December 31, 2019 and 2018, respectively, and are reported in investments in the consolidated statements of financial position. On an annual basis, the Foundation revalues the liability to make distributions to the designated beneficiaries based on actuarial assumptions. The present value of the estimated future payments is calculated using discount rates of 1.2% to 8.0% and applicable mortality tables. The annuity obligation at December 31, 2019 and 2018 is estimated to be $1,704,291 and $1,728,000, respectively.

Beneficial Interests in Trusts

The Foundation is also the beneficiary of charitable remainder and lead trusts, where the Foundation does not hold the trust assets. For these trusts, the Foundation records an estimated fair value amount for these beneficial interests equal to the present value of estimated expected cash flows to be received. The estimated value of the beneficial interests totaled $447,349 and $390,703 as of December 31, 2019 and 2018, respectively. The increase (decrease) in value of these trusts for 2019 and 2018 was $56,646 and ($89,031), respectively.

NOTE I RETIREMENT AND DEFERRED COMPENSATION PLANS

The Foundation has a 401(k) retirement plan covering substantially all employees. The Foundation's contributions to the plan are determined annually by the Board of Trustees. Contributions to this plan were $89,017 and $73,088 for 2019 and 2018, respectively.

The Foundation established a deferred compensation plan for the Foundation's president during 2004. The liability of $432,672 and $353,198 at December 31, 2019 and 2018, respectively, is included in accounts payable and accrued expenses.

NOTE J NOTE PAYABLE

In August 2016, the Foundation entered into a revolving line of credit ("Revolver") with Marquette Savings Bank. The Revolver provides for maximum borrowings up to $1,000,000 and bears interest at the bank's prime rate (4.75% at December 31, 2019) less 1.00%. At December 31, 2019, the amount outstanding on the Revolver was $0. The Revolver is collateralized by the Northwest Savings Bank Investment AIMS Account, with a current market value of approximately $3,400,000.

NOTE K COMMITMENTS

As of December 31, 2019, the Foundation has commitments to invest approximately $161,421,200 in forty-five private equity funds. As of December 31, 2019, the Foundation made capital contributions of $127,712,993, leaving a remaining commitment of $33,708,207.

In March 2020, the ECF President/CEO announced his intention to retire by the end of 2020. ECF and the President have a salary continuation arrangement whereby ECF will continue to pay the President his regular salary and benefits through the end of 2021. From 2022 through 2027 ECF will pay the President for non-competition and a consulting fee for continued assistance.

NOTE L LITIGATION

The Foundation is subject to other claims and lawsuits that arose primarily in the ordinary course of its activities. It is the opinion of management that the disposition or ultimate resolution of such claims and lawsuits will not have a material adverse effect on the consolidated financial position, change in net assets and cash flows of the Foundation. Events could occur that would change this estimate materially in the near term.

NOTE M REVENUE FROM CONTRACTS WITH CUSTOMERS

Revenue Recognition Policy

While substantially all of the Foundation's revenues and support is derived from contributions from donors and income and return from investments, which are both outside of the scope of ASC 606, the Foundation also has revenue and support from customers. These revenues and support are derived from the Administrative Revenue from funds.

Transaction Price

Revenue is recognized when services are provided to the Foundation's investment fund holders or affiliates, in an amount that reflects the consideration that it expects to be entitled to in exchange for those services. The amount and timing of revenue recognition varies based on the nature of the services provided and the terms and conditions of the agreements with the fund holders or affiliates. There are no finance components with these services, and consideration received is based on fixed percentage of average investment balances.

Contract Balances

Contract assets or receivables will be recognized if the services have been performed for the fund holder or affiliate, but they have not yet paid. When the timing of the Foundation's provision of services are different from the timing of the payments made, the Foundation recognizes a contract asset (performance precedes contractual due date) or a contract liability (Foundation's obligation to provide services when consideration has already been received). A receivable will be recognized when the services are performed and the customer has not yet paid. A deferred revenue will be recognized when the payment is received in advance of the service performed. The Foundation had no contract assets or liabilities recorded as of December 31, 2019.

Performance Obligations and Revenue Recognition

Administrative Revenue

The Foundation's performance obligation for administrating the funds is to provide administrative services related to the fund's investments with the Foundation. These services include, but are not limited to, recordkeeping of, managing, investing, and reinvesting assets comprising the fund in common with and in the same manner as the other assets held at the Foundation. The performance obligation is to provide the services. The fee for these services is charged quarterly and revenue is recognized as the services are provided over-time.

Disaggregation of Revenue

As noted above, the Foundation's in-scope material revenue sources are recognized over time and are disaggregated on the face of the consolidated statement of activities.

NOTE N SUBSEQUENT EVENTS

Subsequent events have been evaluated through July 28, 2020, which is the date the consolidated financial statements were available to be issued.

Current Economic Conditions

The current economic environment, due to the COVID-19 pandemic, has shown an unprecedented decline, which has presented a number of challenges and circumstances worldwide, which in some cases may result in large and unanticipated declines in the fair value of investments, declines in contributions and receivables, and overall constraints on liquidity. Given the volatility of these economic conditions, management is evaluating the impact to the Foundation and their consolidated financial statements and believes the impact and duration cannot be reasonably estimated at this time.