

POISE Foundation

Financial Statements

Years Ended December 31, 2022 and 2021
with Independent Auditor's Report

MaherDuessel

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POISE FOUNDATION

YEARS ENDED DECEMBER 31, 2022 AND 2021

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Independent Auditor's Report

**Board of Trustees
POISE Foundation**

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of the POISE Foundation (Foundation), which comprise the statements of financial position as of December 31, 2022 and 2021, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Foundation as of December 31, 2022 and 2021, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Foundation, and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Change in Accounting Principle

As described in Note 2 to the financial statements, the Foundation adopted ASU 2016-02, "*Leases (Topic 842)*," which requires lessees to recognize assets and liabilities on the statement of financial position for the rights and obligations created by all leases with terms of more than twelve months. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Foundation's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Foundation's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Foundation's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Maher Duessel

Pittsburgh, Pennsylvania
June 23, 2023

POISE FOUNDATION

STATEMENTS OF FINANCIAL POSITION

DECEMBER 31, 2022 AND 2021

	<u>2022</u>	<u>2021 (restated)</u>
Assets		
Cash and cash equivalents	\$ 3,911,370	\$ 4,961,791
Accounts receivable	90,574	53,732
Contributions receivable	2,570,000	3,770,000
Interest receivable	2,776	4,235
Other assets	152,262	139,800
Long-term investments at fair value	6,902,367	8,303,995
Operating lease right of use asset	298,728	336,788
Equipment at cost - less accumulated depreciation of \$15,629 in 2022 and \$14,634 in 2021	4,950	5,945
Total Assets	\$ 13,933,027	\$ 17,576,286
Liabilities and Net Assets		
Liabilities:		
Accounts payable and accrued expenses	\$ 213,661	\$ 41,250
Grants payable	1,330,318	6,837
Refundable advance	259,207	-
Operating lease liability	305,356	336,788
Agency funds held for others	280,379	1,689,852
Total Liabilities	2,388,921	2,074,727
Net Assets:		
Without donor restrictions:		
Undesignated	973,436	1,316,368
Board designated	180,059	224,327
Total without donor restrictions	1,153,495	1,540,695
With donor restrictions	10,390,611	13,960,864
Total Net Assets	11,544,106	15,501,559
Total Liabilities and Net Assets	\$ 13,933,027	\$ 17,576,286

See accompanying notes to financial statements.

POISE FOUNDATION

STATEMENT OF ACTIVITIES

YEAR ENDED DECEMBER 31, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
Support and Revenue:			
Contributions	\$ 251,256	\$ 8,174,461	\$ 8,425,717
Contributions - from terminated agency funds	-	1,330,730	1,330,730
Earned revenues	18,750	150,081	168,831
Income on long-term investments, net of fees	62,315	170,367	232,682
Unrealized gain (loss) on investments	(293,252)	(1,519,405)	(1,812,657)
Realized gain (loss) on investments	(24,083)	265,407	241,324
	<u>14,986</u>	<u>8,571,641</u>	<u>8,586,627</u>
Net assets released from restrictions by satisfaction of program restrictions	11,473,524	(11,473,524)	-
Net assets released from restrictions from administrative fees earned	<u>668,370</u>	<u>(668,370)</u>	<u>-</u>
Total support and revenue	<u>12,156,880</u>	<u>(3,570,253)</u>	<u>8,586,627</u>
Expenses:			
Grants and distributions	10,232,679	-	10,232,679
Program and related service expenses	1,625,466	-	1,625,466
Management and general expenses	526,706	-	526,706
Fundraising expenses	159,229	-	159,229
Total expenses	<u>12,544,080</u>	<u>-</u>	<u>12,544,080</u>
Change in Net Assets	(387,200)	(3,570,253)	(3,957,453)
Net Assets:			
Beginning of year	<u>1,540,695</u>	<u>13,960,864</u>	<u>15,501,559</u>
End of year	<u>\$ 1,153,495</u>	<u>\$ 10,390,611</u>	<u>\$ 11,544,106</u>

See accompanying notes to financial statements.

POISE FOUNDATION

STATEMENT OF ACTIVITIES

YEAR ENDED DECEMBER 31, 2021

	Without Donor Restrictions	With Donor Restrictions	Total
Support and Revenue:			
Contributions	\$ 789,966	\$ 9,280,756	\$ 10,070,722
Contributions - from terminated agency funds	-	-	-
Earned revenues	35,403	65,750	101,153
Income on long-term investments, net of fees	82,915	160,550	243,465
Unrealized gain (loss) on investments	161,936	290,180	452,116
Realized gain (loss) on investments	1,523	112,728	114,251
	<u>1,071,743</u>	<u>9,909,964</u>	<u>10,981,707</u>
Net assets released from restrictions by satisfaction of program restrictions	4,558,401	(4,558,401)	-
Net assets released from restrictions from administrative fees earned	365,044	(365,044)	-
	<u>5,995,188</u>	<u>4,986,519</u>	<u>10,981,707</u>
Total support and revenue			
	<u>5,995,188</u>	<u>4,986,519</u>	<u>10,981,707</u>
Expenses:			
Grants and distributions	3,025,850	-	3,025,850
Program and related service expenses	1,961,383	-	1,961,383
Management and general expenses	377,487	-	377,487
Fundraising expenses	187,435	-	187,435
	<u>5,552,155</u>	<u>-</u>	<u>5,552,155</u>
Total expenses			
	<u>5,552,155</u>	<u>-</u>	<u>5,552,155</u>
Change in Net Assets	443,033	4,986,519	5,429,552
Net Assets:			
Beginning of year	1,097,662	8,974,345	10,072,007
End of year	<u>\$ 1,540,695</u>	<u>\$ 13,960,864</u>	<u>\$ 15,501,559</u>

See accompanying notes to financial statements.

POISE FOUNDATION

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED DECEMBER 31, 2022

	Program Services		Supporting Services		Total
	Grants	Other	Management and Administrative	Fundraising and Development	
Grants and scholarships	\$ 10,232,679	\$ -	\$ -	\$ -	\$ 10,232,679
Salaries and benefits	-	703,714	421,613	129,407	1,254,734
Conferences and meetings	-	43,110	5,102	6,903	55,115
Professional and administrative services	-	665,407	43,500	-	708,907
Lease expense	-	44,417	15,349	4,649	64,415
Office expenses	-	130,041	11,178	522	141,741
Depreciation expense	-	-	995	-	995
Marketing and public relations	-	14,414	2,279	7,228	23,921
Insurance, bad debts, dues, and fees	-	24,363	26,690	10,520	61,573
Total Expenses	\$ 10,232,679	\$ 1,625,466	\$ 526,706	\$ 159,229	\$ 12,544,080

See accompanying notes to financial statements.

POISE FOUNDATION

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED DECEMBER 31, 2021

	Program Services		Supporting Services		Total
	Grants	Other	Management and Administrative	Fundraising and Development	
Grants and scholarships	\$ 3,025,850	\$ -	\$ -	\$ -	\$ 3,025,850
Salaries and benefits	-	465,752	280,642	114,351	860,745
Conferences and meetings	-	15,223	5,194	14	20,431
Professional and administrative services	-	1,129,459	31,234	3,400	1,164,093
Lease expense	-	21,740	17,572	7,166	46,478
Office expenses	-	48,156	9,569	1,287	59,012
Depreciation expense	-	1,419	749	-	2,168
Marketing and public relations	-	73,153	1,600	51,010	125,763
Insurance, bad debts, dues, and fees	-	206,481	30,927	10,207	247,615
Total Expenses	\$ 3,025,850	\$ 1,961,383	\$ 377,487	\$ 187,435	\$ 5,552,155

See accompanying notes to financial statements.

POISE FOUNDATION

STATEMENTS OF CASH FLOWS

YEARS ENDED DECEMBER 31, 2022 and 2021

	<u>2022</u>	<u>2021 (restated)</u>
Cash Flows From Operating Activities:		
Change in net assets	\$ (3,957,453)	\$ 5,429,552
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation and amortization	995	2,168
Realized gain (loss) on long-term investments	(241,324)	(114,251)
Unrealized (gain) loss on long-term investments	1,812,657	(452,116)
Bad debt expense	-	165,000
Contribution - from terminated agency funds	(1,330,730)	-
Change in:		
Accounts receivable	(36,842)	52,196
Contributions receivable	1,200,000	(3,770,000)
Interest receivable	1,459	(1,588)
Other assets	(12,462)	(6,367)
Operating lease right of use asset	38,060	29,528
Accounts payable and accrued expenses	172,411	(19,273)
Grants payable	1,323,481	(18,350)
Refundable advance	259,207	-
Operating lease liabilities	(31,432)	(29,528)
Agency funds held for others	(78,743)	270,048
	<u>3,076,737</u>	<u>(3,892,533)</u>
Net cash provided by (used in) operating activities	<u>(880,716)</u>	<u>1,537,019</u>
Cash Flows From Investing Activities:		
Purchase of investments	(1,335,916)	(1,033,296)
Proceeds from sale of investments	1,166,211	454,805
Purchase of equipment	-	(5,414)
Proceeds from deletion of equipment	-	6,481
	<u>(169,705)</u>	<u>(577,424)</u>
Net cash provided by (used in) investing activities	<u>(169,705)</u>	<u>(577,424)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	<u>(1,050,421)</u>	<u>959,595</u>
Cash and Cash Equivalents:		
Beginning of year	<u>4,961,791</u>	<u>4,002,196</u>
End of year	<u>\$ 3,911,370</u>	<u>\$ 4,961,791</u>

See accompanying notes to financial statements.

POISE FOUNDATION

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2022 AND 2021

1. Organization

POISE Foundation (Foundation), established in 1980, is incorporated under the Nonprofit Corporation Law of the Commonwealth of Pennsylvania for such charitable, religious, educational, and scientific purposes as qualify for tax exemption under Section 501(c)(3) of the Internal Revenue Code of 1986 (Code) and has been classified as an organization which is not a private foundation as defined in Section 509(A)(1) and 170(B)(1)(A) of the Code.

The Foundation is comprised of 229 individual funds (including 23 established for fiscal sponsor partners) and makes grants to organizations, which so qualify, with emphasis to be placed upon those programs which will improve the quality of life for African Americans, primarily living in, but not limited to, the City of Pittsburgh and Allegheny County including, but not by way of limitation, (a) those which strengthen their educational, economic, health, or cultural opportunities, (b) those who combat community deterioration or work towards sustainable Black communities, (c) those which lessen neighborhood tensions or help to eliminate prejudice or discrimination, (d) those which aid the poor, the distressed, or the underprivileged, and (e) those which defend human equity and civil rights. The Board of Trustees (Board) is responsible for approving all grants.

2. Summary of Significant Accounting Policies

Basis of Accounting

The Foundation's financial statements have been prepared on the accrual basis of accounting. Revenues are recognized as they are earned, and expenses are recorded when liabilities are incurred.

Classification of Net Assets and Basis of Presentation

In accordance with generally accepted accounting principles (GAAP), the Foundation recognizes contributions as with or without donor restrictions based on whether the donor has placed any stipulations that limit the use of the donated assets. The Foundation does not permit donors to invade the principal of endowed funds. Donors may establish distribution funds which are not endowed and may be classified as with donor restrictions or without donor restrictions depending on the nature of the contribution. Contributions, gains, and losses on restricted endowed funds are reported as with donor restrictions. Investment income on restricted endowed funds is also recorded as with donor restrictions. When assets with donor restrictions become available for distribution according to the

POISE FOUNDATION

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2022 AND 2021

Foundation's spending policy, they are released to assets without donor restrictions. These transfers are reported on the statement of activities as net assets released from restrictions. Any income derived from investments related to the administrative activity of the Foundation is recorded as without donor restrictions.

Separate accounts are maintained for each fund; however, the accompanying financial statements have been prepared on a basis that shows the financial position and changes in net assets of the Foundation in total. Funds with similar characteristics have been combined for financial statement presentation in the following categories:

Without Donor Restrictions - Net assets that are not subject to donor-imposed stipulations. Net assets without donor restrictions in the amount of \$180,059 and \$224,327 at December 31, 2022 and 2021, respectively, were designated to operate as endowment funds to be used at the discretion of the Board.

With Donor Restrictions - Net assets whose use is limited by donor-imposed stipulations that either expire with the passage of time or can be fulfilled and removed by actions of the Foundation pursuant to those stipulations. Also included in this category are net assets subject to donor-imposed stipulations to be maintained in perpetuity by the Foundation.

Use of Estimates in the Preparation of Financial Statements

The preparation of financial statements in conformity with GAAP 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 and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

Cash and cash equivalents represent all highly liquid financial instruments purchased with a maturity date of three months or less.

POISE FOUNDATION

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2022 AND 2021

Liquidity and Availability

Financial assets available without donor restrictions limiting their use within one year of the statement of financial position date as of December 31, 2022 and 2021 are comprised of the following:

	<u>2022</u>	<u>2021</u>
Financial assets:		
Cash and cash equivalents	\$ 3,911,370	\$ 4,961,791
Accounts receivable	90,574	53,732
Contributions receivable in less than one year	1,295,000	1,270,000
Interest receivable	2,776	4,235
Long-term investments	<u>6,902,367</u>	<u>8,303,995</u>
Total financial assets	<u>12,202,087</u>	<u>14,593,753</u>
Less: financial assets held to meet donor imposed restrictions:		
Agency funds held for others	280,379	1,689,852
Board designated net assets	180,059	224,327
Donor-restricted net assets	<u>10,390,611</u>	<u>13,870,864</u>
Total	<u>\$ 1,351,038</u>	<u>\$ (1,191,290)</u>

The Foundation receives contributions to establish endowment funds, from which the income generated from such endowments is used to fund grants and programs in accordance with donor intent. The Foundation's endowments are subject to a spending policy which determines the rate at which grants are made available from endowed funds.

The Foundation maintains cash, reserves, and a line of credit (\$100,000 available at December 31, 2022) to meet its operating expenditures, current liabilities, and obligations as they become due. The Foundation invests its excess cash in interest-bearing accounts or short-term investments.

Contributions Receivable

The Foundation records unconditional contributions receivable that are expected to be collected within one year at net realizable value. Unconditional contributions receivable expected to be collected in future years are initially recorded at fair value using present value techniques incorporating risk-adjusted discount rates designed to reflect assumptions

POISE FOUNDATION

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2022 AND 2021

market participants would use in pricing the asset. In subsequent years, amortization of the discounts is included in contribution revenue in the statement of activities. Management determines the allowance for uncollectible contributions receivable based on historical experience, an assessment of economic conditions, and a review of subsequent collections. Contributions receivables are written off when deemed uncollectible. No allowance was deemed necessary as of December 31, 2022 or 2021.

Fixed Assets and Depreciation

Land, buildings, furniture, equipment, and purchased software are recorded at the lesser of cost or fair value. These assets are depreciated over their assigned useful lives based on the straight-line method of depreciation. Purchases of these assets with a value of less than \$750 are expensed versus capitalized.

Leases

The Foundation determines if an arrangement is, or contains, a lease at inception. All leases are recorded on the statements of financial position except for leases with an initial term less than 12 months for which the Foundation made the short-term lease election. Operating leases are included in operating lease right-of-use (ROU) assets and operating lease liabilities on the statement of financial position.

ROU assets represent the Foundation's right to use an underlying asset for the lease term and lease liabilities represent the Foundation's obligation to make lease payments arising from the lease. Operating lease ROU assets and liabilities are recognized at commencement date based on the present value of lease payments over the lease term. ROU assets also include adjustments related to lease payments made and lease incentives received at or before the commencement date. The Foundation's lease terms may include options to extend or terminate the lease when it is reasonably certain that they will exercise that option. Operating lease cost is recognized on a straight-line basis over the lease term as occupancy expense within the statement of functional expenses.

In determining the discount rate used to measure the right-of-use asset and lease liability, the Foundation uses rates implicit in the lease, or if not readily available, they use their incremental borrowing rate. The incremental borrowing rate is based on an estimated secured rate comprised of a risk-free rate plus a credit spread as secured by the Foundation's assets. Determining a credit spread as secured by the assets may require significant judgment.

POISE FOUNDATION

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2022 AND 2021

Grants Payable

Grants approved prior to year-end but not paid until the subsequent year are recorded as grants payable on the statements of financial position. At December 31, 2022 and 2021, the Foundation had \$1,330,318 and \$6,837, respectively, of grants payable. The 2022 balance represents grants approved prior to year-end but paid out subsequent to year-end. These amounts will be paid during the year ended December 31, 2023.

Contributions and Revenue Recognition

Unconditional contributions and grants received are recorded at fair value at the date notified and as support with donor restrictions or without donor restrictions depending on the existence or nature of any donor restrictions. Conditional promises to give, that is, those with a measurable performance or other barrier, and a right of return, are not recognized until the conditions on which they depend have been substantially met. The Foundation was awarded a federal grant subject to Uniform Guidance to facilitate vaccinations and vaccination information in minority communities in June 2021. The federal grant awarded was \$6,999,000 to be spent from 2021 to 2024 and is being treated as a conditional contribution. \$1,049,850 was received during 2022. \$790,643 of eligible of expenses were incurred across both 2022 and 2021. The remaining \$259,207 is recorded as a refundable advance at December 31, 2022.

The Foundation recognizes revenue for providing services for other organizations and through contract agreements. Services provided range from administration of grants and scholarships and management of funds and services included in the contract agreement. Revenues are recorded and recognized in the period earned when the performance obligations of providing the administration and management services are met.

Functional Allocation of Expenses

The Foundation allocates certain of its costs to programs and services based on an analysis of personnel time spent on those areas as an appropriate measure of expense allocation. These costs have been summarized by function in the statement of functional expenses.

Investments

Investments are administered by various banks and investment management firms. The Board is responsible for establishing standards and reviewing manager performance. The Foundation's investments are carried at fair value on the statement of financial position.

POISE FOUNDATION

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2022 AND 2021

The Foundation follows the established fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value.

Realized gains or losses from redemption or sale of investments is determined based on specific cost. Unrealized gains or losses represent the gains or losses on investments held throughout the year and are included in the change in net assets in the accompanying statement of activities. Investment management fees are netted against income on long-term investments.

Endowment Investment Policy

The primary investment objective of the Foundation is to protect and preserve its existing assets while achieving an acceptable rate of return on investments that will provide an adequate level of growth to sustain the endowments as well as provide an income base to support the grants and operations of the Foundation. At the same time, it is the duty of the Board to ensure that any risks associated with investments are maintained at an acceptable level to protect against loss.

To meet the investment objectives, the strategy of the Foundation may involve four general categories of assets: cash and cash equivalents, equity instruments, fixed income instruments, and other investments. Other investments may include but are not limited to direct investments in real estate, REITs, or other products that are not publicly traded. The Foundation will limit investments of this type and will only execute these investments after significant due diligence has been performed. The Foundation will also restrict these types of investments to certain return on investment and risk criteria to be determined on an investment-by-investment basis.

Spending Policy

The Board of the Foundation made an election to be governed by Act 141 of 1998 revising section 5548 of Title 15 of the Statutes of Pennsylvania. This section describes a Total Return Policy. By making an election under this subsection, the Board has adopted and will follow an investment policy seeking a "total return" for the assets held by the Foundation whether the return is to be derived from capital appreciation, earnings, or distributions. Under this election, the term "income" shall mean a percentage of the value of the assets so held by or for the Foundation. The Board shall, in a writing maintained as part of the permanent records of the Foundation, annually select a percentage and determine that it is consistent with the long-term preservation of the real value of the assets. For the years ended December 31, 2022 and 2021, the Foundation elected 5% as the spending

POISE FOUNDATION

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2022 AND 2021

percentage for distribution of funds. Under the election, in no event shall the percentage be less than 2% nor more than 7% per year.

In accordance with Title 15, the value of the assets of the Foundation shall be the fair value of the assets so held by or for the Foundation, determined at least annually and averaged over a period of three or more preceding years. However, if the assets have been held for less than three years, the average shall be determined over the period during which the assets have been held.

Concentration of Credit Risk

The Foundation places its temporary cash investments with high-credit-quality financial institutions. At times, such amounts may exceed FDIC and SPIC federally insured limits. Management believes the diversification of assets among various high-quality institutions mitigates its credit risk. At December 31, 2022, the Foundation's bank and book balances of cash and cash equivalents were \$3,972,476 and \$3,911,370, respectively. Of that amount, \$500,000 was covered by FDIC insurance. At December 31, 2021, the Foundation's bank and book balances of cash and cash equivalents were \$5,039,741 and \$4,961,791, respectively. Of that amount, \$250,000 was covered by FDIC insurance.

Adopted Accounting Standards

The requirements of this Standards Update have been adopted and incorporated into these financial statements:

ASU 2016-02, "*Leases (Topic 842)*," requires lessees to recognize assets and liabilities on the statement of financial position for the rights and obligations created by all leases with terms of more than twelve months. Disclosures are required by lessees to meet the objective of enabling users of financial statements to assess the amount, timing, and uncertainty of cash flows arising from leases. The adoption of this standard resulted in the presentation of right-of-use lease assets and related lease liabilities on the statements of financial position, and additional footnote disclosure. The Foundation elected to restate the comparative period (2021). It also elected not to reassess at adoption (i) expired or existing contracts to determine whether they contain a lease, (ii) the lease classification of any existing leases, or (iii) initial direct cost for existing leases. As a result of implementing ASU 2016-02, the Foundation recognized right-of-use assets of \$336,788 and lease liabilities of the same amount at December 31, 2021. The adoption did not result in a change on the amounts reported in the statement of activities for the year ended December 31, 2021.

POISE FOUNDATION

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2022 AND 2021

Subsequent Events

Subsequent events have been evaluated through the Independent Auditor's Report date, which is the date the financial statements were available to be issued.

3. Investment Securities

Investments at fair value at December 31, 2022 consisted of the following:

	<u>Fair Value</u>	<u>Cost</u>
Fixed income - mutual funds	\$ 1,349,115	\$ 1,520,097
Equities:		
Mutual funds	5,255,465	5,103,917
Common stocks	<u>297,787</u>	<u>242,600</u>
Total equities	<u>5,553,252</u>	<u>5,346,517</u>
Total investments	<u>\$ 6,902,367</u>	<u>\$ 6,866,614</u>

Investments at fair value at December 31, 2021 consisted of the following:

	<u>Fair Value</u>	<u>Cost</u>
Fixed income - mutual funds	\$ 1,597,478	\$ 1,560,296
Equities:		
Mutual funds	6,257,406	5,082,925
Common stocks	<u>449,111</u>	<u>240,590</u>
Total equities	<u>6,706,517</u>	<u>5,323,515</u>
Total investments	<u>\$ 8,303,995</u>	<u>\$ 6,883,811</u>

POISE FOUNDATION

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2022 AND 2021

4. Contributions Receivable

Contributions receivable as of December 31, 2022 are as follows:

Contributions receivable	<u>\$ 2,570,000</u>
Amounts due in:	
Less than one year	\$ 1,295,000
One to five years	<u>1,275,000</u>
	<u>\$ 2,570,000</u>

Contributions receivable due in more than one year are not reflected at the present value of estimated future cash flows, as the discount was deemed to be immaterial. Management deems all contributions receivable to be collectible and no allowance for doubtful accounts is deemed necessary.

5. Other Assets

The Foundation maintains a deposit in the Hill District Federal Credit Union (HDFCU) that was initially segregated from its cash balances to more properly reflect that it is not readily available for withdrawal. The initial deposit was to be held in cash as a guarantee for a loan the Credit Union made to the Hill House Economic Development Corporation. The guarantee on loan has since been removed. The balance as of December 31, 2022 and 2021 were \$48,363 and \$48,265, respectively.

In November 2017, the Foundation's Board approved a short-term loan up to \$250,000 from the Hill District Growth Fund to support the City's Edge development project in the Hill District of Pittsburgh. The developer, Midpoint Group of Companies, is an African American development company which seeks to develop multiple properties within the City of Pittsburgh and promote minority hiring. The note has a 10% annual interest rate and was scheduled for repayment during the fourth quarter of 2018. The outstanding balance at December 31, 2018 was \$125,000. In March 2019, the Foundation disbursed a second payment of \$25,000 towards the short-term loan creating an outstanding loan balance of \$150,000. Midpoint Group of Companies experienced several delays and changing financial structures through December 31, 2020. The Foundation negotiated with Midpoint Group of Companies to cap the loan at \$165,000 including unpaid interest. During 2021, the loan was fully reserved with an allowance recorded against it of \$165,000.

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6. Endowments

The Foundation's endowment funds consist of investment funds established for a variety of purposes. The endowment includes donor-restricted endowment funds as well as other funds designated by the Board and management as endowed funds without restrictions. As required by GAAP, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

The Foundation's endowment-related activity during the year ended December 31, 2022 is as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	\$ 1,615,528	\$ 5,807,999	\$ 7,423,527
Contributions	-	239,446	239,446
Investment income, net of fees	49,283	173,409	222,692
Grants	(78,743)	(382,686)	(461,429)
Expenses	(12,021)	(55,930)	(67,951)
Net appreciation in investments	(223,527)	(940,235)	(1,163,762)
Change in endowment net assets	(265,008)	(965,996)	(1,231,004)
Endowment net assets, end of year	<u>\$ 1,350,520</u>	<u>\$ 4,842,003</u>	<u>\$ 6,192,523</u>

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The Foundation's endowment-related activity during the year ended December 31, 2021 is as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	\$ 1,484,418	\$ 5,084,035	\$ 6,568,453
Contributions	3,054	424,640	427,694
Investment income, net of fees	70,373	252,939	323,312
Grants	(70,302)	(139,099)	(209,401)
Expenses	(11,167)	(293,479)	(304,646)
Net appreciation in investments	139,152	478,963	618,115
Change in endowment net assets	131,110	723,964	855,074
Endowment net assets, end of year	\$ 1,615,528	\$ 5,807,999	\$ 7,423,527

Endowed funds without donor restrictions had insufficient net assets to cover the amount considered to be endowed by \$197,025 and \$74,833 at December 31, 2022 and 2021, respectively. As the market improves, these differences are expected to be eliminated.

7. Funds Held for Others, Agency Endowments

FASB ASC 958-605, *Transfer of Assets to a Not-for-Profit Entity or Charitable Trust that Raises or Holds Contributions for Others*, establishes standards for transactions in which a not-for-profit organization accepts a contribution from a donor and agrees to transfer those assets, the return on investment of those assets or both to another entity that is specified by the donor. The Foundation recognizes a liability for those funds in which it does not have variance power over the use of the transferred assets. Variance power is a power explicitly granted in the donor agreement permitting the Foundation to redirect the use of the assets transferred to the Foundation to a beneficiary other than the one stated in the donor agreement. The Foundation has determined the funds for which a variance power does not exist. The transactions of these funds are not reflected in the statement of activities, as the Foundation is acting as an agent for these funds. For those funds, the unexpended portion of such funds is reported as a liability instead of as a net asset of the Foundation.

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During 2022, \$1,330,730 of funds were approved to be removed from Agency fund designation and contributed to the Foundation as donor restricted net assets as the organizations who had variance power over these funds had dissolved in 2022. These funds are now legally the Foundation's assets. They are reflected on the statement of activities as contributions – from terminated agency funds and are reflected in net assets with donor restrictions at year-end.

The following table summarizes the activity in funds held on behalf of others as of December 31, 2022:

Funds held for others at the beginning of the year	\$ 1,689,852
Contributions	29,118
Interest and dividend income	10,584
Realized and unrealized gains on investments	(101,138)
Grant distributions	(14,636)
Investment and administrative fees	(2,671)
Terminated agency funds contributed to the Foundation	<u>(1,330,730)</u>
Net increase (decrease)	<u>(1,409,473)</u>
	<u>\$ 280,379</u>

The following table summarizes the activity in funds held on behalf of others as of December 31, 2021:

Funds held for others at the beginning of the year	\$ 1,419,804
Contributions	4,512
Interest and dividend income	96,218
Realized and unrealized gains on investments	192,197
Grant distributions	(5,268)
Investment and administrative fees	<u>(17,611)</u>
Net increase	<u>270,048</u>
	<u>\$ 1,689,852</u>

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8. Net Assets Without Donor Restrictions

The following is a summary of approved grants during the year ended December 31, 2022:

	Number of Grants	Total Grants
Approved grants	178	\$ 9,843,684
Grants Critical Community Need (CCNF)	7	63,939
Grants Scholarship Awards - Donor		
Advised Scholarship Awards	53	117,055
EITC - Opportunity Scholarships	39	129,592
EITC - Primary and Secondary Scholarship Awards	67	68,750
EITC - Pre-Kindergarten Scholarships	9	9,659
		<u>\$ 10,232,679</u>

The following is a summary of approved grants during the year ended December 31, 2021:

	Number of Grants	Total Grants
Approved grants	121	\$ 2,246,997
Grants Critical Community Need (CCNF)	39	470,509
Grants Scholarship Awards - Donor		
Advised Scholarship Awards	43	82,928
EITC - Opportunity Scholarships	41	159,566
EITC - Primary and Secondary Scholarship Awards	63	65,850
		<u>\$ 3,025,850</u>

In addition to the above, there were \$14,636 and \$5,268 grants paid from agency funds during 2022 and 2021, respectively.

9. Description of Lease Arrangement

The Foundation has an operating lease agreement with Hertz Gateway in Two Gateway Center for office space. The lease was entered into with Program to Aid Citizen Enterprise jointly with each paying 50% of the total lease expense. Both organizations have a joint and

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several liability. It is understood between the two organizations that space at the time of the lease included a 50% share of 4,365 square feet. The Foundation has recorded 50% of the lease right-of-use asset and liability on their financial statements. No additional payments other than the 50% share are anticipated in the foreseeable future. The lease has a remaining lease term of 8 years. Total operating lease costs were \$45,617 as of December 31, 2022 and 2021, respectively.

There were no noncash investing and financing transactions related to leasing other than the transition entry described in Note 2.

Other information related to leases was as follows:

	<u>2022</u>	<u>2021</u>
Supplemental Cash Flows information		
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash flows from operating leases	\$ 42,722	\$ 41,882
Weighted average remaining lease term:		
Operating lease	7.5 years	8.5 years
Weighted average discount rate:		
Operating lease	3.50%	3.50%

Future minimum lease payments under the non-cancellable lease as of December 31, 2022 were as follows:

Year Ending December 31,	<u>Operating Lease</u>
2023	\$ 43,574
2024	44,447
2025	45,341
2026	46,247
2027	47,175
Thereafter	<u>121,969</u>
Total future minimum lease payments	\$ 348,753
Less: imputed interest	<u>(43,397)</u>
Total	<u><u>305,356</u></u>

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10. Fair Value Measurements

The Foundation has adopted FASB *Accounting Standards Codification (ASC) 820, Fair Value*, (formerly Financial Accounting Standards (SFAS) No. 157). FASB ASC 820 defines fair value, establishes a framework for measuring fair value, establishes a fair value hierarchy based on the inputs used to measure fair value, and enhances disclosure requirements for fair value measurements. FASB ASC 820 maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the observable inputs be used when available.

Investments whose values are based on quoted market prices in active markets are classified within Level 1. Investments whose values are based on significant other observable inputs are classified within Level 2. The following table summarizes investments by FASB ASC 820 fair value measurement categories as of December 31, 2022:

	<u>Fair Value</u>	<u>Level 1</u>	<u>Level 2</u>
Fixed income - mutual funds	\$ 1,349,115	\$ 1,349,115	\$ -
Equities:			
Mutual funds	5,255,465	5,255,465	-
Common stocks	<u>297,787</u>	<u>297,787</u>	<u>-</u>
Total equities	<u>5,553,252</u>	<u>5,553,252</u>	<u>-</u>
Total investments by fair value level	<u>\$ 6,902,367</u>	<u>\$ 6,902,367</u>	<u>\$ -</u>

The following table summarizes investments by FASB ASC 820 fair value measurement categories as of December 31, 2021:

	<u>Fair Value</u>	<u>Level 1</u>	<u>Level 2</u>
Fixed income - mutual funds	\$ 1,597,478	\$ 1,597,478	\$ -
Equities:			
Mutual funds	6,257,406	6,257,406	-
Common stocks	<u>449,111</u>	<u>449,111</u>	<u>-</u>
Total equities	<u>6,706,517</u>	<u>6,706,517</u>	<u>-</u>
Total investments by fair value level	<u>\$ 8,303,995</u>	<u>\$ 8,303,995</u>	<u>\$ -</u>

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11. Pension

In August 2010, the Foundation implemented a defined contribution pension plan (plan) for all eligible employees. Eligibility is based upon an employee attaining the age of 21 and completing one year of service. The plan provides for a 3% contribution based on compensation. Contributions were \$28,531 and \$18,493 for the year ended December 31, 2022 and 2021, respectively.

12. Uncertain Tax Positions

The Foundation has adopted FASB guidance for accounting for uncertainty in income taxes, which provides criteria for the recognition and measurement of uncertain tax positions. This guidance requires that an uncertain tax position should be recognized only if it is “more likely than not” that the position is not sustainable based on its technical merits. Recognizable tax positions should be measured to determine the amount of benefit or liability recognized in the financial statements. The Foundation files U.S. federal information returns (Form 990), and no returns are currently under examination. The statute of limitations on the Foundation’s federal tax returns remains open for the years ended December 31, 2020 through the present. The Foundation continues to evaluate its tax positions pursuant to the principles of FASB guidance and has determined that there is no material impact on the Foundation’s financial statements.