

Pitcairn-Crabbe Foundation

Financial Statements – Modified Cash Basis

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

MaherDuessel

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PITCAIRN-CRABBE FOUNDATION

YEARS ENDED DECEMBER 31, 2022 AND 2021

TABLE OF CONTENTS

Independent Auditor's Report

Financial Statements – Modified Cash Basis:

| | |
|---|---|
| Statements of Assets, Liabilities, and Net Assets – Modified Cash Basis | 1 |
| Statements of Revenues, Expenses, and Changes in Net Assets – Modified Cash Basis | 2 |
| Notes to Financial Statements – Modified Cash Basis | 3 |

Independent Auditor's Report

**Board of Directors
Pitcairn-Crabbe Foundation**

Opinion

We have audited the accompanying financial statements of the Pitcairn-Crabbe Foundation (Foundation), which comprise the statements of assets, liabilities, and net assets – modified cash basis as of December 31, 2022 and 2021, and the related statements of revenues, expenses, and changes in net assets – modified cash basis for the years then ended, and the related notes to the financial statements – modified cash basis.

In our opinion, the financial statements referred to above present fairly, in all material respects, the assets, liabilities, and net assets of the Foundation as of December 31, 2022 and 2021, and its revenues, expenses, and changes in net assets for the years then ended in accordance with the modified cash basis of accounting as described in Note 2.

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.

Basis of Accounting

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

acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's 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.

Mahe Duessel

Pittsburgh, Pennsylvania
June 28, 2023

PITCAIRN-CRABBE FOUNDATION

STATEMENTS OF ASSETS, LIABILITIES, AND NET ASSETS - MODIFIED CASH BASIS

DECEMBER 31, 2022 AND 2021

| | <u>2022</u> | <u>2021</u> |
|--|-----------------------------|-----------------------------|
| <hr/> Assets <hr/> | | |
| Cash | \$ 110 | \$ 71,750 |
| Investments | 11,824,935 | 14,690,410 |
| Interest in investments held at Shadyside Presbyterian Church | <u>1,644,540</u> | <u>2,128,752</u> |
| Total Assets | <u><u>\$ 13,469,585</u></u> | <u><u>\$ 16,890,912</u></u> |
| <hr/> Net Assets <hr/> | | |
| Net assets without donor restrictions | <u>\$ 13,469,585</u> | <u>\$ 16,890,912</u> |
| Total Net Assets | <u><u>\$ 13,469,585</u></u> | <u><u>\$ 16,890,912</u></u> |

See accompanying notes to financial statements - modified cash basis.

PITCAIRN-CRABBE FOUNDATION

STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS - MODIFIED CASH BASIS

YEARS ENDED DECEMBER 31, 2022 AND 2021

| | 2022 | 2021 |
|--|---------------|---------------|
| Revenues: | | |
| Miscellaneous income | \$ 170 | \$ - |
| Interest and dividend income, net | 206,292 | 615,182 |
| Net realized and unrealized gains (losses) in investments | (2,490,152) | 1,357,548 |
| Change in fair value of interest in investments held at Shadyside Presbyterian Church | (484,211) | 277,222 |
| Total revenues | (2,767,901) | 2,249,952 |
| Expenses: | | |
| Grants paid, net of returned grants | 602,000 | 412,000 |
| Administrative expenses: | | |
| Salaries and related costs | 39,750 | 70,746 |
| Professional services | 10,445 | 6,812 |
| Other | 1,231 | 632 |
| Total administration expenses | 51,426 | 78,190 |
| Total expenses | 653,426 | 490,190 |
| Change in Net Assets | (3,421,327) | 1,759,762 |
| Net Assets Without Donor Restrictions: | | |
| Beginning of year | 16,890,912 | 15,131,150 |
| End of year | \$ 13,469,585 | \$ 16,890,912 |

See accompanying notes to financial statements - modified cash basis.

PITCAIRN-CRABBE FOUNDATION

NOTES TO FINANCIAL STATEMENTS – MODIFIED CASH BASIS

YEARS ENDED DECEMBER 31, 2022 AND 2021

1. Organization

Pitcairn-Crabbe Foundation (Foundation), a supporting organization of Shadyside Presbyterian Church of Pittsburgh, is a not-for-profit corporation that was created on December 23, 1940.

Susan Lee Hunt, deceased, created the Foundation by her last will and testament dated May 20, 1939. The Foundation is a memorial to the donor's mother, Susan Pitcairn-Crabbe, and her grandparents, Robert and Elizabeth E. Pitcairn. Mrs. Hunt named as Directors of the Foundation the executors of her estate, James E. Hindman and Alexander P. Reed, for their lives and the Trustees of Shadyside Presbyterian Church of Pittsburgh, Pennsylvania, as elected and acting from time to time.

The Foundation supports organizations located primarily west of the Susquehanna River within the Commonwealth of Pennsylvania. Grants are awarded primarily to religious institutions engaged in community services, church-related schools and colleges, and theological seminaries.

The Foundation operates from the office of the Community Foundation for the Alleghenies from which it purchases certain administrative and staff services.

2. Summary of Significant Accounting Policies

Basis of Accounting

The financial statements of the Foundation have been prepared on the modified cash basis of accounting. That basis differs from accounting principles generally accepted in the United States of America primarily because revenue and the related assets, other than investment income, are recognized when received rather than when earned, and expenses are recognized when paid rather than when obligations are incurred.

Classification of Net Assets

The Foundation's financial statements are classified for accounting and reporting purposes into two classes of net assets (with donor restrictions and without donor restrictions) established according to their nature and purpose.

PITCAIRN-CRABBE FOUNDATION

NOTES TO FINANCIAL STATEMENTS – MODIFIED CASH BASIS

YEARS ENDED DECEMBER 31, 2022 AND 2021

The net assets of the Foundation are reported as follows:

Without donor restrictions – Net assets that are not subject to any donor-imposed stipulations.

With donor restrictions – Net assets that are subject to donor-imposed restrictions on the use of the assets that may be met either by actions of the Foundation or the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated funds be maintained in perpetuity. The Foundation had no net assets with donor restrictions at December 31, 2022 and 2021.

Use of Estimates

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

Cash and Cash Equivalents

The Foundation considers all liquid investments with original maturities of three months or less to be cash equivalents. Uninvested cash and cash equivalents included in investment accounts are not considered to be cash and cash equivalents. The Foundation's cash accounts did not exceed federally insured limits as of December 31, 2022 and 2021.

Investments and Net Investment Return

Investments in equity securities having a readily determinable fair value and in all debt securities are carried at fair value.

Investment return includes dividend, interest, and other investment income; realized and unrealized gains and losses on investments carried at fair value; and realized gains and losses on other investments, less external and direct internal investment expenses. Gains and losses on the sale of securities are recorded on the trade date. For the years ended December 31, 2022 and 2021, investment expenses were \$19,153 and \$20,868, respectively.

The Foundation has investments in mutual funds, and other investments. Investment securities are exposed to various risks, such as interest rate, market, and credit risks. Due

PITCAIRN-CRABBE FOUNDATION

NOTES TO FINANCIAL STATEMENTS – MODIFIED CASH BASIS

YEARS ENDED DECEMBER 31, 2022 AND 2021

to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near-term and that such changes could materially affect the amounts reported in the statements of assets, liabilities, and net assets – modified cash basis.

Interest in Investments Held at Shadyside Presbyterian Church

Certain investments of the Foundation are held in a comingled pooled investment fund under the custody of Shadyside Presbyterian Church, which oversees its investments and administers all financial transactions. The fund is accounted for as unrestricted net assets of the Foundation because the investments are used exclusively for grants made by the Foundation per Board of Directors (Board) resolution.

The change in fair value of the Foundation's interest in investments held at Shadyside Presbyterian Church, is reported in the statements of revenues, expenses, and changes in net assets - modified cash basis.

Grants

Grants are recorded as an expense when paid. Refunds of paid grants are recorded as a reduction of expense when they are returned to the Foundation. The Foundation may commit to future or contingent grants. These grants are not recorded as expense until paid. As of December 31, 2022, there are no grants committed to be paid in 2023.

Income Taxes

The Foundation has been classified as a tax-exempt, not-for-profit organization under Section 501(c)(3) of the Internal Revenue Code. Accordingly, no provision for federal and state income taxes is required.

Functional Expenses

The costs of the program and administration activities are presented by their natural classification on the statements of revenues, expenses, and changes in net assets - modified cash basis. Program expenses are made up entirely of grants paid, net of returned grants, while administrative expenses are related to facilitating grant-making and financial and administrative functions of the Foundation, as detailed in Note 5.

PITCAIRN-CRABBE FOUNDATION

NOTES TO FINANCIAL STATEMENTS – MODIFIED CASH BASIS

YEARS ENDED DECEMBER 31, 2022 AND 2021

Liquidity and Availability

The Foundation's financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of December 31, 2022 and 2021, are as follows:

| | <u>2022</u> | <u>2021</u> |
|--|-------------------|-------------------|
| Cash and cash equivalents | \$ 110 | \$ 71,750 |
| Investments appropriated for current use | <u>623,000</u> | <u>587,000</u> |
| Financial assets available to meet cash needs for general expenditures within one year | <u>\$ 623,110</u> | <u>\$ 658,750</u> |

For the year ended December 31, 2022, the Foundation's investment balances available for general purposes of the Foundation are \$13,469,475, with an approved spending budget of approximately \$623,000 for the year ending December 31, 2023. For the year ended December 31, 2021, the Foundation's investment balances available for general purposes of the Foundation are \$16,819,162, with an approved spending budget of approximately \$587,000 for the year ending December 31, 2022. Although the Foundation does not intend to spend from this investment balance in excess of amounts appropriated as part of its annual budget approval and appropriation process, up to approximately \$11,825,000 could be made readily available, if necessary.

The Foundation adopted the total investment return policy consistent with the Pennsylvania Act 141, which requires a spending policy between 2% and 7% on not less than a three-year average value of the funds. The Foundation's approved spending policy was 5% of a five-year average for the years ended December 31, 2022 and 2021. Undistributed earnings are retained.

Adopted Accounting Standards

The provisions of these Standards Updates have been adopted and incorporated into these financial statements:

ASU 2016-02, "*Leases (Topic 842)*." These amendments and related amendments require 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

PITCAIRN-CRABBE FOUNDATION

NOTES TO FINANCIAL STATEMENTS – MODIFIED CASH BASIS

YEARS ENDED DECEMBER 31, 2022 AND 2021

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.

ASU 2020-07, *“Not-For-Profit Entities (Subtopic 958): Presentation and Disclosures by Not-For-Profit Entities for Contributed Nonfinancial Assets.”* The amendments in this update expand upon the presentation and disclosure of contributed nonfinancial assets to provide the reader of the financial statements a clearer understanding of the types of nonfinancial assets received and how they are utilized and recognized by the not-for-profit organization.

Implementation of these standards had no significant impact on the Foundation’s financial statements for the year ended December 31, 2022.

Pending Accounting Standards Updates

The Financial Accounting Standards Board (FASB) has issued Accounting Standards Updates (individually and collectively, ASU) that will become effective in future years as outlined below. Management has not yet determined the impact of this update on the financial statements.

ASU 2016-13, *“Financial Instruments-Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments,”* is effective, as delayed, for the financial statements for the year beginning after December 15, 2022. These amendments and related amendments require a financial asset (or a group of financial assets) measured at amortized cost basis to be presented at the net amount expected to be collected. This includes loans, debt securities, trade receivables, net investments in leases, off-balance-sheet credit exposures, reinsurance receivables, and any other financial assets not excluded from the scope that have the contractual right to receive cash.

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.

PITCAIRN-CRABBE FOUNDATION

NOTES TO FINANCIAL STATEMENTS – MODIFIED CASH BASIS

YEARS ENDED DECEMBER 31, 2022 AND 2021

3. Interest in Investments Held at Shadyside Presbyterian Church

The Foundation has transferred assets to Shadyside Presbyterian Church and retained a beneficial interest in investments held by Shadyside Presbyterian Church. At December 31, 2022 and 2021, the comingled account was invested in two private investment partnerships with fair values totaling \$5,687,224 and \$7,361,746, respectively, of which the Foundation has a 28.9164% beneficial interest. Distributions from this account are reinvested in the Foundation's investment portfolio.

The fair value of the Foundation's retained beneficial interest in investments held by Shadyside Presbyterian Church included in the statements of assets, liabilities, and net assets - modified cash basis was \$1,644,540 and \$2,128,752 at December 31, 2022 and 2021, respectively.

4. Fair Value Measurements

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

PITCAIRN-CRABBE FOUNDATION

NOTES TO FINANCIAL STATEMENTS – MODIFIED CASH BASIS

YEARS ENDED DECEMBER 31, 2022 AND 2021

The following tables present the fair value measurements of assets and liabilities recognized in the accompanying statements of assets, liabilities, and net assets - modified cash basis 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, 2022 and 2021:

| Description | 12/31/2022 | Fair Value Measurements at Reporting Date Using | | |
|----------------------------|----------------------|--|---|---|
| | | Quoted Prices in Active Markets for Identical Assets (Level 1) | Significant Other Observable Inputs (Level 2) | Significant Unobservable Inputs (Level 3) |
| Investments at fair value: | | | | |
| Money market funds | \$ 784,989 | \$ 784,989 | \$ - | \$ - |
| Mutual funds: | | | | |
| Fixed income | 3,042,436 | 3,042,436 | - | - |
| Equity | 7,997,510 | 7,997,510 | - | - |
| | <u>11,824,935</u> | <u>11,824,935</u> | <u>-</u> | <u>-</u> |
| Investments held by others | 1,644,540 | - | - | 1,644,540 |
| Totals | <u>\$ 13,469,475</u> | <u>\$ 11,824,935</u> | <u>\$ -</u> | <u>\$ 1,644,540</u> |

| Description | 12/31/2021 | Fair Value Measurements at Reporting Date Using | | |
|----------------------------|----------------------|--|---|---|
| | | Quoted Prices in Active Markets for Identical Assets (Level 1) | Significant Other Observable Inputs (Level 2) | Significant Unobservable Inputs (Level 3) |
| Investments at fair value: | | | | |
| Money market funds | \$ 176,210 | \$ 176,210 | \$ - | \$ - |
| Mutual funds: | | | | |
| Fixed income | 3,463,881 | 3,463,881 | - | - |
| Equity | 11,050,319 | 11,050,319 | - | - |
| | <u>14,690,410</u> | <u>14,690,410</u> | <u>-</u> | <u>-</u> |
| Investments held by others | 2,128,752 | - | - | 2,128,752 |
| Totals | <u>\$ 16,819,162</u> | <u>\$ 14,690,410</u> | <u>\$ -</u> | <u>\$ 2,128,752</u> |

Following is a description of the valuation methodologies and inputs used for assets and liabilities measured at fair value on a recurring basis and recognized in the accompanying statements of assets, liabilities, and net assets - modified cash basis, as well as the general classification of such assets and liabilities pursuant to the valuation hierarchy. There have been no significant changes in the valuation techniques during the year ended December

PITCAIRN-CRABBE FOUNDATION

NOTES TO FINANCIAL STATEMENTS – MODIFIED CASH BASIS

YEARS ENDED DECEMBER 31, 2022 AND 2021

31, 2022. 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. See below for inputs and valuation techniques used for Level 3 securities.

Interest in Assets at Shadyside Presbyterian Church

Fair value is estimated based upon the Foundation's percentage of the investment pool. Due to the nature of the valuation inputs, the interest is classified within Level 3 of the hierarchy.

Fair value determinations for Level 3 measurements are the responsibility of management. Management utilizes the reported estimated value of the underlying assets within Shadyside Presbyterian Church's pooled investments to determine fair value. Changes in fair value of the Level 3 assets for the years ended December 31, 2022 and 2021 are due solely to gains/(losses) in fair value less planned distributions.

5. Administrative Expenses

Administrative expenses relate to grant making as well as the financial and administrative functions of the Foundation. The Foundation contracts with the Community Foundation for the Alleghenies for its administrative services. Expenses are allocated based on the estimated staff time necessary to administer to the activities of the Foundation.