TEAM PENNSYLVANIA FOUNDATION

FINANCIAL REPORT

JUNE 30, 2023

CONTENTS

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Team Pennsylvania Foundation
Harrisburg, Pennsylvania

Opinion

We have audited the financial statements of Team Pennsylvania Foundation (a not-for-profit), which comprise the statements of financial position as of June 30, 2023 and 2022, the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Team Pennsylvania Foundation, as of June 30, 2023 and 2022, 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 the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Emphasis of Matter

As described in Note 1 to the financial statements, the Foundation adopted Accounting Standards Update 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.

As discussed in Note 15 to the financial statements, the Foundation has elected to change its method of accounting for certain restricted net assets. Accordingly, the Foundation's net assets, as of July 1, 2021, have been restated to reflect the change retroactively in the 2022 financial statements. Our opinion is not modified with respect to this restatement.

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.

Responsibilities of Management for the Financial Statements (Continued)

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, which 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 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 GAAS 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 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, which 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.

Boyer & Ritter

Camp Hill, Pennsylvania
January 2, 2024

TEAM PENNSYLVANIA FOUNDATION

STATEMENTS OF FINANCIAL POSITION
June 30, 2023 and 2022

ASSETS	**2023**	2022
Current Assets		
Cash and cash equivalents	**$ 1,521,827**	$ 3,118,255
Restricted cash	**1,470,649**	1,123,748
Grants receivable	**54,106**	124,416
Miscellaneous receivable	**15,258**	-
Prepaid expenses	**15,043**	29,869
Pledges receivable, current portion	**224,041**	297,000
Agency investment in Orchestra BioMed	**189,413**	710,121
Total current assets	**3,490,337**	5,403,409
Leasehold Improvements and Equipment - Net	**-**	2,355
Other Assets		
Pledges receivable, net of current portion	**74,974**	104,293
Security deposit	**4,978**	4,978
Operating lease right-of-use asset	**49,539**	-
Sustainability fund investments		
Marketable securities	**6,658,911**	6,017,545
Total other assets	**6,788,402**	6,126,816
Total assets	**$ 10,278,739**	$ 11,532,580

See Notes to Financial Statements.

LIABILITIES AND NET ASSETS	**2023**	2022
Current Liabilities		
Accounts payable	**$ 77,670**	$ 758,224
Accrued payroll and taxes	**54,521**	47,703
Operating lease liability	**50,031**	-
Deferred revenue	**-**	72,315
Due to the Commonwealth of Pennsylvania	**389,256**	930,311
Due to fiduciary parties	**1,270,806**	1,295,886
Total current liabilities	**1,842,284**	3,104,439
Net Assets		
Without donor restrictions		
Designated as sustainability fund	**6,658,911**	6,017,545
Designated for programs	**331,646**	633,515
Designated for Governor's Residence preservation	**-**	37,590
Designated for Early Learning Investment Commission	**-**	76,640
Designated for Agriculture program	**-**	32,445
Undesignated	**489,316**	688,252
With donor restrictions	**956,582**	942,154
Total net assets	**8,436,455**	8,428,141
Total liabilities and net assets	**$ 10,278,739**	$ 11,532,580

TEAM PENNSYLVANIA FOUNDATION

STATEMENT OF ACTIVITIES
Year Ended June 30, 2023

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues and Gains			
Department of Community and Economic Development (DCED) grants	$ 2,342,342	$ -	$ 2,342,342
New American Development Fund (NADF)	72,315	-	72,315
Program fees, events and sponsorships	51,040	-	51,040
Contributions	854,868	344,769	1,199,637
Bank interest	64,122	-	64,122
Other	75,015	-	75,015
Net assets released from restrictions	330,341	(330,341)	-
Total revenues	3,790,043	14,428	3,804,471
Investment income, net - sustainability fund	641,366	-	641,366
Total revenues and gains	4,431,409	14,428	4,445,837
Expenses			
Program services	3,737,827	-	3,737,827
Management and general	621,606	-	621,606
Fundraising	78,090	-	78,090
Total expenses	4,437,523	-	4,437,523
Changes in net assets	(6,114)	14,428	8,314
Net Assets - July 1, 2022	7,485,987	942,154	8,428,141
Net Assets - June 30, 2023	$ 7,479,873	$ 956,582	$ 8,436,455

See Notes to Financial Statements.

TEAM PENNSYLVANIA FOUNDATION

STATEMENT OF ACTIVITIES
Year Ended June 30, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues and Gains			
Department of Community and Economic Development (DCED) grants	$ 1,472,182	$ -	$ 1,472,182
New American Development Fund (NADF)	232,260	-	232,260
Program fees, events and sponsorships	39,187	863	40,050
Contributions	291,712	467,554	759,266
Bank interest	8,280	1	8,281
Other	71,360	-	71,360
Net assets released from restrictions	587,073	(587,073)	-
Total revenues	2,702,054	(118,655)	2,583,399
Investment income, net - sustainability fund	(1,014,792)	-	(1,014,792)
Total revenues and gains	1,687,262	(118,655)	1,568,607
Expenses			
Program services	2,257,801	-	2,257,801
Management and general	419,679	-	419,679
Fundraising	77,438	-	77,438
Total expenses	2,754,918	-	2,754,918
Changes in net assets	(1,067,656)	(118,655)	(1,186,311)
Net Assets:			
July 1, 2021 - as originally reported	8,466,180	1,668,164	10,134,344
Change in accounting (Note 15)	87,463	(607,355)	(519,892)
July 1, 2021 - as restated	8,553,643	1,060,809	9,614,452
Net Assets - June 30, 2022	$ 7,485,987	$ 942,154	$ 8,428,141

See Notes to Financial Statements.

TEAM PENNSYLVANIA FOUNDATION

STATEMENT OF FUNCTIONAL EXPENSES
Year Ended June 30, 2023

		Supporting Services		
	Program Services	Management and General	Fundraising	Total
Functional Expenses				
Salaries and benefits	$ 471,572	$ 183,407	$ 52,350	$ 707,329
Payroll taxes	33,321	13,173	3,996	50,490
Insurance	-	10,800	-	10,800
Office rent and parking	22,251	55,568	10,250	88,069
Professional fees	18,989	29,746	-	48,735
Consulting fees	2,827,055	178,648	-	3,005,703
Voice/data/mail	1,397	12,100	1,145	14,642
Office supplies	8,597	5,867	-	14,464
Travel	38,032	5,057	826	43,915
Marketing and communication	57,252	71,643	-	128,895
Conferences and meetings	5,264	1,860	51	7,175
Special events	120,265	3,505	-	123,770
Sponsorships	7,750	-	-	7,750
Membership/subscriptions	1,066	2,003	-	3,069
Office software and equipment	100,942	11,469	9,182	121,593
Training	3,770	7,897	-	11,667
Investor and board development	70	27,006	235	27,311
Depreciation	1,979	330	47	2,356
Bad debt expense	-	-	-	-
Miscellaneous	18,255	1,527	8	19,790
Total expenses	$ 3,737,827	$ 621,606	$ 78,090	$ 4,437,523

See Notes to Financial Statements.

TEAM PENNSYLVANIA FOUNDATION

STATEMENT OF FUNCTIONAL EXPENSES
Year Ended June 30, 2022

		Supporting Services		
	Program Services	Management and General	Fundraising	Total
Functional Expenses				
Salaries and benefits	$ 483,990	$ 113,297	$ 55,759	$ 653,046
Payroll taxes	35,458	9,687	4,100	49,245
Insurance	-	12,150	-	12,150
Office rent and parking	53,896	25,176	7,351	86,423
Professional fees	4,541	28,090	-	32,631
Consulting fees	1,397,901	166,171	70	1,564,142
Voice/data/mail	1,965	12,078	1,158	15,201
Office supplies	8,265	2,850	-	11,115
Program expenses	6,358	-	-	6,358
Travel	5,662	1,889	-	7,551
Marketing and communication	46,520	319	-	46,839
Conferences and meetings	1,742	66	-	1,808
Special events	39,814	1,350	-	41,164
Sponsorships	5,000	-	-	5,000
Membership/subscriptions	3,997	2,238	-	6,235
Office software and equipment	105,031	10,015	8,563	123,609
Training	-	2,425	-	2,425
Investor and board development	-	22,492	-	22,492
Opportunity fund	20,000	-	-	20,000
Depreciation	11,905	3,552	437	15,894
Bad debt expense	-	5,000	-	5,000
Miscellaneous	25,756	834	-	26,590
Total expenses	$ 2,257,801	$ 419,679	$ 77,438	$ 2,754,918

See Notes to Financial Statements.

TEAM PENNSYLVANIA FOUNDATION

STATEMENTS OF CASH FLOWS
Years Ended June 30, 2023 and 2022

	2023	2022
Cash Flows From Operating Activities		
Changes in net assets	**$ 8,314**	$ (1,186,311)
Adjustments to reconcile changes in net assets to net cash used in operating activities		
(Gain) loss on sustainability fund investments - net	**(641,366)**	1,014,792
Depreciation	**2,355**	15,894
Non-cash lease expense	**492**	-
Bad debt	**-**	5,000
Changes in assets and liabilities:		
(Increase) decrease in:		
Grants receivable	**70,310**	(88,474)
Miscellaneous receivable	**-**	153,734
Miscellaneous receivable	**(15,258)**	-
Prepaid expenses	**14,826**	(5,001)
Pledges receivable	**102,278**	(126,749)
(Decrease) increase in:		
Accounts payable	**(680,554)**	433,463
Accrued payroll and taxes	**6,818**	(14,376)
Deferred revenue	**(72,315)**	(233,682)
Due to the Commonwealth of Pennsylvania	**(541,055)**	(1,352,156)
Due to fiduciary parties	**495,628**	(108,728)
Net cash used in operating activities	**(1,249,527)**	(1,492,594)
Net change in cash, cash equivalents and restricted cash	**(1,249,527)**	(1,492,594)
Cash, Cash Equivalents and Restricted Cash:		
Beginning	**4,242,003**	5,734,597
Ending	**$ 2,992,476**	$ 4,242,003
Non-cash Operating Activities		
Decrease in Investments in Orchestra BioMed	**$ 520,708**	$ -
Decrease in due to fiduciary parties	**$ (520,708)**	$ -

See Notes to Financial Statements.

Note 1. Nature of Activities and Summary of Significant Accounting Policies

Nature of Activities: Team Pennsylvania Foundation (Foundation or Team PA), is a nonprofit Foundation formed to promote business and job growth in the Commonwealth of Pennsylvania (Commonwealth or Pennsylvania). Funding is provided by donations, contracts from the Commonwealth, gifts and grants from foundations, and corporate gifts.

Basis of Accounting: The Foundation's financial statements have been prepared using the accrual basis of accounting. The accrual basis of accounting is in accordance with accounting principles generally accepted in the United States of America and provides that revenue be recognized when earned and expenses are recorded when the corresponding liability is incurred.

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 at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

As further discussed above under Investments, the general partners or a valuation committee of the limited partnerships use specific criteria to determine the fair values of their investment portfolios. In many instances, there are no readily ascertainable fair values for certain investments. In these instances, the general partners or valuation committee estimate fair value using current financial information and operating information available, as described above.

Basis of Presentation: The Foundation's financial statements are prepared in accordance with U.S. generally accepted accounting principles (U.S. GAAP), which require reporting information regarding its financial position and activities according to the following net asset classifications:

> Net assets without donor restrictions: Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Foundation. These net assets may be used at the discretion of the Foundation's management and its Board of Directors.
>
> Net assets with donor restrictions: Net assets that are subject to either temporary or perpetual stipulations imposed by donors and grantors. Temporary restrictions will be met by the Foundation's actions or by the passage of time. Perpetual restrictions are designed to ensure that assets are maintained in perpetuity.

Donor-restricted contributions are reported as increases in net assets with donor restrictions. When restrictions expire, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions. The Foundation reports support that is restricted by the donor as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends, or purpose restriction is accomplished) in the reporting period in which the revenue is recognized.

Income Tax Status: The Foundation is exempt from Federal and state income taxes under Section 501(c)(3) of the Internal Revenue Code and applicable state regulations. In addition, the Foundation qualifies for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified as a Foundation other than a private foundation under Section 509(a)(2).

Note 1. Nature of Activities and Summary of Significant Accounting Policies (Continued)

Income Tax Status (Continued): Management has assessed the Foundation's exposure to income taxes at the entity level as a result of uncertain tax positions taken in current and previously filed tax returns. Examples of uncertain tax positions taken at the entity level include the continuing validity of the Foundation's exempt status and the prospect of being subject to the filing requirement for unrelated business income. Presently, management believes that it is more likely than not that the Foundation's tax position will be sustained upon examination, including any appeals and litigation, such that the Foundation has no exposure to income tax liabilities arising from uncertain tax positions. The Foundation is subject to routine audits by taxing jurisdictions; however, no audits for any tax periods are currently in progress.

The Foundation may be subject to tax on unrelated business income. There were no income taxes due for unrelated business income for the years ended June 30, 2023 and 2022.

Cash and Cash Equivalents: All liquid investments with a maturity of three months or less when purchased are considered cash equivalents for the purpose of the Statements of Cash Flows.

Pledges Receivable: Unconditional promises to give are recorded as pledges receivable once the Foundation receives written notification from a donor of the intent to give. These receivables are not collateralized.

Fixed Assets: Fixed assets greater than $2,500 are capitalized and stated at cost or fair value, if donated, less accumulated depreciation. Depreciation is computed using the straight-line method of accounting over the estimated useful lives of the assets. The cost of maintenance and repairs is charged to expenses as incurred. Significant renewals and betterments are capitalized. The costs and accumulated depreciation of the assets are removed from the accounts when sold or retired and any resulting gain or loss is included on the Statements of Activities for the period of disposal.

Contributed property and equipment is recorded at fair value at the date of donation. If donors stipulate how long the assets must be used, the contributions are recorded with donor restrictions. In the absence of such stipulations, contributions of property and equipment are recorded as without donor restrictions.

Investments and Fair Value: The Foundation follows the provisions of the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 820, *Fair Value Measurements* for fair value measurements of financial assets and financial liabilities and for fair value measurements of non-financial items that are recognized or disclosed at fair value in the financial statements on a recurring basis. This Standard defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The Standard also establishes a framework for measuring fair value and expands disclosures about fair value measurements.

Note 1. Nature of Activities and Summary of Significant Accounting Policies (Continued)

Investments and Fair Value (Continued): Portfolio investments - the valuation of nonpublic investments may require significant general partner judgment due to the absence of quoted observable prices, inherent lack of liquidity, reliance on unobservable inputs, and the long-term nature of such investments. The categorization of an investment within the hierarchy is based upon the pricing transparency of the investment. The Orchestra BioMed, Inc. investment has been classified within Level 3 as they have unobservable inputs and trade infrequently or not at all. The selection of appropriate valuation techniques may be affected by the availability and reliability of relevant inputs. The inputs considered by the general partner in estimating fair value of Level 3 venture capital investments include the original transaction price; recent transactions in the same or similar instruments; completed or pending third party transactions in the underlying investment; specific rights or terms associated with the investment (e.g., conversion features, liquidation preferences or restrictions); expected exit timing and strategy; market values for guideline public companies and relevant merger and acquisition transactions; changes in economic conditions, financing markets and legal or regulatory markets; recapitalizations or other transactions undertaken by the issuer and changes in the investment's operations and/or financial performance. The fair value of Level 3 investments may also be adjusted to reflect illiquidity and/or non-transferability, with the amount of such a discount estimated by the general partner in the absence of market information. Assumptions used by the general partner due to the lack of observable inputs may significantly affect fair value and, therefore, the Foundation's results of operations.

Leases: In February 2016, the FASB issued ASC Topic 842, *Leases*, to increase transparency and comparability among organizations related to their leasing arrangements. The update requires lessees to recognize most leases on their balance sheets as a right-of-use (ROU) asset representing the right to use an underlying asset and a lease liability representing the obligation to make lease payments over the lease term, measured on a discounted basis. Topic 842 also requires additional disclosure of key quantitative and qualitative information for leasing arrangements. Similar to the previous lease guidance, the update retains a distinction between finance leases (similar to capital leases in Topic 840, *Leases*) and operating leases, with classification affecting the pattern of expense recognition in the income statement. The Foundation adopted Topic 842 on July 1, 2022, using the optional transition method to the modified retrospective approach, which eliminates the requirement to restate the prior-period financial statements. Under this transition provision, the Foundation has applied Topic 842 to reporting periods beginning on July 1, 2022, while prior periods continue to be reported and disclosed in accordance with the Foundation's historical accounting treatment under ASC Topic 840, *Leases*.

The Foundation elected the "package of practical expedients" under the transition guidance within Topic 842, in which the Foundation does not reassess (1) the historical lease classification, (2) whether any existing contracts at transition are or contain leases, or (3) the initial direct costs for any existing leases. The Foundation has not elected to adopt the "hindsight" practical expedient, and therefore will measure the ROU asset and lease liability using the remaining portion of the lease term upon adoption of ASC 842 on July 1, 2022.

The Foundation determines if an arrangement is or contains a lease at inception, which is the date on which the terms of the contract are agreed to, and the agreement creates enforceable rights and obligations. A contract is or contains a lease when (i) explicitly or implicitly identified assets have been deployed in the contract and (ii) the Company obtains substantially all of the economic benefits from the use of that underlying asset and directs how and for what purpose the asset is used during the term of the contract. The Foundation also considers whether its service arrangements include the right to control the use of an asset.

Note 1. Nature of Activities and Summary of Significant Accounting Policies (Continued)

Leases (Continued): The Foundation made an accounting policy election available under Topic 842 not to recognize ROU assets and lease liabilities for leases with a term of 12 months or less. For all other leases, ROU assets and lease liabilities are measured based on the present value of future lease payments over the lease term at the commencement date of the lease (or July 1, 2022, for existing leases upon the adoption of Topic 842). The ROU assets also include any initial direct costs incurred and lease payments made at or before the commencement date and are reduced by any lease incentives. To determine the present value of lease payments, the Foundation made an accounting policy election available to non-public companies to utilize a risk-free borrowing rate, which is aligned with the lease term at the lease commencement date (or remaining term for leases existing upon the adoption of Topic 842).

The Foundation has made an accounting policy election to account for lease and non-lease components in its contracts as a single lease component for equipment asset classes. The non-lease components typically represent additional services transferred to the Foundation, such as common area maintenance for real estate, which are variable in nature and recorded in variable lease expense in the period incurred.

Deferred Revenue: Deferred revenue represents advance funding from grant contracts and other exchange transactions. Deferred revenue is recognized as revenue as appropriate expenses are incurred.

Due to Commonwealth: During the year ended June 30, 2015, the Foundation entered into a grant agreement, in the amount of $10,250,000, with the Commonwealth’s Department of Community and Economic Development (DCED). $10,000,000 of the funding was to be used to establish a Joint Opportunity Business Partnership Fund and $250,000 was to be used to cover the Foundation’s program administrative expenses. At June 30, 2016, the Foundation reported $10,222,559 of unexpended grant funds as a refundable advance.

At June 30, 2017, the grant expired. At that time, the Foundation was holding $10,000,000 in unexpended funds, comprised entirely of $10,000,000 in core grant funds that were never utilized. By June 30, 2017, the Foundation had expended its full $250,000 allocation for program administrative expenses due in part to the grantor’s decision to allow the Foundation to apply costs related to economic development initiatives against this portion of the grant. As of June 30, 2018, the Foundation reported $10,000,000 as due to the Commonwealth. In September 2018, $4,504,000 was returned to the Commonwealth. On November 8, 2019, the Foundation entered into an agreement with DCED that released the Foundation from the terms and conditions of the original grant, on the condition that it properly expend the remaining $5,496,000 of remaining funds in accordance with the new agreement.

Under the agreement with DCED dated November 8, 2019, the Foundation must spend the remaining funds by November 8, 2024, on activities specifically designated by DCED, and furthermore, it must comply with other terms and conditions established in the agreement. Unspent balances are shown as a current liability on the statements of financial position under the line item Due to the Commonwealth of Pennsylvania. The Foundation expects to fully spend the funds by June 30, 2024.

Due to Fiduciary Parties: Due to fiduciary parties represents cash and investments the Foundation holds as an agent for other entities.

Note 1. Nature of Activities and Summary of Significant Accounting Policies (Continued)

Contributions: Contributions are recognized as revenue in the period received. All other donor-imposed contributions are reported as net assets with donor restrictions. When a restriction expires, that is, when the conditions on which the restriction depends are substantially met, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported on the Statements of Activities as net assets released from 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.

Functional Allocation of Expenses: Expenses directly related to a specific program are charged to that program. The financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. Expenses related to more than one function are charged to programs and supporting services based on either employee time or the ratio of a function's direct costs to total organizational direct costs.

Adoption of New FASB Accounting Standards Update: In 2023, the Foundation adopted Accounting Standards Update (ASU) No. 2016-02, *Leases*, which requires lessees to recognize leases on the statement of financial position and disclose key information about leasing arrangements. The Foundation elected not to restate the comparative period (2022). It also elected not to reassess at adoption (i) expired or existing contracts to determine whether they are or contain a lease, (ii) the lease classification of any existing leases, or (iii) initial direct costs for existing leases. As a result of implementing ASU No. 2016-02, the Foundation recognized right-of-use assets and lease liabilities of $122,106 in its statement of financial position as of July 1, 2022. The adoption did not result in a significant effect on amounts reported in the Statement of Activities for the year ended June 30, 2023.

Reclassifications: Certain amounts in the 2022 financial statements have been reclassified with no effects on the 2022 financial position, changes in net assets and cash flows to be consistent with the classifications utilized in the 2023 financial statements.

Subsequent Events: In preparing these financial statements, the Foundation has evaluated events and transactions for potential recognition or disclosure through January 2, 2024, the date the financial statements were available to be issued.

Note 2. Concentration of Credit Risk

The Foundation maintains cash and cash equivalents at banks, which are insured by the Federal Deposit Insurance Corporation (FDIC) up to $250,000. The Foundation's cash balance(s) with financial institutions, at times, may exceed FDIC insured limits. The Foundation has not experienced any losses and believes it has limited exposure to significant credit risk. Management regularly monitors the financial institutions, along with its cash balances, in an effort to keep potential risk to a minimum. At June 30, 2023 and 2022, cash exceeding FDIC limits totaled $2,743,419 and $3,994,716, respectively.

Note 3. Cash, Cash Equivalents and Restricted Cash

The following table provides a reconciliation of total cash and cash equivalents within the Statements of Financial Position to the same amount on the Statements of Cash Flows:

	2023	2022
Cash and cash equivalents	$ 1,521,827	$ 3,118,255
Restricted cash	1,470,649	1,123,748
Total cash, cash equivalents and restricted cash shown on the Statements of Cash Flows	$ 2,992,476	$ 4,242,003

Note 4. Liquidity and Availability

The following table reflects the Foundation's financial assets as of June 30, 2023 and 2022, reduced by amounts that are not available to meet general expenditures within one year of the Statement of Financial Position date because of contractual restrictions or internal Board designations. Amounts not available to meet general expenditures within one year also may include net assets with donor restrictions.

	2023	2022
Financial assets at year-end		
Cash and cash equivalents	$ 1,521,827	$ 3,118,255
Pledges receivable	299,015	401,293
Grants and other receivables	54,106	124,416
Miscellaneous receivable	15,258	-
Sustainability fund investments - marketable securities	6,658,911	6,017,545
Total financial assets	8,549,117	9,661,509
Less amounts not available to be used within one year:		
Net assets with donor restrictions subject to purpose restriction	657,567	540,861
Net assets with donor restrictions subject to passage of time	299,015	401,293
Net assets with Board designations	6,990,557	6,797,735
Less board authorized spending for next year	-	(241,941)
	7,947,139	7,497,948
Financial assets available to meet general expenditures over the next 12 months	$ 601,978	$ 2,163,561

The Foundation's general goal is to maintain financial assets to meet 180 days of operating expenses (approximately $750,000). As of June 30, 2023, the Foundation's management is evaluating strategic options for investing excess liquidity.

Note 5. Pledges Receivable

Pledges receivable are as follows as of June 30:

	2023	2022
Total gross pledges	$ 322,207	$ 424,000
Allowances for uncollectible pledges	-	(5,000)
Unamortized present value at 4.11% and 2.76%, respectively	(23,192)	(17,707)
Net pledges receivable	$ 299,015	$ 401,293
Amounts due in:		
Less than one year	$ 224,041	$ 297,000
One to two years	74,974	104,293
	$ 299,015	$ 401,293

Note 6. Leasehold Improvements and Equipment

Leasehold improvements and equipment are as follows as of June 30:

	2023	2022
Furniture	$ 18,160	$ 18,160
Equipment	84,901	84,901
Total fixed assets	103,061	103,061
Less accumulated depreciation	(103,061)	(100,706)
Total leasehold improvements and equipment, net	$ -	$ 2,355

Note 7. Investments and Fair Value Measurements

The Foundation's sustainability fund investments in marketable securities consist of the following at June 30:

	2023		2022	
	Cost	Fair Value	Cost	Fair Value
Cash and cash equivalents	$ 376,646	$ 376,646	$ 209,506	$ 209,506
Equity mutual funds	4,166,790	4,583,807	3,213,732	3,960,699
Fixed income mutual funds	1,944,615	1,698,458	2,160,256	1,847,341
	$ 6,488,051	$ 6,658,911	$ 5,583,494	$ 6,017,545

Note 7. Investments and Fair Value Measurements (Continued)

FASB ASC 820, *Fair Value Measurements* establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy under the standard are described below:

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

Level 2 — Inputs to the valuation methodology include:

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

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

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

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

The following are descriptions of valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at June 30, 2023 and 2022.

<u>Level 1</u>: The fair value of these investment securities was based on closing market prices for the respective security as reported in active markets.

<u>Level 3</u>: Unobservable inputs for the asset. In these situations, management develops inputs using the best information available in the circumstances.

Note 7. Investments and Fair Value Measurements (Continued)

The following table set forth, by level within the fair value hierarchy, the assets and liabilities at fair value as of June 30, 2023:

	Level 1	Level 2	Level 3	Total
Cash and cash equivalents	$ 376,646	$ -	$ -	$ 376,646
Equity mutual funds				
Exchange traded funds	4,583,807	-	-	4,583,807
Fixed income mutual funds				
Intermediate core bond funds	1,698,458	-	-	1,698,458
Agency investment in				
Orchestra BioMed	-	-	189,413	189,413
Total financial assets at fair value	$ 6,658,911	$ -	$ 189,413	$ 6,848,324

The following table set forth, by level within the fair value hierarchy, the assets and liabilities at fair value as of June 30, 2022:

	Level 1	Level 2	Level 3	Total
Cash and cash equivalents	$ 209,506	$ -	$ -	$ 209,506
Equity mutual funds				
Exchange traded funds	3,960,699	-	-	3,960,699
Fixed income mutual funds				
Intermediate core bond funds	1,847,341	-	-	1,847,341
Agency investment in				
Orchestra BioMed	-	-	710,121	710,121
Total financial assets at fair value	$ 6,017,545	$ -	$ 710,121	$ 6,727,666

The following table sets forth a summary of changes in the fair value of the Foundation's Level 3 financial assets and liabilities for the year ended June 30, 2023:

	Orchestra BioMed
Beginning balance	$ 710,121
Total losses (unrealized)	(520,708)
Ending balance	$ 189,413

Note 7. Investments and Fair Value Measurements (Continued)

The following table sets forth a summary of changes in the fair value of the Foundation's Level 3 financial assets and liabilities for the year ended June 30, 2022:

	Orchestra BioMed
Beginning balance	$ 710,121
Total losses (unrealized)	-
Ending balance	$ 710,121

Note 8. Agency Investment in Orchestra BioMed

In June 2020, the Foundation entered into an agreement with the Commonwealth Financing Authority (CFA) by which CFA requested the Foundation to hold, until a liquidity event is achieved, shares in Orchestra BioMed, Inc. The Foundation's responsibility, per the agreement, is to hold the shares until they are liquidated. Upon a liquidity event, proceeds from the sale will be transferred to CFA in accordance with instructions provided to the Foundation. The Foundation is entitled to receive a fee to offset its costs to execute the transaction and administer the investment. The fee will be 1% of the gross proceeds from the sale or $50,000, whichever is less. The Foundation does not have the discretion to choose the beneficiaries of the transferred funds once the liquidity event is achieved. The agreement shall be in effect for a period of five years or upon transfer of the sale proceeds to CFA, whichever comes first.

As of June 30, 2023, the liquidity event has not occurred, and the Foundation was holding 36,045 Series A preferred shares; 3,901 Series B preferred shares; 3,901 Series C preferred shares; and 6,552 common warrants. Total value of the shares reported as of June 30, 2023 and 2022, was $189,413 and $710,121, respectively. Since the Foundation has no legal rights to the shares, it has accounted for the transaction as an agency transaction, where the value of asset is fully offset by a liability in “Due to Fiduciary Parties” on the Statements of Financial Position.

Note 9. Due to Fiduciary Parties

Due to fiduciary parties were as follows as of June 30:

	2023	2022
Due to Governor's Residence Preservation Fund	$ 324,352	$ 455,563
Due to Commonwealth Financing Authority - Orchestra BioMed	189,413	710,121
Due to PA Council of the Arts	17,595	17,595
Due to Governor's Advisory Commission on Latino Affairs	4,046	1,181
Due to PA Commission on Women	8,304	7,899
Due to PA Growth Partnership	675,664	-
Due to Community Arts and Culture at The Residence	35,384	-
Due to Governor's Advisory Commission on LBGTQ Affairs	5,000	-
Due to Governor's Advisory Commission on Asian Pacific American Affairs	5,000	-
Due to Governor's Advisory Commission on African American Affairs	1,048	-
Due to Governor's Advisory Commission on Next Generation Engagement	5,000	-
Due to Next Generation - Discretionary	-	103,170
Due to L&I Forum	-	357
	$ 1,270,806	$ 1,295,886

Note 10. Board Designated Net Assets

Amounts Designated for Agriculture Program and Early Learning Investment Commission

For the years ended June 30, 2022 and 2023, there were no additional funds designated by the Board to ELIC or the Agriculture Program. During the year ended June 30, 2023, $76,640 of ELIC funds were reclassified as restricted net assets and $32,445 of Agriculture Program funds were reclassified as unrestricted.

Amounts Designated for Governor’s Residence Preservation

The Board of Directors designated funds for the Governor’s Residence preservation. For the year ended June 30, 2022, there were no additional funds designated by the Board to the Governor’s Residence preservation. Any decreases were a result of program expenses. During the year ended June 30, 2023, designated funds for the Governor’s Residence preservation were reclassified as agency funds.

Amounts Designated for Programs

From time to time, the Foundation’s Board will designate funds to be used for specific programs.

For the year ended June 30, 2022, $141,861 was designated by the Board for program purposes. For the year ended June 30, 2023, no additional funds were designated by the Board for program purposes. Any decreases were a result of program expenses.

Note 10. Board Designated Net Assets (Continued)

Amounts Designated for Programs (Continued): Total Board designated net assets for programs as of June 30, 2023 and 2022, were $331,646 and $633,515, respectively.

Amounts Designated as Sustainability Fund

The Sustainability Fund consists of investments in marketable securities and other investments as deemed appropriate by the Board of Directors.

During the year ended June 30, 2005, the Foundation's Board approved designating an initial amount of $1 million to function as an endowment. In the ensuing years, the Board has periodically acted to designate surplus cash flows - primarily from the maturity of its venture capital funds - as endowment. At June 30, 2023 and 2022, there were no donor-restricted endowment funds. All net assets associated with the Board designated endowment are reported as a separate component under net assets without donor restrictions.

The Board has adopted an investment policy that allows for annual and discretionary spending, although all spending in a given fiscal year must first be approved by the Board. To achieve a long-term rate-of-return that can allow for annual endowment appropriations without the erosion of endowment value, the Foundation relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Foundation targets a diversified asset allocation that places a greater emphasis on equity-type investments to achieve its long-term return objectives within prudent risk constraints.

As noted immediately above, all spending must first be approved by the Board. Current authorized spending parameters are 3.75% of the prior 12 quarters' values through March 31 of the fiscal year-end preceding the fiscal year in which the distribution is planned. In establishing these parameters, the Foundation considered the expected long-term return on its endowment.

Accordingly, over the long-term, the Foundation expects its endowment to grow at an annual rate of 3.75%. This is consistent with the Foundation's objective to maintain the long-term purchasing power of the endowment and to provide for additional real growth through new gifts, investment return and other asset transfers.

The Foundation's sustainability fund investments are recorded at fair value. At June 30, 2023 and 2022, the Foundation's marketable securities, managed by and held by PNC, were invested in the following:

	2023	2022
Cash and cash equivalents	$ 376,646	$ 209,506
Equity mutual funds	4,583,807	3,960,699
Fixed income mutual funds	1,698,458	1,847,341
	$ 6,658,911	$ 6,017,545

Note 10. Board Designated Net Assets (Continued)

The gain (loss) on sustainability fund investments for the years ended June 30, 2023 and 2022, is comprised of the following:

	2023	2022
Investment income	$ 155,754	$ 154,396
Realized gains (losses)	787,808	(45,171)
Unrealized losses	(275,222)	(1,095,860)
Management fees	(26,974)	(28,157)
	$ 641,366	$ (1,014,792)

Changes in the sustainability fund net asset for the years ended June 30, 2023 and 2022:

	2023	2022
Beginning balance	$ 6,017,545	$ 7,032,337
Investment return		
Change in value	(275,222)	(1,095,860)
Investment income	916,588	81,068
Ending balance	$ 6,658,911	$ 6,017,545

Note 11. Net Assets with Donor Restrictions

The Foundation's net assets with donor restrictions at June 30, 2023 and 2022, are comprised of the following:

		2023		2022
Subject to the passage of time:				
Pledges receivable	$	299,015	$	401,293
Subject to expenditure for specified purpose:				
Early Learning Investment Commission		374,164		231,303
Broadband Deployment		144,943		145,541
International Business Development		114,437		133,926
AT&T Young Professionals		10,512		11,362
AT&T Digital Literacy		4,222		8,047
Statewide Young Professionals		3,946		4,896
VisitPA Tourism Initiative		5,343		5,343
School Dropout Prevention (Opening Doors)		-		443
	$	956,582	$	942,154

2023 and 2022 net assets were released from donor restrictions by incurring expenses satisfying restricted purposes or by realization of events specified by donors as follows:

		2023		2022
Expiration of time restrictions:				
Pledges receivable	$	304,628	$	113,500
Satisfaction of purpose restrictions				
International Business Development		19,490		3,085
AT&T Digital Literacy		3,825		21,953
AT&T Young Professionals		850		2,338
Broadband Deployment		598		4,418
PAYP		950		-
Early Learning Investment Commission		-		303,227
Next Generation Sectors Partnership Program		-		6,580
Heinz Policy and Data Impact Lab		-		9,596
Adult Education and Workforce Gap Reduction Strategies		-		122,376
	$	330,341	$	587,073

Note 12. Program Services

The Foundation provides support for the following programs and initiatives:

	2023	2022
Tourism and Economic Development Programs: In partnership with DCED, Team Pennsylvania manages several programs that promote tourism and economic development. Programs that support tourism include a creative production for a seasonal tourism campaign, a government-to-business campaign that includes a creative production focused on priority industries, and a site selector program that includes strategic sponsorships and metro missions. Programs that support economic development provide support for marketing, technical assistance, consulting engagements, collateral material development, trade shows and other activities.	$ 609,236	$ 1,291,429
Decarbonization Network of Appalachia (DNA) Hydrogen Hub Application: Team Pennsylvania joined industry partners to establish the Decarbonization Network of Appalachia Hydrogen Hub (DNA H2Hub). The DNA H2 Hub represents a collective vision for emissions reduction and economic revitalization driven by increased GDP, the creation of new family-sustaining jobs, and new business opportunities for local supply chains. Team Pennsylvania serves as the primary applicant for funding from the U.S. Department of Energy to establish this hub in the tri-state area of Pennsylvania, West Virginia, and Ohio.	1,552,919	-
Policy Activities: Cross-Sector Collaboration and Competitiveness Team Pennsylvania's work is focused on key high-growth economic opportunities for Pennsylvania in **agriculture, energy, and manufacturing**. In each area, Team Pennsylvania convenes Cross-Sector Collaboratives that bring together leaders from industry, government, organized labor, nonprofits, and academia to create the conditions for innovative, technological, and market-driven solutions. These networks are designed to mobilize and sustain the long-term, public-private commitment needed to realize the economic opportunities in these high-growth sectors in the Commonwealth.	669,260	391,729

Note 12. Program Services (Continued)

	2023	2022
EDA Statewide Economic Development Planning Grant:		
Using funds from a federal EDA Statewide Planning Grant, Team Pennsylvania is focusing on the following three activities: Leading, convening, and planning activities in energy, a critical industry sector that has been identified as benefitting from investment and planning; supporting the Pennsylvania Manufacturing Advisory Council and issuing a comprehensive playbook for manufacturing in the Commonwealth; and conducting a literature review, equity audit, and gap analysis for Pennsylvania's Comprehensive Economic Development Strategy (CEDS).	462,415	94,716
Early Learning Investment Commission		
The Early Learning Investment Commission (ELIC) was created by Executive Order 2008-08 to build a partnership between the public sector and business community on the value of public investment in early learning, focusing on practices that are educationally, economically and scientifically sound. ELIC seeks to identify public-private strategies dedicated to supporting and advancing Pennsylvania's early learning and economic development through selected projects.	383,092	320,083
Governor's Residence Support:		
Team Pennsylvania provides support to the Governor's Residence, including events and activities that recognize the efforts and accomplishments of employees at the Residence.	37,590	12,410
International Business Support:		
Team Pennsylvania supports DCED's Office of International Business Development (OIBD) in their efforts to increase Pennsylvania exports and secure foreign direct investment.	19,490	3,106

Note 12. Program Services (Continued)

	2023	2022
Digital Literacy:		
Team Pennsylvania provides support for the creation of the first statewide digital literacy badging system for both K-12 learners and adults through the workforce development system and convenes a statewide network to expand and elevate digital literacy across Pennsylvania.	3,825	21,952
Adult Education & Workforce Gap Reduction Strategies		
This program is funded by the Educate4Opportunity Grant from the National Governors Association. The strategy is focused on the 1.4 million adults in Pennsylvania with some postsecondary education but no degree (aka near/partial completers). Pennsylvania will create a statewide strategy to reduce the number of near/partial completers and in the process close existing workforce gaps. This initiative will create a written action plan, including a vision statement, outlining an innovative program to address this challenge.	-	122,376
	$ 3,737,827	$ 2,257,801

Note 13. Commitments and Contingencies

Grant Contracts

The Foundation receives grant contracts from various sources in its normal course of operations. Some of the grant contracts require separate audits that are submitted to DCED. The retention of the funds is contingent upon the approval of the audits by DCED.

Operating Leases

On July 29, 2015, the Foundation entered into a 40-month lease with St. John’s Holdings, Inc., for office space in Harrisburg, Pennsylvania. The Foundation was liable for monthly lease payments upon taking occupancy, which occurred in November 2015, although in months one through five, the Foundation was not liable to pay any monthly rent. Additionally, the lease contains a renewal option for a term of five years. On November 2, 2018, the Foundation renewed the lease through February 29, 2024.

Note 13. Commitments and Contingencies (Continued)

Operating Leases (Continued): Operating lease cost is recognized on a straight-line basis over the lease term. Finance lease cost is recognized as a combination of the amortization expense for the ROU assets and interest expense for the outstanding lease liabilities, and results in a front-loaded expense pattern over the lease term. The components of lease expense are as follows for the year ended June 30, 2023:

	Amount
Operating lease expense	$ 74,931
Short-term lease expense	-
Variable lease expense	-
Total lease cost	$ 74,931

Supplemental cash flow information related to leases is as follows:

Other Information	Amount
Cash paid for amounts included in the measurement of lease liabilities	
Operating cash out-flows from operating leases	$ 74,439
ROU assets obtained in exchange for new operating leases	122,106
Weighted-average remaining lease term in years for operating leases	0.67
Weighted-average discount rate for operating leases	2.84%

Future minimum lease payments for the Foundations operating lease as of June 30, 2023, are as follows:

Year	Amount
2024	$ 50,446
Total lease payments	50,446
Less: present value discount	(415)
	$ 50,031

Note 14. Change in Accounting

During 2023, Management determined that certain funds previously included in restricted net assets are to be held as agency funds by the Foundation and should be accounted for in the liability accounts, Due to Fiduciaries. Management also determined, under the Foundation’s new strategic plan, that the Ag Partnership, previously included in restricted net assets, is to be considered as unrestricted activities and accounted for in the unrestricted net assets account. As a result, net assets as of July 1, 2021, have been restated to reflect the cumulative effects of the adjustments. Accordingly, net assets as of July 1, 2021, decreased by $519,892.