



## **Management's Discussion and Analysis**

The Adams County Community Foundation ("Community Foundation") is pleased to present its financial statements developed in compliance with generally accepted accounting standards. This Management's Discussion and Analysis ("MD&A") is designed to assist the reader in understanding the nature and purpose of the Community Foundation, which by the very nature of a community foundation is different than that of most charitable nonprofit entities, to explain the use and stewardship of gifts entrusted to the Community Foundation, and to highlight key financial highlights and information from the financial statements. This MD&A should be read in conjunction with the financial statements and the notes to those financial statements, both of which follow this MD&A.

### **History**

The Community Foundation was born in 1985 as the Adams County Foundation, a public charitable trust entity dedicated to building a permanent endowment to serve the residents of Adams County, Pennsylvania. A service project of the Rotary Club of Gettysburg, the Adams County Foundation was created as a standalone entity with initial gifts provided by the Rotary Club of Gettysburg, the Rotary Club of Littlestown, individual Rotarians, and local community leaders. Though its initial assets, and thus its early grant making capacity, were modest, the Adams County Foundation immediately began making grants across the spectrum of activities bearing upon the quality of life in Adams County, to include civic, cultural, educational, economic, health, recreational and social services, as well as historic and environmental preservation.

By 2008 the Adams County Foundation had just over \$400,000 in assets, but its trustees realized that changes were needed to grow and expand its reach. With approval from the Court of Common Pleas of Adams County and the Office of the Pennsylvania Attorney General, the entity was converted from a charitable trust to the present Adams County Community Foundation, a nonprofit corporation with a full-time staff and with the scope and authority that accrue as a recognized community foundation. The Community Foundation is recognized by the IRS as a 501(c)3 charitable organization and duly registered with the Pennsylvania Department of State.

Four decades from its founding, the Community Foundation, guided by a dedicated board of community members, is a key philanthropic leader in the Adams County community. Certified under National Standards for U.S. Community Foundations, the Community Foundation supports donors and invests in the community through scholarships, charitable grants, and its annual day of giving, the Giving Spree; it provides leadership through community initiatives such as @Home in Adams County and advocating for the end of scholarship displacement at Pennsylvania public colleges and universities. It opens its investment infrastructure to individual donors to support their specific charitable goals and grow permanent endowments of local nonprofits.

## Highlights for 2024

- Year-end permanent endowment totaling \$24,863,664.
- Endowment spending rate of 4.5%, consistent since the conversion to a community foundation in 2007.
- 2024 grants and scholarships to the community totaling \$3,676,223.
- Investment return, net of fees, of 10.2% for 2024 and 9.4% net of fees inception (2009) to date
- Operating expenses of \$482,898, or approximately 6% of total revenue and support. Of the \$482,898 in operating expenses, \$246,795 was incurred on direct program support; \$155,856 on administration; and \$80,247 on development.
- \$3,613,000 raised to support more than 114 nonprofits during the annual Giving Spree.

## Overview of Purpose, Operations and Key Policies

The Community Foundation exists to build a permanent charitable endowment for the principle benefit of Adams County, Pennsylvania. In addition, the Community Foundation supports donors by facilitating their support of their chosen nonprofits through an annual day of giving with current and endowed donations.

Permanent charitable endowments may be one of six fund types. The flagship is the Fund for Adams County, which accepts unrestricted donations to support community grantmaking. Grants are made by the Board after recommendation by the Community Foundation's Distribution Committee, which is charged with determining the projects and nonprofits that are most responsive to community needs on an annual basis. Permanent charitable endowments may also be designated by the donor to support a designated charitable nonprofit, a field of interest (e.g. education or housing), scholarships, or be donor-advised such that the donor may recommend recipients each year. Regardless of fund type, permanent charitable endowments are invested in the investment pool and annually the Board of Directors sets a spending rate in accordance with its Investment and Spending Policy and distributes grants and scholarships from the endowment in accordance with the intent of the donor.

The Community Foundation also facilitates pass-through donations through its annual Giving Spree and for donors who wish to avail themselves of the nonprofit expertise and administration the Community Foundation can provide. Each of the above fund types are also available to donors as non-permanent, pass through funds.

The Community Foundation receives its operating funding through a combination of an annual appeal, event sponsorships, such as the Giving Spree and Scholarship Breakfast, interest accrued on non-endowed funds, and an administrative fee charged to charitable funds. A full fee schedule is available on the Community Foundation website, [www.adamscountycf.org](http://www.adamscountycf.org).

The Community Foundation's Investment and Spending Policy is set by the Board of Directors and posted for public viewing on its website, [www.adamscountycf.org](http://www.adamscountycf.org). A summary of key tenets includes:

- The goal of the Community Foundation's investing is to support current as well as future grant making and administrative needs while ensuring the inflation-adjusted spending power of the charitable assets over time.
- The Community Foundation's investment time horizon is essentially forever, and the Board of Directors takes a long-term view in setting and monitoring the impact of its investment policies.
- The investment pool referenced in the financial statements is synonymous with the endowment pool. Short-term or pass-through donations are held in a money market investment and are not comingled with the endowment pool, so as not to adversely impact endowment performance.
- Except for the various Funds for Adams County and the Adams County Scholarship Fund, most gifts are restricted in the sense that the donor has directed how the gift is to be used, such as supporting a specific nonprofit or benefiting a student entering a specific career field. However, because the Community Foundation is a community foundation, it holds variance power over its assets, such that if such restriction or condition become unnecessary, incapable of fulfillment, or inconsistent with the charitable needs of the community the Community Foundation may redirect the funds to protect donor intent. Variance power ensures that endowed funds that designate a specific beneficiary or charitable purpose don't become obsolete when the donor of the gift has passed. Because of this variance power, Community Foundation assets are generally deemed "unrestricted" for accounting and audit purposes.
- The Community Foundation sets the investment approach for managing its assets, and then may use one or more investment managers, mutual funds, bank services, or other strategies to implement the investment approach.
- All investment firms and banking institutions must manage assets subject to the Community Foundation's governing documents, Investment and Spending Policies, and the fiduciary oversight of the Board of Directors. Investment direction to asset managers includes allowable asset classes, minimum and maximum holdings by asset class, allowable securities, and limitations on the maximum holdings in any one sector, institution, or corporation.
- The Community Foundation uses a total return approach to guide its investing and spending policy, as allowed under 15 Pa C.S.A. 5547, 5548 (c)(2), and 5549. This approach allows the Board to establish an annual payout rate based on a percentage of assets averaged over a five-year period. The payout amount may be more or less than the actual income earned by interest and dividends, with capital appreciation (and in rare cases principal) used to help meet the established payout when necessary. By using the total return approach, the Community Foundation can maintain and increase the value of donated assets.
- The annual payout of all individual charitable funds, is expected to be 4.5% of the average market value, using a 20-quarter or 5-year trailing average.
- The Board of Directors delegates supervisory authority over financial affairs to the Investment & Finance Committee of the Board, a committee comprising both board and non-board members.
- The Community Foundation maintains a separate Audit Committee, with both board and non-board members, to review its annual third party audit. Current and past audits are available on the Community Foundation website, [www.adamscountycf.org](http://www.adamscountycf.org).

## **Comments on Specific Financial Statements**

### **Statements of Financial Position**

The Community Fund's assets ended 2024 with realized and unrealized gains accounting for \$1,677,444 of the \$3,628,738 increase in the investment pool. The remaining \$1,951,294 represents new gifts into the permanent charitable endowment, or an approximately 8% increase.

Regarding the line item for liability for Agency Endowments, this is due to IRS rules. There are two types of funds at the Community Foundation that make annual grants to a specific nonprofit. Designated Endowments, such as the Designated Endowment for the Gettysburg Community Soup Kitchen, are created by donors other than the nonprofit itself. Agency Endowments, such as the Agency Endowment for the Gettysburg Community Soup Kitchen, are created by the nonprofit itself donating the funds to the Community Foundation. In both cases, the nonprofit, here the Gettysburg Community Soup Kitchen, receives the annual payout. And in both cases, the Community foundation owns the asset, invests the asset, and has variance power over the asset. However, in the case of the Designated Endowment, the Community Foundation reports the asset as its own with no offsetting liability; in the case of the Agency Endowment, the Community Foundation reports the asset with an offsetting liability because the IRS requires the nonprofit agency to report the asset; this prevents a double accounting of one asset across two financial reports.

### **Statements of Activities**

Contributions to the Community Foundation were up \$1,905,769 in 2024 from 2023. This is primarily due to increased estate and major gifts to its endowment.

Reduced investment performance in 2024 and higher contributions led to higher total revenue of \$7,688,832 as compared to \$6,439,622 in 2023.

Despite the large fluctuation in total revenue between 2023 and 2022 and looking further back to 2021 with its total revenue of \$6,814,310, the value of the Community Foundation's permanent charitable endowment model is evident, in that the total program grants and scholarships increased year over year from \$3,055,784 in 2021 to \$3,265,242 in 2022 and then \$3,497,960 in 2023. Despite an off year in the economy, the community received ever increasing support.

The Community Foundation adheres to the IRS definitions of expenses.

"Program – grants and scholarships" are funds sent into the community.

The other categories shown as costs related to running the Community Foundation itself. "Program – other" are direct costs for items such as grant making, Giving Spree, and community advocacy such as education on scholarship displacement. "Administrative" expenses produce fund statements, cover office expenses, and office management. "Development" expenses are those for annual reports, marketing materials, and engaging donor prospects.

## **Statement of Functional Expenses**

The first line in the Statement of Functional Expenses reflects the grants and scholarship made to the community in 2024, totaling \$3,676,223.

The remainder of the expense line items on the statement represent the operational costs of the Community Foundation. In 2024, in all categories, it cost \$482,898 to operate the Community Foundation, a 6.7% increase from the operating expense of \$452,540 in 2023.

## **Compliance**

The Community Foundation is recognized by the IRS as a 501(c)3 charitable organization and files an IRS Form 990 annually. A copy of the determination letter and filed 990s may be found on the Community Foundation's website, [www.adamscountycf.org](http://www.adamscountycf.org).

The Community Foundation is registered with the Pennsylvania Department of State as a charitable organization. A copy of the Certificate of Registration may be found on the Community Foundation's website, [www.adamscountycf.org](http://www.adamscountycf.org).

In each of the last five years, the Community Foundation has been certified under National Standards for Community Foundations overseen by the Council on Foundations. The Community Foundation participates with like-minded institutions and businesses to further our mission, including the Council on Foundations, National Scholarship Providers Association, Pennsylvania Community Foundation Association, Pennsylvania Association of Nonprofit Associations, At Home in Adams County, Adams Economic Alliance, The Chamber of Gettysburg and Adams County, and the New Oxford Chamber of Commerce.

## **Contacting the Adams County Community Foundation**

This audit report is designed to provide donors, potential donors, nonprofits, and interested community members with an overview and disclosure of the Community Foundation's finances. Questions concerning this financial information or requests for additional information should be directed to:

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