

December 31, 2025

The Adams County Community Foundation ("Community Foundation") is pleased to present its 2025 and 2024 financial statements developed in compliance with generally accepted accounting standards. This Management's Discussion & Analysis ("MD&A") is designed to assist the reader in understanding the nature and purpose of the Community Foundation, to explain the use and stewardship of gifts entrusted to the Community Foundation, and to highlight key financial information from the audited financial statements. This MD&A should be read in conjunction with the financial statements and the notes to those financial statements, both of which are made publicly available on the www.adamscountycf.org website.

History

The Community Foundation was created in 1985 as the Adams County Foundation, a charitable public 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 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 early grantmaking 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, including 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 ensure growth and expansion. 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 operating under the scope and authority of a recognized community foundation. The Community Foundation is recognized by the IRS as a 501(c)3 charitable organization, is duly registered with the Pennsylvania Department of State, and is certified under National Standards for U.S. Community Foundations.

Four decades after its founding, the Community Foundation is a key philanthropic leader in Adams County, facilitating the charitable intent of donors and addressing community need through grantmaking, targeted initiatives, and advocacy. It supports donors and invests in the community through scholarships, charitable grants, and its annual day of giving, the Giving Spree, while providing leadership through community initiatives, such as @Home in Adams County and a robust designated endowment program.

In 2018, the Community Foundation initiated and advocated for the end of scholarship displacement in Pennsylvania, the practice of higher education schools reducing a student's financial aid by the amount of the student's private scholarship. As a result of advocacy efforts led by the Community Foundation, local state representatives, and a coalition of scholarship providers, the practice of scholarship displacement at Pennsylvania's public colleges and universities was banned in 2022.

In 2025, Pennsylvania enacted Act 50, a historic reform ending the “100% tax” upon dying without a will or heirs to inherit (*intestate*). Act 50 of 2025 directs intestate assets to a local Community Foundation’s endowed grantmaking fund rather than the Commonwealth’s general fund. By endowing the assets at local Community Foundations, the decedent is remembered and their life savings continues to address real community needs. Pennsylvania is the only state in the nation to guarantee that intestate assets are kept local, charitable, and permanent. Act 50 of 2025 was championed by the leadership of the Adams County Community Foundation, the Pennsylvania Register of Wills Association, and the Pennsylvania Community Foundation Association (PACFA).

Furthermore, 2025 marked the 40th year of the Adams County Community Foundation, with the outstanding success of its anniversary campaign demonstrating the strength of donor support. The Campaign surpassed its \$40 million goal by more than \$20 million (151.7%), significantly bolstering endowment growth and legacy giving.

Highlights for 2025

- Year-end investments totaled \$28,091,601, a year-over-year increase of 12.5%. Endowments as a percentage of total assets were 93.2%.
- Trailing 12-months annualized investment portfolio return, net of fees, was 9.4% for 2025 and 9.4% since inception (2009).
- Endowment spending rate was 4.5%, consistent since the conversion to a “Community Foundation” in 2007.
- 2025 grants and scholarships to the community totaled \$5,484,981.
- Total revenue and support (without donor restrictions) increased by 20.6% to \$9,272,204 from 2024.
- General operating expenses of \$488,714 were approximately 5.3% of total revenue and other support. Of the \$488,714 operating expenses, \$237,188 were allocated to program support, \$168,739 to administration, and \$82,787 to development.
- Full-time employees grew to 4, including a new full-time Controller position.
- 2025 Adams County Community Foundation Giving Spree saw donors making larger gifts to a greater number of nonprofits than in prior years; in total, donors gave \$4,342,196 to support 100 nonprofits.
- New and increased planned legacy gifts of \$56.5 million reflect the milestone efforts of the Community Foundation’s 40th Anniversary Campaign and the community’s confidence in advancing its mission.
- The Board of Directors updated the Community Foundation’s Gift Acceptance Policy to include the acceptance of virtual currencies.
- Since 2023, the Expense to Asset ratio has decreased from 2.0% to 1.7% in 2025 reflecting a tailored commitment to more streamlined and efficient operational effectiveness.

Overview of Purpose, Operations and Key Policies

The Community Foundation exists to build a permanent charitable endowment for the benefit of Adams County, Pennsylvania. In addition, it supports donors by promoting and facilitating charitable giving by connecting them with charitable opportunities and administering grants in accordance with donor intent.

Permanent charitable endowments may be one of six fund types:

1. Fund for Adams County - the flagship endowment for the Community Foundation is the *Fund for Adams County*, which accepts unrestricted gifts to support perpetual community grantmaking by addressing the critical needs of Adams County today and the unforeseen needs of the future. Grants are made by the Board after recommendation by the Community Foundation's Distribution Committee.
2. Designated Fund - a permanent charitable endowment in which annual grants support a designated nonprofit.
3. Field of Interest – the Community Foundation makes grants from these funds to a specific field of interest, based on the donor's charitable interest (e.g. education, health, the arts, housing, etc).
4. Scholarship Fund - a fund that supports students furthering their education in trade schools, community college certification programs and traditional colleges.
5. Donor-Advised Fund – a donor may recommend grants to nonprofit recipients anywhere across the country.
6. Agency Endowment – a nonprofit creates an agency endowment by transferring assets to the Community Foundation and names itself as the beneficiary. The nonprofit receives an annual grant from the fund.

Regardless of fund type, permanent charitable endowments are invested in a single investment pool and the Board of Directors sets the spending rate annually in accordance with its Investment and Spending Policy. Grants and scholarships are annually distributed in accordance with donor intent and the spending rate.

In addition to permanent charitable endowment funds, the Community Foundation also facilitates pass-through and non-endowed gifts, including gifts made through the annual Giving Spree. Apart from the *Fund for Adams County*, all other fund types listed above are also available to donors as non-permanent, non-endowed funds.

Turning to operating support, the Community Foundation receives its unrestricted, general operating revenue through the following sources of income:

- Annual gifts;
- Operating Endowment (Founder's Fund);
- Event sponsorships;
- Net investment income on non-endowed, non-permanent funds invested in INVEST PA's money market pool;

- Administrative fees charged to the charitable funds. A full fee schedule is available on the Community Foundation website, www.adamscountycf.org.

Investment & Spending Policy

The Investment and Spending Policy is set by the Board of Directors and posted on the Community Foundation website, www.adamscountycf.org. A summary of key tenets includes:

- The purpose of the Adams County Community Foundation's Investment and Spending Policy is to support current as well as future grantmaking and administrative needs while ensuring the inflation-adjusted spending power of the Community Foundation's 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 policy.
- The investment pool referenced in the financial statements is synonymous with the endowment pool. Short-term or pass-through gifts are held in a money market investment and are not commingled with the endowment pool, so as not to adversely impact endowment performance.
- The Community Foundation will select an appropriate investment approach, consistent with Investment & Spending Policy, for managing such assets, which may include using one or more investment managers, mutual funds, bank services, or other strategies.
- All investment firms and banking institutions must manage assets subject to the Community Foundation's governing documents, Investment and Spending Policy, 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 Investment 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 gifted 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 its Investment & Finance Committee.
- The Community Foundation maintains a separate Audit Committee to review its annual third-party audit. Current and past audits are available on the Community Foundation website, www.adamscountycf.org.

Statements of Financial Position

Total assets were \$30,126,019 on December 31, a 12.7% increase from the prior year. Growth was driven primarily by the 12.5% increase in endowed investments, reflecting the community's commitment to building a permanent charitable endowment for Adams County.

A further element of the statements of financial position is the contributions receivable from a charitable gift annuity, reported net of discount to present value. The Community Foundation has a charitable gift annuity which is maintained by a third-party administrator. The third-party establishes a fair value for these assets using significant unobservable (level 3) inputs, utilizing an actuarial evaluation of the estimated payments under such arrangements. A charitable gift annuity provides for the payment of distributions to the grantor or other designated beneficiaries over the trust's term (usually the designated beneficiary's lifetime). At the end of the annuity term, the remaining assets are available for the Community Foundation's use. At the end of the year, the charitable gift annuity, net of discount, was \$21,621.

Variance Power

Many gifts are restricted by the donor in that they support a specific nonprofit, area of interest, or education focus. However, all contributions (*including those with donor-imposed restrictions*) are subject to variance power. Variance power gives the Board of Directors the ability to modify donor restrictions that are incapable of fulfillment or inconsistent with the charitable needs of the community except where Court approval and review by the Pennsylvania Attorney General is required by a Charitable Fund Agreement or required by any order or decree from a Court of competent jurisdiction. Variance power is critical given the perpetual time horizon of the Community Foundation's endowments. As a result of variance power, all contributions are classified as net assets without donor restrictions for financial statement purposes.

Agency Endowments

On the Statements of Financial Position, the accounting treatment of funds held as agency endowments must be reported as a liability (FASB ASC 958-605). Although the Community Foundation owns and reports the asset on the statements of financial position, it must also report an offsetting liability. In accordance with accounting principles generally accepted in the United States of America, when a nonprofit grants variance power and specifies themselves, or their affiliate as the beneficiary of the contributed assets, the recipient organization is precluded from accounting for this transaction as a contribution; this accounting rule prevents the "double accounting" of the asset on the financial statements of both the recipient organization and the Community Foundation. As a result, the Community Foundation has established a liability for funds held as agency endowments, which is equivalent to the contributed assets' fair value and related earnings and distributions. Funds held as agency endowments totaled \$1,946,475 and \$1,865,178 at December 31, 2025 and 2024, respectively.

Statements of Activities

Contributions in 2025 to the Community Foundation totaled \$7,005,152, an increase of 26.5%, primarily driven by the measurable success of the 40th Anniversary Campaign. An increase of

\$1,808,758 (49.2%) in grants and scholarships expense granted to the community was a direct result of that success.

Total investment income included realized and unrealized gains of \$1,776,115, an increase of 5.9% from the prior year. The Community Foundation maintains a diversified portfolio based on its Investment & Spending Policy. The trailing 12-months annualized investment portfolio return, net of fees, was 9.4% for 2025, falling below the blended benchmark rate of 16.2%.

Incorporating best practices and due to lower-than-expected investment returns last year, the Community Foundation Investment & Finance Committee, recognizing its duty of care to a variety of stakeholders, launched a Request for Proposal for Investment Management services to ensure that long-term investment goals are being met.

Overall, however, the Community Foundation's investment return reflects strong risk-adjusted performance in its portfolio. The Council on Foundations releases an annual "Commonfund Study of Investment of Endowments for Private and Community Foundations"; although the 2025 study has not yet been released as of the publishing date of this MD&A, the 2024 study reported 10-year returns of 7.0% for Community Foundations¹. The Adams County Community Foundation reported net trailing 10-year returns of 8.7% in 2025 and 7.6% in 2024. The Community Foundation remains confident in the long-term growth and strength of its portfolio and will continue to rigorously monitor the investment pool.

Statement of Functional Expense

Grants and scholarships made to the community last year totaled \$5,484,981. The remainder of the expense line items on the statement represent the operational costs of the Community Foundation.

Note 11 – Functional Expenses provides a breakdown of total costs and gives the reader an understanding of how resources are allocated:

- Program - grants and scholarships: approved and paid grants/scholarships granted to the community.
- Program - other: costs related to the distribution of grants/scholarships, including events costs, such as expenses related to the Giving Spree, and community advocacy.
- Administrative expenses: professional fees, contracted services, and general overhead costs that enable the Community Foundation to continue operations.
- Development expenses: printing, donor prospects engagement costs, managing contributions, and other expenses that further the mission of the Community Foundation.

In 2025, general operating expenses were \$488,714, an increase of 1.5% from the prior year. This modest increase, when compared to the tremendous growth in contribution revenue, demonstrates the Community Foundation's commitment to maximizing impact while operating in a lean and cost-controlled environment.

Compliance

The Community Foundation is recognized by the IRS as a 501(c)3 charitable organization and files an IRS Form 990 annually. Additionally, it is registered with the Pennsylvania Department of State as a charitable organization. A copy of the determination letter, filed 990s, and Certificate of Registration may be found on the Community Foundation website, www.adamscountycf.org.

In each of the last six years, the Community Foundation has been certified under National Standards for Community Foundations overseen by the Council on Foundations. Additionally, the Community Foundation is a member of the Council on Foundations, Community Foundation Awareness Initiative, National Scholarship Providers Association, Pennsylvania Community Foundation Association, Pennsylvania Association of Nonprofit Associations, @Home in Adams County, Adams Economic Alliance, and local Chambers of Commerce.

Contacting the Adams County Community Foundation

This MD&A is designed to provide current and 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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¹ Council on Foundations and Commonfund Institute. *2024 Council on Foundations—Commonfund Study of Investment of Endowments for Private and Community Foundations*. Council on Foundations, 2024.