An Update: The Financial Health of the Foundation

As a Lehigh Valley funder, we are routinely looking at the financial health of the many organizations that receive grants from the Foundation. As a steward of charitable dollars, we acknowledge that we ourselves are accountable to the public and this requires us to continually monitor the financial health of our own organization.

The Foundation operates on a June 30 fiscal year, and the conclusion of fiscal year 2019 provides us with the perfect opportunity to report on this self-examination. We will also include three-year data as this is an important piece in assessing financial health and identifying trends and outliers.

Within the past year, we added three very important words to our logo.

Let's apply this to our financial health.

**CONNECT.** Everything we do has one ultimate purpose, to increase the charitable dollars that support the many important causes and wonderful nonprofit organizations in our community. We thrive on connecting philanthropists to the causes that mean the most to them.

Total gifts received in fiscal year 2019 were **$3.6 million**. Gift size ranged from $5 to $1 million, and almost 60% of the gifts were donations of publicly traded appreciated securities. The three-year total is **$21 million** in gifts with an annual average of **$7.2 million**.

During fiscal year 2019, 14 new charitable funds were established at the Foundation, bringing the total number of charitable funds to **244**. Collectively, these funds hold **$58 million** in assets. Over the past three fiscal years, 43 new funds have been created and assets have grown by **$13 million**, a 31% increase.

Of the new funds established during the past year, four were second funds established by donors who wanted to increase their partnership with the Foundation by adding diversity to their charitable portfolio. Additionally, three funds were established through IRA rollovers, a valuable charitable and tax savings strategy for individuals over the age of 70½ who want to put their tax deferred retirement assets to work for charitable purposes. These figures demonstrate that the Foundation is effectively deploying the message to the community to help CONNECT a diverse group of philanthropists to the many worthwhile causes in the Lehigh Valley.

Our board and staff proudly invest our energy, talent, intellect and passion to help our donors support the community and to improve the quality of life in our community.
GROW. We aim to build a stronger community by helping donors fulfill their charitable vision and grow a charitable legacy. A main component of charitable legacy is the concept of endowment. The Community Foundation is a source of permanent support for the Lehigh Valley with 81%, or $47 million, of the Foundation’s total assets held in endowed funds. These funds permanently produce annual grants for area nonprofits as well as annual support of the Community Foundation’s work. It is beneficial to our community and our fundholders for the Foundation to have both a stable base of grants and a stable base of support for Foundation operations.

Endowed funds are invested in portfolios that have an objective of assuring a long-term rate of growth sufficient to offset normal inflation, fees and spending in perpetuity. This ‘hurdle rate’ is our absolute benchmark. Maintaining the grantmaking from endowed funds requires the Foundation to be a long-term and prudent investor of assets. This also requires us to remove emotion and remain on course with our investment strategy even in times of market volatility which was somewhat of a stranger in recent years—until fiscal year 2019.

Whether the economy is thriving or is in distress, endowed funds provide a continual level of annual support to both the Foundation and to the numerous Lehigh Valley nonprofit organizations that are named beneficiaries of these funds. The sustainability of the Foundation is ensured through prudent management of investments along with a high level of solvency and liquidity. We maintain reserve funds and resources sufficient to continue operations in times of economic distress. We are disciplined about sustaining our own financial health to help GROW the base of charitable support in the Lehigh Valley.

FUND. We are thrilled to report that total grants in fiscal year 2019 set a new annual record of $6.8 million! LVCF gave 667 grants to 328 nonprofit organizations during the fiscal year. Even more impressive, grants over the past three fiscal years totaled $16 million with an annual average of $5.5 million.

Programmatically, the Foundation’s statement of activity, (the income statement), is different from most other charitable organizations. We do not sustain our operations through traditional fundraising activities nor do we have program service revenue. We do not provide critical services such as educating students, treating patients, or providing food or shelter, rather we support them.

We have one program: to create partnerships and to generate, provide and sustain support for the many excellent Lehigh Valley nonprofit organizations and the valuable work they are doing in our community. Our unique business model and strategy will remain on course as we continue to FUND and support the health of the Lehigh Valley nonprofit sector.

The health of the Lehigh Valley Community Foundation is testimony to our continual commitment to strengthen and enhance the services we provide in order to CONNECT. GROW. FUND. For a more in-depth look at the Foundation’s financial health, visit https://www.lehighvalleyfoundation.org/about/financials-foundation to view our audit reports and IRS Form 990 filed through fiscal year 2018. Stay tuned for a future posting of the fiscal year 2019 reports when they are finalized.