

ANNUAL REPORT 2009



Partnering • Investing • Improving

A Community and World in Recession



As nearly everyone

and every nonprofit organization can attest, the economic impact of the world's recession has had a significant impact upon the foundation, its grantees and the North Penn community. The

foundation's investment portfolio, while professionally managed, experienced a decline in value in proportions similar to our peer group of foundations and the investment community as a whole. Still, we were fortunate to have in place a well-defined and diversified asset allocation strategy designed to help mitigate the negative impact of a downside market. When the foundation's investment counsel changed firms, the change triggered a due diligence review. While the board believes our interests were well-served by our investment consultant during the past five years, it also determined a need for a different type of counsel. Ultimately the board elected to engage The Investment Fund for Foundations (TIFF), based in Conshohocken, Pa., to manage the majority of our endowment resources.

Despite the challenges of the economy and the transition to a new investment firm, the foundation's board of directors elected to preserve our grantmaking relationships with all of our grantees and each continued to receive grant support sufficient to at least maintain, if not modestly expand, services. The board felt it was important to sustain grant support to our existing grantees even if it meant that the foundation would exceed its spending policy for the year. So while the size of our grants was not as large as in prior years, we did not abandon a single grantee partner.

Nonetheless, the foundation initiated several cost controlling strategies, including suspending the production of a printed annual report. Instead, the staff and board elected to issue this letter, combined with our Form 990-PF and annual audit statement, as

our annual report to the community. We are pleased to again note that the foundation's audit revealed no irregularities.

Hospital Sale

In October 2008 Abington Health informed the foundation that it had entered into an agreement with Universal Health Services to acquire the Central Montgomery Medical Center. Under the asset purchase agreement between Universal and the former North Penn Hospital, the foundation had the first right to reacquire the hospital should Universal elect to sell it. The foundation's board of directors quickly determined that Abington Health was far better positioned to operate an acute care facility than the foundation's staff or its board and, therefore, issued its consent for the resale of the hospital. The sale effectively ended the role of the foundation in providing oversight of the hospital's governance and operations.

Strategic Planning

While the economy churned the staff and board engaged in a strategic planning process. After eight years of grantmaking, we felt it was time to assess how well we were working with our grantees and determine whether any of our work since 2003 has made a difference to our community. A grantee-perception survey conducted by The Burd Group revealed favorable results in almost every area. Forty-one nonprofit organizations responded, including those that had previously received a grant, those that had applied but were not funded and a few that never requested a grant. Collectively they reported an average annual revenue base of \$4.1 million, with total revenues exceeding \$159 million. These 41 organizations employ more than 2,000 full-time equivalents.

Nearly 60 percent of the respondents had received foundation grants, with average grants of \$36,000 –

more than \$9,000 above the national average of \$24,000, and only \$14,000 less than the average grants awarded by the 100 largest foundations in the United States.

The survey also revealed a community perception that the foundation has had significant impact on both individual nonprofit organizations and on community issues. Grantees felt that the strategies employed by the foundation are aligned to address both community needs and the missions of the community's nonprofit organizations. The Burd Group noted that this alignment of purpose and strategy with grantees is critical, particularly if the foundation's funding is the sole or major source of revenue for a nonprofit organization.

Finally, the survey's respondents believe that the foundation's efforts to leverage other money into the community are significant. They also highly value the foundation's capacity-building advice, knowledge of what others are doing in the field and networking opportunities. Additionally they greatly appreciate the value of the North Penn Nonprofit Academy – a series of workshops and events for nonprofit leaders of health and human services agencies.

Utilizing the survey results as one of our guideposts, in February 2010 the board approved a new, three-year strategic plan that lays out the goals and objectives for our grant programs and operations. Our updated Web site, www.npchf.org, features our new grantmaking guidelines and articulates the revised vision, goals, strategies, areas of interest and targeted populations that the board will follow in making its grantmaking decisions.

Seeking Greater Transparency

The community perception survey suggested we needed to improve communications with our grant applicants. In response, the staff and board engaged in a series of structured discussions to carefully examine options to promote transparency in our application and decision-making processes. While this process took more time than we expected, we believe that we have crafted a set of application guidelines, processes and integrated reporting forms

designed to achieve transparency while also offering value to our applicants.

In particular, a required work plan has become an integral part of our application. The work plan is designed to help applicants consider all the elements of a program, service or project that are required to achieve specific results. Too often the foundation's board struggled with funding decisions without a clear understanding of the costs and efforts involved to achieve desired outcomes. With this new work plan, we anticipate that our applicants will have a better understanding of both financial and opportunity costs and the board will have an improved awareness of the applicant's financial needs and make more informed funding decisions. Moreover, we believe that grantees' final reports will become more useful and helpful in improving the overall partnership between the foundation and its grantees.

The foundation also redesigned its Health Education Mini-grant Program to focus on its long-term commitment to addressing the poor eating habits and lack of physical activity that are driving the community's growing childhood obesity problem. With nearly one third of our children overweight or morbidly obese, the WISE SNAC initiative is beginning to demonstrate value by carefully and deliberately implementing the evidence-based Coordinated School Health model developed by the Institute of Medicine and the Centers for Disease Control. The Health Education Mini-grant Program now exclusively supports school-based activities that promote healthy eating and physical activity.

Partnering with the Community

Our board members continue to view and allocate foundation resources as investments in the future of our community. Certainly some of these investments involve taking prudent risks. Joining with other funding partners in the community, our grantees are redesigning Montgomery County's housing and homeless services; strengthening the capacity of our food cupboards to offer healthy food choices, including expanded access to fresh fruits and vegetables; and continuing to offer core support to the "safety net

providers” that provide primary, oral, behavioral and pharmaceutical services to low- and moderate-income children and adults. We were particularly pleased that our initial investment to establish InfoLink, a web-based resource directory, will be expanded to support the regional 211 system in the Delaware Valley. The diligence of our staff and funding partners in selecting the data system used to support InfoLink was the key to transforming this local initiative into a regional resource.

The foundation also launched a volunteer initiative. Community representatives are invited to serve for one year on our grants committee, attend board meetings and engage in other philanthropic activities, including site visits with some of our grantee organizations. The program is aligned with our goal of maintaining transparency as well as helping the community to build an awareness of what is involved in developing and managing a philanthropic presence in our community. Since July 2008 more than a dozen volunteers have participated in the program.

Investing in Ourselves

Administratively, the foundation also updated its human resources policies and procedures and adopted a leadership succession plan. These new policies and procedures will help ensure continuity of the foundation’s operations and, preserve community access to both the foundation and the Community Partners for Health & Human Services building. To complete our contingency planning efforts, the foundation will also soon develop a disaster management plan.

Looking to the Future

Our board remains committed to supporting the health and human services nonprofit agencies that serve the needs of our residents. We are strategically focused on providing grant support to our strategic partners and others who are striving to offer high quality, high impact and cost-effective services to targeted low-income populations. The foundation is particularly interested in promoting innovative and

sustainable initiatives that will improve the overall quality and availability of health and human services.

As we begin to learn more about the scope and impact of national health care and insurance reform, we hope to work with our strategic partners to explore how best to utilize and direct our philanthropic resources. The national prospect of serving 32 million additional people who have not had access to health insurance is daunting. Health and Human Services Secretary Kathleen Sibelius has indicated a key strategy to enhance access to quality services is through the continued support and expansion of community health centers. The foundation currently supports three such centers, but little is yet known about the scope of local unmet needs and how local, uninsured children and adults may utilize these centers. Still, the board remains committed to helping to ensure that everyone in our community has access to quality healthcare services.

Our participation with regional sustainable agriculture and nutrition advocates and funders is bringing more attention to the WISE SNAC and North Penn Nutrition Coalition initiatives. We are particularly pleased to note that Philabundance selected the North Penn community to expand its year-round Fresh for All program because of its interest in expanding services in suburban communities and because of the work achieved through the North Penn Nutrition Coalition. We are also encouraged by the continuing commitments from the North Penn, Souderton Area and Wissahickon school districts to participate with the Greater North Penn Collaborative for Health & Human Services and their continued commitment to partner with our WISE SNAC program. Recent body-mass-index reports from each school district indicate that nearly one-third of the student population remains overweight or morbidly obese – early indicators of a strong likelihood of developing one or more chronic diseases such as diabetes and heart disease. First Lady Michele Obama and television celebrity chef Jamie Oliver are working at the national level to address concerns about childhood obesity and many of our children’s concomitant poor

eating and nutritional habits and sedentary lifestyles. As we continue to encourage healthier lifestyles, we hope their messages will resonate within our local community.

Meanwhile, the economic recession continues to present financial challenges to most of our community's nonprofits. The economic forecast for federally and state-supported programs to remain funded at current levels is bleak. Pennsylvania is facing serious budgetary shortfalls that transcend the needs of just low-income individuals and families, and the federal deficit is once again of worldwide concern. It is reasonable to assume that some federal and/or state services will be curtailed or eliminated as federal and state revenues decline. This could result in work-force reductions and the proverbial expectation that nonprofits should do more with less staff and fewer resources. The foundation and the philanthropic community cannot fill this revenue void alone. The foundation will continue to advocate on behalf of the needs of low- and moderate-income children and adults. At the same time, the foundation is working with others to teach advocacy skills and to encourage nonprofit organizations, consumers and concerned citizens to work with elected officials and local policymakers to develop a balanced and measured approach to budgetary decisions.

The foundation will continue its support of the North Penn Nonprofit Academy and other capacity building strategies to assist board members, executives and

senior managers develop and implement sustainable programs and services that can demonstrate lasting value to both consumers and funders. To this end, we intend to continue supporting educational programs and activities to help our grantee partners identify measureable goals and outcomes indicators that promote tangible value to targeted populations. To maximize their social impact, it is critical for our grantees to not only gather data about their programs but also to analyze and interpret that information in order to learn how to make strategic and/or tactical adjustments that improve their programming. In other words, we want to help nonprofits deliver quality and value at an affordable price.

Despite the challenges we all face, our community remains blessed with many resources. As we approach the tenth anniversary of the establishment of the foundation in January 2012, we hope to draw greater attention to the talent and value of the communities' health and human service nonprofits. As we begin to explore opportunities to celebrate this event in a manner that will call attention to the outstanding work that the foundation's partners have achieved, we welcome your ideas and suggestions.



Russell Johnson
President, CEO

Grants Approved

July 1, 2008 – June 30, 2009

Bucks County Council on Alcoholism and Drug Dependence, Inc.

In continued support of efforts to establish community recovery and support coalitions in the North Penn area.

Grant Amount: \$40,000

Term: 12 Months

Delaware Valley Community Health, Inc.

In support of patient services and operations at the Norristown Regional Health Center.

Grant Amount: \$45,000

Term: 12 Months

The Food Trust

In continued support of the Community Nutrition program.

Grant Amount: \$100,000

Term: 12 Months

The Food Trust

In support of the development of the Lansdale Farmers' Market.

Grant Amount: \$12,000

Term: 12 Months

Free Health Clinic of Montgomery County, Inc.

In continued support of primary and oral health care programs.

Grant Amount: \$50,000

Term: 12 Months

Greater North Penn Collaborative for Health and Human Services

In continued support of the North Penn Nonprofit Academy.

Grant Amount: \$51,000

Term: 12 Months

Greater North Penn Collaborative for Health and Human Services

In continued support of operations.

Grant Amount: \$20,000

Term: 12 Months

Health Promotion Council of Southeastern Pennsylvania, Inc.

In continued support of the WISE SNAC Initiative.

Grant Amount: \$141,000

Term: 12 Months

Indian Creek Foundation

In support of the establishment of an outpatient behavioral health program on the Indian Creek Foundation campus in partnership with Penn Foundation.

Grant Amount: \$40,000

Term: 12 Months

Keystone Opportunity Center, Inc.

In support of operations for the merger between Indian Valley Housing Corporation and Indian Valley Opportunity Center.

Grant Amount: \$75,000

Term: 12 Months

Keystone Opportunity Center, Inc.

In continued support of the North Penn Housing/Homeless Providers' Network.

Grant Amount: \$34,000

Term: 6 Months

Montgomery County Community College Foundation

In continued support of educational and prophylactic oral health services.

Grant Amount: \$22,000

Term: 12 Months

Montgomery County Foundation, Inc.

In continued support of INFOLINK, the web-based community resource directory.

Grant Amount: \$80,000

Term: 24 Months

North Penn Valley Boys and Girls Club, Inc.

In support of building an outcome tracking and measurement strategy.

Grant Amount: \$35,000

Term: 6 Months

North Penn Visiting Nurse Association

In continued support of the community health education program and patient services.

Grant Amount: \$150,000

Term: 12 Months

North Penn YMCA

In support of Phase II of Project Future.

Grant Amount: \$25,000

Term: 12 Months

Peaceful Living

In support of the Congregation Coach Project to establish a local community resource for congregations interested in expanding their outreach to people with disabilities.

Grant Amount: \$12,000

Term: 12 months

Board and Staff Matching Grants \$9,250

Health Education Mini Grants \$9,645

TOTAL GRANTS AWARDED \$950,895

Financial Report

Statement of Financial Position / June 30, 2009 and 2008

	2009	2008
Assets		
Cash and cash equivalents	\$ 424,530	\$ 333,772
Short-term investments	13,707	269,407
Accrued interest income	-	1,751
Prepaid and other current assets	27,271	9,446
Due from broker	1,987,367	-
Long-term investments, at value	28,283,959	43,904,260
Other investments	686,288	857,864
Beneficial interest in perpetual trusts	175,255	236,060
Property and equipment, net	7,005,639	7,366,154
Total Assets	\$ <u>38,604,016</u>	\$ <u>52,978,714</u>
Liabilities		
Grants payable	\$ 447,350	\$ 577,850
Accounts payable and accrued expenses	70,541	793,444
Note payable	4,327,736	4,432,304
Other liabilities	1,144,876	1,129,692
Total Liabilities	<u>5,990,503</u>	<u>6,933,290</u>
Net Assets		
Unrestricted	32,174,083	45,545,189
Temporarily restricted	-	-
Permanently restricted	439,430	500,235
Total Net Assets	<u>32,613,513</u>	<u>46,045,424</u>
Total Liabilities and Net Assets	\$ <u>38,604,016</u>	\$ <u>52,978,714</u>

Statement of Activities and Changes in Net Assets Years Ended June 30, 2009 and 2008

	2009	2008
Support and Revenue		
Contributions and bequests	\$ 3,665	\$ 3,125
Rental income	\$297,152	115,072
Net investment income	(11,314,088)	(1,672,721)
Other	166	-
Total Support and Revenue	<u>(11,013,105)</u>	<u>(1,554,524)</u>
Expenses		
Grants	1,062,467	1,097,616
Other program-related activities	904,420	542,693
Management and general	220,115	195,559
Total Expenses	<u>2,187,002</u>	<u>1,835,868</u>
Interest rate swap	(186,760)	(253,250)
North Penn Hospital related costs	(45,044)	(1,021)
Increase in Net Assets	(13,431,911)	(3,644,663)
Net Assets at Beginning of Year	<u>46,045,424</u>	<u>49,690,087</u>
Net Assets at End of Year	\$ <u>32,613,513</u>	\$ <u>46,045,424</u>