

Endowment Challenge Grants 2008 - 2010

Frequently Asked Questions

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General FAQs

1. What is Endowment Challenge Grants 2008 - 2010?

Endowment Challenge Grants 2008 - 2010 is designed to strengthen the community by financially enhancing the long-term financial position of nonprofit organizations through endowment building.

The years “2008 - 2010” is included in the name so that Endowment Challenge Grants 2008 - 2010 will not be confused with Community First Foundation’s earlier Endowment Challenge Grants.

2. Why is Community First Foundation offering Endowment Challenge Grants 2008 - 2010?

As a nonprofit organization, the Foundation is accountable for executing its mission, “To enhance quality of life by increasing community generosity and involvement.” Our organization determined that investing in the long-term financial future of nonprofit organizations that provide vital services to the community is a unique and efficient way to benefit the community and make a *lasting impact*.

3. What is an endowment?

An endowment is a pool of funds designated to provide long-term funding for a charitable cause. When a pool of funds is endowed, the principal, or corpus, cannot be spent and is left to grow in perpetuity. Earnings on the endowment can be used as an added revenue stream, over time reducing dependence on annual fund-raising efforts.

4. What are the benefits of having an endowment?

An endowment can provide a consistent source of funds from earnings for your organization. This revenue stream can help your organization to meet annual operating expenses and, depending on the size of your endowment, may also reduce your organization’s dependence on your current and future funding sources.

Endowments are also an attractive charitable giving option for many donors who desire to direct a major gift to support the future of an organization. Many donors also find this appealing when preparing their bequests.

5. What organizations are eligible to apply for Endowment Challenge Grants 2008 - 2010?

Endowment Challenge Grants 2008 – 2010 is open to 501 (c)3 organizations that provide direct services within Adams, Arapahoe, Boulder, Broomfield, Denver, Douglas, and Jefferson Counties, and have not been the recipient of previous Community First Foundation Endowment Challenge Grants. (continued)

Ineligible organizations include:

- Nonprofit organizations that *do not* provide direct services within Adams, Arapahoe, Boulder, Broomfield, Denver, Douglas, and Jefferson Counties.
- Nonprofit organizations with budgets less than \$25,000 per year and/or do not file an IRS Form 990.

Other ineligible organizations include:

- Private and public schools, private and public universities
- Churches
- Foundations (private, community, corporate, etc.)
- Political organizations
- Membership organizations, associations, and civic groups, such as Rotary, Kiwanis, Sertoma and Optimists.

If you have questions about eligibility or other program features after reviewing the Fact Sheet and Application, please contact a staff member at 720.898.5900.

6. How are Endowment Challenge Grants 2008 - 2010 matches calculated?

Community First Foundation has established a \$0.50 per dollar match, which will be applied to funds contributed to the participating organization's permanent endowment fund established with Community First Foundation during the two-year Endowment Challenge Grant Period.

7. How much does a nonprofit organization need to contribute to create an endowment with Community First Foundation?

The minimum matching grant will be \$12,500, meaning that an organization must contribute a minimum of \$25,000 toward its endowment in order to participate in this program. The maximum matching grant will be \$100,000.

8. Does this program only apply to endowments created at or transferred to Community First Foundation?

Yes. In order to participate in Endowment Challenge Grants 2008 - 2010, your endowment – newly created or transferred – must be permanently held at Community First Foundation. As long as your organization exists, your endowment funds are permanently restricted to benefit your organization.

9. We already have an endowment. Why would we have to move it, or create a new endowment, to participate in this program?

Community First Foundation has a solid fiscal history and infrastructure to manage funds. Our board determined that the ultimate success of this program is dependent on two areas – funding support *and* the establishment of long-term relationships. Permanently maintaining Endowment Challenge Grants endowments at the Foundation ensure that this investment accomplishes the goal of having a positive and long-term *impact* on the community.

10. Could our organization ever withdraw funds from the corpus of our endowment?

No. However, Community First Foundation recognizes that there may be times when an organization encounters a financial crisis. This in mind, the Foundation has built a borrowing option into Endowment Challenge Grants 2008 - 2010.

11. Can we show the value of our endowment with Community First Foundation on our balance sheet?

Yes. This issue is governed by FAS 136, an accounting rule that address the treatment of funds held by Community First Foundation on behalf of donor organizations like the Endowment Challenge Grants 2008- 2010 participants.

Community First Foundation records the endowment on its book, the receipt of agency endowment funds as an asset and also as a corresponding liability. The donor organization is required to continue to record an asset, although the description may change to something like “beneficial interest in funds held by Community First Foundation.” We encourage each potential grant applicant to review this situation with its accounting firm to review this interpretation of FAS 136. We are also available as needed to discuss this situation (call 720.898.5900).

12. How will Community First Foundation evaluate applications?

A committee made up of Community First Foundation’s qualified granting staff will evaluate the applications.

13. Will Community First Foundation support us in our fund-raising efforts?

Yes. As a nonprofit partner, the Foundation will provide fund-raising mentoring and educational sessions designed to help your organization build fund-raising plans that incorporate endowments.

14. What are the next steps if our organization is selected as an Endowment Challenge Grants 2008 - 2010 participant?

Applicants will be notified of the grant application review committee’s decisions no later than April 17, 2008 for Round 1 and September 17, 2008 for Round 2. If accepted, your organization is required to attend an orientation meeting to be held shortly thereafter. Following orientation, your organization would sign an endowment agreement with Community First Foundation to establish your endowment. The first match allocations are scheduled for May 1, 2008 for Round 1 and October 1, 2008 for Round 2.

Note: The FAQs in this document serve as an overview only. An organization’s endowment agreement will serve as the official terms for Endowment Challenge Grants 2008 – 2010.

Investment Performance FAQs

1. What is the “5% earnings and no fees” program feature?

The endowment funds of all participants will not be assessed administrative fees during the two-year Endowment Challenge Grant Period, which runs from May 1, 2008 – April 30, 2010 for Round 1 and October 1, 2008 – September 30, 2010 for Round 2. In addition, each endowment will receive earnings defined as 5% per annum of principal, calculated and deposited monthly based on the balance of the fund at the beginning of each month. Please note that this offering is 5% flat, and not “the greater of the market performance or 5%.”

2. Why does Community First Foundation’s Endowment Challenge Grants 2008 -2010 offer the “5% earnings and no fees” feature?

Community First Foundation designed this program feature to help nonprofit organizations concentrate on the purpose of the program – endowment building. The Foundation wanted to ensure a predictable rate of return and remove concerns of market volatility and administrative fees related to the endowment-building process.

3. How long is the “5% earnings and no fees” feature available?

This feature remains in effect during the two-year Endowment Challenge Grant Period, which runs from May 1, 2008 – April 30, 2010 for Round 1 and October 1, 2008 – September 30, 2010 for Round 2. After the Endowment Challenge Grant Period ends, each participating organization will receive earnings based on market performance. At any time after the end of the Endowment Challenge Grant Period, organizations may choose the asset allocation of their endowment.

During the Endowment Challenge Grant Period, if an organization reaches its Maximum Matching Grant and therefore completes its challenge, its board may choose to exit the “5% earnings and no fees” feature in order to receive earnings based on market performance. However, once an organization has exited the “5% earnings and no fees” feature, it may not re-enter this feature.

4. What are Community First Foundation’s assets?

Community First Foundation’s assets as of December 31, 2007 were \$56,950,034.

5. Who oversees Community First Foundation’s investments?

Community First Foundation’s investments are monitored and overseen by the board of directors’ finance and investment committee that is composed of community members with financial expertise and investment professionals.

6. Who manages Community First Foundation’s investments?

Community First Foundation’s investments are primarily managed by Wells Fargo Institutional Trust Group.

7. What is Community First Foundation’s investment management philosophy?

Community First Foundation adheres to a conservative investment management policy. By using a lower risk investment model, we experience moderately high returns as the market moves up, but have a level of protection - resulting in fewer losses - when the market moves down.

8. What is Community First Foundation’s asset allocation?

Generally, we target a 50% stock and 45% bonds and 5% cash investment asset allocation. In some circumstances, we may shift this allocation in order to take advantage of a market trend. Currently, our portfolio is 60% stocks, 35% bonds and 5% cash.

9. Will our organization be able to advise Community First Foundation on an asset allocation for our endowment?

Yes. After the two-year Endowment Challenge Grant Period, an organization may choose its own asset allocation. Or, if it reaches its Maximum Matching Grant and therefore completes its challenge, its board may choose to exit the “5% earnings and no fees” feature in order to receive earnings based on market performance. However, once it has exited the feature, it may not re-enter.

10. What is Community First Foundation’s investment performance?

Investment performance for the period ending December 31, 2007:

	December	Three	Year	One	Three	Five	Nine
	<u>One Month</u>	<u>Months</u>	<u>to Date</u>	<u>Year</u>	<u>Year*</u>	<u>Year*</u>	<u>Year*</u>
Total CFF Portfolio	-0.41%	-0.32%	6.93%	6.93%	7.65%	9.72%	6.21%
CFF Benchmark Index **	-0.22%	-0.34%	6.06%	6.06%	6.72%	9.10%	5.85%
S & P 500 Index	-0.69%	-3.33%	5.49%	5.49%	8.62%	12.83%	4.42%
Lehman Bros Int Govt Corp	0.26%	2.91%	7.40%	7.40%	4.32%	4.06%	5.69%

Notes:

* Performance for periods longer than one year is annualized

** Current CFF Benchmark Index: 5% Solomon Smith Barney (SSB) 91day T-Bill, 45% Lehman Bros Int Govt/Corp Index, 38% S&P 500, 8% Russell 2000 and 4% Morgan Stanley Capital Investments, European Asia Far East (MSCI EAFE)

11. What types of investments does Community First Foundation use?

Community First Foundation invests in US Treasury securities, investment grade corporate bonds, institutional mutual funds and money market accounts.

12. What is Community First Foundation’s Statement of Investment Policy?

Please contact Caroline Jackson, the Foundation’s controller, at 720.898.5900, for a copy of the Foundation’s Statement of Investment Policy or visit the Financials section of our Web site at www.CommunityFirstFoundation.org.

13. How frequently does Community First Foundation meet with its investment manager?

The Foundation formally meets with its investment manager quarterly. However, phone conversations occur much more frequently.

14. Will our organization have the opportunity to meet with Community First Foundation's investment advisor?

The Foundation may arrange special meetings with our investment advisor to allow all interested Endowment Challenge Grants participants to hear market briefs and to speak with our advisors.

15. Will Community First Foundation keep us informed about our endowment's investment performance?

Yes. Community First Foundation will send endowment fund status reports to each Endowment Challenge Grants 2008-2010 participant on a quarterly basis.

Community First Foundation (formerly LMC Community Foundation) has been serving the metropolitan Denver community since its founding in 1975.

Today, the Foundation is committed to strengthening the community by providing leadership and grant funding and by assisting individuals in supporting their charitable causes through options such as estate planning and donor advised funds. In addition, the Foundation uses its resources to strengthen the metropolitan Denver nonprofit community through its Nonprofit Preservation Initiative that includes education, Strengthening Partners Grants, and Endowment Challenge Grants.