



## Endowment Funds for Nonprofit Organizations

### How a Nonprofit Endowment Fund works

A Nonprofit Endowment Fund is a **permanently restricted fund** created at Community First Foundation by a nonprofit organization. Many nonprofit organizations do not have investment management resources or experience, and wish to participate with Community First Foundation's large investment pool and investment management expertise. Further, some nonprofits wish to hold their funds at arm's length from themselves for reasons including donor concern about stability, liability, or convenience. Many donors find comfort knowing that their donation will be held by a large, stable organization. The nonprofit may request distributions from the fund, according to an established spending policy to meet the needs of the nonprofit.

### Reasons to Create This Type of Fund

- A nonprofit wishes to invest assets with a larger investment pool in order to take advantage of Community First Foundation's investment management skills, infrastructure and low expenses.
- A nonprofit wishes to place its funds at arm's length from itself.
- A nonprofit wishes to set aside long-term reserves not yet ready to endow, and establish a partner relationship with Community First Foundation.
- Potential for higher rates of return.

### Reasons to Partner with Community First Foundation

- The Foundation has \$55M under its management comprised of an unrestricted fund, 75 nonprofit organization endowments, donor advised funds and legacy hospital funds.
- Community First Foundation will handle all details of investment oversight and management, relieving your board and staff of this task.
- Finance and Investment Committee oversees the investment management process and contracts with Innovest Portfolio Solutions to act as a consultant. We are guided by a long-term investment strategy designed to ensure steady asset growth and insulate our organization from market volatility.
- The Foundation's large investment portfolio has substantial buying power, which keeps expenses very low. Smaller investment pools usually pay much higher fees, in percentage terms. We can assist your organization to participate with our buying power, keeping your investment management expenses low.
- The Foundation helps to raise awareness within the community about your organization.
- The Foundation offers special services to nonprofits that have established a fund with us. These include Strengthening Grants, educational seminars and workshops, mentoring and networking.

## **Creation**

Established via written agreement between Community First Foundation and the nonprofit establishing the Fund.

## **Investment Control**

- Fund assets are commingled with the Foundation's investment pools to take advantage of its extensive buying power. Each organization's fund value is tracked through the Foundation's accounting systems.
- The Foundation will oversee all investment accounting and reporting, relieving your board and staff of these responsibilities.
- The Foundation carries a specific investment pool for long-term endowed funds managed for nonprofit organizations based on the time horizon, the nature of the fund, its distribution history and/or conversations with the organization.

## **Minimum Size**

\$25,000

## **Asset Types that May be Contributed to Fund**

Cash, marketable securities

## **Duration of Fund**

A long-term or quasi-permanent fund, depending on the nonprofit's ongoing needs.

## **Annual Fees**

Based on a fund's balance and computed monthly: 1.00% on first \$1 million, 0.75% on second million, 0.50% on remaining balance. Minimum annual fee: \$200

## **Withdrawal of Funds**

A nonprofit may request distributions from the Fund according to an established spending policy, to support the mission of the nonprofit.

## **Reporting**

Confirmations and regular quarterly statements

## **Distributions**

Distributions from Endowment Funds are made at the end of each year, on or about the 1<sup>st</sup> of December. The Foundation will generate a check or electronic funds transfer for each endowment during the year for which the distribution is being made and send these funds directly to each organization.

## **Accounting of Funds**

Financial Accounting Standard 136 (FAS 136) provides guidance for accounting for assets transferred to funds in community foundations by nonprofit organizations. Under FAS 136, when a nonprofit organization transfers a portion of its own assets to a fund at a community foundation, the nonprofit organization may continue to report the value of the fund as an asset on its own books. Community First Foundation reports the value of the fund as an asset, and as a corresponding liability to the organization. The Foundation recommends that each organization consults with auditors to advise them in this area.