



Frequently Asked Questions about Nonprofit Organization Funds

Does our organization need a fund?

How does an endowment or charitable fund fit into an organization's financial plan?

A healthy and stable organization meets its operating budget from a variety of revenue sources. An endowment or carefully managed organization fund provides annual income or accessible resources for long-term needs.

What's the difference between an endowment and an operating reserve?

An operating reserve is a board designated fund reserved for specific or emergency needs. While the fund may be invested (not just held in a savings or checking account), the principal is available to the organization in a time of need. In an endowment fund, principal is permanently restricted from use.

What happens if there is an emergency and we need money from a true endowment?

For funds in an endowment, the crisis must be resolved with other financial resources. If funds have been directed by your donors to an endowment, it is your fiduciary duty to treat those funds as such. If the funds are not restricted, your organization has more flexibility for their use.

Should we set up our own foundation to hold our endowment?

The administration of a public or private foundation requires significant expertise, staffing and financial resources that could otherwise be used to further your organization's mission. Establishing another entity may not protect your assets from a future board that wants to direct endowment funds toward another use.

What are the benefits of placing our assets with CFWNC?

Why should we choose CFWNC?

Financial and investment firms also offer investment management services, but CFWNC is a nonprofit organization and our only business is philanthropy. Ensuring the stability of your organization is essential to our mission.

Who will manage the investment of our fund?

CFWNC's investments have three levels of oversight: an Investment Committee, an independent investment consultant and professional money managers.

How does CFWNC invest nonprofit funds?

CFWNC invests nonprofit funds in a balanced, diversified portfolio that includes equity, alternative and fixed income components. The portfolio is broadly diversified across asset classes and investment styles to reduce risk and enhance returns. A socially responsible portfolio is also available.

What does it cost?

On balances up to \$1 million, the administrative fee for nonprofit funds is 75 basis points (.0075) of principal market value annually. The minimum annual fee is \$250. Each fund pays a prorated portion of direct costs of investment management.

What services will we receive?

- Clear and concise reporting of all financial activity
- Online access to fund statements and fund summary reports
- Sub-accounting for multiple gifts or restrictions on charitable use
- Access to a charitable gift annuity program
- Processing gifts of securities and tangible property
- Planned giving expertise on call
- Periodic meetings by foundation staff with board of directors and/or committees

How do we receive distributions from our fund?

Each year, spendable income is calculated based on your fund agreement's terms and CFWNC's spending policy. Spendable income can be distributed or rolled over for a later time.

Can we withdraw funds from our endowment in addition to annual income?

When your fund is established, you determine the future availability of funds over a \$25,000 minimum balance. You may choose funds to be readily available to the organization, to require the approval of your board and the Foundation's board, or to permanently restrict principal from future availability.

Who owns the fund and how are funds accounted for?

Nonprofit funds are legally owned by CFWNC and accounted for in accordance with the Statement of Financial Accounting Standards No. 136. To comply with FASB Statement 136, your organization reports the fair market value of the fund as a beneficial interest in an asset held by the community foundation; for CFWNC these funds are an asset with an offsetting liability.

Building your fund

Will having an endowment reduce annual giving?

An endowment that is part of a comprehensive development program should not negatively impact annual giving. An endowment may appeal to donors considering a gift to the organization in their estate plan, or when their finances allow a significant gift.

Who gives to endowments?

Those closest to your organization – current and past board members, donors and volunteers – are the best candidates. Making an endowment gift will appeal to people who are motivated to make a long-term impact on your mission.

If we establish a fund at CFWNC, will you help us raise money for it?

CFWNC cannot directly help you solicit donors or run a fundraising campaign. We are available to discuss your ideas, assist with complex assets like closely-held stock or real estate, or to help donors with planned gifts like charitable remainder trusts and charitable gift annuities.

How do donors give to our fund?

Generally, the best option is for donors to make their gift to your organization. This provides you with the best opportunity to acknowledge, thank and steward your relationship with your donors. Gifts (in any amount) can then be conveyed to CFWNC from your organization.

Last but not least

Does having a fund affect our status for grant funding from CFWNC?

No. Organizations with a fund at CFWNC are still eligible to apply for grant funding but are not favored over other organizations in the grant process.

What happens to the fund if our organization goes out of existence?

If an organization dissolves, CFWNC continues to hold the assets in the fund. Annual spendable income will be directed toward a similar organization or cause identified in our region.