



Nonprofit Funds

*Partnering with the Community Foundation
On Endowments and Investments*

Nonprofit organizations need stable, predictable sources of income. Yet, competition for grants and donations is stronger than ever before.

The Outer Banks Community Foundation can help your organization establish and grow an endowment or investment fund, providing your nonprofit with reliable income each year, which grows over time. We also offer non-endowed investment funds, which can function as invested reserve funds for any future need.

There are several important benefits to partnering with the Community Foundation:

- Lower Investment Fees. Your fund will enjoy the advantage of being invested in a larger pool of assets, resulting in significantly lower investment fees. While co-mingled for investment, your fund will not be used for other purposes. All gifts to your fund — and their subsequent earnings — are designated for your organization's use only.
- Investing and Accounting Services. The Community Foundation handles all investment management and oversight, all accounting, all financial reporting, all tax receipts, and the fund's annual audit. We send your organization a fund statement each year (or more often, upon request) with information on all activities from the preceding year.
- Distributions. For endowment funds, your organization can request a distribution annually, up to 5% of the average fund balance over the past three years. Your nonprofit can also choose to open a non-endowed investment fund, which can be spent down to zero at any time. Please discuss these options with Community Foundation staff.
- Publicity. We publicize all new funds upon their creation. Additionally, on an ongoing basis, your fund will receive exposure in the Community Foundation's annual report, website, and other publications, reaching more and perhaps different donors than those on your current list.
- Donations. Any donor to the Community Foundation can contribute to your organization's fund at any time. We handle all tax receipts for all gifts, using appropriate tax-related language, and informing your organization of all contributions. All gifts are tax-deductible at the highest levels allowed.
- Planned Giving Support. Many donors prefer to earmark bequests for permanent endowments to create a legacy and ensure the perpetuity of their gifts. Your endowment fund at the Community Foundation gives your donors a vehicle for doing so. The Community Foundation has significant experience in testamentary gifts, charitable remainder trusts, and other complex gifts. Our staff can help your organization facilitate planned and deferred gifts for any donors who wish to contribute to your fund.

Information to Consider

As you consider establishing an organizational endowment or investment fund, you may wish to consider the following:

1. A community foundation is not an investment manager; therefore, the IRS requires that funds in any community foundation be listed as assets of that community foundation. While all gifts to an agency's endowment are designated only for the use of that organization, the organization cannot:
 - Direct how assets in the endowment fund are invested
 - Spend the endowment principal unilaterally*

In other words, the organization receives the benefits of the income on all gifts to its fund, but does not manage the fund itself.

* Remember that your organization can also establish a non-endowed fund, which can be spent to \$0 at any time.

2. For auditing purposes, funds established by an organization will appear on the Community Foundation's balance sheet as both an asset and a liability, and may also be shown as an asset on your organization's balance sheet. Funds given by third-party donors directly to the Community Foundation for your organization's fund should not be shown on your organization's balance sheet. Your accountant may wish to consult FASB 136 for further guidance.
3. The Outer Banks Community Foundation invests all of its funds with both growth and grants in mind. Your organization should expect long-term growth and a reasonable return, but not wildly speculative risk or unusually high income. In certain years, we have experienced losses (for example, in 2008). Our average rate of return, however, is 8.8% percent, *net of investment fees*.
4. At this time, the Outer Banks Community Foundation charges an annual administrative fee of 1% on agency funds. The fee is calculated based on the market value of the fund on December 31 of the prior year. Our investment manager also charges a fee on a monthly basis, which amounts to less than 0.5% annually. Our rate of return (above) is net of this investment fee.

For more information about how to establish a fund for your organization, please contact the Outer Banks Community Foundation at 252-261-8839.