

# FENW ENDOWMENT FAQ

**Q:** Why did FENW create an Endowment Fund?

**A:** For years, FENW maintained a sizable bank account. In particular, the balance was kept above \$25,000 so that we would be eligible to participate in Colorado Gives Day. The account earned no interest. We decided to explore the possibility of investing these funds for several reasons. First, the investments might spin off income that we could use to help protect Wilderness. Second, the fund would provide an opportunity for donors to make bequests that would have enduring value. Third, endowment funds illustrate stability of an organization, something we feel confident in as we approach our quadranscentennial celebration.

We concluded that we lacked investment expertise to manage these resources ourselves, and that our assets were too small to warrant hiring our own financial advisor. Thus, we turned to The Summit Foundation, which is ideally suited to help us. After thorough examination of options (detailed below), the FENW Board voted unanimously in July 2018 to create an Agency Endowment Fund with TSF.

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**Q:** What is the FENW Endowment Fund?

**A:** The assets of the Fund are invested by The Summit Foundation as an Agency Endowment Fund. Proceeds from the Fund are returned annually to FENW for support of its mission. Established with a minimum contribution of \$10,000, and currently comprising nearly \$50,000, the FENW Fund may be augmented by donors at any time.

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**Q:** What is The Summit Foundation?

**A:** The Summit Foundation (TSF) is the largest philanthropic organization in Summit County. They have provided more than \$27M in grants to non-profits since their founding in 1984. They invest in nonprofits with grants, offer additional free technical assistance, and connect donors so they can help directly with community needs.

TSF was founded to serve Summit County and some adjacent areas (Fairplay, Leadville, Kremmling) with United Way-type activities – Health and Human services, scholarships, environmental protection, etc. TSF receives money from ski passes and many donors, and they sponsor several fund-raisers each year. They give scholarships for local high school graduates, and have initiatives such as mental health, and encouraging first generation children to attend college. They exist to help other non-profit organizations, and have recently started a group of volunteer *executive mentors*, mostly recently retired professionals who help non-profits with specific projects. In fact, one such volunteer has helped FENW plan its 25th anniversary celebration.

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**Q:** How does TSF invest its resources?

**A:** The TSF Finance Committee, comprising mostly retired professional money managers, is responsible for investment decisions. TSF does not charge for this service. The actual funds are managed by Vanguard, whose fees are among the lowest. From 2012-2016, the average annual return was 6.28% (net of advisory fees). Asset allocation is considered moderately aggressive, planning for long-term growth - e.g., 60% Global Equities, 30% Fixed Income, 5% Real Estate, 5% alternatives. All of the TSF investment funds are managed together, so all have that same risk allocation. The TSF Finance Committee meets quarterly. An in-depth analysis of the investment policy is done every four years; this assessment was last completed in 2017.

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**Q:** What kinds of Funds does TSF offer?

**A:** TSF manages about \$11M in total assets, about half of which are in their *Donor Advised Funds*, which comprise major charitable gifts to TSF as endowments. With this class of fund, all principal and income remain with TSF (although the donor can choose the nature of recipients of distributed funds). Proceeds from an *Agency Endowment Fund* (AEF), on the other hand, do not remain with TSF, but are returned to the non-profit.

FENW's Endowment Fund is such an AEF, so that any income (after fees) becomes ours. FENW is the seventh organization to create an AEF with TSF, joining The Breckenridge Music Festival, the Continental Divide Land Trust, Keystone Science School, St. Anthony Summit Medical Center, and Summit Huts Association Agency Endowment Funds (2) for Francie's Cabin and for Janet's Cabin.

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**Q:** What pros and cons of creating an AEF were examined by FENW?

**A:** Some of the pros:

- \* We will earn interest (average 6.28% (after ~2.5% fees) 2012-2016) = \$3140 per year on \$50,000 investment)
- \* Funds are invested with Vanguard (lowest fees); TSF charges no additional fees.
- \* Endowment funds illustrate stability, attracting long term donors (e.g., bequests)
- \* TSF has a solid track record, and has attracted other investors
- \* Although not encouraged by TSF, withdrawal of principal can be accomplished with minimal penalty.
- \* Might financial exigency at TSF put the FENW Endowment Fund at risk, for example by encumbering it as collateral for loans? TSF Executive Director Jeanne Bistranin replied: "While technically that could happen, the TSF Board is extremely cognizant that it is incumbent on us, as *the* community foundation, to be good stewards of all the funds that we hold. Our bylaws and financial controls protect all of those assets. In terms of borrowing money, it's not best practice for nonprofits to borrow money, but if that were to happen, it would be from The Summit Foundation funds and not any of the funds that we hold for others."
- \* We asked several financial professionals for their informal opinion; they were uniformly supportive of the plan. For example, one said, "The 6.5% and 60/40 mix of equities and fixed income is a sound basis for a long-term investment program like this. Given the volatility of the markets, there is no really 'good time' to do anything; there will always be a doomsayer. However, with a sound long-term plan like TSF has, you will ride out the ups and downs and manage just fine."

Some of the cons:

- \* The value of our endowment could decrease (currently, the bank account doesn't increase or decrease)
- \* Our funds are combined with all others that TSF invests and cannot be managed separately
- \* Their investment strategy is moderately aggressive, designed for long-term growth (currently, there is no risk to our bank account).

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**Q:** What is the FENW plan for management of the Endowment Fund?

**A:** I. DESCRIPTION. The Friends of Eagles Nest Wilderness Endowment Fund Committee ("Committee") is constituted to recognize and administer gifts to the Friends of Eagles Nest Wilderness Agency Endowment Fund (AGF; "Fund"), which is administered by The Summit Foundation (TSF). The purpose of the Fund is to enhance the mission of Friends of Eagles Nest Wilderness ("FENW") by providing long term financial support.

II. DURATION. The Fund and the Committee will continue operating so long as FENW exists. If FENW ceases operations, the Fund will be distributed by the Board in accordance with the dissolution provisions included in the Articles of Incorporation, retaining the endowed nature of the Fund.

III. COMMITTEE MEMBERSHIP. The Committee will comprise the FENW Treasurer (Committee Chair), FENW Immediate Past President, and up to 3 additional members, elected by majority vote of the Board, and drawn from the Board, active members, or others who offer special expertise. Terms are for three years, initially staggered. The Committee will be accountable directly to the FENW Board, and will provide timely updates to the Board.

IV. CONTRIBUTIONS TO THE FUND: "SUBFUNDS". The assets of the Fund include contributions from individuals, corporations and foundations, and all donations given "in memory of a person", directed to a "Memorial Fund," or given by will, trust, gift annuity, or similar bequest. All donations to the Fund are placed in one investment pool, managed by The Summit Foundation.

While all donations to the FENW Fund will be invested identically by TSF, there will exist different "subfunds" within the overall Fund. The original Unrestricted Subfund may be joined by other Subfunds created by a large bequest with a targeted beneficiary. The value of each subfund will be tracked individually by the FENW Committee, so that disbursement of earnings can be made on a proportionate basis. For example, if the total value of the FENW Fund is \$50K, with \$30K in the Unrestricted Subfund and \$20K in a subfund donated by a family who wishes to target its earnings to a specific project, then sixty percent of the total (30K/50K) will be dedicated to the Unrestricted Fund, and forty percent (20K/50K) will be dedicated to the Subfund of the specific project.

The value of each subfund will be determined quarterly (when TSF provides information about the overall Fund value). While donations may be made at any time during the year, for purposes of calculating proportionate earnings, donations will be assumed to be made at the start of the following quarter, when the overall Fund value is known.

A minimum donation of \$10,000 is required to establish a subfund. Such bequests should include an explanation of the intended beneficiaries of the income from the bequest, together with the name(s) and contact information of the principal donor(s), who will determine the annual disbursement of earnings.

Contributions of any amount can be made at any time to any subfund. Donations made without naming a specific subfund will be credited to the unrestricted fund.

Non-cash gifts. Gifts of real estate (other than publicly traded real estate investment trusts or similar investment entities that otherwise satisfy the requirements of this paragraph), partial interests in property, property encumbered by debt, gifts of property that may have title or environmental problems, gifts of property that may not be marketable within a reasonable time, and gifts of property that may raise adverse tax consequences for the Fund will be evaluated by the Committee and the Board before being accepted into the Fund.

V. DISTRIBUTIONS FROM THE FUND. Each year, the FENW Committee will receive from The Summit Foundation the total amount of income from the endowment available for distribution (or reinvestment). No distributions will be made from the Unrestricted Subfund unless the total market value of all subfunds exceeds the sum total of \$50,000. Each year the Committee will recommend beneficiaries of the Unrestricted Subfund, and will solicit from the major donor(s) of each additional subfund their recommendations for dispersal of earnings. The Committee will present these recommendations to the Board for approval.

The Committee may solicit suggestions or requests for funding and will implement procedures for soliciting, processing, and disbursing earnings. They may choose to solicit grant applications from candidates, in which case they will establish an application process, which will include a fair and impartial procedure for evaluating applications.

VI. LIABILITY. No member of the Committee will be personally liable for any losses experienced by the Fund except to the extent the losses were caused by the member's gross negligence or intentional misconduct or omission. The Committee and its members will not be responsible for advising donors of any tax or other consequences that may result from any gift.