



Agency Endowments: Frequently Asked Questions

1. **What is an agency endowment?**

It is a permanent fund held and managed by the Western Colorado Community Foundation (WCCF) on behalf of a nonprofit organization. The nonprofit organization receives annual distributions for general use or restricted use of its choosing (e.g., scholarships or a particular program). The fund is owned by the Western Colorado Community Foundation for the benefit of the nonprofit agency.

2. **What is the minimum needed to establish an endowment?**

\$5,000 in cash, securities, or other property.

3. **Who would manage our endowment?**

The Western Colorado Community Foundation has hired an independent consultant that specializes in community foundation endowment investment. Mason Investment Services helps our Investment Committee and board develop an appropriate investment policy, set the asset allocation, hire managers and monitor performance against benchmarks. Our investment consultant reports to a 6-person Investment Committee comprised of local investment managers, bankers, CPAs and community leaders.

4. **What kind of return can we expect?**

Our fund performance has varied considerably since our inception, but our long-term annual return target is at least 8% net of fees. WCCF maintains a well-diversified and actively managed portfolio comprised of domestic and international stock, bonds, notes, T-bills and money market holdings. The current asset allocation is 75% growth and 25% income.

5. **What does it cost?**

Our fee for agency endowments is 1.0% annually and is based on the market value of the fund. This is standard for community foundations across the country. The investment consultant takes an additional 0.3% fee for managing the portfolio. We compute and

assess this fee monthly, and the fee is deducted from the fund's earnings.

6. What are the advantages of having an agency endowment with the Western Colorado Community Foundation?

- Consolidated investment management provides a better return with lower administrative costs through economies of scale. WCCF's board of trustees has fiduciary oversight and handles all administrative reporting.
- Top quality investment expertise. Endowments and investments are WCCF's specialty. By investing your endowment with us, you get all the benefits of an endowment without having to form your own investment committee (and possibly divert attention and energy away from your mission), establish policies or incorporate a separate 501(c)(3).
- Speed and convenience for donors. This can be especially important for year-end contributions and situations when stock or real estate is in the process of being sold and time is of the essence.
- Agencies receive exemption from filing a tax return or reporting on this fund since the fund's financial transactions are consolidated with those of other funds on the Western Colorado Community Foundation's Form 990. We provide an annual statement to your organization summarizing new donations in, pay-outs, earnings, dividends, gains and losses, and fees. We can provide this statement on a quarterly basis if requested.
- Agencies receive access to donors who structure all their gifting through one resource at the Western Colorado Community Foundation and who can name your agency as a partial beneficiary of their philanthropy.
- WCCF has access to the legal staff of the [Council on Foundations](#) and our own local resources for assistance in structuring complex gifts such as gifts of property or planned gifts.
- Donors receive assurance that their money will be managed in perpetuity, which is helpful with new or relatively small nonprofit organizations without established track records.

7. Who owns the fund?

The Western Colorado Community Foundation owns your funds for your benefit, as required by the IRS. Third party ownership of the endowment funds provides assurance to your donors that their gifts will indeed be maintained in perpetuity. WCCF holds, manages, invests and reinvests the assets of the fund which are pooled with the assets of other funds. The separate identity of each fund is maintained. Your organization may request that distributions of principal be made from the fund and the WCCF board of trustees will give good faith consideration to those requests. Such a distribution would require a

majority vote by both your board and our board of trustees

8. Can we count our endowment assets on our Statement of Financial Position?

Yes! A relatively new accounting standard (FASB 136) allows nonprofit organizations with endowments at a community foundation to count those assets on their financial statements. WCCF books agency endowments as assets and liabilities, payable to the nonprofits, on its Statement of Financial Position.

9. What other agencies have endowments with the Western Colorado Community Foundation?

WCCF presently holds agency endowments for over twenty nonprofit organizations, including Child and Migrant Services, Colorado Discover Ability, Colorado Northwestern Community College, Colorado Riverfront Foundation, Grand Junction Symphony Foundation, Grand Valley Audubon Society, Mesa County Partners, Mesa Land Trust, Montrose Lions Club Foundation, United Way of Mesa County, Valley View Hospital Foundation, Western Colorado Botanical Society, YouthZone Foundation and several churches.

10. How do we get started?

Contact Anne Wenzel, President and Executive Director, Western Colorado Community Foundation, at (970) 243-3767. We would be happy to answer any questions you have and walk you through the basic steps.