



# 2020 CHALLENGE GRANTS

For Nonprofit Endowment

*Support your nonprofit's financial future  
so you can focus on your mission*

## Overview

To mark its 25th anniversary, the Community Foundation of Dunn County is inviting area nonprofits to apply for Endowment Challenge Grants of \$5,000 for its February 2020 Competitive Grant Cycle.

This new initiative is a competitive, matching-grant program established to help up to five Dunn County nonprofit organizations open or build an endowment fund at the Community Foundation.

### **Why Build an Agency Endowment Fund at the Community Foundation of Dunn County?**

- It provides a forever stream of income to support general operations or a specific part of the mission of the organization.
- Having an endowment fund sends a signal to donors that the organization is thinking long-term and building assets for its own future sustainability.
- Foundation staff handle investment management and administrative responsibilities of the fund so the organization can concentrate on fulfilling its mission.
- Once established, anyone can donate to the agency's endowment fund.

### **Sophisticated Professional Investment Management**

Funds are professionally invested under the supervision of experts who have experience in building and preserving funds in perpetuity. Agency funds are pooled with other assets of the Community Foundation for fuller diversification, with each fund accruing its own share of the earnings. An Agency Fund relieves agency staff and board of responsibility for accounting and management of its invested funds.

### **Credibility of the Foundation's Reputation for Fiscal Stewardship**

Charities with Agency Funds at the Foundation may enjoy the increased visibility provided by being a part of our larger giving community. Agency Funds are listed in the Foundation's Annual Report which receives widespread circulation. An Agency Fund may enhance a charity's fundraising prospects because some donors may wish to support the charity, but prefer the relative long-term security of the Community Foundation, particularly if they wish to insure that their gifts are endowed forever.

### **Acceptance of unusual assets like privately held stock, mutual fund shares, and real estate**

The Agency can receive the benefits of gifts that are highly advantageous to donors, but difficult for charities to process.

### **Planned Giving Services**

This service is a way for agencies to avoid the costs and liabilities of offering their own planned giving program. The Foundation serves as a partner by administering the gifts, providing advice on marketing planned gifts, and by working with potential donors and their advisors to answer technical gift planning inquiries.

### **2020 Challenge Grant Program**

The Foundation will choose up to five nonprofits to receive the challenge grant, and the recipient organizations have 12 months to raise the matching funds. Once the agency has raised the \$5,000, the Foundation matches them at \$5,000 and uses the total \$10,000 to open an endowment fund for each recipient organization.

The Foundation invests the \$10,000 in assets and grants out a percentage of the earnings back to the nonprofit organization every year to help fulfill its mission.

**Request Amount:** All challenge grant requests are for a one-time, **\$5,000** matching grant.

**Eligibility:** Nonprofit organizations that are at least 5 years old (based on the date of the IRS letter of determination) and hold 501(c)(3) status may apply if they meet one or more of the following criteria:

- The nonprofit organization is based in Dunn County
- An awarded Endowment Challenge grant and subsequent disbursements will be used only to serve residents of Dunn County
- The organization currently holds agency endowed funds at the Community Foundation at or above the \$10,000 fund minimum.

Nonprofit endowments are designed to help nonprofits invest in the mission and the future of the organization by providing general operating support, stability during cyclical income variances, and income for areas of high importance to the organization. Building an endowment fund is critically important to the current and future stability of your nonprofit's work.

For consideration, nonprofits must complete the Challenge Grant Application form and submit by of 4pm on February 1st, 2020. If your project is funded, CFDC reserves the right to use written material from this grant application in future publications and presentations. Applicants should read the Challenge Grant FAQ's for complete details, found at [www.cfdunncounty.org](http://www.cfdunncounty.org) before applying.



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## Frequently Asked Questions

### **WHAT IS AN ENDOWMENT FUND?**

An endowment is a permanent fund that provides income each year to support a charitable cause. Endowment funds at the Community Foundation are professionally managed to ensure the funds remain strong over time. Currently, Community Foundation funds pay out 4% of the average fund balance.

### **WHAT IS THE ENDOWMENT CHALLENGE GRANT?**

The Community Foundation of Dunn County is offering challenge grants to help (5) local nonprofits build an agency endowment fund. Eligible nonprofits can apply to receive a \$5,000 “challenge” or “matching” grant, to help them leverage an additional \$5,000 through their own fundraising efforts, for a total of \$10,000 to open an Agency Endowment Fund at the Community Foundation of Dunn County. For consideration, nonprofits must complete the Challenge Grant Application form and submit by the deadline on Monday, February 3rd, 2020.

### **WHAT IS THE TIMEFRAME FOR MATCH ELIGIBILITY?**

Nonprofits must raise the \$5,000 match within 12 months of the award date, on or before May 6, 2021. Funds must be gathered after the CFDC award date in May 2020 and be used specifically for the approved endowment purpose outlined in their grant application. Only check/cash donations made to your organization are eligible for the match. Pledged gifts will not be accepted as matching funds.

### **WHAT TYPE OF FUNDS ARE ELIGIBLE FOR THE MATCH?**

Funds eligible for match may be new cash or transfer of existing endowment funds held elsewhere. CFDC can also help agencies with transfers of stock, closely held stock, and real estate. The nonprofit must use the sum total of all contributions to make a single contribution to the Community Foundation to establish the endowment fund match. At that time, the Community Foundation will initiate the matching funds of up to \$5,000 to open the agency's endowment fund.

## **WHAT ARE THE ADMINISTRATIVE FEES FOR THIS TYPE OF FUND?**

The Community Foundation is a not-for-profit organization and charges an administrative fee, reviewed annually by its Board of Directors to cover the costs of its operations. Agency funds currently enjoy the lowest fee for any fund type, which is currently calculated at **1% annually**.

## **WHEN ARE THE MATCHING FUNDS AVAILABLE?**

Once the fund is established at \$10,000, anyone can contribute to an organization's future by making a gift of any size to its endowment fund at the Community Foundation of Dunn County. No distribution will be made from the Fund until the Fund has been in existence for twelve months. The amount available for distribution shall be determined in accordance with the Foundation's spending policy, as may be amended from time to time, but currently is an amount **up to 5% of the Fund's balance as of September 30 each year, after calculating the 1% administrative fee**. The Fund's balance is determined using its average over twelve trailing quarters (3 fiscal years). If the \$10,000 fund is established before September 30<sup>th</sup>, 2020, the spendable allotment will be calculated after September 30, 2021 and will be available for distribution to the agency in January 2022. If the fund is established after September 30<sup>th</sup>, 2020, the spendable allotment will be calculated as of September 30, 2022 and will be distributed in January 2023.

## **WHAT ARE THE RESTRICTIONS ON HOW THE FUNDS CAN BE USED?**

The Community Foundation has legal ownership of funds contributed to an agency endowment. As such, the community foundation's board has fiduciary responsibility over the funds. Generally, endowment funds at the Community Foundation provide unrestricted support to advance the mission of a nonprofit organization. For this Challenge Grant program, organizations must specify how they plan to spend endowment distributions, whether on a specific program area, ongoing equipment needs, or general operating purposes.

## **HOW CAN OUR DONORS CONTRIBUTE TO OUR ENDOWMENT FUND?**

During the matching period, donors should make contributions directly to the nonprofit organization, indicating their contribution is for the endowment match. The nonprofit organization is solely responsible for providing acknowledgement letters and tax receipts. The Community Foundation will provide an acknowledgement letter to your organization upon receipt of the \$5,000 matching endowment contribution.

## **WHEN A PUBLIC CHARITY ESTABLISHES AN AGENCY ENDOWMENT AT A COMMUNITY FOUNDATION, WHICH ORGANIZATION OWNS THE CONTRIBUTED FUNDS?**

The community foundation has legal ownership of funds contributed to an agency endowment. As such, the community foundation's board has fiduciary responsibility over the funds.

## **CAN A NONPROFIT RESERVE THE RIGHT TO FORCE A DISTRIBUTION OF THE FUND (OR A PART OF THE FUND) BACK TO ITSELF?**

No. All contributions to the Community Foundation are irrevocable and subject to the legal control of the Community Foundation. Allowing the nonprofit to reserve the right to force a distribution would be contrary to the foundation's legal ownership of the fund once established.