



## ***Nonprofit Funds Overview and Q&A***

**We now offer two types of funds designed specifically for Vermont nonprofits:  
a nonprofit endowment fund and a nonprofit reserve fund.**

Vermont nonprofit organizations establish nonprofit funds at the Community Foundation to provide support for their charitable purposes, programs, and operations. Typically, organizations use endowment or quasi-endowment monies, new bequests, or major gifts in their possession to establish these funds at the Foundation.

- **What are the advantages of having a nonprofit fund at the Foundation?**

Choosing to establish a nonprofit fund at the Community Foundation provides your organization with numerous advantages: the fund has access to well-diversified, professionally managed investment pools with world-class investment managers; the assets are legally transferred to the Foundation, adding a third party layer of protection to ensure the future use of the assets remains consistent with the original fund purpose; and you receive technical assistance with major and/or complex gifts to your organization. You may also participate in our turnkey Planned Giving Partnership Program.

- **What is the primary difference between a Nonprofit Endowment Fund and a Nonprofit Reserve Fund?**

The primary difference is the process by which your organization may access the fund assets beyond the annual spending amount. Both fund types receive an annual spending amount that is available for distribution to your organization. The amount is based on a carefully-calculated formula called a spending policy—currently set at 5% of the average balance of the fund over the last 36 months.

**For a Nonprofit Endowment Fund**, fund assets beyond the annual spending amount may only be accessed in circumstances of financial emergency or extreme need; and then only at the request of the organization's board and at the discretion of the Community Foundation. *This fund type is suitable for organizations that intend to maintain assets in perpetuity, while providing annual support for programs and operations.*

**For a Nonprofit Reserve Fund**, fund assets beyond the annual spending amount may be accessed without having to demonstrate circumstances of financial emergency or extreme need. Additional distributions are requested by the organization and are made at the discretion of the Foundation. Due to the nature of the investment pools, please note that this fund is not intended to be used as a “charitable checking account.” *This fund type is suitable for organizations that intend to maintain assets in perpetuity, but want to have flexibility in accessing the entire fund balance.*

- **Do the two fund types have different annual supporting fees?**

Yes. The Nonprofit Endowment Fund has a 0.80% fee and the Nonprofit Reserve Fund has a 1.0% fee—please reference the enclosed comparison chart for detailed information.

- **My organization currently has an Agency Fund (now known as a Nonprofit Endowment Fund) with the Foundation. Can we convert it to a Nonprofit Reserve Fund?**

No. Once a fund is established, the original terms of a fund agreement cannot be rewritten and converted to another type of fund. However, an organization may choose to establish a new Nonprofit Reserve Fund.

- **Can my organization have both a Nonprofit Endowment Fund and a Nonprofit Reserve Fund?**

Absolutely! Organizations may have both types of funds.

- **What happens if our organization loses our nonprofit status or goes out of business?**

In the event that your organization ceases to exist, loses its nonprofit status, or the original purpose of the fund becomes irrelevant, the Community Foundation board maintains “variance power” (a requirement of all community foundations) to change the beneficiary or purpose of the fund. Your organization may designate a “contingency” beneficiary organization or field of interest when establishing the fund.

- **Why are the assets of the fund required to become the property of the Foundation?**

Per Securities and Exchange Commission regulations, a community foundation cannot manage assets that it does not own because community foundations are not registered investment advisors. A community foundation must demonstrate that it retains legal ownership of the assets it invests, manages, and administers.

**Please contact Fund Manager Lydia Brownell**  
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**for more information.**