

## CFGB Glossary of Terms

### GENERAL

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#### CFGB

Community Foundation of Greater Birmingham

#### CDFI

Community Development Financial Institution: CDFIs are private sector financial institutions that focus primarily on personal lending and business development efforts in poorer local communities requiring revitalization in the U.S. CDFIs can receive federal funding through the US Department of Treasury by completing an application. They can also receive funding from private sector sources such as individuals, corporations, and religious institutions. These entities sprung up as a direct result of the Community Reinvestment Act of 1977, which was drafted because of banking and economic development inequalities throughout communities in the U.S.

### DEVELOPMENT

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#### Community Builder Legacy Society

A Community Builder is someone who has notified CFGB of a planned estate gift upon their death to benefit the community through CFGB. Their legacy gift can go to support either an existing fund or create a new one. Community Builders are invited to events on issues in the community, have access to CFGB staff as a resource for current and future charitable giving and are acknowledged as a special partner in philanthropy.

#### Giving Circle

A giving circle is a form of participatory philanthropy where groups of individuals donate their own money or time to a pooled fund, decide together where to give these away to charity or community projects and, in doing so, seek to increase their awareness and engagement. Many circles, in addition to donating their money, also contribute their time and skills to support local causes. While most giving circles are established as DAFs, they can also be set up as Field of Interest funds. CFGB currently has one giving circle, the Birmingham Change Fund. It is comprised of a group of young, African American professionals who pool their resources to support the local community.

#### Giving Together

CFGB's Giving Together program provides DAF holders and other donors opportunities to learn more about the work of local nonprofits while co-investing through CFGB's competitive grants process. Each grant cycle, the GREC recommends more grants for funding than Foundation resources available. The Philanthropic Services team reaches out to donors and existing DAF holders to match their interests with specific grants to be funded in order to fill the funding gap. Prospective donors are taken on site visits and exposed to the work of the nonprofits. Giving Together has proven to be highly effective in stewarding donors, providing vetted opportunities for donors to co-invest in, and increasing the amount of community impact dollars that CFGB has to fund competitive grants.

#### Types of Funds

- **DAF: Donor Advised Fund:** DAFs are a unique philanthropic tool. It is a giving account established at a public charity that allows donors to make a charitable contribution, receive an immediate tax deduction and then recommend grants from the fund over time. DAFs are the most flexible of community foundation funds and can either be expendable or endowed. A DAF keeps the donor directly involved with grantmaking by serving as a fund advisor and recommending grants from the DAF to the donor's favorite charities. DAF donors also have the opportunity to co-invest with the Community Foundation in its competitive grantmaking. By establishing a DAF, a donor leverages the professional services of the Community Foundation, including extensive knowledge of local nonprofit partners, to simplify giving while amplifying impact. Minimum amount to establish a DAF is \$15,000.
  - **Commercial DAF:** A commercial DAF is a DAF provided by a financial institution such as Fidelity, Vanguard and Schwab. These institutions manage the funds through their for-profit company and charitable giving through a companion nonprofit arm. Commercial funds tend to have lower administrative fees, are national in scope, and tend not to provide donor stewardship or local community expertise.
- **Field of Interest Fund:** Field of Interest Funds are permanent resources dedicated to impact a donor's chosen areas of interest. Field of Interest Funds are well-suited for people who want to focus their giving on one or more targeted needs or issues. The Community Foundation uses Field of Interest Funds to make grants to organizations working on the field(s) of interest identified by the fund's founding donor. Donors may establish a named fund with a minimum gift of \$15,000 and may work with the Community Foundation to establish an entirely customized grantee selection process with a minimum gift of \$500,000.
  - **Custom Field of Interest Funds:** These are Field of Interest Funds that have their own separate grantmaking processes (as opposed to supporting CFGB's competitive grantmaking process). There is a minimum of \$500,000 to establish such a fund. Examples include the Women's Breast Health Fund, Remy Fund for Pets and Animals, LGBTQ Fund, Philip Morris Fund for the Design Arts, and the Instruments of Hope Unity Fund.
  - **Catalyst Fund:** Catalyst Funds are a specific type of Field of Interest Fund. They are philanthropic venture funds that allow donors to partner with the Community Foundation to identify and fund catalytic projects in the Greater Birmingham region. Donors who establish Catalyst Funds work with other Catalyst Fund donors to recommend unique funding opportunities poised to catalyze growth and energize this community. Donors may establish a Community Catalyst Fund with a minimum gift of \$50,000. Catalyst Funds have supported some of the CFGB's signature initiatives, including Regional Cooperation and the Small Business Impact Fund.
- **Unrestricted/Community Funds:** These funds are permanent resources dedicated to meeting the needs of Greater Birmingham now and forever. Community Funds are ideal for people who want to give back to the community they love by creating a fund to respond to community needs as they change over time. The Community Foundation uses Community Funds for its competitive and proactive grantmaking and initiatives.
- **Agency Endowment Fund:** This fund is set up by a nonprofit agency as an endowment to benefit their organization in perpetuity. Using the professional services of the Community Foundation, nonprofit boards can trust that their assets will be carefully and securely maintained so they can focus on the organization's mission. Minimum amount to establish an Agency Endowment is \$15,000.

- **Designated Fund:** A Designated Fund is set up by a donor to support the work of one or more specific nonprofits of their choosing. Funds can be permanent or spent down over a period of time. The minimum amount to establish a Designated Fund is \$15,000.
- **Scholarship Fund:** Scholarship Funds provide tuition assistance to qualified people. Donors may participate in the Community Foundation Scholarship Pool with a gift of \$15,000, or endow a separate scholarship targeting a school or population of their choice with a minimum gift of \$200,000.

## FINANCE

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### Administrative Fees

CFGB charges an administrative fee on its funds in order to fund its operations. There are different fee schedules for each of the six different types of component funds. For DAFs, it is a 1% fee on the first million with a graduated stepdown in fees for amounts over a million. This is in addition to the investment fee which is paid directly to the investment consultant, custodian, and underlying asset managers.

### Corporate Pool:

CFGB was originally founded in 1959 under a trust format where regional banks managed CFGB's assets and CFGB did not control the investment policy. In 1997, CFGB established a corporate form where it could receive gifts and manage the investment performance of those funds, pooling funds in the new corporate form in what is called the Corporate Pool. Currently, CFGB contracts with Highland Associates to manage these assets. The Corporate Pool is governed by CFGB's Investment Policy Statement, which is set and overseen by the Investment Committee of the Board. Most new funds since 1997 have been opened on the corporate side. Roughly 40% of CFGB's total assets are managed in the Corporate Pool. In 2019, CFGB began offering three passive investment options through Vanguard with lower investment fees. While these funds are not managed by Highland, they are held on the CFGB's corporate side.

### Endowment vs. Spending Policy

Often times the terms "endowment" and "spending policy" are used interchangeably; however, there is a technical difference. Both use a specified spending policy in order to determine grant dollars available. Historically, this has been a 5% payout which is reviewed on an annual basis (for 2021, it was reduced to 4.5%). With a true endowment, the original corpus gifted cannot be invaded. If the corpus were to drop below the original gift due to investment returns, the fund would not be able to grant out until it exceeded the originally endowed amount. Only a few of the funds at CFGB are true endowments. The majority of perpetual funds, although we may refer to them as endowed, actually operate based upon the spending policy. The spending policy operates on a total return model. Total return is the combination of income, dividends and principal change due to market fluctuations. Income includes not only interest and dividends, but also includes increases or decreases in the market value of the endowed assets. While rare, if a 4.5% annual payout were to cut into the amount of the original gift, the payout is still permitted. In order to smooth out market fluctuations, the spending policy (for both endowed and funds on spending policy) use an approved payout percentage (currently 4.5%) calculated on a running 12 quarter average of the fund (3 years).

### Investment Fees

These are fees that either the trust departments, investment consultants or investment managers charge for investing and managing CFGB assets. These fees do NOT go towards the operations of CFGB.

### IPS: Investment Policy Statement

The IPS is intended to set forth the objectives of the investment management program of CFGB's corporate pool/assets. This Statement further sets forth the general guidelines to be followed in attempting to meet and satisfy the investment management objectives. It covers all investment funds, types, and classes, whether currently in position, or established in the future, and is intended to be sufficiently specific to be meaningful, but sufficiently flexible to be practical. Through the prudent investment of its portfolio assets, CFGB expects to earn the return necessary to support its overall financial objectives. Any exceptions to this Statement must be approved by the Foundation's Board of Directors.

### **Separately Managed Funds**

Donors may choose to have their grantmaking funds established on the trust or corporate side or with a separate manager so long as the managing firm is managing CFGB assets of over \$500K. While original trust founders do not have to abide by CFGB's IPS, any non-trust, separately managed fund must adhere to the IPS.

## **PROGRAMMING**

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### **Building Capacity Committee**

The Building Capacity Committee was formed in late 2018, following the completion of the Community Foundation's new strategic plan and priorities. It is made up of CFGB Board members. The purpose of the committee is to serve as a counterpart to the GREC, reviewing and making recommendations to the Board on proposed proactive grants. This committee works closely with Programs staff and provides strategic guidance on the Foundation's initiatives and strategic investments.

### **Competitive Grant**

A competitive grant is a grant awarded through an open competitive process. Qualifying organizations (non-profits, faith institutions, and governmental entities) are invited to apply for funding within defined parameters. CFGB's main competitive grants process is typically held through a fall and spring grant cycle each year. Organizations apply under one of CFGB's five strategic priorities, adopted in the Foundation's ten-year strategic plan in December 2018. Programs staff and the GREC review proposals and join community site reviewers for applicant site visits. The GREC makes grant recommendations each grant cycle to the Board for final approval. The GREC may also review and recommend grants for special competitive RFPs. When unrestricted funds are allocated each year per the spending policy, 75% go to competitive grant pool and 25% go to the proactive grant pool. These make up the base of available funds for competitive grantmaking. The Philanthropic Services team engages donors to add to this pool each cycle through a process called Giving Together. (Some special field of interest funds have their own competitive grant processes with separate committees to review and make grant recommendations from that fund.)

### **Grant Review and Evaluation Committee (GREC)**

The GREC is the Board committee tasked with reviewing competitive grants for recommendation to the full CFGB Board. It is made up of a combination of Board members and community volunteers. The GREC works alongside Programs staff during the standard spring and fall grant cycles. They review proposals, participate in site visits, and make final grant recommendations on grant awards from the pool of unrestricted / community funds and field of interest funds that make up each year's allocation of competitive grant dollars. The GREC has oversight of other special competitive grant processes as well, such as special Requests for Proposal (RFP) grant opportunities that are competitive.

### **Initiative**

Through an initiative, the Foundation takes on more complex, entrenched community issues that a single organization is unable to address itself. Active foundation leadership and partnership is central to an initiative. Depending on the issue, it may be a short-term project or a long-term commitment. New initiatives must meet the following criteria:

- HIGH NEED: represents a community need, rooted in either research or data
- ALIGNED: preference given to alignment with our five strategic priorities
- HIGH IMPACT: potential for significant, measurable impact; CFGB explores existing evidence-based models that address the issue
- NEED FOR LEADERSHIP: CFGB can play a unique leadership role in making a difference
- COLLABORATIVE: CFGB can convene the right entities that can work together and effect change
- SUSTAINABLE: sustainability built in on the front end so the initiative can continue independently

Examples of recent initiatives include regional cooperation, inclusive economic opportunity, microtransit, census complete count, and payday lending reform. Although funding is typically just one component of an initiative, initiatives are funded through proactive grants. Often, initiatives are also funded by the Catalyst Funds as they are geared toward catalytic, transformational projects at a larger scale. Oversight for staff's work on initiatives is through the Building Capacity Committee.

### **Proactive Grant**

Proactive grant making complements and is sometimes informed by competitive grant making. The Foundation takes a more active role in addressing community need. Applicants do not apply through a regular competitive process. The proactive grant opportunity comes through an *initiative* where the Foundation has an active leadership role in the work already or a *strategic investment* where a time-sensitive need or opportunity arises. In either case, the proactive grant must be seated in at least one of the Foundation's five strategic priorities. Proactive grants enable the Foundation to remain flexible and relevant by responding to ever changing community needs. The Building Capacity Committee works with staff to review and recommend proactive grants for approval by the CFGB Board.

### **Request for Proposal (RFP)**

Through the RFP structure, CFGB seeks to make a more focused and sustained investment in an organization or collaborative to explore the potential impact of a specific intervention or program model. The RFP may be informed by regular competitive grants, as certain grantees demonstrate qualifications or proficiencies that makes them preferred partners in an RFP phase investment. The GREC is engaged in the RFP process, which has a more narrowly defined competitive structure. An RFP may help lay the groundwork for a future initiative. For example, grants through the Mental Health RFP helped set the stage for CFGB's Mental Health Initiative. Sometimes a focused RFP can dovetail into the regular competitive grant cycle, such as the 2021 Advancing Equity in Grantmaking RFP that was part of grantmaking under the Equity and Inclusion priority.

Key criteria for a RFP include:

- HIGH NEED: represents a community need, rooted in either research or data
- ALIGNED: aligns with at least one of our five strategic priorities
- HIGH IMPACT: potential for significant, measurable impact, based on research and/or evidence-based models
- COLLABORATIVE: strong collaborative partners in place that can effect change in the area of focus
- SUSTAINABLE: potential for projects to continue independent of CFGB
- SCALABLE: projects can be scaled up

## **Strategic Investment**

Unlike an initiative, a strategic investment typically involves less sustained staff leadership and a shorter-term commitment. Although it can involve some active partnership and even leadership on the Foundation's part, it is more focused on a proactive grant in support of a need or opportunity that aligns with the Foundation's priorities. It typically involves a grant to a single organization. A strategic investment can be used to respond to time-sensitive needs or opportunities, support important collaborative efforts that already have capable leadership, and cover staff expenses required for programmatic development. Strategic investments can also include grants to the Foundation for special strategic purposes (for example, the campaign feasibility study and the strategic plan implementation grants in 2019). Strategic investments are reviewed and recommended by the Building Capacity Committee for CFGB Board approval.

Key criteria for a Strategic Investment include:

- **HIGH NEED:** represents a community need, rooted in either research or data
- **ALIGNED:** preference given to alignment with our five strategic priorities
- **TIME-SENSITIVE:** the timing or nature of the grant does not permit it to go through the normal GREC process