

Fourth and Gill  
Neighborhood Center  
Informational Packet

# Sell the Center Option

October 2021

Information provided by:  
the Fourth & Gill Neighborhood Organization Board

and compiled by:  
the East Tennessee Community Design Center

## Summary of the East Tennessee Foundation Option

The following fact sheet was put together by Bob Whetsel after discussions with Tamara Boyer Chief Counsel of the ETF in May of 2021. She has reviewed this summary sheet and has pronounced it accurate. The East Tennessee Foundation(ETF) is a 501c3 organization that supports our community in many ways. Below is a summary of how it would work with them. Also attached is some general information on the Organization.

- The Fourth & Gill Neighborhood organization would donate 800 N Fourth Ave. to the ETF after we received an appraised value and the ETF Board agreed to accept our gift.
- They would then sell the building for whatever the market would bring.
- The proceeds from the sale minus cost would then be set up in a fund, at the Foundation for the use of the Fourth & Gill Organization.
- The Neighborhood Board would need to determine if they wanted this fund to be **Fully Endowed, Quasi Endowed or Non-Endowed**
- The fund would be for the use of the Fourth & Gill Neighborhood Organization, but it would be comingled in the East Tennessee Foundation Allocation pool for investment purposes. That investment return has averaged over 8% per year for the last 34 years.
- If the funds were **Fully Endowed**, then the organization could receive on average 4.5% “spend rate” and the rest of the earnings, minus ETF charge, would add to the principal of our account.
- As an example, if the ETF netted \$200,000 from the sale of the property and the investment return was the historic average of 8% the fund would earn \$16,000 of which we could receive up to \$9,000 from the 4.5% spend rate for community use and the rest, minus ETF charge, would be added to the value of our fund. Next year repeat the process.
- If **Quasi Endowed**, a % of the money would be invested as above and the rest would be held in a **Non-Endowed** account which the organization could draw from as needed.
- If all funds are **Non-Endowed** the funds would be there for organization use but would not be invested.
- Funds that are **Fully** or **Quasi** invested with values up to \$250,000 are charged a fee of 1.25% per year for the operation of the ETF. Fees drop as value of account grows to certain levels. **Non-Endowed** funds are charged \$300 per year for management.

# ABOUT EAST TENNESSEE FOUNDATION

East Tennessee Foundation (ETF) is a public charity and community foundation created by and for the people of East Tennessee, where many donors join together to make the region they love a better place, today and for future generations. ETF, like other community foundations, operates as a collection of hundreds of distinct charitable funds and supporting foundations established by individuals, families, businesses, and other nonprofits. Through our work a wide variety of philanthropic objectives are achieved.

## OUR VISION

Thriving communities powered by thoughtful giving.

## OUR MISSION

We provide philanthropic leadership inspiring donors to make lives better and communities stronger in enduring ways across generations.

## WE VALUE

TRUST - RELATIONSHIPS - DONOR INTENT - RESPECT - GENEROSITY - DIVERSITY

## WHAT WE DO

### ETF DOES THREE THINGS:

1. Receives contributions from donors
2. Manages and invests assets
3. Gives well-placed grants and scholarships

### ETF'S GOALS ARE TO:

- Build endowment, a permanent source of philanthropic funding for the East Tennessee region
- Help donors plan and carry out their charitable giving in their communities, the region, and across the country
- Work in partnership with fundholders, nonprofits, other foundations, and local governments, bringing a consistent voice of leadership to critical issues affecting the region

# WE MEASURE SUCCESS THROUGH OUR

REPUTATION with donors, advisors, and the public

IMPACT in communities

SERVICE to donors, grantees, and communities

FINANCIAL PERFORMANCE: growth and efficiency

## ETF QUICK FACTS

- Established in 1986 through a merger of two predecessor organizations with \$625,000 in assets
- [Serves 25 East Tennessee counties](#)
- Comprised of 474 philanthropic funds and 9 supporting organizations with over \$491 million in assets - year-end 2019
- ETF holds 162 donor advised funds
- ETF holds 175 designated endowments benefiting 172 nonprofit organizations, primarily in our region
- Awarded 208 scholarships to 203 students attending 44 different colleges/universities totaling a commitment of \$1.3 million in 2019
- Awarded over \$20 million in 2019 to nearly 1,200 nonprofit organizations in East Tennessee and across the country
- Has granted over \$330 million since its inception
- Governed by a 43-member Board of Directors including lifetime members
- Is a 501(c)(3) tax exempt publicly supported organization; contributions are fully deductible to the extent permitted by law
- Office hours: weekdays 9:00am to 5:00pm EST

	SELL OPTIONS	DETAILS	PROS	CONS	QUESTIONS/COMMENTS
Option 1	Transfer the building to the East Tennessee Foundation who would then sell and put the net proceeds into a trust for the FGNO	FGNO would transfer the building to the East Tennessee Foundation who would sell the building and place the net proceeds in to a trust fund for the FGNO.	<ul style="list-style-type: none"> <li>*No upfront cost</li> <li>*Provides long-term financial stability to FGNO</li> <li>*Eliminates property management from the responsibilities of the FGNO</li> <li>*Provides proven professional management</li> </ul>	<ul style="list-style-type: none"> <li>*FGNO would not control sales price</li> <li>*FGNO would have some restrictions on how the future funds were used.</li> </ul>	Sell at \$325,000; Net \$292,500. Invest at 8% annually with a 1.25% cost. Equals a first year return to the FGNO of \$19,744.
Option 2	Sell on the open Market and endow a trust fund for the FGNO	FGNO would see the property on the open market and take proceeds from that transaction and create a trust fund for the future use of the FGNO.	<ul style="list-style-type: none"> <li>*No upfront cost</li> <li>*Provides long-term financial stability to FGNO</li> <li>*Eliminates property management from the responsibilities of the FGNO</li> <li>*Allows FGNO total control of sale and then creation and management of the new trust</li> </ul>	<ul style="list-style-type: none"> <li>*Places all responsibility of selling the property, and setting up the trust on FGNO.</li> <li>*Places long-term management of the trust into the hands of the FGNO.</li> </ul>	Sell at \$325,000; Net \$292,500. Invest at 8% annually with a 1% cost. Equals a first year return to the FGNO of \$20,745.
Option 3	Sell to a newly created non-profit and endow trust fund for the FGNO.	FGNO would sell the property to a newly created non-profit dedicated to creating the envisioned community center at a substantially reduced cost.	<ul style="list-style-type: none"> <li>*No upfront cost</li> <li>*Provides long-term financial stability to FGNO</li> <li>*Eliminates property management from the responsibilities of the FGNO</li> <li>*Allows FGNO total control of sale and then creation and management of the new trust</li> <li>*Helps new non-profit pursue their goals</li> </ul>	<ul style="list-style-type: none"> <li>*Places all responsibility of selling the property, and setting up the trust on FGNO.</li> <li>*Places long-term management of the trust into the hands of the FGNO.</li> <li>*Reduced sales price creates a reduced value of the subsequent trust fund.</li> </ul>	Sell at \$225,000, net \$202,500. Invest funds at 8% annually with 1% cost. Equals first year return to FGNO of \$14,175.00

## SELL Options - Financial Details

### Option 1 - Transfer to the East TN Foundation (ETF)

	Year One	Year 2	Year 3	Year 4	Year 5
Sale of Property	\$ 325,000				
Cost of sale 10%	\$ 32,500				
Funds left to invest	\$ 292,500	\$ 299,081	\$ 305,811	\$ 312,691	\$ 319,727
Annual return at 8 %	\$ 23,400	\$ 23,927	\$ 24,465	\$ 25,015	\$ 25,578
Cost to manage funds at 1.25%	\$ 3,656	\$ 3,739	\$ 3,823	\$ 3,909	\$ 3,997
Remainder to Organization	\$ 19,744	\$ 20,188	\$ 20,642	\$ 21,107	\$ 21,582
Spend Rate of 4.5% to organization	\$ 13,163	\$ 13,459	\$ 13,761	\$ 14,071	\$ 14,388
Amount to reinvest	\$ 6,581	\$ 6,729	\$ 6,881	\$ 7,036	\$ 7,194

### Option 2 - Sell at Market Value

	Year One	Year 2	Year 3	Year 4	Year 5
Sale of Property	\$ 325,000				
Cost of sale 10%	\$ 32,500				
Funds left to invest	\$ 292,500	\$ 300,975	\$ 309,291	\$ 318,168	\$ 327,644
Annual return at 8 %	\$ 23,400	\$ 24,078	\$ 24,743	\$ 25,453	\$ 26,212
Cost to manage funds at 1%	\$ 2,925	\$ 3,762	\$ 3,866	\$ 3,977	\$ 4,096
Remainder to Organization	\$ 20,475	\$ 20,316	\$ 20,877	\$ 21,476	\$ 22,116
Annual Operating Budget for Neighborhood	\$ 12,000	\$ 12,000	\$ 12,000	\$ 12,000	\$ 12,000
Amount to reinvest	\$ 8,475	\$ 8,316	\$ 8,877	\$ 9,476	\$ 10,116

### Option 3 - Sell to a Nonprofit At A Discount

	Year One	Year 2	Year 3	Year 4	Year 5
Sale of Property	\$ 225,000				
Cost of sale 10%	\$ 22,500				
Funds left to invest	\$ 202,500	\$ 204,675	\$ 206,491	\$ 208,429	\$ 210,498
Annual return at 8 %	\$ 16,200	\$ 16,374	\$ 16,519	\$ 16,674	\$ 16,840
Cost to manage funds at 1%	\$ 2,025	\$ 2,558	\$ 2,581	\$ 2,605	
Remainder to Organization	\$ 14,175	\$ 13,816	\$ 13,938	\$ 14,069	\$ 14,209
Annual Operating Budget for Neighborhood	\$ 12,000	\$ 12,000	\$ 12,000	\$ 12,000	\$ 12,000
Amount to reinvest	\$ 2,175	\$ 1,816	\$ 1,938	\$ 2,069	\$ 2,209

### Notes

All returns are based on 8% annual return

Cost for fund management of Option 2 and Option 3 is 1%

Cost for fund management for Option 1 is 1.25%

Annual budget is an estimate of distribution based on Neighborhood Budget History for Options 1 and 3

ETF "Spend Rate "of 4.5% is used for annual distribution