

August 12, 2015

Soapbox: Setting the Record Straight About Community Foundation

The Coloradoan has clearly helped build a stronger community through its reporting on the nonprofit sector. It has done a great job of keeping all of us better informed about important community issues.

Unfortunately, the front-page article on Aug. 2 about nonprofit deficits only served to confuse many readers with respect to one of Northern Colorado's strongest and most successful nonprofits.

The Community Foundation of Northern Colorado, in connection with its supporting organization the Community Foundation Trust, was recognized on Sunday's front page with its logo in red underneath a headline reading "Charitable Shortfall" and a sidebar entitled "Top 3 Charity Deficits."

Those familiar with the Community Foundation were left scratching their heads, and those unfamiliar with it came away associating it with "shortfall" and "deficits." How could this be the case for a local institution with a stellar 40-year history and more than \$90 million in total assets reflecting the generosity of hundreds of local donors?

The IRS data used in Sunday's article related to a "supporting organization" of the Community Foundation — a separate legal entity called the Community Foundation Trust. In the nonprofit world, a supporting organization often functions as a subsidiary; in this case, it allows the Foundation to serve donors by quickly and easily accommodating gifts of real estate and non-cash assets.

It also serves as a holding tank that protects the Community Foundation and its millions of dollars in charitable assets from liability related to such gifts, which have included real estate, water rights, mineral interests and a small manufacturing firm.

When those assets are liquidated, the resulting cash flows out of the Community Foundation Trust into the Community Foundation. Hence, in years where the value of the cash flowing out is greater than the value of the non-liquid assets flowing in, the Community Foundation Trust has reported a deficit on its tax return — even though the total assets of the Community Foundation continue to grow at a rapid pace.

Figures do indeed lie when they're presented without appropriate analysis and explanation.

As a result, Sunday's news and reality don't match up.

The Community Foundation has a large reserve fund and many millions of dollars in unrestricted assets. It was recognized as the Foundation of the Year in Colorado for 2014. It has grown from \$14 million in total assets to more than \$90 million in the last dozen years. It distributes millions of dollars to local nonprofits, schools and churches each year, with all of these grants being made in accordance with the precise wishes of its donors, both living and deceased.

In 2013 and 2014, the Community Foundation raised and distributed almost \$2 million in flood recovery funding — distributing 100 percent of every dollar raised and charging no administrative fees.

The Foundation's board and staff extends thanks to the hundreds of donors who have trusted the Community Foundation over the past 40 years to serve as the long-term steward of their gifts. We are honored by your generosity.

The Community Foundation belongs to our entire community, and we can be confident it is financially strong and well positioned for continued growth.

Ray Caraway is president of the Community Foundation of Northern Colorado. Doug Hutchinson is a former mayor of Fort Collins. He currently serves on the Community Foundation's Board of Trustees. Chris Otto is a CPA and the current chair of the Community Foundation Board of Trustees.

In-depth: 1/3 of local charities operate at a deficit



Sarah Jane Kyle, *The Coloradoan* 10:40 a.m. MDT August 2, 2015

More than a third of Larimer County's 374 charities spent more than they took in, with some landing thousands of dollars in the red for consecutive years, according to their most recent financial data.

Of the 117 Larimer County charities that reported deficits of \$1,000 or greater — which made up 31 percent of Larimer County's nonprofits — 44 were operating in the red for at least two consecutive years, according to a *Coloradoan* analysis of up to five years of publicly filed data for all county nonprofits.

Local nonprofits receive more than \$1 billion from community members and other revenue sources each year and depend on donor contributions to survive.

"Charities are kind of like sharks," said Chuck McLean, vice president of research at GuideStar, an online platform that collects and shares accountability information about IRS-registered nonprofits. "If they don't keep swimming forward, they drown."

Three high-profile nonprofits in particular haven't been able to keep their heads above water in recent years.

Turning Point, a nonprofit that helps youth with behavior, mental health or substance abuse issues, hasn't been in the black since 2009. The organization reported deficits of nearly \$250,000 or more every year from 2010 to 2014.

Two other local nonprofits, Shambhala Mountain Center and Crossroads Safehouse, have seen a deficit each of the past three years. For Shambhala, the deficit grew to more than \$800,000 one year. For Crossroads, the deficit reached nearly \$400,000.

To donors, such shortfalls can be startling.

But analysts say the numbers are only one aspect to

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consider when examining the viability of an organization and deciding whether to give a charity a piece of your paycheck.

"It's hard to come up with a red flag that applies across all charities," McLean said. "It all depends on what the individual circumstances of a charity are."

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TOP 3 CHARITY DEFICITS



UNITED WAY OF LARIMER COUNTY, INC.

WHAT: Supports area nonprofits and seeks solutions to poverty in Larimer County

DEFICIT: \$1,616,129

WHY: Transferred the Murphy Center, valued at more than \$2 million, to Serve 6.8



COMMUNITY FOUNDATION TRUST

WHAT: A nonprofit connected to Community Foundation of Northern Colorado that handles non-cash donations, such as land

DEFICIT: \$447,502

WHY: Repairs to a community garden donation in Estes Park and dividends issued by a manufacturing firm that were transferred to the Community Foundation of Northern Colorado.



CROSSROADS SAFEHOUSE, INC

WHAT: A 30,000-square-foot domestic violence shelter in Fort Collins

DEFICIT: \$388,979

WHY: Economic hardships and decreased donor activity following a capital campaign

Continued from Page 1A

United Way of Larimer County reported a \$1.6 million deficit between revenue and expenses in its 2013 tax information. That figure could be viewed as a warning sign for donors looking at the long-standing organization, which supports area nonprofits and seeks solutions to poverty in Larimer County.

But the deficit largely involves a legitimate real estate transaction. In 2013, the nonprofit transferred ownership of the Sister Mary Alice Murphy Center for Hope, valued at more than \$2 million, to Serve 6.8. Though the building had previously been reported as an asset, its transfer was reported as an expense, meaning the \$1.6 million deficit was not a cash deficit or mishandling of donor funds.

That's why McLean said it's important to look beyond a single year of financial data. Back-to-back years in the red or steadily decreasing revenue can point to areas of concern.

Turning Point: Five years of deficit

Turning Point conducted "heart-wrenching layoffs," leaving vacant positions open and cutting services to claw its way out of five consecutive years of deficit.

Last year, the nonprofit reported a deficit of \$241,501 to the Colorado Secretary of State, similar to deficits seen in 2010, 2012 and 2013.

In 2011, the nonprofit faced a deficit of more than \$500,000, according to its tax form.

Jeff Carlson, finance and operations director for the Fort Collins nonprofit, said the agency depends on a combination of donations, grants and earned revenue for its services.

As a nonprofit, earned revenue isn't enough to cover the organization's expenses, Carlson said. That problem was magnified as earned revenue shrunk following the recession, he said.

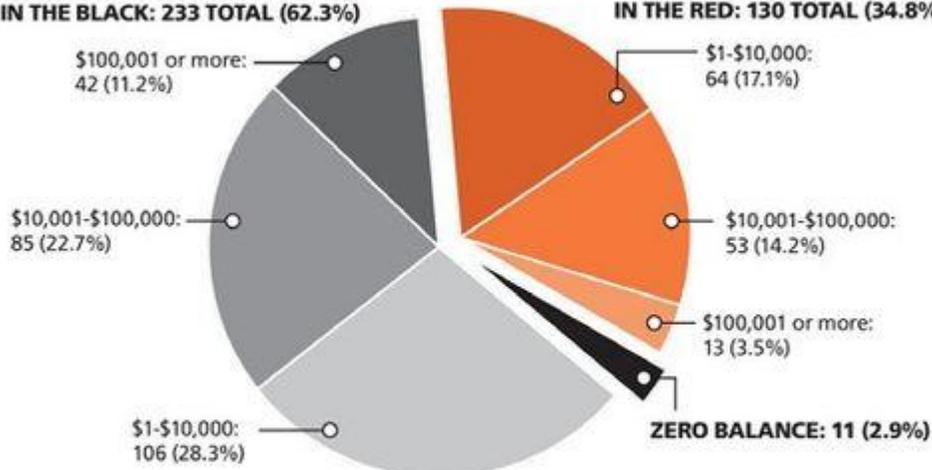
The recession also impacted donor giving and other contributions, and Carlson said competition for grants and donor funds increased.

LARIMER COUNTY NONPROFIT FINANCES

A breakdown of how many Larimer County nonprofits are running a deficit, a surplus or breaking even.

IN THE BLACK: 233 TOTAL (62.3%)

IN THE RED: 130 TOTAL (34.8%)



Information compiled from financial information submitted by 374 Larimer County nonprofits to the Colorado Secretary of State, the Internal Revenue Service and the Coloradoan. All included nonprofits were listed in good standing with the Secretary of State at the time of analysis.

GANNETT

Larimer County nonprofit finances. (Photo: Gannett)

Carlson said the bulk of the nonprofit's expenses come from "a significant number of highly trained professionals" necessary to the nonprofit's operation.

"Quickly cutting the budget to bring expenses in line with revenues is challenging," Carlson said in an email to the Coloradoan.

So Turning Point made tough decisions to stay afloat.

In 2010, the organization spent 63 percent of its more than \$5 million in expenses on employee compensation, \$187,889 of which was paid to Turning Point's executive director and finance director. The organization brought in just less than \$4.8 million in revenue that year.

About 35 percent of Turning Point's staff was eliminated from 2010 to 2013 through a series of layoffs and vacancy savings. Services were cut from its Western Slope operations. Two separate day treatment programs in Larimer and Weld counties were consolidated. Building spaces were changed to match program sizes, which led to the sale of two buildings deemed too large.

And after five years in the red, Carlson expects Turning Point to be in the black by the end of this year.

"Frankly, that was a hard pill to swallow," Carlson wrote. "We feel fortunate to have come out of it stronger on what we hope is the backside."

Thinking like a business to stay alive

Shambhala and Crossroads have changed their business and fundraising models in ways they believe will turn their financial woes turnaround.

Crossroads Safehouse is a domestic violence shelter that brought in \$1.2 million in revenue last year, yet Crossroad's deficit was \$303,269.

In 2012, Crossroads had a deficit of \$268,610. In 2013, it was \$388,979.

The organization, which operates a 30,000-square-foot facility that requires around-the-clock staffing to handle clients and keep them safe, has had three executive directors come and go in about as many years. Former Executive Director Annette Zacharias left the organization in October.

But the reasons for its financial turmoil from 2012 to 2014 extend beyond staffing changes.

Funding sources and regular donors dried up during the recession, said Pat Parker, executive director of operations and programs.

The organization's capital campaign in 2010 brought in significant revenue for its new public facility at 421 Parker St., which opened three years ago. But it also meant high-dollar donors were less likely to give additional funds to support the organization's operating expenses.

Domestic violence awareness also skyrocketed, which Parker said led to an increased demand. The shelter is at capacity "all the time now," she said.

Crossroads eliminated two staff positions and tried to reduce expenses. But it wasn't enough.

To battle the deficit trend, Crossroads Safehouse's board of directors reinvented the organization's fundraising strategy and "moved forward as our own finance rescuers," Parker said.

The board refocused the nonprofit's annual gala to attract more donors. It reemphasized cultivating corporate donors, building up a philanthropic group for men called Men for Change and raising awareness.

Instead of hiring a fourth executive director in as many years, it split the role into two. Parker, a program director who had served as interim executive director during leadership gaps, became the executive director of operations and programs. Judy Chapman was hired four months ago as the executive director of development, focusing primarily on ensuring the nonprofit's financial viability.

Slowly, the organization saw hope. The nonprofit is seeing increased revenues with its annual gala to come in October. The event brought in \$159,280 last year.

"We are on the upswing," Parker said.

Shambhala Mountain Center is a Buddhist retreat located near Red Feather Lakes that brought in nearly \$3.9 million in revenue last year.

The center hosts 77 buildings, including huts, and operates as a conference center for its own Shambhala Buddhism-related programs and organizations seeking a mountain getaway.

Its location, an hour west of Fort Collins, led to the beginning of Shambhala's recent financial struggles in 2012. The High Park Fire, which burned about 87,000 acres and destroyed 259 homes, threatened the mountain retreat and forced its evacuation in June 2012.

"We had to cancel an enormous amount of our programs because we couldn't guarantee we'd be back or even if we'd have a place to come back to," said Executive Director Michael Gayner.

Programs contribute significantly to the organization's overall revenue, Gayner said. In 2014, program revenues were nearly 58 percent of Shambhala's total revenue, which was nearly \$3.9 million.

A look at annual revenue minus expenses for three Larimer County nonprofits that have run large deficits in recent years.



Information compiled from financial information submitted by nonprofits to the Colorado Secretary of State, the Internal Revenue Service and the Coloradoan.

GANNETT

Three nonprofits with recent deficits. (Photo: Gannett)

When staff returned from the fire evacuation, the mountain retreat needed work. Flames had spared Shambhala. The rest of nature — including a bear that took a liking to one of Shambhala's homes on site — did not.

"If you abandon buildings up here for a month, nature starts to encroach very quickly," Gayner said. "It took a lot of work to bring the staff back."

The financial impact of the fire on Shambhala was seen most in 2013, when the organization's deficit totaled \$849,121.

The center used to hold one major program per year that brought in significant guaranteed income. But Gayner said the Buddhist community's spiritual path has shifted away from such events, so Shambhala operates more small events, which mean less stable income for the center.

Buddhism has also grown, leading to more options for those interested in supporting the practice philanthropically, Gayner said.

Something had to change for Shambhala Mountain Center to be financially viable.

"We looked at our basic business model and realized that (the situation) is not going to change," Gayner said. "It's not going to work the way we were doing it."

He wasn't willing to make staffing cuts to meet the bottom line.

Instead, the organization decided to overhaul its business model. It began offering online programs, which cost significantly less to put on, for a small fee. It let people watch some of its programs before asking them to pay for the service.

Those decisions are paying off. Last year, Shambhala's deficit was \$21,874 — a 97 percent decrease from the 2013 deficit. This year, Shambhala expects to be near or back in the black.

"It was a roll of the dice," Gayner said. "But we recognize that if you cut staff here, the quality of the experience both for the staff and for the guests would seriously diminish. ... In order to do the turnaround, we had to focus equally on the community and the business model."

Do your research

McLean said making a philanthropic decision is "not a heck of a lot different than making an investment decision." It involves a lot of hard work and research, and "giving money wisely ends up being really hard to do."

Jim Judge, a charity analyst with Better Business Bureau Serving Northern Colorado and Wyoming, said it's important to understand that balancing the need to stay fiscally responsible while also not dipping into the red is a "funny animal" for nonprofits.

Unlike a for-profit business, which tries to "get as far into the black as they can," Judge said most charities try to get as close to breaking even as possible. And it's all in the public eye, as charity tax forms are public record.

"It's almost a balancing act, because if they are in the red, they appear to be performing poor financially. But if they are too far in the black, people question how they are using their donations to help those in need," Judge said.

There are many tools available to help someone make a financially sound contribution, but McLean said that for many people, philanthropy is about more than the numbers.

"It is much more of a gut decision in most cases than it is a well-considered financial decision," he said.

But for those who choose to take that extra step of financial accountability, he has some advice: If you're going to do the research, do it right.

Instead of looking at one year of financial data, look at as many years as possible. He suggests five or six. If a charity has a significant amount of years in the red, that could be a red flag.

"There are two ways you can react," he said. "One is to say 'I'm going to stay away because that makes me nervous.' The other is, 'I want to find out why.'"

Often, the best thing to do after spotting something concerning is to call the organization directly and ask for more information, he said.

"There's either a good answer to it or there's not a good answer to it," he said.

Follow Sarah Jane Kyle on Twitter [@sarahjanekyle](#) or on Facebook at www.facebook.com/reportersarahjane.

How we did it

Coloradoan Social Issues Reporter Sarah Jane Kyle analyzed the Colorado Secretary of State database to find all active nonprofits in good standing located in Larimer County.

Using financial information available through the Secretary of State, she calculated how many had deficits in their most recent financial data available, as well as how many had deficits for two years or more.

By contacting organizations with the highest deficits, as well as regional and national charity analysts, she brought you this investigative financial analysis of Larimer County nonprofits that looks beyond the numbers.

IN THE RED

These Larimer County nonprofits reported a deficit in their most recent financial information on the Secretary of State database. When differences were found between the nonprofit's Secretary of State profile and 990 tax forms, the Coloradoan remedied the error.

If you're a nonprofit with a question about your finances as reported, contact the Colorado Secretary of State.

View the complete database of Larimer County nonprofits' financial information at www.coloradoan.com. Note: Only 501c3 nonprofits listed in good standing with the Secretary of State were included in this analysis.

- » United Way of Larimer County, Inc.: \$1,616,129
- » Community Foundation Trust: \$447,502
- » Crossroads Safehouse, Inc.: \$388,979
- » Lighthawk: \$336,452
- » McKee Medical Center Foundation: \$323,327
- » Fort Collins Habitat for Humanity, Inc.: \$261,432
- » Turning Point Center for Youth and Family Development: \$241,501
- » A.A.C. Adoption & Family Network: \$241,336
- » WOLF: \$235,677
- » Estes Park Medical Center Foundation: \$181,283
- » CARE Housing: \$170,814
- » Fort Collins Museum of Discovery, Nonprofit Partner: \$141,512
- » Ravenscrest Chalet: \$110,191
- » Poudre River Library Trust, Inc.: \$91,182
- » Legacy Land Trust: \$82,286
- » The Early Childhood Council of Larimer County: \$81,105
- » High Plains Foundation: \$74,064
- » Colorado 4-H Foundation, Inc.: \$70,626
- » Ensign Skills Center, Inc.: \$70,342
- » Neighbor to Neighbor, Inc.: \$67,426
- » Funding Partners for Housing Solutions, Inc.: \$62,103
- » Beet Street: \$61,060
- » High Plains Environmental Center: \$59,808
- » Timberlane Farm Museum: \$52,046
- » CASA of Larimer County, Inc.: \$51,053
- » National Center for Craftsmanship: \$44,781
- » Harvest House for Women: \$41,127
- » Sierra's Race Against Meningitis: \$36,643
- » Boys & Girls Clubs of Larimer County: \$36,154
- » Feed Scholarship Fund and Children's Foundation, Inc.: \$35,529
- » Colorado Foundation for Agriculture: \$32,904
- » Reflections for Youth, Inc.: \$31,431
- » Saint Nektarios Education Fund: \$29,243
- » Canyon Concert Ballet: \$28,422
- » Meals on Wheels of Loveland and Berthoud, Inc.: \$27,822
- » Harmony Foundation, Inc.: \$27,750
- » Foundation on Aging for Larimer County, Inc.: \$27,374
- » Loveland Sculpture Invitational: \$23,403
- » Institute for the Study of Energy and Our Future: \$22,371
- » Shambhala Mountain Center: \$21,874
- » Estes Park Salud Foundation: \$21,341
- » Fort Collins Soccer Club: \$20,851
- » Opera Fort Collins, Inc.: \$20,388
- » Friends of the Estes Valley Library, Inc.: \$19,059
- » Educo School of Colorado: \$18,261
- » Todd Bailey Ministries, Inc.: \$18,198
- » Fine Arts Guild of the Rockies: \$17,735
- » Spokesbuzz Fort Collins: \$17,205
- » Healing Warriors Program: \$16,953
- » Foothills Service League: \$16,671
- » Colorado Water Innovation Cluster: \$16,292
- » Disabled Resource Services: \$16,202
- » Hand in Hand: \$16,050
- » Elderhaus Adult Day Programs, Inc.: \$15,158
- » Care-A-Van/Saint, Inc.: \$14,967
- » Russian Christian Radio, Inc.: \$14,847
- » Loveland Community Choir, Inc.: \$14,575
- » Fort Collins Bucaroos: \$12,901
- » Alliance for Suicide Prevention of Larimer County: \$12,128
- » Education & Life Training Center (now part of the Matthews House): \$11,631
- » Longs Peak Rotary Club Foundation, Inc.: \$11,485
- » Partners-in-Education, Inc.: \$10,771
- » Rocky Mountain Sustainable Living Association: \$10,729
- » Elkhorn Project, Inc.: \$10,580
- » The Center for Family Outreach, Inc.: \$10,496
- » Bauder Elementary School PTO: \$10,243
- » Kristi Visocky Memorial Foundation: \$9,891
- » Shepardon PTO: \$9,616
- » Presbyterian Community Church of the Rockies Foundation: \$9,526
- » Realities Focus/Make Change NoCo: \$9,512
- » Thompson Valley Preschool, Inc.: \$9,502
- » Public Radio for the Front Range (KRFC): \$9,241
- » Ukraine Orphan Outreach: \$9,185
- » Global Village Museum of Arts & Cultures: \$9,155
- » The Learning House Foundation for Early Childhood: \$8,255
- » Hester J. Hodgson Libraries for All Program: \$8,074
- » Colorado Foundation for Conductive Education: \$8,000
- » Estes Park Community Thrift Shop, Inc.: \$7,763
- » Lifelong Learning of Estes Valley: \$7,703
- » Alpha Center: \$7,341
- » FrontRange Initiatives/TedXFrontRange: \$7,270
- » Transition Ministry: \$7,264
- » Rotary Club of Estes Park Foundation, Inc.: \$7,195
- » Ponderosa Elementary PTA: \$7,026
- » Senior Soul Care: \$6,871
- » Fort Collins Baseball Club: \$6,374
- » Fort Collins Waldorf Education Association, Inc.: \$6,297
- » Poudre Landmarks Foundation, Inc.: \$6,059
- » Wilderness Adventures of Northern Colorado: \$5,917
- » Impact Dance Company: \$5,848
- » Grit Athletics, Inc.: \$5,695
- » Freedom Fellowship-A Prison Ministry, Inc.: \$5,650
- » Launch: Community Through Skateboarding: \$5,450
- » Shared Journeys Brain Injury Foundation: \$5,349
- » Rocky Mountain APPA: \$5,299
- » Christ Alive! International: \$4,315
- » Cresset Farm Development Initiative, Inc.: \$4,058
- » Loveland Opera Theatre: \$3,945
- » Worldwide Marriage Encounter Section 9, Inc.: \$3,664
- » Restoration Project: \$3,259
- » Kiwanis Club of Loveland GoldenK Foundation: \$3,173
- » Partners Mentoring Youth: \$2,994
- » The Community Kitchen: \$2,958
- » Lubick Foundation: \$2,742
- » Foundation Ministries: \$2,648
- » Estes Park Learning Place: \$2,557
- » Fort Collins Museum Foundation: \$2,526
- » Art Center of Estes Park: \$2,102
- » Information Network for Responsible Mining: \$2,010
- » The Great American Food Pantry, Inc.: \$1,645
- » Fort Collins Museum of Art, Inc.: \$1,560
- » Benedictine Fellowship of St. Laurence: \$1,521
- » Mountain View High School Booster Club, LLC: \$1,402
- » Healing Rooms of Loveland: \$1,278
- » Rocky Mountain Parish Health Ministry: \$1,216
- » Arts Alive Fort Collins: \$1,194
- » NoCo Artists: \$1,144
- » W Cubed Outreach, Inc.: \$797
- » Fort Collins Community Action Network: \$617
- » Terry Farrell Firefighters Fund of Colorado: \$601
- » Eternal Brotherhood Ministry, Inc.: \$599
- » Embrace Colorado: \$596
- » A Face to Reframe: \$537
- » NovoRestoration, Inc.: \$492
- » Fort Collins Figure Skating Club: \$428
- » Dance Express: \$377
- » Friends of Happy Heart Farm: \$348
- » Saving Our Soliders: \$200
- » Our Journey Together: \$100
- » Fahr Too Strong Foundation: \$18