Connections

East Tennessee Foundation

Summer 2007

Thoughtful giving for stronger communities, better lives

NEW WEBSITE LAUNCH & OPEN HOUSE

New ETF Website
www.easttennesseefoundation.org

Lazy, hazy, days of summer? Not here at East Tennessee Foundation (ETF). Our team has certainly had its share of family and travel, but we have also been busy hosting ETF events, pursuing our priorities planning for 2008 and beyond, and... drum roll please... with this issue of *Connections,* we launch a genuinely new and vastly improved website.

Our team began the process months ago by asking a simple question, "What do we want our website to do for us?" The result of many hours of creative and strategic thinking and construction by Mediapulse's (our website contractor) iDeal platform, our new website is functioning as planned.

You will find our website far more functional and intuitive than before, with features like a roll-over service region map, a news/calendar section, all of our requests for proposals and grantmaking information, our "We are the people of East Tennessee" DVD, and a wealth of other helpful information. Our new website is more user-friendly and is now updated by our own staff.

We have included platforms (for future development) and password protected "private" areas for our board members. Our plan is to rely on our website more and more as a cost-effective means of communication, and

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ATTENDING ART EXPOSITION OPEN HOUSE

Cheryl and Lynn Massingale

Mike McClamroch & Carolyn Schwenn

Sara Cantrell, Bedford & Carol Transou

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Regional Art Exposition

KRISTINE SPINDLER-GUNNELL
Children of the Raffia Palm
Woodcut

There is a new art venue in downtown Knoxville...ETF! The Foundation is supporting excellence in the arts by East Tennessee artists and providing easy access to the arts in our offices at 625 Market Street. Thanks to the generosity of the Tennessee Arts Commission and the National Endowment for the Arts, the Foundation received a grant to support a rotating art exhibit in our office space. The exhibit, which debuted with an open house reception on June 19th, showcases artwork from the Arrowmont School of Arts and Crafts permanent collection and wooden bowls provided by the Arts and Culture Alliance of Greater Knoxville.

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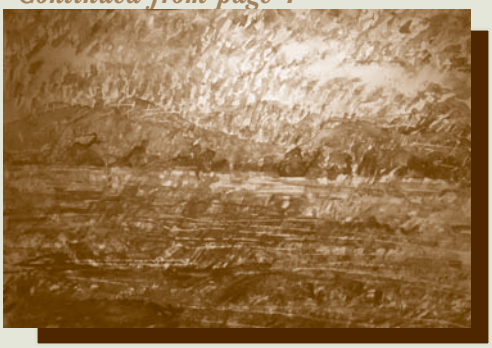
REGIONAL ARTS EXPOSITION

Continued from page 1



BETSY WORDEN
Across the Lake
Watercolor

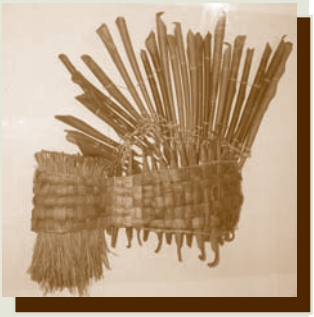
The exhibit is free and open to the public year-round during the Foundation's normal business hours. Visitors to the Foundation are encouraged to sign our guest book and take a self-guided tour of the 30+ pieces of art which adorn our walls. An informational color brochure identifies the artist, medium and title of each display piece, for your convenience.

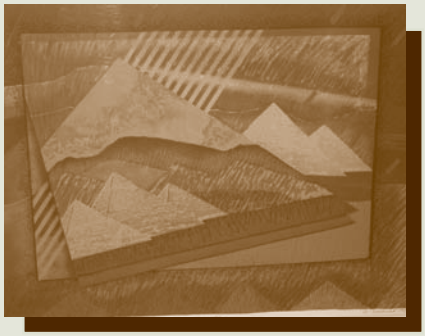
Whether you plan to visit East Tennessee Foundation to attend a meeting, serve on a grants panel, meet with staff to learn about our programs and opportunities, or view our beautiful art work, we would love to see you!

PATRICK CRABB
Tripod Shard
Wheel thrown and slab constructed

AKIRA BLOUNT
Untitled
Fiber, mixed media

WALTER KNOTTINGHAM
Untitled
Natural Fibers





RICHARD DAEHNERT
Untitled
Serigraph

Arrowmont School of Arts and Crafts is a nationally renowned center of contemporary arts and crafts education. Workshops are offered for one and two weeks in the spring and summer, and one-week and weekends in the fall. Areas of study include: ceramics, fibers, metals/jewelry, painting, drawing, photography, warm glass, woodturning, woodworking, sculpture, and book and paper arts.

info@arrowmont.org

INVESTMENT PERFORMANCE

MAINTAINING AND INCREASING REAL VALUE

The goal of East Tennessee Foundation's investment policies is to maintain or increase the real value of endowment principal and distributions over the long-term while funding current needs at an appropriate level. This goal has been successfully achieved by the Foundation's commingled fund since its inception in 1987, with a historical annualized composite return through June 30, 2007 of 9.45%.

According to the results of a recent Council on Foundations survey of "2006 Investment Performance and Practices of Community Foundations," East Tennessee Foundation has outperformed its peers with its investment results, both in the year ending December 31, 2006, and consistently over the past ten years. For 2006, ETF's investment return was 15.37%, while other community foundations with a similar asset size ($100-249.9 million) earned a return of 13.5% and community foundations overall realized returns of 13.1%. Returns for the past three-, five- and ten-year periods for ETF were, respectively, 11.62%, 9.61%, and 8.85%. Over those same periods, community foundations of comparable size earned returns of 10.9%, 8.3%, and 8.5%, and community foundations overall saw returns of 10.2%, 8.0% and 8.6%.

The task of monitoring East Tennessee Foundation's investments falls to our Investment Committee: Charles Peccolo, Vice President and Treasurer of The University of Tennessee, Joseph Ayres, Managing Director of Morgan, Keegan and Co., Michael Crabtree, President and CEO of IdleAire Technologies Corporation; and A. David Martin, President of Martin & Company. This volunteer

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KCDC

A STATE-OF-THE-ART PARTNERSHIP

Wherever you go in Knoxville these days, there seems to be a positive feeling about what is happening in the city. Some years ago, with the "Nine Counties One Vision" visioning process, residents were asked to identify the things that were most important to them and the changes they would like to see take place. With the numerous neighborhood improvements and increasing redevelopment projects, there is evidence that they were heard. And it's all part of a focused plan being carried out by Knoxville's Community Development Corporation (KCDC), a nonprofit organization that works closely with the City of Knoxville. And, as with Nine Counties One Vision, East Tennessee Foundation is playing a part.

Knoxville's Community Development Corporation fills two roles for the City of Knoxville: providing affordable/public housing and acting as the city's redevelopment authority. KCDC is considered to be a large housing authority (the four largest Tennessee housing authorities are Memphis, Nashville, Knoxville, and Chattanooga) and a "high performer" under the HUD scoring system. That means they got an "A" on their report card. KCDC manages funds of $30-$40 million annually and employs over 210 people. It provides housing to about 15,000 people, manages more than 3,600 public housing units, and provides a little in excess of 3,000 Section 8 vouchers.

"The need for affordable housing is increasing at a greater rate than the federal funding subsidy that supports it..."

KCDC administers more than $6 million annually on redevelopment and neighborhood revitalization. The agency has been involved in redevelopment of Volunteer Landing, Market Square, the World's Fair Redevelopment Plan, Market Square Parking Garage, Mast General Store, and the South Knoxville Waterfront condominiums, just to name a few. KCDC is also in charge of numerous neighborhood improvement projects in Mechanicsville, Five Points, Lonsdale, and Center City.

"The need for affordable housing is increasing at a greater rate than the federal funding subsidy that supports it," said Alvin Nance, KCDC Chief Executive Officer. "Our objective is to provide great quality housing. That's why we're being more innovative by seeking partners who are good at delivering needed services and by working to raise funds that will support services to our residents that KCDC can no longer provide. According to one of our partners, the Knoxville Coalition for the Homeless, the new direction is to find people housing first," said Nance. "Statistics show that if you get people housed, the calls for all the other social service agencies will start to drop. If we can find the support services needed to balance our tenants' lives and keep them in housing, then we end up with better citizens in our community and it's better for everybody. We don't want to be a contributor to the homeless issue."

To that end, KCDC has established The Family Investment Foundation (FIF) with East Tennessee Foundation. "Our relationship with ETF began in 1993 when KCDC contributed $1.4 million to establish the Affordable Housing Trust Fund (AHTF) which the Foundation administers," said Art Cate, KCDC Chief Operating Officer. "We needed a relationship with someone who is more geared to managing a foundation and there's none better in this area than East Tennessee Foundation (ETF)."

"The Family Investment Foundation is very new – KCDC capitalized the foundation with a $200,000 contribution," said Nance. "Currently, between funds we provide to Knoxville Police Department, the City of Knoxville, Boys and Girls Clubs, Boy Scouts and Girl Scouts, we are spending $700,000 annually. When the foundation is solidified and functioning, the FIF board of directors will decide how to direct those dollars. The Board is confident that they will be able to raise additional funds from individual donors and other sources to help support needed projects. Currently, the FIF board is trying to secure a grant to pay for case management services for tenants with mental disabilities in the KCDC high rise apartments."

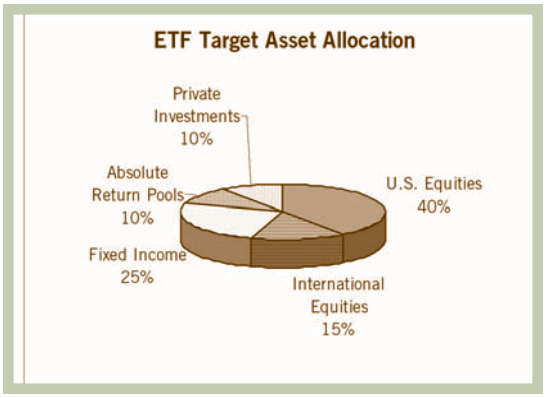
"In the community development field, KCDC is viewed at the cutting-edge of the industry," said Alvin Nance. "We think establishing the foundation in partnership with East Tennessee Foundation will be emulated in the future by other housing authorities across the country."

STAFF NEWS

Continued from page 2

committee of seasoned professionals is responsible for recommending investment policies, establishing the target asset mix, recommending a spending plan consistent with investment objectives, selecting investment managers, determining investment performance objectives and guidelines, and monitoring investment performance in comparison to investment objectives and established benchmarks.

The Foundation's commingled fund is currently invested in an array of funds to accomplish a balanced and diversified portfolio (see chart below, illustrating ETF's target asset allocation). In periods of market volatility such as we are currently experiencing, we continue to stress the Foundation's commitment to its primary investment objective of maintaining and increasing the real value of principal and distributions over the long term.



In keeping with this position, the Foundation many years ago adopted a Total Return Concept of spending from its endowment funds. This approach, which averages each fund's total market value over time, smoothes out market volatility and the effects of new donations. Spending rates calculated in this manner do not produce inordinately high levels of distributions during periods of high investment returns nor do they produce detrimentally low levels of distributions during market declines.

ETF WELCOMES NEW STAFF

Beth Heller
Scholarship & Program Associate

BETH HELLER was born and raised in Long Island, New York, and moved to East Tennessee with her husband, Robert Heller, a photography and graphic design professor at the University of Tennessee. Beth has worked in different areas of higher education including the financial aid department at the University of Miami, and for the Knoxville Jewish Alliance as the Program Director for Senior Adults prior to coming to the Foundation. Volunteer experiences have revolved around supporting her boys' (Joel – 23 & Benjamin – 18) school activities: PTA, theater productions (she was chosen Drama Mama), and marching band. Education and access to education, especially the literacy area, is a philanthropic focus for Beth. For fun, Beth enjoys reading, walking, and family time and she has been in the same book group since 1989.

LaTonya Jordan
Data Management Associate

LATONYA JORDAN, a Clarksville, TN, native and University of Tennessee graduate, recently returned to Knoxville with her new husband, Tyson. With an undergraduate degree in accounting, LaTonya was drawn to the nonprofit sector following two mission trips. Her experiences shifted her life direction and motivated her to pursue a career that would help the underprivileged improve their quality of life. With a masters degree in public administration (with concentration in nonprofit management), she feels she is on a good professional track. Education, both academic and life skills, is her passion and a philanthropic focus. LaTonya enjoys shopping, traveling, singing, experiencing new things, and enjoying the natural world. Her family includes her husband, Tyson, her mother, an older sister and younger brother.

Julie Goodfellow
Receptionist & Assistant to the President

JULIE GOODFELLOW After living in Connecticut, Texas, and Massachusetts, Julie Goodfellow came to East Tennessee to attend college at the University of Tennessee and she has been here ever since. For the past eight years, Julie has worked as the office manager for Young Life. Singing in her church choir and serving as a Young Life leader in Chattanooga and in Knoxville are volunteer activities she has enjoyed. Julie, a dedicated shopper and an avid sports fan, also counts wrapping paper and wrapping packages among her favorite things. Her family includes her parents who live in Chattanooga, a brother in California, and a sister in South Carolina.

2007 SCHOLARSHIP RECIPIENTS

Coach Jack Blair Scholarship Fund
Ashley Deans, *King College*

Ruby A. Brown Memorial Scholarship Fund
Kathy Nelson, *East Tennessee State University (ETSU)*

Vera and Lawrence Carson Scholarship Fund
Shanleigh Bond, *University of Tennessee Knoxville (UTK)*

Gordon W. and Agnes P. Cobb Scholarship Fund
Martin Binhammer, *UTK*
Sara Hildebrand, *Sewanee-University of the South*
Christina Inman, *Belmont University*
Bethany Shoulders, *Freed-Hardeman University*
Haley Stinnett, *ETSU*
Heather Tran, *UTK*

Steven L. Coffey Memorial Scholarship Fund
Jamie Coleman, *Roane State Community College (RSCC)*
Jenny Cooney, *RSCC*
Natalie Coward, *RSCC*
Felicia Fowler *RSCC*
Courtney Moore, *RSCC*
Joshua Perkins, *Pellissippi State Technical Community College (PSTCC)*

Craighead Limestone Scholarship Fund
Katie Denton, *Lee University*

R. G. Crossno Memorial Scholarship Fund
Logan Disney, *Tennessee Tech University (TTU)*

Michael D. Curtin Renaissance Student Memorial Scholarship Fund
Lindsay Halcomb, *TTU*

Vicki C. Dunaway Memorial Scholarship Fund
Kristin Bailey, *Maryville College*

Fund for Greene County Scholarship Fund
Brittany Chapman, *UTK*
Elissa Willis, *ETSU*

Michael David Greene Memorial Scholarship Fund
Katherine Goethe, *TTU*
Ashley Lawhon, *Clemson University*

Mary C. & Joe A. Hollingsworth Sr. Scholarship Fund
Mallory Bunch, *Tennessee Wesleyan College*

Johnson County Education Growth Scholarship Fund
Deborah Dickens, *Virginia Intermont College*
Nicole Dickson, *Northeast State Technical Community College*

Johnson County Scholarship Fund
Whitney Blankenbeckler, *Belmont University*
Brittany Brewer, *King College*

Dr. Richard Forrest and Ella Dudney Kelsey Memorial Scholarship Fund
Sophie Walter, *UTK*

Knox Central High Class of '50 Alumni Association Scholarship Fund
Claire Binhammer, *UTK*
Martin Binhammer, *UTK*
Brittany White, *UTK*
Sarah Price, *Winner of KCHS H.G. Loy Teacher Award*

Knoxville Business Association Scholarship Fund
Kristin Bailey, *Maryville College*
Anna Goss, *TTU*

KBA Scholarship continued

Crystal Muckle, *UTK*
Tia Tabors, *UTK*

Brandy Maples Memorial Scholarship Fund
Katie Haun, *ETSU*

Miller/Vicars Scholarship Fund
Justin Lawson, *King College*

John D. Grubb and Louise G. Sumner Fund for Monroe County Scholarship Fund
April Breeden, *Hiwassee College*
Joshua Duncan, *Hiwassee College*

Reuben Louise Cates Mount & the Jr. Service League of Blount County Memorial Scholarship Fund
Christina Bivens, *PSTCC*

Teen Town "Pride of the Hill" Scholarship Fund
Summer Galloway, *ETSU*
Rebekah Rollston, *Milligan College*

Tennessee Judicial Conference Foundation Scholarship Fund
Julie Cochran, Judge Houston M. Goddard Award - *UTK College of Law*
Valentine Darker, Judge William H. Williams Award - *University of Memphis School of Law*
Richard Hippel, Robert W. Ritchie Award - *UTK College of Law*
Angela Holland, Frank F. Drowota, III Award - *Vanderbilt Law School*
Julia Moss, Suzanne G. Keith Award - *Nashville School of Law*
Elizabeth Nimnicht, Joseph S. Daniel Award - *Nashville School of Law*

JOHNSON COUNTY GRANTS

Johnson County Community Foundation

An Affiliate Fund of East Tennessee Foundation

Johnson County Community Foundation was established through the work of the Johnson County Community committee and their generous gifts of time, vision and resources. This group of Johnson County residents was committed to strengthening communities and improving the quality of life in Johnson County.

ACTION Coalition
Fiscal Sponsor: Johnson County Safe Haven, Inc.
Building the capacity of ACTION Coalition to more effectively carry out its mission with two Community Anti-Drug Coalitions of America (CADCA) trainings.

Heritage Hall, Inc.
Purchasing hearing aid units for its patrons with hearing losses to help them have a satisfactory theatre experience.

Johnson County High School
Purchasing books for Johnson County High School Extended Service Center's (ESC) Accelerated Reading Program.

Johnson County Humane Society
Providing veterinary services to spay/neuter the family cat(s) of low-income households, senior and disabled citizens who are on fixed incomes.

Johnson County School System
Organizing a "S.T.A.M.P. Out Bullying" program for students at Roan Creek and Mountain City Elementary Schools.

Johnson County School System
Enriching the music program at Doe Elementary School.

Johnson County School System
Developing a hand bell (tone chime) program at Laurel Elementary School.

Johnson County School System
Expanding the music program at Shady Elementary School.

Johnson County Senior Center
Organizing the 2007 Golden Harvest Festival with activities including the Golden Mile Walk.

Johnson County Trails Association
Constructing the Laurel Creek Trail within Cherokee National Forest.

TOTAL FUNDING AWARDED: $6,730

Johnson County Senior Center

Laurel Creek Trail

Heritage Hall, Inc.

See ETF on Community Television - Channel 12
Wednesdays - 2:00 p.m.
Saturdays - 2:00 p.m.

THE POWER OF ENDOWMENT

Bob Calloway
V.P. for Advancement

The American Heritage Dictionary defines endowment as "funds or property donated to an institution, individual, or group as a source of income." OK, so who cares? Well, for starters the board of directors and staff at East Tennessee Foundation care a great deal about endowments. They are our bread and butter. Approximately $93 million of our total $133 million in fund balances is in the form of endowments.

The critical part of the definition of endowment is that phrase, "a source of income," meaning that the principal balance is put in place to be invested for the purpose of producing income. With prudent investment management and a reasonable formula for annual distributions, the principal in an endowment should grow in value over an extended period of time. The accompanying graph, entitled "The Power of Endowment," gives an impressive picture of what would have happened to a $50,000 endowed fund if it had been placed with East Tennessee Foundation at the beginning of 1987. Although we sustained a loss of 0.67% in 1987 and larger losses in a few other years, by the end of 2006 the fund would have grown to a balance of more than $99,000. That balance is pretty amazing on its own, but even more so when you consider the fact that this fund would have paid out more than $66,000 in annual grants or distributions plus the fees that ETF charges for administering the fund.

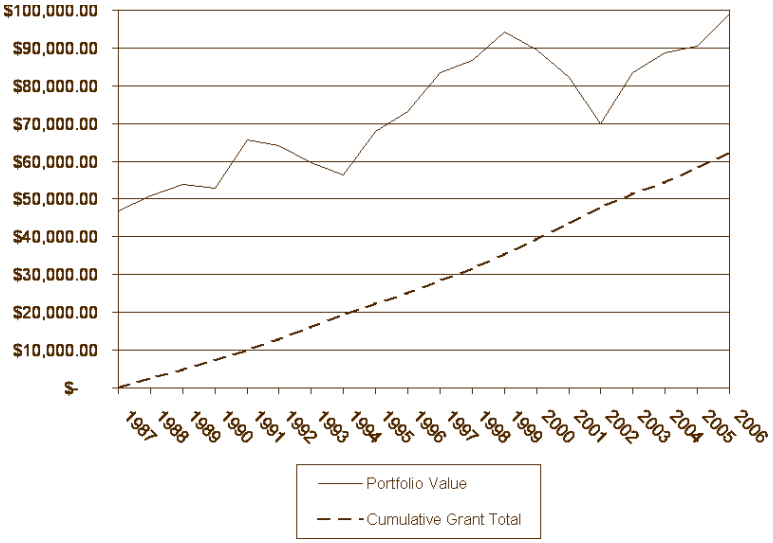
The endowment is literally a cash cow.

What does that mean to you, a potential fundholder? Let's say that you are a faithful financial supporter of a nonprofit organization, whether it's your church, alma mater, or art museum. You would like to find a way to continue that support even after your death. An endowed fund designating your organization as beneficiary is the perfect solution.

Here's what you do. Whether during your lifetime or through a testamentary bequest, you establish a designated endowment at East Tennessee Foundation with a gift of, say, $250,000. We invest that money and make annual distributions to your beneficiary organization beginning at approximately $11,250, based on our current "spending rate" of 4.5 percent. The organization will be forever thankful for your farsightedness in providing financial support for their mission far into the future.

You may ask why you shouldn't just make a lump sum gift of $250,000 to the organization. Certainly that's a valid option, and any cash-strapped nonprofit would be thrilled to receive such a gift. But once that gift is used up, you have no more to give, or you are no longer around to provide continued support. With our $50,000 endowment described earlier, the beneficiary organization would have received over $50,000 in grants after sixteen years, and the endowment would continue producing grants for many years to come. Do you see the difference? The endowment is literally a cash cow.

The Power of Endowment



Some givers want to make a gift now and see immediate results. Others prefer to make a different type of statement with their gift, a statement that says, "My support for your mission will go far beyond my own lifetime." Thank goodness for both groups. It's the latter group that should give me a call about setting up their designated endowed fund at East Tennessee Foundation.

To receive Charitable Strategies, a free bi-monthly e-newsletter, send your request to bcalloway@etf.org.

Continued from page 1

we're asking for your help within the air conditioned comfort of your home or office! Please have a look at our website, its functionality, its look and feel, and tell us what you think!

Our website, indeed our Foundation, is a work in progress, constantly improving to better serve the needs of East Tennessee. You're a vital part of that team.

Michael T. McClamroch
ETF President & CEO

We hope YOU will soon VISIT our NEW WEBSITE

www.easttennesseefoundation.org

Has your contact information changed?
If so, please let us know so we can keep in touch.

E-mail and Website Options

To receive this newsletter and other helpful and exciting updates from East Tennessee Foundation, please contact us at etf@etf.org or read it on our website: www.easttennesseefoundation.org.

To have a copy of this newsletter sent to someone, contact us by phone, toll-free (877) 524-1223, (865) 524-1223 or e-mail, etf@etf.org.

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East Tennessee Foundation respects, celebrates, and encourages diversity that positively contributes to our healthy and caring community.

EAST TENNESSEE FOUNDATION

East Tennessee Foundation (ETF) is a public, nonprofit, community foundation created for the purpose of building charitable resources to make communities stronger and lives better through thoughtful giving.

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