

## **Family & Children Services Endowment Fund Policy**

**Purpose:** The Endowment Fund is established to provide a permanent source of funding for Family & Children Services (the “Agency”).

**Designation:** Funds may be added to the Endowment Fund either by donor designation or by Board designation.

All gifts from bequests, memorials, honorary gifts, windfalls, life insurance, charitable remainder or lead trusts, retirement accounts, or other planned giving or end-of-life vehicles are to be placed into the Endowment Fund, unless otherwise specified by the donor. Exceptions will be made only by written agreement of the President & CEO, CFO, and Board Chair, with ratification by the Board of Directors. In addition, any such gift which is over \$100,000 will be automatically reviewed at the subsequent Board meeting to determine or ratify its designation.

### **Categories of Endowment-related Funds:**

***Permanently Restricted Fund:*** Endowment gifts accepted with a donor-imposed spending restriction designed to maintain the principal intact in perpetuity

***Board Designated Fund:*** The portion of unrestricted funds that have been designated by the Board to be held as an endowment.

**Investment Policy:** The Endowment Fund assets are to be invested in the Agency’s long-term investment vehicle, managed by an outside fund manager. The Finance Committee oversees the work of the fund manager. The primary investment objective is long-term capital growth to preserve the inflation-adjusted value of the funds.

**Spending Policy:** The Endowment Fund assets shall be appropriated for expenditure, consistent with the Agency’s Investment Policy, as follows:

1. An annual “fixed payout” from the Board Designated Fund and the Permanently Restricted Fund equal to 5% of the Funds’ average fair market value, using a 4 quarter trailing average, shall be allocated for use in the Agency’s operations. Assets that are not producing current income, such as donated real estate, will not be included in the average fair market value calculation. The Agency’s Board may amend this policy by adopting an annual distribution higher or lower than the standard 5% based on the need of the Agency for a higher or lower level of current income.
2. Notwithstanding the provisions of paragraph 1 above, in no event shall the Agency spend the principal of the Permanently Restricted Fund (defined as the aggregate fair market value of each contribution to the Fund on the date it is made plus each accumulation made, pursuant to directions in the donor’s gift instrument). As to the Board Designated Fund, if in any year earnings are insufficient to provide for the 5% payout, prior earnings or principal may be used to the extent necessary with Board approval.

3. Notwithstanding the provisions of paragraph 2 above, if a donor's gift instrument expressly allows the spending of additional amounts or expressly allows the invasion of principal in certain circumstances, the Agency may spend such amounts.
4. Any amounts earned by the Board Designated Fund to the extent not allocated to operations (or otherwise designated by the Board) shall be accumulated in the Board Designated Fund. Any amounts earned by the Permanently Restricted Fund to the extent not allocated to operations (and if not otherwise designated by the donor's gift instrument) shall also be accumulated in the Board Designated Fund.

**Contingencies:** The goal of the Endowment Fund is to secure funds to be used for the Agency's needs as determined by the Board of Directors. Notwithstanding the foregoing, a donor making a contribution to the Fund may impose a specific purpose restriction (a "Restricted Purpose") on his/her contribution. Any Restricted Purpose must be clearly stated in the donor's gift instrument. If at any time in the judgment of the Board of Directors it is impossible or impracticable to carry out exactly the Restricted Purpose in the manner requested by the donor, a purpose and manner as near as is practicable to the Restricted Purpose shall be determined by the Board of Directors, upon recommendation by the Finance Committee. The donor, if then-living, shall be notified of such decision.

**Reporting:** The Finance Committee will provide an annual report to the Board of Directors, including a review of the performance of the outside fund manager. The Development & Marketing Department will provide an annual report to Endowment Fund donors indicating the Fund's value and use of annual payout. The Board Designated Fund and any Restricted Purpose contributions shall be accounted for separately, to facilitate their management.

**Documentation:** All documentation regarding contributions to the Endowment Fund shall be retained, along with any communication regarding bequests, testamentary trusts, or other estate planning documents. These items shall be retained by the CFO in a secure manner.