



GIVING HERE MATTERS

Agency Endowment Fund Management

Many nonprofit organizations create endowments to establish ongoing, material sources of income. Funds to support day to day operations are generally the most challenging funds to attract; an endowment can be an important source of income, whether for operations or other uses. The Whatcom Community Foundation (Foundation) exists, in part, to manage funds permanently endowed by donors for the benefit of a specific charitable cause. In the case of agency endowments, that cause is the organization itself. This permanent pool of assets generates income and grows over time. Like your personal savings, a permanent fund for your agency can provide a valuable dedicated source of additional income over time.

Some of the advantages of creating an endowment with the Foundation:

- Your agency fund enjoys the advantage of being invested in a larger pool of assets which can lead to greater growth, greater income, and lower investment fees
- The Foundation handles: investment management and oversight; all accounting and financial reporting; and annual audits
- Your agency can receive income at preset intervals from its portion of the total endowment held by the Foundation
- All gifts to your fund are restricted for your use only. While co-mingled for investment, your agency's endowment will not be used for other purposes
- Your endowment fund receives exposure in the Foundation's annual report reaching more, and perhaps different donors than those on your current list
- All gifts are tax deductible at the highest levels allowed
- You have the flexibility to choose to reinvest all or part of the income in years when it may not be needed, so the endowment can further grow

Considerations:

- The Foundation is an excellent vehicle for developing your agency endowment with maximum advantage. A few items to consider:
- The IRS requires that funds within a community foundation be considered assets of the foundation (otherwise the foundation would operate like a bank). While all gifts to your fund are restricted only for the use of your agency and you receive the income each year, you may not:
 - spend the principal at will (of course, the agency would not do this anyway; funds are held as a true endowment),
 - remove your funds from the foundation unilaterally,
 - direct how the assets in your agency endowment fund are invested. In other words, you receive the benefits of the income on all gifts to your endowment fund, but do not manage the fund itself.

- Community foundations invest endowment funds for both long-term growth and income. Foundations expect excellent, if somewhat conservative, investment management. You should expect long-term growth and a reasonable return, but not wildly speculative risk or unusually high income.
- To help offset administrative costs, the Foundation charges a small fee for establishing and maintaining agency endowment funds.
- Another option is for a *donor* to set up a **designated fund** through the Foundation to benefit your organization. At the time the fund is established the donor may name one or more charitable organizations as grant recipients. The donor can choose whether the fund is endowed or non-endowed.
 - Endowed: An endowed fund is a permanent fund, designed to work in perpetuity to benefit your organization. Its principal is not distributed, and is invested to maintain the purchasing power of the fund over time.
 - Non-endowed: The donor may choose a specific disbursement strategy or may leave it to the Foundation to determine an appropriate approach to disbursement consistent with the intent of the gift(s) and the beneficiary organization's need.

We are proud to manage agency endowments for a number of Whatcom County nonprofit organizations including: Bellingham Festival of Music, Bellingham Public Library, Brigid Collins, Ferndale Public Schools, Ferndale Band Boosters, Fragrance Garden, Lydia Place, Mount Baker Theatre, Nooksack Salmon Enhancement Association, Northwest Youth Services, Whatcom Counseling and Psychiatric Clinic, Whatcom Land Trust, Whatcom Museum of History & Art and Whatcom Symphony Orchestra.

By choosing to manage your nonprofit endowment through the Whatcom Community Foundation, you are helping to build healthy and vital local communities, while gaining access to world-class investment services and receiving support from an organization whose only business is philanthropy.

Please contact us if you are interested in setting up an endowment fund for your agency or learning more.