



Endowment Funds for Nonprofit Organizations

Providing grants is not the only way the Connecticut Community Foundation assists our community. Nonprofit agencies also turn to the Foundation for help in establishing Agency Endowment Funds. Although endowments are commonplace at universities and other large institutions, smaller nonprofits are often unfamiliar with building and maintaining their own endowments.

Endowment funds for nonprofits are accepted by the Connecticut Community Foundation pursuant to the following:

1. The purpose in establishing an endowment fund is to provide a permanent fund for the nonprofit.
2. The nonprofit's investment objectives are similar to those of the Foundation. The Foundation does not establish separate investment vehicles or provide different investment options for organization endowments. The agency endowment funds are pooled with all other Foundation funds for investment purposes.
3. A minimum gift is required to establish an endowment fund.

Once a fund is established, contributions of any amount may be added by anyone at any time.

The nonprofit continues to be eligible for grants from the Foundation's unrestricted funds. The assessment for such unrestricted grants takes into account all other possible resources. The assessment does not discriminate between endowments held at the Foundation or at other repositories. Only the annual payout or distribution amount, not the principal of the organization's endowment fund, is considered a revenue source to the organization.

DISTRIBUTIONS AND FEES

The Foundation calculates the payout or distribution amount annually as a percentage of the endowment fund's market value calculated under the Foundation's spending policy. This spending policy, reviewed annually by the Foundation's Board of Trustees, is based on historical data for an acceptable payout that will not erode the principal value of the endowment fund after inflation. The payout is percentage of the 12-quarter rolling average of the fund's market value. The amount distributed to the organization is the payout minus the investment management and administrative fees. Organization endowment funds are charged an administrative fee based on a sliding scale. This fee is waived for the first year and the fee amount is returned to principal. The investment management fee is the actual fee charged by the investment managers.

In any year, the organization may request up to an additional 5% of the fund's market value, valued as of January 1, as long as the total distribution does not bring the fund value below the total of the accumulated contributions.

PLANNED GIVING SERVICES

As holder of an agency endowment fund at the Connecticut Community Foundation, the nonprofit is eligible to participate in the Foundation's planned giving services including charitable gift annuity and pooled income fund programs. Under these programs, a donor may make a gift to the Foundation and receive a life income. The remainder of the gift upon the income beneficiary's death may be added to the organization endowment fund.