



fountain hills community foundation

FOUNTAIN HILLS COMMUNITY FOUNDATION LEGACY/ENDOWMENT FUND Part Two**

What is an endowment fund?

As mentioned in Part One of our informational packet, an endowment fund is a special fund that's invested for long-term growth and exists to support our mission, which is to build a legacy in Fountain Hills and the surrounding communities by investing in non-profit organizations whose work improves the lives of our youth, seniors, families and community and yours, now and in the future. It is in place to receive gifts and address a variety of future needs, beyond what our annual budget is designed to provide.

How is an endowment fund established?

An endowment gift agreement is written on behalf of the Fountain Hills Community Foundation and will contain all the appropriate elements as required by law and the Foundation in order to establish the endowment fund. You will be guided through this process by your Fountain Hills Community Foundation and the Arizona Community Foundation with whom we work.

Are there types of endowment funds?

Yes, there are two basic types of endowment funds:

First, there are Quasi-Endowments: Quasi-endowment funds are funds functioning as an endowment that are established by the Foundation from either donor or Foundation funds and will be retained and invested for a period-of-time rather than expended immediately. I.e. a person leaves a substantial amount of cash to the Foundation in their will without establishing how the donation is to be used and the Foundation establishes a quasi-endowment fund to hold the funds in "reserve" to be used in the future. The quasi-endowment must retain the purpose and intent, if specified by the source of the original funds, and the income may be expended only for those purposes. Otherwise the fund may be used to generally fulfill the mission of the Foundation. Since quasi-endowments are established by the Foundation rather than by an external source, the principal may be expended for the purposes stipulated by the Foundation. The Foundation Board must approve the establishment of a quasi-endowment and establish its purpose. **However, our primary interest will be in the second type of endowment.**

Second, there are Permanent Endowments: Permanent endowment funds are those which are intended to have a life for a specific period-of-time or a perpetual life. Only the income of the fund or a specific maximum percentage of the corpus of the fund may be expended during the stipulated time period or the perpetual lifetime of the fund. So, what are the differences using an example:

Specific Term Endowment: Term endowment funds have a built-in stipulation that either part or all of the principal may be restricted and used only after a pre-established period of time has passed, until the funds are depleted or until a specified event has occurred; the term depends on the wishes of the donor. I.e. you may establish a fund to support a specific program that will continue for say three years, which would be considered to be partially restricted, and then allow the funds to go into the general accounts of the Foundation to be expended as the Foundation deems appropriate.

Permanent Perpetual Endowment: Perpetual endowment funds are designed to continue forever and only the income or a specified percentage of the corpus or principal within the fund may be utilized by the Foundation. I.e. you may wish to support the future improvements made within Fountain Park and establish a fund, the interest of which can only be used for those Fountain Park improvements as approved by the Foundation Board.

A Permanent Perpetual Endowment can be further controlled by the Donor by allowing for additional stipulations regarding the use of the endowed funds when the funds are donated. The corpus of the fund is invested in perpetuity and only the interest or a specified percentage of the funds may be used by the Foundation each year. You can establish or contribute to a “non-restricted” or a “restricted” permanent endowment fund. Consider the following:

A **Non-restricted Permanent Endowment** is a fund established to be either for a specific term or to be perpetual that allows the Foundation to utilize only the investment return from the fund in any way that the Foundations feels will serve the mission of the Foundation. I.e. you donate \$100,000 to the Foundation as a non-restricted fund, which allows the Foundation to utilize a specific percentage of the fund as a part of its annual income to be used to fulfill the needs and mission of the Foundation. The donor does not place grant or use restrictions on the fund.

A **Restricted Permanent Endowment** is a designated fund which segregates certain monies that have been earmarked for a specific, limited use, often directed by a specific donor. The restricted fund is a reserve account that contains money that can only be used for specific purposes and are usually related to a particularly large donation. Restricted funds provide reassurance to donors that their contributions are used in a manner they have chosen. I.e. you donate \$100,000 to the Foundation as a restricted fund, which allows the Foundation to utilize a percentage of the fund to only financially support a specific field of interest that you may have, such as the ‘Environment’, or a specific program such as the “Greening of Downtown”, which is under the Fountain Hills Cultural and Civic Association [FHCCA] umbrella. The donor and the Foundation execute a signed gift agreement, which details the gift and its usage.

In addition to a non-restricted general endowment fund, the Foundation could announce the establishment of a restricted permanent endowment, which it would establish as a perpetual fund to benefit a specific charitable program, service or field-of-interest in order to benefit a specific attribute of our community and then request and accept donations to allow for the permanent funding. A donor with a desire to support the designated attribute/element, as determined by the Foundation, could donate to the endowment established by the Foundation as a specific, restricted, and permanent endowment.

What is a named endowment fund?

The fund is named through a cooperative endeavor between the Donor and the Foundation. The Foundation will decide on a minimum gift amount for a restricted or field of interest Named Endowment. I.e. if the endowment fund is designated for a specific purpose with estimated annual costs, such as a community event, the minimum gift amount must be adequate enough to provide the necessary annual distribution from the fund to support the event. Aspects of the fund are that:

1. A Named Endowment Fund is in perpetuity.
2. The donor (and friends or family members) may add to the fund in the future.
3. The recommended (minimum) gift amount will depend on the gift's designated purpose.

I.e. the Smith family may wish to establish a fund to fund to pay for having a professional chef present "eating healthy" classes for the public at the Fountain Hills Community Garden every month and requests that the fund be named "The Smith Family Fund". The segregated funds would be used to support only the named Community Garden educational program.

A Signed gift agreement between the organization and the donor is required for restricted or designated endowment gifts at or above the minimum gift amount. To ensure that the gift's purpose remains relevant in the future, language will be in the gift agreement such as: "In the event the designated purpose of this gift ceases to exist or becomes impossible, impractical or too difficult to administer at some time in the future, the Board of Directors retains the right to redirect the funds held in this endowment for a purpose or purposes as similar as possible to the original intent of the donor."

Can life insurance be used to establish a named endowment?

Yes, as outlined in Part One of the general Foundation guidelines for endowments, you can use life insurance to establish a named endowment or to add to an already established non-restricted general endowment fund or restricted permanent endowment fund. Additionally, a new endowment fund can be established upon receipt of the life insurance benefits as stipulated in an agreement between the Foundation and the donor.

I.e. you may purchase a \$100,000 whole life policy with the Foundation as the owner and beneficiary of the policy for the purpose of establishing the _____ fund to support your interests or you can transfer a current policy's ownership to the Foundation. You would be recognized for establishing a "planned" gift to the Foundation.

The life insurance policy must be guaranteed by the issuing life insurance company for the life of the insured donor and be considered permanent coverage. Any policy which provides guaranteed coverage until a minimum age of 105 or greater will be considered permanent.

What minimum monetary donation is required to fund an endowment?

The Foundation welcomes a contribution to its non-restricted endowment fund of a minimum of \$_____.

Your donation will become of part of the Foundation's General Endowment Fund and the returns from the investments of the fund will be utilized to financially support the goals and mission of the Foundation into the future.

The minimum required donation in order to fund a restricted permanent endowment is \$_____.

The minimum required donation for a term restricted endowment fund donation is \$_____, with any balance remaining after the term period going to the Foundation's General Endowment Fund.

The minimum amount of donation for a named endowment is dependent upon the anticipated cost to fulfill the desires of the donor and is determined jointly by the donor and the Foundation.

Over what time period can monies be donated to an endowment fund?

Donations may be made in a single lump sum of cash or other assets or over a period-of-time depending upon the desire of the donor. Additional options are available as follows:

For Multi-Year Pledges:

The agreed upon terms of donations are stated in the Foundation's acknowledgement letter. A reminder letter will be sent one month prior to the date the next payment is due.

For Monthly or Quarterly Pledges:

Acknowledgments for multiple-payment pledges through credit cards are acknowledged when the pledge is made. At the end of the calendar year, an accounting of the charitable gifts for the year will be sent from the finance department.

Will the donor receive public recognition?

All gifts are recognized in the annual report, in print and electronic newsletters, and on the website. Exceptional gifts may also be recognized at a public event or in a public venue, perhaps with signage or special print materials. For very large capital or endowment gifts, multi-year or permanent recognition may be given. The Board of Directors approves these recognition opportunities.

What type of endowment program is best?

The answer to that questions is up to you as the donor. A donation to our Non-restricted Foundation Endowment Fund allows the Foundation to use the income from the invested funds to best answer the needs of our community and fulfill its mission. It allows for complete flexibility in the distribution of funds depending upon the financial needs of our community at the time of funds distribution. However, if you have a specific interest, project or organization that is important to you, you can certainly restrict the use of the income from your donation to meet that need or satisfy that desire.

How often are funds from the endowment fund distributed?

Funds are distributed on an annual basis to the recipients. The time of the distribution during the year may be set by the Board of Directors of the Fountain Hills Community Foundation.

Who invests the monies in our endowment funds?

The Arizona Community Foundation holds and manages endowment funds for the Fountain Hills Community Foundation as well as hundreds of non-profits and offers expertise and large investment pools with all the related benefits of diversification. Such an organization can not only invest more effectively, its staff can assist members of our community who make gifts that are sometimes complex. With almost a billion dollars in assets under management, The Arizona Community Foundations offers investment diversification that is not available to the Fountain Hills Community Foundation with an endowment fund of a much smaller amount.

Charitable giving is an important goal for many. Although any form can be beneficial, proper planning of the when, what, and how can help maximize the donor's philanthropic as well as overall wealth planning goals. The rules regarding some of these strategies are very specific and complex. Therefore, individuals should consult with tax and estate planning professionals and the Foundation's gift planners before engaging in any charitable giving plan.

Additional:

It is always recommended that a donor discuss any substantial donation with their CPA and/or Attorney prior to making a final decision regarding "giving". The Foundation is happy to work with your professional advisors to make your gift meaningful to you and your family. The Foundation has attempted to provide information that is considered accurate as of the date written.

Our gift planners will help you design a charitable endowment contribution that works best for you. Just give us a call or visit our web site. Thank You.

For more information about The Fountain Hills Community Foundation contact:

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Our Web site FountainHillsGives.com

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**** The Fountain Hills Community Foundation, Inc. was formerly known as the Sunridge Foundation, Inc., which was formed in 1995 and has provided over one million dollars in financial support to our community. It is a 501(C)(3) non-profit organization [EIN: 86-0800268].**