



## Endowment Accounts Frequently Asked Questions

### **Why should we have an endowment fund?**

Stability is the main reason to have an endowment. Many nonprofits only think about the current fiscal year or the next payroll. It is important to move away from that short term thinking as soon as possible and plan for long-term sustainability. An endowment helps diversify your organization's income and reduces your dependency on annual campaigns, special events and traditional fundraising. Having an endowment can be comforting for donors too. An endowment sends the message to donors that you plan on being around for a long time.

### **How are the assets treated for accounting and legal purposes?**

Agency assets transferred to a reserve fund or quasi-endowment at YouthBridge are included on your balance sheet as an asset. These same assets are included on the YouthBridge balance sheet as an asset and offsetting liability. (Your auditor may choose to disclose the matching funds, if any, as a footnote on your balance sheet.)

A community foundation is not a bank, trust company or other similar financial institution. As such, we cannot hold assets that are owned by others. From a legal perspective, title is transferred to the community foundation and the assets are administered with the sole purpose of fulfilling the charitable intent of the fund. The document which establishes your fund governs our actions in the care, use and disposition of the assets. We have a fiduciary responsibility to consider the charitable intent and purpose of the funds and to act in good faith, with the care of an ordinary prudent person.

### **What is the oversight and governance of YouthBridge Community Foundation?**

YouthBridge was founded in 1877 and is governed by an independent board of directors. We are a corporation in good standing with the Missouri Secretary of State and qualified under Internal Revenue Code Section 501(c)3 as a nonprofit corporation. Our organization undergoes an annual audit by RubinBrown LLP. The YouthBridge Community Foundation Form 990 is available online and our annual audit is available upon request.

Our back office provider, Greater Horizons completes an annual SOC 1 audit.

### **Who has custody of the assets and do you outsource any of your services?**

The custodian for the pooled investment funds available through YouthBridge is National Financial Services, a subsidiary of Fidelity Investments.

YouthBridge uses an organization called Greater Horizons for back office administration and access to institutional quality, low cost pooled investment funds. Greater Horizons provides administrative support to community foundations throughout the country representing over \$2 billion in charitable assets and is a wholly owned subsidiary of the Greater Kansas City Community Foundation (one of the 10 largest in the U.S.).

### **What is the spending policy and will we have access to the principal?**

We recommend the agency open the account as a "quasi-endowment" which provides the most flexibility for the agency. As part of the documentation process when opening the account, your board sets the spending policy for the assets that your agency deposits. Although most endowment accounts are set up to distribute income only or a fixed percentage of assets, your board may choose to permit distributions of principal.

The spending policy for any matching funds, if applicable, is established by the YouthBridge Community Foundation board of directors.

**What is the minimum timeframe, if any, that our agency endowment funds must be kept at YouthBridge?**

The intent of the program is to encourage agencies to establish an endowment fund with a long term time horizon. There is no stated minimum time for the agency to leave its deposits at YouthBridge. Although there is no minimum time required to leave its money at YouthBridge, an agency will not be eligible to participate (or continue to participate) in the matching funds program if its behavior indicates they are manipulating the program simply in an effort to obtain the matching funds (with no intent of a long term partnership).

**How do we get a distribution from our endowment account?**

YouthBridge does not handle operating funds for agencies. Our distribution processing reflects the intended long term nature of endowment assets.

Your agency submits a written request for distribution signed by the authorized signers. Contingent upon how the original establishing document is written, a certified copy of the Board Resolution authorizing the distribution may be required.

Fund balances are updated monthly. Distribution requests must be received by YouthBridge 5 business days prior to month end and any distribution will be based on the month end Fund balance after the distribution request is received. Distribution requests received less than 5 business days prior to a month end will be held and processed in the following month.

**Is there a minimum for starting an endowment and what are the costs?**

Generally, the minimum to open an endowment fund is \$5,000; additional deposits are accepted for any amount. YouthBridge charges an annual administrative service fee in accordance with our published fee schedule. The administrative services fee currently starts at 0.50% of assets and **declines** as the assets get larger. Our minimum annual administrative fee for agency endowments is \$250.

Your fund will also incur investment expenses. The estimated investment expenses incurred when using the pooled investment funds preset asset allocation strategies are generally less than 0.15% annually. Your actual investment costs will vary depending on your investment strategy and underlying investments.

**How are the assets invested?**

Through our relationship with Greater Horizons, YouthBridge provides access to institutional quality, low cost pooled investment funds. Normally, agency endowment assets are invested in one or more of these pooled investment funds. The operating structure of these pooled funds is similar to common trust funds.

Your board or investment committee has the ability to create a custom asset allocation strategy for your endowment using the core funds available or to select one of the preset asset allocation strategies. If your board does not provide any guidance or recommendation on how the assets are invested, they will be invested in the preset asset allocation strategy called "moderate mix". (Information on the pooled investment funds is available on the YouthBridge website.)

An agency may recommend the use of an external investment advisor for accounts larger than \$50,000. All fees or expenses associated with the use of an external investment advisor will be charged to the agency endowment fund.

The designated, restricted funds (i.e., the matching funds) will be invested at the discretion of YouthBridge Community Foundation.

All investment recommendations from the agency must be reviewed and approved by our Finance Committee.

**Does YouthBridge Community Foundation provide investment advice?**

No. We are not a Registered Investment Advisor and do not provide investment advice.