



Endowment Policy

1. General Endowment Policy

- 1.1. **Policy.** Whatcom Community Foundation shall accept gifts to establish and hold perpetual endowment funds, for public educational and charitable purposes, subject to the intent of the donor expressed in a gift instrument, the policies and variance power of the Foundation as set forth in Treasury Regulations, 1.170A-9(e)(11)(V)(B), (C) and (D) and to the Uniform Prudent Management of Institutional Funds Act (the Act), as adopted by the State of Washington. Non-permanent funds are not addressed in this policy.
- 1.2. The Foundation will invest the assets of each Fund, in accordance with the Foundation **INVESTMENT POLICY**.
- 1.3. The Foundation will hold the principal of each endowment fund in perpetuity, disbursing income from the fund in accordance with the Foundation's **ENDOWMENT SPENDING POLICY** and the fund agreement.
- 1.4. **Authority.** The **ENDOWMENT POLICY** is approved by the Foundation Board of Directors. The Investment and Finance Committee, within the broad framework of policy set by the Foundation Board, shall have direct responsibility for the oversight and management of the endowment funds and for the establishment of investment policies and procedures.

2. Types of Endowment Funds. The Foundation will establish endowment funds in six broad categories

- 2.1. **Unrestricted:** the spendable portion of the fund may be used as the Foundation's Board directs.
- 2.2. **Designated:** to benefit one or more organizations, to whom the spendable portion of the fund will be disbursed annually.
- 2.3. **Field of Interest:** to benefit a specific field of interest, distributed to organizations selected by the Foundation within the specified field.
- 2.4. **Donor Advised:** the donor or designee may recommend grants to qualified non-profit organizations, subject to the approval of the Foundation's Board of Directors.
- 2.5. **Scholarship:** to provide scholarships for individuals to attend institutions of higher learning, using a process approved by the Foundation's Board of Directors.

- 2.6. **Quasi-endowments:** Unrestricted funds established by the Foundation Board of Directors as endowments. While quasi-endowments are established for the same purposes as perpetual endowments, any portion may be expended at the discretion of the Board.
3. **Minimum Endowment Amount.** The minimum gift amount to establish a new endowment fund shall be \$10,000.
 4. **Growth endowments.** An endowment may be established with an initial gift of less than the minimum endowment amount if there is a reasonable expectation that the minimum amount will be reached within a three year period. This expectation could come from a donor pledge or from a fund raising campaign as in the case of memorial endowments contributed to by many donors. In the event that gifts to the endowment fund do not reach the minimum within three years, the fund will be closed and the balance transferred to the Whatcom Community Foundation's Field of Interest Endowment that reflects the intent of the donors.
 5. **Fund Accounting.** Each endowment will include three separate fund balances: *principal, income* and *spendable*. Principal is used to hold gifts (*the corpus*) in perpetuity. Investment earnings (and losses) will be posted to income. Spendable will reflect allocations made from accumulated earnings in accordance with the Foundation's **ENDOWMENT SPENDING POLICY**. Amounts spent to fulfill the purpose of the endowment may only be spent from the spendable fund balance.
 6. **Endowment Investment Pool.** The Foundation's endowment funds will be invested in one or more common endowment investment pools and managed in accordance with the **INVESTMENT POLICY**. Individual endowment funds will purchase pro rata shares in the investment pool and investment earnings and losses will be allocated based on the shares held. When an endowment is established with a gift of a non-liquid, non-earning asset (e.g. real estate), that gift will be recorded in an endowment fund but will not be part of the endowment investment pool until it is liquidated, at which time the net proceeds will become part of the endowment fund corpus and will be invested with the common investment pool.
 7. **Spending Allocation.** Annually, a spending allocation will be made from income to spendable. The amount will be calculated in accordance with the **ENDOWMENT SPENDING POLICY** and will be recorded at the beginning of the calendar year.
 8. **Expenses.** An annual Administrative Fee will be charged to each endowment fund, according to the Foundation's **ADMINISTRATIVE FEE POLICY**. In addition, expenses associated with a specific endowment fund, including legal fees and commissions and/or fees for liquidation of non-cash gifts, such as stock or real estate, will be charged to the associated endowment fund.
 9. **Release or Modification of Restrictions.** The Foundation Board of Directors may consider the release or modification of restrictions of an endowed fund, upon the written request of the donor. Requests for release or modification of endowments established by a non-profit organization (Agency), must be approved by 2/3 majority vote of the Agency's board of directors in order to be considered. A release or modification may not allow a fund to be used for a purpose other than a charitable purpose of the institution.