

FREQUENTLY ASKED QUESTIONS ABOUT SIOUX FALLS AREA COMMUNITY FOUNDATION ORGANIZATION ENDOWMENTS

What is an organization endowment?

Sioux Falls Area Community Foundation specializes in helping neighborhood nonprofits establish and grow endowment assets. Generally, organization endowments are established by a nonprofit organization through the transfer of existing or new charitable assets; however, individual donors may also open endowments that benefit their favorite agencies.

Organization endowments are perpetual trusts. The charity receives a distribution each year that the agency's board of directors uses to meet ongoing expense or to fund special activities.

What is the difference between "agency" and "designated" endowments?

The key differences are who established the fund and who accounts for it under Generally Accepted Accounting Principles. SFACF classifies endowments established by individual donors on behalf of their favorite charity as "designated." In this case, SFACF carries the fund on its financial statements as an asset; the beneficiary does not.

Conversely, when an organization transfers its own assets to an SFACF endowment, the fund is classified as an "agency" endowment, and the organization is responsible for reporting the assets on its financial statements.

How are SFACF's assets invested, and who oversees them?

At SFACF, endowment assets are placed in a professionally managed, long-term investment pool. The pool's assets are diversified, and investment fees are low. SFACF's primary investment account holds up to 60 percent in domestic and overseas equities, 25 percent in fixed income, and 15 percent in other assets. The long-term investment pool has produced an average return of 9.1 percent over the past fifteen years.

SFACF's six-member Investment Management Team, which consists of board members and independent financial advisors, meets monthly to analyze market conditions and adjust SFACF holdings as needed. A larger Investment Committee — composed of donors and representatives from leading financial institutions — meets quarterly to monitor fund performance and recommend policy to SFACF's board.

How does SFACF calculate distributions from organization endowments?

To assure that an organization endowment is never depleted, SFACF distributes up to five percent of the average balance in the fund over the previous 12 quarters. In the long term, this grant distribution policy should maximize both the value of the fund and the value of the grants made from it.

What fees does SFACF charge?

SFACF's Board of Directors sets fees based on the cost of administering and investing its component funds. Currently, SFACF charges investment fees to each fund and assesses an annual administrative fee of 0.75 percent.

When appropriate, SFACF assesses individual funds to cover the cost of transactions directly related to gift liquidation, such as the sale of stock or real estate.

When can my organization expect to receive its annual distribution?

SFACF makes distributions from organization endowments each year shortly after the end of its fiscal year, June 30. Generally, organizations can expect to receive their checks by mid-August.

Is an organization required to take an annual distribution?

No. Organizations may forego annual distributions for up to five years.

How much will I need to establish an endowment for my organization?

Organization endowments may be opened with an initial gift of \$10,000. Agencies and donors with at least \$2,000 that agree to increase the fund to \$10,000 within five years may open builder funds.

Who can request distributions?

It is up to each agency to appoint a fund representative — generally, the CEO or executive director — who is authorized to request funds from an organization's SFACF endowment. In some cases, an organization will select another staff person to serve as SFACF's contact for endowment matters.

How will I know when a donor makes a gift?

Every time a gift is made to your endowment, SFACF sends a copy of the gift receipt to the contributions monitor. In many cases, the person appointed by the agency to serve as fund representative also serves as contributions monitor.

When does SFACF send fund statements, and how do I get one?

SFACF sends a fund statement to each organization on an annual basis. Fund statements detail gifts made to your endowment, who made the gift, and any disbursements that were authorized by your organization. Only fund representatives may receive, inquire about, or request additional copies of fund statements.

At an organization's request, SFACF will e-mail monthly fund statements to agencies interested in receiving updates more often. Fund representatives can contact development associate Tonya Dwire at tonyadwire@sfacf.org to sign up.

For other inquiries, contact SFACF's office at 336-7055. Choose extension 13 for CFO Paul Peterson or extension 10 for gift and grant administrator Vicki Swanson.

What other services does SFACF offer that might be of interest to my organization?

When your organization's endowment is with SFACF, donors may make gifts to you via credit card or through direct payments from their bank accounts. SFACF will process their noncash gifts of securities and real estate. Moreover, your donors have access to SFACF's Charitable Gift Annuity program and support if they choose to develop charitable trusts or charitable life insurance plans.

SFACF development staff will help your organization's leadership develop a strategy for growing your endowment assets and is happy to make presentations to your board or coach your staff and volunteers in endowment fundraising.

What can our donors expect from SFACF?

Every donor receives top-notch service from SFACF's professional staff. A recent survey of community foundation donors found that 99% are likely to recommend SFACF to a friend. A survey of fund representatives from local agencies with an SFACF endowment showed similar results— 98% are likely to recommend the community foundation. Both groups gave high marks to SFACF's integrity and professionalism.

How will SFACF recognize our donors?

SFACF recognizes all its donors — including those who contribute to organization endowments — in its annual report, newsletter, and other various publications. Donors of gifts of \$10,000 or more are recognized as permanent Benefactors to the endowment.



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