

Agency Fund Toolkit

The Alaska Community Foundation created this toolkit to support our agency funds in growing their endowments. This guide is not meant to supersede any decisions made by your Board of Directors or staff, but instead supplement your endowment campaign through information and education.

Set a Financial Goal

When your Board of Directors establishes an endowment goal, you are better able to measure your progress.

Personal Commitment

Research shows that growing an endowment works best when your leadership makes a personal commitment. Ask your Board of Directors to make a public pledge to build your endowment.

Celebrate Success

Consider using your quarterly fund statements as an opportunity to inform your supporters about the progress of your endowment campaign. Celebrate milestones as you work to reach your goal and communicate how your donors' dollars are being used to support your mission in our hometowns across Alaska.

Publicize

Although an endowment campaign is an important piece of your organization's overall sustainability plan, it should be distinguished from your other regular fundraising activities.

- Encourage your supporters to contribute to your endowment in addition to their regular donation. So include language in your marketing materials about leaving a planned gift or bequest.
- Consider adding a page to your website answering questions about your commitment to long-term stability for your organization.
- A single line at the bottom of a brochure communicates your commitment to being a good steward of your donors' dollars.





FAQ about Agency Endowment Funds

Why set up an agency endowment fund?

Having an endowment fund shows potential donors that the nonprofit is serious about its sustainability. It also provides a vehicle for a nonprofit's donors to make planned or legacy gifts. ACF can accept many different types of gifts for the endowment fund such as retirement accounts, gifts of real estate and stock transfers. See the Gift Acceptance Overview for more details.

Many donors are also more comfortable knowing that the nonprofit is not actively managing its endowment fund and is instead focusing on its mission while a professional third party oversees the investments and ensures that the endowment is not raided for new projects.

Can the nonprofit dissolve the endowment if there is an emergency and the funds are needed?

An agency can petition the ACF Board of Directors to dissolve their endowment fund, and return the assets to the nonprofit. However, such a request would only be granted in extreme circumstances. New leadership frequently questions the value of an endowment fund, preferring instead to use the funds for a capital project, new program or even general operating support. This policy protects the endowment, and the donors who give to it expecting that their gift to the nonprofit will be forever.

Is fundraising for an agency fund permitted?

Yes. We encourage nonprofits to let their donors know that they have an endowment fund with ACF. ACF staff is always happy to meet with a potential donor. For fundraising campaigns, please read the handout Fundraising Policy Summary.

When can a nonprofit start receiving disbursements from its fund?

Generally endowments can begin making grants after the first year. The amount available is calculated by the spending policy.

Do grants have to be made every year from an agency fund?

No. Many agency funds start small, with the intention of growing for many years before beginning to receive disbursements.

What happens if the nonprofit ceases to exist or runs into trouble?

If the nonprofit simply ceases to exist, the ACF Board would look for the next best use of the funds in keeping with the nonprofit mission. This could be transferring the endowment to another agency doing similar work, or establishing a field of interest fund for grantmaking in the same area served by the nonprofit.

How does a nonprofit ask for disbursements from their fund?

Fill out the Disbursement Request Form and return it to ACF or set up to have automatic annual disbursements. Requests can be submitted by mail, email or fax but a signature is necessary.



Building an Endowment

There are two ways to build an endowment for your benefit at ACF. Each method has unique accounting and legal guidelines.

Method 1: Gifts come from you, the beneficiary nonprofit agency

The assets are first held by you and then contributed by you to ACF for your benefit. You may contribute to the fund you've established at ACF from your reserves, contribute an internally-managed endowment fund, or fundraise specifically to build the endowment fund. If you raise funds using Method 1, you will maintain a closer relationship with your supporters by directing them to contribute directly to you. At the end of the campaign, you may contribute the net fundraising proceeds to the endowment fund you established at ACF.

In the scenarios described above, you are the donor to the endowment you've established and are subject to a very important accounting rule, FASB ASC 958-605-25-21, Revenue Recognition: Transfers of Assets to a Not-for-Profit Agency or Charitable Trust that Raises or Holds Contributions for Others. When ACF accepts a contribution from a nonprofit agency, such as yours, to a fund for the benefit of that nonprofit agency, this rule requires that these *contributions be presented as a liability on ACF's financial statements and as an asset on your financial statements.*

FASB ASC 958-605-25-21 only applies for financial statement presentation purposes. As the legal owner of all fund assets and contributions, ACF is dedicated to protecting and managing fund assets for your benefit now and forever. Because ACF is the legal owner of fund assets, the responsibility for reporting these assets and contributions to the IRS falls on ACF. Therefore, you do not need to include the agency fund assets on your Form 990.

We recognize that the FASB and IRS rules on this matter are in conflict. The Council on Foundations is attempting to persuade the Financial Accounting Standards Board to align the financial treatment for endowment funds with the legal treatment. Until then, we must all cope with this confusing situation.

Method 2: Gifts come directly to ACF from other donors for your benefit

The Alaska Community Foundation receives donations directly from individuals and businesses who wish to either establish or add to a fund for your benefit. Such contributions are called designated gifts. Designated gifts are an excellent way to build endowment funds to support you and your programs, and you may elect to ask your donors to give directly to ACF for your benefit. However, in order to insure that we meet our first priority of honoring every donor's charitable intent, all materials that solicit designated gifts to an endowment fund for your benefit should be reviewed and approved by ACF and should direct donors to make their checks payable to ***"The Alaska Community Foundation – (Name of Your Fund)."*** FASB ASC 958-605-25-21 requires that we account for designated gifts separately so, when ACF accepts such gifts, we establish a designated fund parallel to your nonprofit agency fund.

Designated gifts are not impacted by FASB ASC 958-605-25-21 and are therefore not reported on your financial statements or your Form 990.

For your convenience, ACF has consolidated quarterly fund statements for agencies that have received designated gifts and have also contributed to the endowment fund they established, but we will be transitioning to separate statements for agency endowment and designated funds by the end of the year.



Method 2: Gifts come directly to ACF from other donors for your benefit continued ...

Although we cannot provide guidance on your unique accounting requirements, ACF has detailed guidelines on accounting for agency endowments established at community foundations available. Please give us a call if you would like a copy. We encourage you to consult with your accountant or auditor if you have questions about how FASB ASC 958-605-25-21 impacts your financial statements.

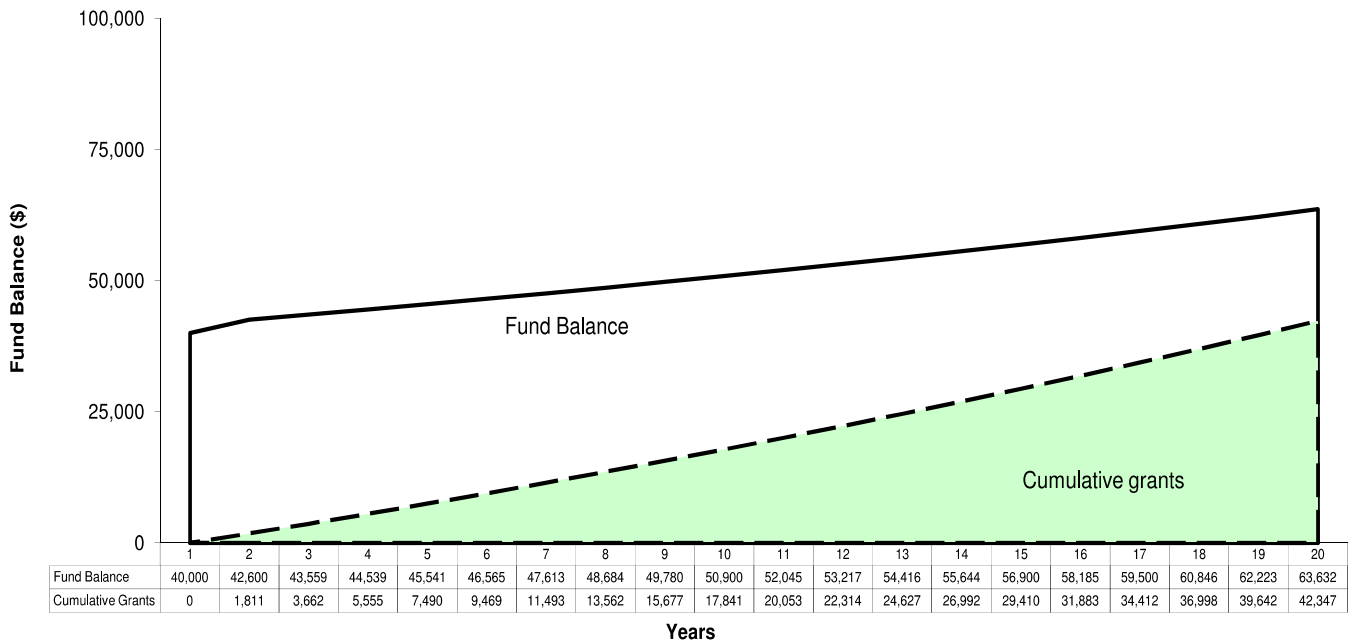
Legacy gifts are easily added to nonprofit agency endowment funds. We would be happy to provide you with sample bequest language that you can use to help your supporters with their estate planning, and we are always available talk to you, your Board, your donors, your auditor, or your accountant about ACF and community foundations.

Alaska Community Foundation
Fund Spending Scenario 1

January 6, 2012

Initial Balance	40,000 \$
Investment Return	7.0 %/yr
Retained Earnings	2.25 %/yr
Fees	0.5% %/yr
Spending Rate	4.25%

The assumptions of the Investment Policy are all realized in this Scenario: 7% average annual net return on investment and 4.25% annual spending from the fund. The fund is able to make larger grants each year and the fund balance continues to grow.





Sample Bequest Language

Through a bequest, your supporters can demonstrate an enduring commitment to your organization.

In addition to the recognition your organizations will provide, The Alaska Community Foundation will invite your donors to join our Legacy Society. Donors will receive recognition, now and in the future, that will encourage others to consider bequests as both a planned giving option and a way of giving back to their communities.

A bequest can easily be made by naming The Alaska Community Foundation – [your fund] as beneficiary. An outright bequest may be unrestricted, may add to an existing fund of the Foundation or establish a new fund. If a donor already has a will in place, a simple codicil can be written.

The following is sample language only. We encourage you to contact program staff at The Alaska Community Foundation and an estate-planning attorney to determine exactly which language is most appropriate to fulfill your goals for your charitable legacy.

I bequeath _____ (describe dollar amount, property to be given, or proportion of your residuary estate) to the [your fund], component fund of The Alaska Community Foundation (EIN# 92-0155067), a tax exempt organization under IRS Section 501(c)(3), for its general charitable purposes.

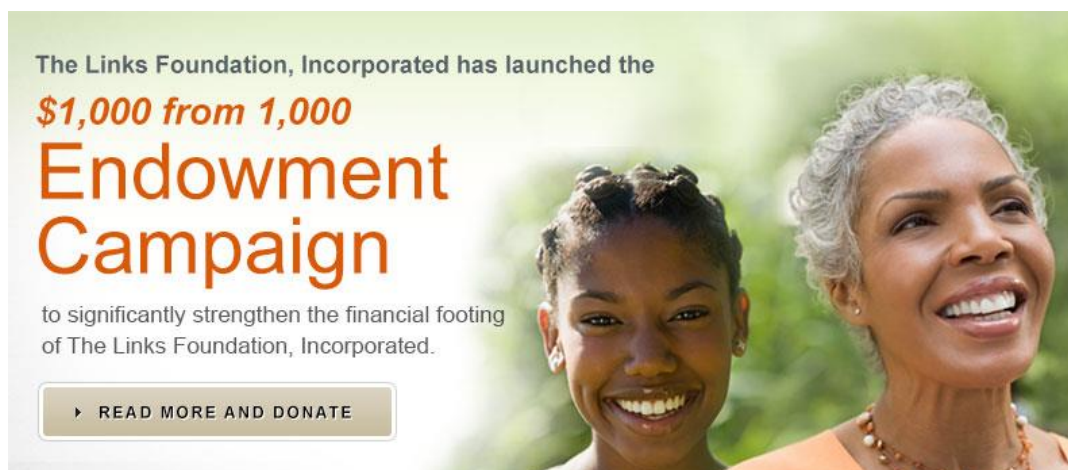


Sample Promotional Language

Consider adding promotional language about your endowment in your organization's email salutation, website, newsletters, and brochures.

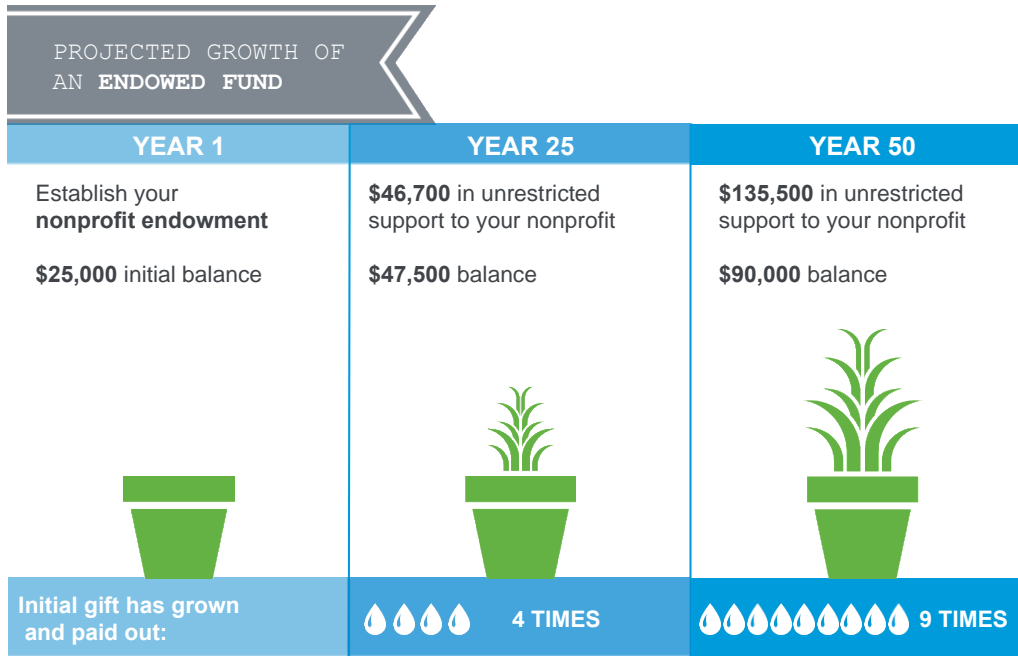
- In [date you established your agency endowment], we established an agency endowment at The Alaska Community Foundation to ensure [your organization] has a stable and sustainable future. Today, we are growing that endowment to ensure that our donors' donations continue to make a difference in our community forever.
- Your gift today will be invested by The Alaska Community Foundation and will earn returns every year from the moment you make it. That means, a gift of \$1000 today is a gift of \$50 every year in perpetuity to [your organization].
- Instead of only focusing on meeting our funding needs today, we are focusing on being here tomorrow. By establishing an endowment we are building a source of unrestricted operating revenue that will support [your organization] forever.
- We want to be thoughtful in the use of our donors' resources. Instead of spending our time managing investments and dealing with endowment administrative needs, we are [what do you do?]. The Alaska Community Foundation provides professional investment expertise, manages our endowment, files the tax returns and distributes the income from our endowment.
- Ensure [your organization] is here for the long haul. Consider making a gift to our endowment.
- Have you thought about leaving a bequest to [your organization]?

Sample Promotional Graphics

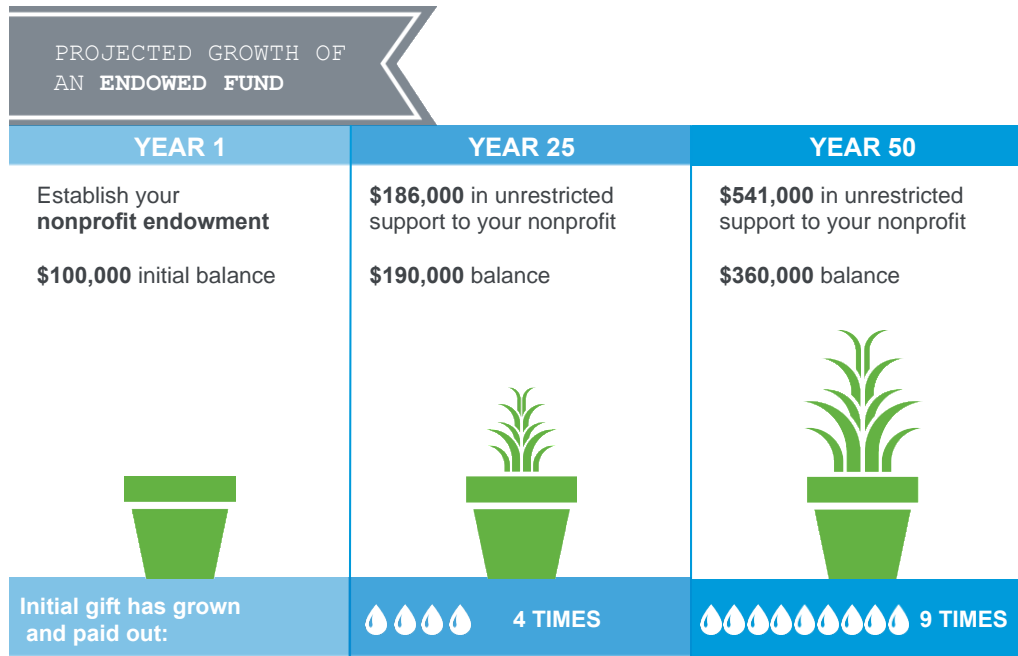




Sample Endowment Graphics



Assumes 5% annual payout and 8% rate of return



Assumes 5% annual payout and 8% rate of return



Fund Raising Policy

There may be times when you would like to organize a fundraiser to raise money for your endowment at The Alaska Community. ACF encourages you to fundraise for your fund and is here to help you navigate through this process as you work to grow the size and impact of your fund. This policy statement* has been developed by ACF to help guide you when planning fundraising events and solicitations. Direct mail and personal solicitations of gifts:

- Incorporate ACF's name and logo in fundraising materials for transparency.
- Fundraising materials should direct the donor(s) to make their checks payable to **"The Alaska Community Foundation – Name of Your Fund"**.
- ACF will not pay for any fundraising expenses without the prior approval of the fundraising budget as many types of funds prohibit these types of expenses/reimbursements. Events such as fundraising dinners, auctions and merchandise sales must be conducted under the fiscal guidance of ACF. Thus, the same guidelines apply as above, plus these additional policies as well:
- Any portion of the fundraising proceeds that results from the provision of goods or services (auction items, dinners, etc.) to the donor is not tax deductible and must be identified and valued prior to the event. If it is a ticketed event, the non-deductible value of the ticket price must be disclosed on the face of the ticket.
- Insurance coverage must be reviewed with an ACF Program Officer prior to the event.
- The event must comply with the State of Alaska Solicitation of Contribution Act. Please contact ACF staff for more information on compliance with this Act. Call ACF prior to your event for assistance, collaboration and most of all support! (907) 334-6700 or email marketing@alaskacf.org. *Excerpt taken from The Alaska Community Foundation – Fundraising Policy, approved by The Alaska Community Foundation Board of Directors on 08.09.2012. For more information, contact us at (907) 334-6700 or email info@alaskacf.org.

Additional Resources

Agency funds frequently asked questions. The Alaska Community Foundation. Retrieved August 27, 2014 from <http://alaskacf.org/agency-funds-faq>

Mark. Hager. (2006). Should Your Nonprofit Build an Endowment. Nonprofit Quarterly. Retrieved August 27, 2014 from <https://nonprofitquarterly.org/management/639-should-your-nonprofit-build-an-endowment.html>

Kathryn Miree. (2011) The growing importance of endowments. Philanthropy Journal. Retrieved August 27, 2014 from <http://www.philanthropyjournal.org/resources/managementleadership/growing-importance-endowments>