



## ENDOWMENT POLICIES AND GUIDELINES

### POLICIES

- I. Endowed funds are contributions to Anabaptist Foundation that are intended to be invested to provide long-term support to a particular nonprofit institution.
  - A. Contributions to the Endowment Program are irrevocable contributions to Anabaptist Foundation itself.
  - B. The Foundation has complete legal ownership and control with respect to amounts given it and with respect to the charities it chooses to support.
  - C. The Foundation may commingle contributions with those of other donors, and has complete investment power with respect to contributions.
  - D. Donors retain no legal power to direct the timing or amounts of distributions, or to require that distributions be made to certain nonprofit organizations outside of the scope of this program.
  - E. Donors may recommend that their contributions be placed in any one of the endowment program categories in existence at the time of their contributions.
  - F. The Foundation may create an endowment program category to benefit any nonprofit organization that would qualify for distribution of charitable funds under the Foundation's "Guidelines for Giving," as updated from time to time.
  - G. Donors understand that their contributions to this program are also governed by the Endowment Fund Agreement that the Foundation will create for each nonprofit organization which the Foundation permits to participate in this program and by other policies that may be established by the Foundation.
  - H. The intention of the endowment program is long-term support of an organization. In the event a recipient organization experiences an extraordinary financial situation, the Foundation may consider a disbursement of endowment funds beyond the scope of normal disbursements.
  
- II. Anabaptist Foundation shall create an Endowment Fund Agreement (EFA) for each nonprofit organization which the Foundation permits to participate in this program.
  - A. The EFA will be created by the Foundation which may rely upon recommendations from the participating nonprofit organization.
  - B. The EFA will state a singular purpose for which the nonprofit organization intends to use any disbursements that may be received from the Foundation. An organization may establish more than one endowment fund in order to give donors various options for supporting that organization.
  - C. The EFA shall govern various parameters of an endowment including:
    1. The minimum balance required before an endowment begins making annual distributions.
    2. The annual valuation date upon which the value of an endowment is determined for purposes of determining the annual payout.

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3. The payout rate of the endowment as either the annual interest yield on the principal of the endowment or a fixed percentage of the value of the endowment on its valuation date.
  4. The singular purpose of the endowment fund.
- D. The EFA shall contain a dissolution clause that shall govern distribution of remaining funds in event that either the Foundation or the nonprofit organization cease to exist or no longer qualify for distributions under the Foundation's "Guidelines for Giving." The recipient organization must name a beneficiary to receive remaining funds, and this beneficiary must qualify for disbursements under the Foundation's "Guidelines for Giving" and be a qualified 501c3 charity. The recipient organization may change this beneficiary at its discretion.
- E. The nonprofit organization agrees to make a copy of its EFA available to donors and its constituency upon request.

## GUIDELINES

For what purposes may an endowment be created?

1. An endowment may be created for the general support of a nonprofit organization. The proceeds provide annual support for the organization's operating budget.
2. An endowment may be created to support a particular cause or need at a nonprofit organization. For example, a school endowment could provide annual funds for a scholarship program or for supporting staff salaries.

What process is followed to create an endowment?

1. The nonprofit organization contacts the Foundation to express interest in an endowment. The Foundation responds with: a partially completed Endowment Fund Agreement, the Endowment Policies and Guidelines, a donor disclosure form, and a cover letter outlining what decisions the organization must make to complete the EFA.
2. The nonprofit organization completes the EFA and has it approved by its board of directors. The EFA is then forwarded to the Foundation along with a copy of the organization's I.R.S. tax-exempt determination letter.
2. Anabaptist Foundation reviews and approves the request.
3. Donors make tax-deductible contributions to Anabaptist Foundation and designate their contribution for the "\_\_\_\_\_ Endowment."
4. Anabaptist Foundation invests the funds within conservative Anabaptist circles. Payouts from the endowment are made in accordance with the EFA.

What minimum balance is required in an endowment fund?

1. Anabaptist Foundation will help nonprofit organizations set up an endowment

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without charge. No minimum balance is required to create an endowment at the request of a nonprofit organization.

2. If an individual wishes to create an endowment on behalf of a nonprofit organization, Anabaptist Foundation may require an initial contribution of \$10,000.00 to create an endowment at the request of an individual donor.
3. Generally, endowments make no payouts to the recipient organization until a minimum balance of \$10,000.00 is attained.
4. If an endowment fund falls below a balance of \$10,000.00, the payout is suspended until that balance again exceeds 10,000.00.

How are the earnings of the endowment and amount of payout determined?

1. The earnings and amount of payout are determined by the language of the Endowment Fund Agreement created for each organization.
2. The annual interest earnings of the endowment are compounded quarterly and governed by the investment policies of the Foundation.
3. Generally, endowments shall be valued once a year (valuation date) on the last day of the Foundation's fiscal year. Based on that valuation and the payout rate, a disbursement is then made to the recipient organization within two weeks of the valuation date.
4. The nonprofit organization may select either a fixed payout rate or a payout of the annual interest income of the endowment fund. While donors to endowment funds have the reasonable expectation that their gift is for long-term support of the recipient organization, the Foundation will permit an organization to choose a payout of up to 10% that may gradually reduce the value of the endowment (down to the \$10,000.00 minimum level for payouts).

What safeguards are in place to ensure that funds are used appropriately and with respect to the values of the donors?

1. Anabaptist Foundation will help craft the endowment documents to ensure that the purpose of the endowment is clear and will help the organization communicate that purpose effectively to its supporters.
2. Anabaptist Foundation acts as the independent, third-party trustee of endowed funds. The bylaws, board structure, and staff of Anabaptist Foundation are committed to the 1963 Mennonite Confession of Faith or earlier Anabaptist confessions of faith.
3. The recipient nonprofit organization is responsible to administer the use of the annually distributed funds.
4. Selection of a payout that gradually erodes principal makes it more likely that donor intentions will be honored by the recipient organization.
5. If a recipient organization no longer supports the 1963 Mennonite Confession of Faith or earlier Anabaptist confessions of faith, the Foundation, at its sole discretion, may make a full disbursement of endowment funds held for the benefit of that organization to that organization and then close that endowment fund.

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6. Anabaptist Foundation believes that perpetually endowed funds may not always serve the best interests of an organization or remain in harmony with donor intentions. For these reasons, the Foundation may encourage recipient organizations to choose a payout rate that slowly diminishes principal. As the organization remains worthy of support, future generations will replenish the endowment.
7. If a benefiting organization experiences extraordinary financial conditions which threaten its continued existence, the Foundation may, at its sole discretion, consider additional release of endowment fund principle to preserve the existence of the benefiting organization.

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