

A Discussion on the Model Endowment Program

Criteria for a Well-Managed Non-Profit Endowment

Such an endowment is to support the ongoing needs of the institution noted, in perpetuity.

The following are criteria that would normally be used in a well-managed, well-thought out endowment that is intended by the maker of the trust. Bequests implied, intent by most donors is for endowment. Assumed in perpetuity. It would also be the reason that the endowment was established. It is for people who want the organization to be supported infinitely into the future.

1. **Mission Statement**

States the purpose of the endowment

Formal statement approved by the institution and the trusts stating why it exists.

2. **Investment Policy**

An approved policy, well thought out, for the methods, focus and measurements to be used in recording the progress and the returns on investment.

3. **Spending Policy**

The manner in which monies will be taken out of the endowment. This normally reflects appreciation for inflation and growing the endowment through its own investments. Approved by the institution that controls the trust.

4. **Ultimate control of the trust and the funds**

Is the trust made up of operating board members whose operating policies could impose upon the deliberations of and the purpose of the trust? Is it totally separate in a stand-alone body that is not touchable by the operating board? Is a great majority of its members not represented by operating board members? Are the funds a part of the institution's balance sheet? Are they in 'restricted' or 'unrestricted' funds? Is there a specific policy both in the trustee and in the operating board requiring a super majority to invade principle? Or, under what circumstances can endowment funds be invaded? Is the trust management independent of the organization it serves?

5. **Policy on Bequests**

Is there a board resolution in place that states that all bequests can go to the endowment funds or does it take a specific direction of the bequest to note that it shall be given to endowment?

Examples of this are if its not designated, some boards take the position that it goes into board "undesignated funds". What is the amount of the institutions "undesignated funds" versus its actual endowment restricted funds where those funds are a part of the board balance sheet?

6. **Trust Contingent Exposures**

Is the trust and governing board restricted from borrowing money from the trust and/or using it as a guarantee for loans?