



Smilezone Foundation Planned Giving Program: Endowment Funds Overview

What is an Endowment Fund

Endowment funds are often referred to as the future lifeblood of any charity; providing for the long-term financial success of the organization, they are also a buffer in times of financial and/or fundraising reversals. Properly structured, endowed funds will take care of emergencies and they will help assure the continuation of certain important programs that may be difficult to fund from an annual appeal.

Typically, an endowment fund is a receptacle for gifts given in perpetuity. The capital of the endowment remains untouched, and only the income from the fund is used for ongoing programs and services. Usually, the fund is made up of a pool of unrestricted dollars (i.e. general endowments), as well as a number of individually named funds restricted for certain purposes. It is important to note that endowment funds differ from reserve funds, where the principal and the income may be expended by the charity.

Distinguishing features of a gift for endowment

- Donor has established an irrevocable gift that will provide the charity with a steady income stream beyond their lifetime.
- Donor receives an immediate tax receipt for the amount of the gift.
- Charity has received a gift of capital, which it will protect and place in its investment portfolio.
- The gift will provide an ongoing income stream in perpetuity to be used as directed by the donor.

A gift that keeps on giving

Endowment funds are very important for a charity as they supply a steady and dependable source of income. These funds have the potential of securing the financial future of the charity. Endowed programs are self-sustaining, well-rounded, and are not a drain on current financing. Without endowments, many programs would not be as full

and complete as they are. An endowment gift keeps on giving and will continue to provide financial support for years to come.

Important as a receptacle for donors' funds, endowments are also the means to fulfill the donors' wishes. Many donors often wish their gift to be preserved and used long after their passing, to create a lasting testimony, to assure support for their area of interest, and/or to make a statement of what is important to them. Often this can only be accomplished through an endowment fund.

Endowment funds are also useful as [almost any type of gift](#) can be placed into them:

- Outright gifts of cash or property
- Bequests
- Residual interest of a charitable remainder trust
- Residual interest where the donor retains use of a principal residence or other property
- Death proceeds of life insurance
- Cash value of life insurance
- The gift element of a gift annuity
- Proceeds received at maturity of a stripped bond
- Retirement funds designated for the charity.

Types of endowment funds

General Endowment Unallocated

General Endowment Unallocated is a permanent fund set up by the charity to hold gifts in perpetuity. The capital is retained [and only the income is used for the current work](#) of the charity. This is the natural receptacle for memorial gifts, and often undesignated bequests are automatically directed to this fund. Gifts of any size can be placed in this fund.

Specific Endowments Allocated

Functioning the same as General Endowment Unallocated, Specific Endowments Allocated differ in one way; they are established to [fund permanent ongoing programs](#) of the charity. For example, a hospital may set up such a fund to provide support for the neonatal unit. This fund could be used to provide special equipment, blankets, or supplies that might not otherwise be available from the hospital's regular funding source(s).

Named Donor Endowments

Similar to the above two, this is a permanent fund set up by the charity to hold a donor's gift(s) in perpetuity. The capital is retained and only the income is used for that particular program, as specified by the donor.

Named Donor Endowments are usually established only for some pre-set minimum amount. Ex. \$25,000 or \$50,000 to ensure enough annual revenue is available to fund programs and be administratively cost effective.

These funds are normally invested with the other endowments of the charity, but are separately tracked

If you would like to learn more about our Planned Gift Program or, are looking to leave a legacy, contact us;

Emily Kerr
(905)951-2978 ex. 313
ekerr@smilezone.com