

Designated Funds for Nonprofit Organizations

Donors have several options for creating endowment funds at the Hartford Foundation for Public Giving that will support grantmaking into the future. One such option is a **DESIGNATED FUND** which can be established with a minimum gift of \$10,000 to the Foundation. It is unique in that it allows the donor to name one or more nonprofit organizations to receive a distribution from the fund annually.

A **DESIGNATED FUND** is particularly appropriate if a nonprofit does not have the infrastructure to manage an endowment and can therefore benefit from the Foundation's investment, administration and oversight. In addition to establishing the fund, the Foundation will consult with the organization on its promotion of the fund to the public and their constituencies.

ADMINISTRATION OF THE FUND

An annual grant from the fund to the named organization(s) is approved by the Foundation's Board of Directors, and the distribution is currently made over the summer months. With approval by the establishing donor, the grantee organization may be provided with annual fund statements, reflecting the value of the fund, investment returns, gifts received, and grants made. The organization has the responsibility of keeping the Foundation appraised, and the donor(s) informed, of the use of the grants received.

The organization will receive distributions from the fund as long as it continues to carry out its stated charitable purpose. If the character of the organization changes so that it no longer serves its intended purpose, if it ceases to exist, or if it no longer qualifies as a charitable organization, the Foundation will fulfill the donor's intention by redirecting grants from the fund to a purpose as close as possible to the donor's original intent.

INVESTMENT POLICY

The Hartford Foundation Board of Directors and Investment Committee oversee the management of the endowment. Their goal is to preserve the endowment's purchasing power by achieving long-term investment results that exceed the Foundation's spending policy (the amount needed for grants and expenses) plus inflation. The Foundation seeks to balance expected risk and return, protecting tomorrow's assets while addressing today's needs.

The investment strategy is determined by the Foundation's Investment Committee. It considers past and expected future performance of available asset classes as well as investment strategies of other large community foundations, endowments and pension plans. The Investment Committee focuses on the market value results or "total return" of the endowment. Outside investment professionals selected and monitored by the Foundation's Outsourced Chief Investment Office, Cerity Partners, on behalf of the Foundation Board, and the trustee bank, manage the endowment.

SPENDING POLICY

The Foundation's spending policy and investment strategy are designed to work together to preserve the inflation-adjusted value of the portfolio over time. This protects the community from erosion of the "purchasing power" of the endowment, and frees investment managers to invest for long-term growth of the endowment. Thus, the Foundation avoids harmful fluctuations in the level of funding available for current grantmaking, and provides for investment growth to increase future grantmaking.

The Foundation uses a total return investment approach, with annual spending for funds set at 5% of the previous 20 quarters' average market values. This is subject to a floor of 4.25% of current assets, and a ceiling of 5.75% of current assets.

FEES

Administrative fees are calculated based on the principal balance of each fund and are charged directly to the fund. The administrative fee for a designated fund is 60 basis points* for a fund with a principal balance of \$1,00,000; 45 basis points for the second million; and 35 basis points for balances over two million. This fee covers services provided by the Foundation's staff such as grantmaking, grant processing and administration, management and accounting of gifts and funds. Since the fees are spread over a substantial asset base, the fees to any one fund are modest. The foundation takes pride in the fact that its administrative fees are among the lowest of all community foundations in the country.

Each charitable fund at the Foundation is charged an investment management fee calculated at a blended rate ranging from 85 to 90 basis points of the endowment portfolio average market value. The cost of the services of the professional investment managers retained by the Foundation represents approximately 65 to 75 of the total basis points. The remaining costs covered by these fees are the costs of custody of the assets, investment consulting services, and the administrative fees of the Trustee (if applicable to a given fund).

*A basis point is one one-hundredth of 1% (.01%)