

LAKE MINNETONKA CHAPTER, NATIONAL SOCIETY OF THE DAUGHTERS OF THE AMERICAN REVOLUTION ENDOWMENT FUND POLICY STATEMENT

Policy Guidelines for Establishing a Charitable Organization Endowment Fund

August 10, 2021

The Endowment Fund (the Fund) is a permanent fund at the Lake Minnetonka Chapter, NSDAR (the Chapter) which has a non-profit organization purpose or charitable purpose in the community. Whereas the Chapter has procedures current in place for managing funds designated for short term projects, the purpose of the Endowment Fund is to provide a vehicle for the development and management of endowment funds which will provide annual support for the organizations or charitable purposes in the community. The governing Executive Board of the Lake Minnetonka Chapter (the Board) recognizes three elements of an endowment fund:

- A Common Fund to which many donors can make contributions to establish and build permanent charitable support for an organization or charitable purpose.
- The Planned Giving program and Acceptance Policy which provides the best opportunity for enhancing the long-term growth of the endowment.
- Investment, Distribution and Usage policies which emphasize the preservation of capital, protection against inflation and a continued source of income to ensure that it will always be available to support the charitable purpose in the community for which it was established.

The Endowment Fund may be established with the minimum amount of \$10,000, or less with approval of the Board. The funds are to be placed in an investment account. All assets are legally part of the Chapter and not those of any agency that they may benefit. The Chapter maintains accountability for all financial transactions. The Fund accounting records shall be subject to the annual audit of the Chapter. Reporting, review and discussion shall be included in Board meetings on a regular basis.

The purpose in operating the Planned Giving program is to help the Chapter attract endowment fund contributors and to provide donors with the assurance that their endowment contributions will be safeguarded. The Planned Giving program commits to the donor that the contributions will be protected for the endowment of the charitable purpose intended. A sound Planned Giving program includes the annual publication of the results of Fund contributions, distributions, assets, and investment results. The Board commits that if the Chapter or a beneficiary organization or charitable purpose no longer exists or functions, the funds will be directed to a similar purpose in the community.

The Board will actively work with any donor interested in contributing to the Fund. The Acceptance Policy dictates that the contributions be in cash, although other contribution vehicles may be accepted upon Board approval. Contributions are not limited in amount. All contributions must be free of donor restrictions in an attempt to minimize the accounting burden that comes with restricted funds. Acknowledgment of each contribution to the Fund shall be sent to the donor. Memorial contributions are also acknowledged to family members.

All contributions are to be invested in accordance with the Investment Policy. The investment objective emphasizes preservation of capital, protection against inflation and a continued source of income. Investing should follow the principles of a balanced fund. Monies are invested across the asset classes, including bonds and a mix of low- to medium- to high-risk stocks. The investing should have a goal to produce both income and capital appreciation. Investment returns should seek 8% Annualized Total Return over the long-term (10 to 15 years). Annualized Total Return includes current income (dividends and interest), realized gains and losses on the sale of investment assets, and unrealized gains and losses on changes in market value.

The Distribution Policy allows for annual distributions made in an amount that permits the funds to be maintained over the long-term, typically 4% to 5% of account balance at the first of the operating year. Annual distributions may be waived upon Board approval citing motivating factors such as extreme decline in market value. Funds available for distribution will be determined by using a Total Return investment method. Administrative expenses may be paid from endowment assets or may be subsidized by the Chapter through Board approval. Aside from the annual distribution payout and administrative expenses, the principal shall not be invaded. The recipient of a distribution from the Endowment Fund may be the Chapter, a non-profit organization, or charitable purpose. A non-profit organization must be actively providing service to receive a distribution. Information regarding governance, financial performance, and program status may be a requirement before granting an award.

The Board declines to establish set rules in the Usage Policy and desires a broad application in its distribution strategy. Realizing that many factors influence priorities, the Board shall seek to distribute to such causes that are fitting of the times and in congruence with the mission and values of Daughters of the American Revolution: promoting patriotism, preserving American history, and securing America's future through better education for children.