Agency Funds

Agency funds are established by nonprofit organizations to provide long-term, often endowed, support to their own mission and operations, with investment and administrative support from the Foundation.

How an Agency Fund Works

1. The nonprofit establishes the fund with an initial contribution, names the fund, and sets its distribution preferences.

2. The Foundation manages and invests the fund, while the fund provides a stable source of funding for the nonprofit organization to achieve their goals and make a lasting impact.

Agency Fund Details

- The fund minimum is $10,000.
- Fees: Annual fund administration and management 1.25% ($250 minimum). Investment services fees are also passed along to each fund and are currently about 0.26%.
- The working relationship between the nonprofit organization and the Community Foundation is set forth in a fund agreement.
- Funds can be established with a strict spending policy to protect longevity or a spending policy that allows distributions from the fund's principal.
- The Community Foundation can accept complex or unusual assets at fair market value (e.g., real estate, closely-held stock, etc.).
- The Community Foundation handles all back office and administrative work, such as issuing checks, producing gift acknowledgment letters and fund statements, and filing required state and federal documents.
- For endowed funds, the distribution of a portion of the earnings is generally available to the nonprofit organization annually based on market performance, fund agreement language, and the Community Foundation's spending policy. Typically, distributions are around 4% of the fair market value of the fund over the previous 16 quarters.

Contact the Community Foundation's Staff today at 360.705.3340 to get started!

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Agency Fund Distribution Options

The Community Foundation offers multiple distribution options for nonprofits when establishing an Agency Fund. Whether your goal is to build an endowment or maintain a long-term reserve, we have solutions to align with your organization's financial goals.

Option 1: True Endowment

A true endowment follows the Foundation spending policy (currently 4%) for annual distributions. Gifts are irrevocable, and distributions from the principal are not permitted.

Option 2: Endowment with Spending Options

This option lets organizations request distributions above the Foundation's spending policy, using accumulated earnings. Distrtibutions from the principal are not permitted.

Option 3: Endowment with Access to Principal

Distributions exceeding the Foundation's spending policy are allowed. Principal withdrawals are permitted with Board approval from both organizations, offering additional flexibility to support long-term priorities.

Option 4: Non-Endowed

Provides the highest level of flexibility, allowing distributions on any amount up to the full fund balance.

Why Partner with the Community Foundation?

- **We are a local, community-based nonprofit organization** that supports and assists nonprofits with their work and inspires philanthropy in our region.
- **We are also a 501(c)(3), so our revenue goes back** to support our mission and our community.
- **Planned giving is our business**—we support your planned giving and help with the acceptance of complex assets including gifts of appreciated stock.
- **We free up your board and staff to focus on the mission** rather than on investment policies and management.

Frequently Asked Questions about Agency Funds

Why set up an agency fund?
An agency fund shows donors that you are committed to your long-term sustainability. It provides an easy and organized way for donors to contribute, including making planned or legacy gifts. By setting up a fund with us, you can focus on your mission while we handle the fund and investment management.

How will you keep us informed of the fund's activity?
We provide an annual statement detailing contributions, investment performance, administrative expenses, and fund balance for the previous year, available digitally in late February. You'll also receive digital quarterly fund statements, and printed copies are available upon request. Additionally, you can name up to three individuals from your organization to have access to an online Portal, where they can view real-time updates on your fund's balance, donations, and more.

When a nonprofit establishes an agency fund at the Community Foundation, which organization owns the contributed funds?
The Community Foundation is the legal owner of funds contributed to an agency fund, as required by law. While we hold legal ownership, these funds are considered "funds held for others," and we assume fiduciary responsibility for their management. This arrangement is clearly outlined in the fund agreement. For accounting purposes, FAS 136 requires the nonprofit to recognize a beneficial interest in the assets, but this accounting treatment does not affect the Community Foundation's legal responsibility.

How can my organization's Board ensure that establishing an agency fund aligns with its fiduciary duty?
The agency's board must determine whether transferring legal responsibility for the funds to establish an agency fund supports the organization's long-term financial health. In many cases, a board may find that this decision enhances the organization's sustainability by providing access to the Community Foundation's expertise in long-term asset management within a separate organization.

How should agency fund assets be reported on our financial statements?
Accounting standards (FASB 136) allow nonprofit organizations with endowments at a community foundation to recognize these assets on their financial statements. The Community Foundation records agency funds as both assets and corresponding liabilities, payable to the nonprofit, on its Statement of Financial Position.

Do you provide planned giving support?
Yes! We offer exclusive planned giving workshops for agency fundholders, provide helpful resources, and even meet with donors when invited by your organization. Additionally, we are founders and funders of Leave 10 South Sound, an initiative dedicated to encouraging and equipping more people to consider local planned giving opportunities.