

## AGENCY PARTNER PROGRAM

# Agency Partner Fund Types



**Capacity Funds:** \$2,500 to open new fund, \$1,000 minimum to maintain

Agency Partners are in the unique position of partnering with the Community Foundation of the Ozarks by establishing a **capacity fund**. These organizational funds are not permanent funds, but rather allow the agency flexibility in distributions. Capacity funds are completely liquid and can be withdrawn by the organization at any time. The primary reasons to consider such a fund are:

- **Capital campaigns:** As your organization raises assets for the purpose of the campaign, the money can be invested in a money market account or in the diversified fund and can be withdrawn either incrementally or in total, when the project or purpose of the campaign has been completed.
- **Reserve:** Organizations may have reserve funds that they do not need to access in the foreseeable future. Letting these funds grow in a capacity fund, while having total access to all or part of the money at any time, is a plus.
- **Earning:** Capacity funds have two investment options: cash or diversified. The cash option is FDIC insured and has a smaller return. The diversified option is subject to market risk, but the historical average return is more than 7.5 percent annually.

- **Accessibility:** Capacity-building funds keep assets fluid rather than tying them up in an endowed fund, which has a spending policy.

As stated in the fund agreement, all funds with the CFO are subject to the administrative fee of the CFO. As of July 1, 2018, the administrative fee for capacity funds is 1 percent annually based on the fund's balance; fee assessed quarterly. The fees paid for management stay local and are ultimately reinvested in the community.

**Endowment Funds:** \$10,000 to open, principal is restricted

**Endowment funds** also are managed by the CFO. This type of fund provides permanent long-term funding for an organization. The endowments are invested and intended to help sustain an organization for years. The historical average return on the diversified investment is more than 7.5 percent annually. The current administrative fee for endowments is 1 percent annually based on the fund's balance; fee assessed quarterly. Funds established with affiliate foundations may have additional fees, which could increase total fee to 1.15 percent. The CFO's Investment Advisory Board sets an annual spending policy that determines how much of the fund can be withdrawn in a given fiscal year.

### CAPACITY FUNDS VS. ENDOWMENT FUNDS

#### Capacity Fund

- Completely liquid
- Historic contribution spendable
- Minimum \$1,000 balance for distribution
- Temporary
- Investment choice: cash or diversified
- Can eventually become endowed

#### Endowment Fund

- Current 4 percent distribution policy in FY19
- Historic contribution never spent
- Minimum \$10,000 balance for distribution
- Provides permanent source of income
- Invested in diversified fund
- Always remains endowed

