

# OSCT ENDOWMENT INCUBATOR<sup>®</sup> PROGRAM

*Administered by Citizens Bank*

- **Eligibility:** Any public charity with minimum assets and a commitment to build an endowment.
- **Investments:** Citizens Bank serves as trustee and will manage the assets.
- **Structure:** Each participant will own a proportionate share of a pooled fund (the Ocean State Charities Trust Endowment Incubator<sup>™</sup> Fund) with the right to withdraw assets.
- **Reporting and Distribution:** Quarterly reporting. Investments are retained for reinvestment to build endowment or for distribution in accordance with the policies of Ocean State Charities Trust. Withdrawals from the Fund are permitted under policies of Ocean State Charities Trust.
- **Account Services:** The Relationship Account Manager at Citizens Bank will be the direct contact for participants regarding account questions. Citizens Bank will administer all transfers and withdrawals.
- **Educational Services:** Participants will have access to educational events sponsored by Citizens Bank that focuses on fiduciary responsibilities associated with endowment management and legacy fund-raising strategies.
- **Operation:** Ocean State Charities Trust is responsible for the overall program, marketing and enrollment of participants; and investment oversight. Ocean State Charities Trust in conjunction with Citizens Bank is responsible for the recruitment of new participants into the Fund. Citizens Bank will invest assets, answer participant inquiries, provide educational programming, and process contributions and withdrawals as requested by participants.
- **Fees:** 1% of assets

For complete information including eligibility requirements and policies, contact Ocean State Charities Trust.

## TRUSTEES

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# OCEAN STATE CHARITIES TRUST ENDOWMENT INCUBATOR<sup>®</sup> PROGRAM

*Helping agencies and organizations in the  
State of Rhode Island to enhance the quality  
of life for all Rhode Islanders*

# INTRODUCING AN INNOVATIVE PROGRAM TO ASSIST NOT-FOR-PROFIT ORGANIZATIONS TO BUILD THEIR ENDOWMENTS BY PROVIDING AN INVESTMENT PROGRAM THROUGH OCEAN STATE CHARITIES TRUST.

- Investment Management
- Educational Services
- Monthly/Annual Reporting
- 1% Fee

## THE PURPOSE OF AN ENDOWMENT

An endowment provides a source of funding in perpetuity and may be critical to non-profit organizations in order to realize their missions and achieve high quality programs. An endowment fund is typically created by an organization to ensure a permanent source of annual income for the operating budget or special projects. By definition, endowment funds are intended to remain invested and, over time, to be allowed to grow in a way that will preserve the buying power of the fund.

Endowments, generally, fall into two broad categories that characterize the nature of restrictions placed upon them:

### TRUE ENDOWMENTS

True endowments, sometimes referred to as permanently restricted endowments, are assets donated to an organization with the stipulation that only income (and possibly appreciated growth) is to be dispersed. The buying power of the principal remains inviolate in perpetuity. Restrictions may also have been specified by the donor upon the use of the endowment. Upon receipt of these endowment funds, an agency incurs a legal obligation to adhere to the donor's restrictions.

An organization is required by law to ensure that its true endowment is managed in such a way that the principal is not used in any manner that would diminish the buying power of the fund, such as withdrawals or excessive draws on the income and appreciated growth.

Typically, this results in an organization adopting strict rules governing its true endowment which include policies on investment and the prudent use of appreciated growth.

### QUASI ENDOWMENTS

Quasi endowments, sometimes referred to as unrestricted endowments, represent donations and other available funds which an organization's governing body has decided to retain as endowment and to utilize income from these funds in a matter similar to that of true endowments.

The distinction between quasi-endowments and true endowments is, then, that the organization's governing body may vote to expend all or some of the principal balance of the quasi-endowment at any time whereas the principal balance of the true endowment must remain inviolate in perpetuity and income and appreciated growth dispersed only in accordance with the donor's restrictions.

## BENEFITS OF AN ENDOWMENT PROGRAM

The result of a proper endowment program is that a donor is assured that gifts made to the endowment fund will benefit the organization for years to come. This permanence has the added benefit of encouraging donors to make gifts and grants to an organization because of the legacy aspect of their support.

## BOARD RESPONSIBILITIES

An organization's endowment should always be controlled by investment and spending policies of the governing body that use strict guidelines developed with the investment managers that are designed to insure the continued growth of the principal portion of endowment in order to maintain the spending power of the fund in perpetuity.

The governing body must also insure that true endowment income and appreciated growth is, as a first priority, always spent in accordance with any restrictions set forth by donors at the time of their gift or grant.

### Typically, endowment withdrawals are used to:

- Provide funds for a donor restricted use.
- Provide an organization safety net a) to increase funds available for emergencies and b) to protect organization operating budgets during economic downturns
- Provide income for special programs
- Provide a source of growth of operating dollars or for capital needs beyond or between fund-raising campaigns