



**YCF** Yavapai College  
Foundation

A Guide to  
**ENDOWED  
FUNDS**

“The greatest use of life is to spend it on something that will outlast it.”

— William James

## WHAT IS AN ENDOWED FUND?



An endowed fund is an enduring, self-sustaining source of funding to support the purposes specified by the donor. Endowment assets are invested for the long term. Earnings are distributed in accordance with the Yavapai College Foundation's endowment spending policy and consistent with the standard of prudence prescribed by the Uniform Prudent Management of Institutional Funds Act (UPMIFA) and the Arizona Management of Charitable Funds Act (AZ MCFA).

Earnings in excess of the annual payout are reinvested to allow for growth over time and as a hedge against inflation. As your endowment grows, so does the impact of the gift.



**50**  
YEARS  
EST. 1971

**YCF** Yavapai College  
Foundation

Established in 1971, the YC Foundation is an independent not-for-profit corporation. As the official philanthropic arm of the college, the foundation is entrusted with raising, managing, and investing YC's endowed funds.

## HOW DOES AN ENDOWED FUND HELP YAVAPAI COLLEGE?

Currently, only about 4 percent of Yavapai College's operating budget is state funded. Because state funding for higher education continues to decline, YC views building its endowment as critical to sustaining the quality of its academic, faculty, and student support programs.

In the 50 years since the YC Foundation was established, nearly 200 endowed funds have been created. Thanks to the generosity and foresight of our donors, these funds benefit Yavapai College students through scholarships, library resources, physical and technological improvements, faculty support, and a broad range of academic, athletic, and other student-focused programs.

For Yavapai College, its endowment will mean the difference between maintaining a great community college and becoming an extraordinary one.

The YC Foundation's philosophy is to think long term, making investment decisions based on growth objectives for the needs of the distant future.



## HOW DO ENDOWMENTS WORK?

**Endowments are an excellent way to establish a permanent legacy. A gift officer will work with you to create an endowed fund that will meet your philanthropic goals and the needs of the college.**

- The minimum level necessary to establish an endowed fund is \$25,000. A “growing to endowed” option is available; which allows you to reach the necessary \$25,000 over the course of three years.
- An endowment agreement will be created between you and the YC Foundation.

**That agreement will document the use and purpose of your gift.**

- Your fund will be invested in a pool with all the endowed funds that make up the YC Foundation endowment portfolio. Endowed funds are very diverse and provide a cash flow to benefit current students, faculty, and programs while preserving spending power for long-term viability.
- Each year, a percentage of your endowed fund's 28-quarter rolling average is distributed according to your endowment agreement. Earnings above the annual distribution and the 1.5 percent annual administrative fee are retained to maintain the fund's spending power.



Creating life-changing opportunities for our hardworking, dedicated faculty and students is our highest priority.

## HOW IS THE ENDOWMENT PORTFOLIO MANAGED?

The YC Foundation Finance Committee manages and oversees the endowment portfolio. This committee works with Vanguard analysts and advisors to assist in reviewing investment objectives and determining asset allocation. Vanguard also reports on investment performance to the Finance Committee and the YCF Board of Directors.

The endowment spending policy of the foundation is guided by the following objectives:

- Attain the highest possible total rate of return—including income and capital appreciation—commensurate with the appropriate degree of risk acceptable to the foundation.
- Provide growth of the market value of the principal in excess of the rate of inflation; and
- Generate a cash flow that helps meet the financial needs and funding priorities of the college, currently and over time.

Each endowed fund is pooled with all other endowed funds for more effective investment and management. A new fund is added to the pool in the month it is established. In such a pool, each endowed fund “owns” a share in the pool based on the fund’s size. Investment results and income are allocated to the fund based on its share of the pool. Although a fund’s assets are pooled, each fund retains its own separate identity and participates in the total return achieved by the pool.

## HOW DOES THE ENDOWMENT POOL WORK?



Endowments support scholarships, the libraries, academic programs, performing arts programming and student services.

## AN EXAMPLE

Unlike personal investment portfolios, endowment portfolios are designed and invested with forever in mind. In 1993, the YC Foundation received the first of many generous gifts to establish the De Rhoads Dolan Scholarship.

This fund began with \$25,000, but through the ensuing years a total of \$670,000 was given to build the fund's principal. 28 years after the fund was established, its market value has grown to more than \$1,000,000 from donations and investment performance.

Since its inception, the De Rhoads Dolan Scholarship has awarded nearly \$130,000 in student scholarships.

In the words of one of the De Rhoads Dolan Scholarship recipients, *"Without this scholarship, I would not be able to take the classes I need to get my Associate of Arts degree. I am 19 years old and I currently have three jobs; I work at a Shell gas station, I also work at the Family Enrichment Center as a sub in the Toddler A class. And I also work as a Residence Assistant in the Yavapai College dorms. My college experience has been filled with amazing educational adventures.*

*Thank you again for your generosity and support. Because of this generosity, I am able to take a huge step forward to my future and achieve my dreams. I hope that one day I can give back to future students, just like this scholarship has done for me."* -Madeline Carling

The impact of this endowment and others will continue. Forever.



In the final analysis, what really matters is what lies beneath, how the gifts entrusted to the YC Foundation serve Yavapai College's mission and strategic goals.

# WHAT IS THE ENDOWMENT EXPENDITURE RATE AND HOW DOES IT ALLOW FOR GROWTH?

The present expenditure rate, as set by the YC Foundation Board, is 4 percent of the moving average of the fund's market value for the twenty-eight preceding quarters.

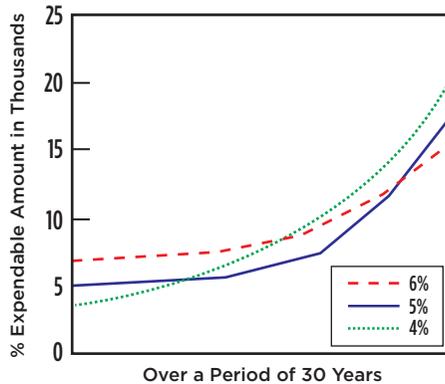
The expenditure rate is part of the endowment spending policy. Each year, the YC Foundation Finance Committee reviews the investment and endowment spending policies. All policies are subject to board approval.

In order to provide the same help to today's students as students many generations from now, we must maintain a balanced investment and spending strategy that allows for inflation and fluctuating market conditions over time.

In years when earnings are greater than 4 percent, the excess is invested to help grow the fund.

The graph below demonstrates how a lower rate of spending will, in a relatively short time, result in more money available to support the donor's purpose.

**Impact of Spending Rates over Time  
Comparing Different Spending Formulas**



## ARE THERE TIMES WHEN AVAILABLE FUNDS ARE NOT SPENT?

## COULD THE MARKET VALUE EVER FALL BELOW THE HISTORIC GIFT VALUE?

On occasion, funds remain unspent in a given financial year because:

- Funds are saved for greater impact in a subsequent year.
- There are no students who meet the criteria for an endowed scholarship.
- Funds grow over time, creating more opportunities for new initiatives. These initiatives require time to plan and implement.

Unspent funds are invested in the endowment to help grow the fund.

Preserving spending power for long-term viability requires investing a portion of the fund in equities. Given the ups and downs of the stock market, savvy investors understand that a snapshot of a portfolio at a given point in time could reveal a dip below the gift value. However, over the long term, equity investments are necessary for a well-balanced portfolio and have demonstrated the growth needed to achieve the donor's objectives forever.

## AN ALTERNATIVE TO ENDOWMENT: EXPENDABLE (ANNUAL) SCHOLARSHIPS

In contrast with endowed funds, expendable gifts are donations to the scholarship program made on an annual or one-time basis. As with endowed funds, selection criteria are permitted, such as major, hometown, class year, etc. You also have the opportunity to name the scholarship, providing a way to honor someone special in your life.

Expendable scholarship donors are encouraged to begin with a minimum annual gift of \$1,000. Typically, the entire amount will be expended in the year following the gift. To continue supporting a student, it will be necessary to make annual gifts to your scholarship fund.

### Expendable Scholarships

- Provide support to students for one academic year.
- Allow a donor to make an immediate impact on the lives of our students, and don't require a large or long-term pledge commitment.
- Can be renewed each year by the donor, or through a gift sufficient to cover several years.
- Annual student support is temporary and many times donors ultimately create an endowment to ensure that their scholarship is perpetuated.



# YCF Yavapai College Foundation

Prescott Campus  
1100 East Sheldon St., Prescott AZ 86301  
(928) 776-2025

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To find out more or to start an endowed scholarship at Yavapai College reach out to us!

[foundation@yc.edu](mailto:foundation@yc.edu) | [yc.edu/YCF](http://yc.edu/YCF)