Creating a Fund at
The Philadelphia Foundation

Five easy steps to creating a charitable endowment.

1. Decide When to Give. Donors may create funds during their lifetime, by will, or through a split-interest arrangement such as a trust or annuity that benefits themselves or their families as well as nonprofit organizations.

2. Decide What to Give. Almost any kind of asset can be used to start a fund, including cash, publicly traded securities, closely held stock, interests in limited partnerships and – with prior approval by the Board of Managers – real estate and tangible personal property. Gifts of long-term appreciated property earn tax deductions for their full market value. You can also create a new fund or add to an existing one with a charitable remainder trust or a charitable gift annuity.

3. Choose the Name for Your Fund. Most funds are named for the donor or the donor’s family, or as a memorial to someone special. Every grant from the fund will carry this name. Donors who prefer anonymity may choose to name their funds in such a way that recipients will not know who the original donor is.

4. Choose a Type of Fund. Donors may choose from six types of funds:

   - **Unrestricted Funds** give the Foundation the greatest flexibility to meet the region’s changing and emerging needs over the years.
   - **Field-of-Interest Funds.** Donors may prefer to specify a broad area of charitable interest, such as arts and culture or education, or a particular community or neighborhood within the five-county region to benefit from grants from their funds.
   - **Donor Advised Funds.** Donors who wish to remain actively involved in their philanthropy may make grant recommendations to the Board of Managers, which retains final responsibility for all distributions made by the Foundation. Donor Advised Funds operate similarly to a private foundation but offer more flexibility and greater tax advantages.
   - **Scholarship Funds.** Donors may endow scholarship awards to benefit a certain type of student or a specific institution, or to encourage study of a particular subject. Note: Special fees apply to scholarship funds. Please inquire.
   - **Designated Funds** benefit specific charities named by the donor when the fund is established.
   - **Organizational Endowment Funds.** Nonprofit organizations may create permanent endowment funds at the Foundation. The Foundation handles all administrative and investment responsibilities, freeing the organization to pursue its charitable mission.

5. Contact us! We’re Ready to Help You Begin Setting Up a Fund. Please call (215) 563-6417 or email donorrelations@philafound.org.

Frequently Asked Questions

What does it cost to create a fund?
$10,000 minimum, whether it is a non-endowed fund or an endowed fund.

How much money is available from a fund for annual grants?
Permanent (endowed) funds are subject to the Foundation’s spending policy, which determines the amount that can be distributed annually. That currently is 5% of the average fair market value of the fund, calculated over 20 trailing quarters. Of this amount, 4% is available for grant-making, and 1% (a minimum of $250) is for the Foundation’s annual administrative fee. The fee is calculated on Sept. 30, with the amount available for distribution the following January.

How is the spending policy determined?
The policy is determined annually by the Board of Managers. It is designed to allow funds to be invested on a “total return” basis to maintain and, when possible, increase the purchasing power of the funds, while at the same time provide both a relatively steady and predictable level of funding for our grant recipients.

What are the Foundation’s fees?
The current annual fee for most endowed funds is 1% (a minimum of $2,500) of the fund’s average fair market value calculated over 20 trailing quarters. Investment returns are net of fees. The Foundation also charges a gift processing fee — typically 1%.

THE
PHILADELPHIA
FOUNDATION

1835 Market Street, Suite 2410
Philadelphia, PA 19103
215-563-6417
www.philafound.org