



Frequently Asked Questions: Endowment Fund Policy

What is an endowment?

An endowment is a permanent gift that is invested in perpetuity with provisions to protect the original principal amount, thus providing sustaining support. The donor specifies how the endowment earnings can be used.

Why are endowments important to St. John's Health?

Endowed gifts are critical to the financial independence of St. John's Health because they provide support for the mission in perpetuity. As traditional sources of income including private and government reimbursement, property tax collections, grants and interest continue to face headwinds, a philanthropic based income source has become a strategic imperative to ensure funding for education, some critical services, and continued capital investment in the facilities.

How does an endowment work at St. John's Health Foundation?

The donor's gift is invested in the endowment investment portfolio. St. John's Health Foundation's minimum amount to establish an endowment is \$1,000,000. Endowments can be established through outright or legacy gifts such as bequests. An annual distribution from the endowment provides spendable funds from investment earnings that may be spent to carry out the donor's purpose. New gifts, long-term investment performance, and a prudent spending policy influence the growth of the endowment. The goal is to ensure that the endowed fund is nurtured to support the needs of future patients.

Can I endow my gift if it is less than \$1,000,000?

Absolutely. St. John's Health Foundation welcomes endowed gifts of all sizes when added to existing donor restricted (Behavioral Health, Nurse Education) or the St. John's Health General Endowment Fund.

Can I endow a fund through a Legacy/Testamentary pledge gift?

Yes – the Foundation would not be able to record the contribution until you have passed or if the pledge is irrecoverable. No spending will occur from the endowment until 6 months after cash is received based on current endowment policy.

Can I direct how my endowment gift is used?

Based on the Foundation's Gift Acceptance Policy, the endowment gift could be used to create a new endowment if \$1MM or more was given. Otherwise, the earnings are spent based on the current endowment agreements and cannot be directed by the donor.

Who will oversee my endowment in support of St. John's Health?

St. John's Health Foundation Board shall have the ultimate legal and fiduciary authority over the administration of endowment funds. The Board delegates day-to-day authority to the Finance and Investment Committee, Foundation staff, and their investment manager.

How are the endowment investments managed at St. John's Health Foundation?

The investment portfolio is reviewed on a quarterly basis by the Finance and Investment committee of the St. John's Health Foundation Board.

What laws regulate endowments?

The Uniform Prudent Management of Institutional Funds Act, adopted in Wyoming in 2009, guides St. John's Health Foundation endowments.

How much will my endowment provide to St. John's Health each year?

The spending policy is set by St. John's Health Foundation Board. The yearly distribution is based on a rolling annual three-year average market value. The distribution rate is 4%. A distribution is typically made regardless of challenging short-term investment performance so that St. John's Health has consistent support. For example, if the endowment was \$1MM, with a 4% spend, the potential spend would be at least \$40K or could be more if the market continues to perform well.

What do we do with earnings in excess of distribution?

Earnings in excess of the annual distribution rate are tracked separately from the endowment investment income. The excess earnings are then able to be used for spending in years when there are market losses as well as build fund market value.

What do we do when there are annual losses?

These are still tracked separately from the corpus with the investment income. This is where the earnings from prior years could offset the losses. As per our Endowment Fund Policy (5.3) SJHF does permit spending from underwater funds in accordance with the prudent measures required by law.

Can St. John's Health Foundation use endowment distributions in ways other than I have directed?

Yes, although not our intention. The following policy reflects the needs of our small rural healthcare system, that is independently governed and operated. As per the Endowment Fund Policy we have a modification of use policy. St. John's Health Foundation shall comply with the original use of an endowment fund restricted in the gift instrument. If the St. John's Health Foundation Board later determines, however, that the original use has become obsolete, inappropriate, impractical or not in St. John's Health's best interest, the Board may change the fund's use to best match the donor intent and SJH priorities.