

Endowment Building

WHAT YOU NEED TO KNOW



**COMMUNITY
FOUNDATION**
OF GREATER FORT WAYNE

AN ENDOWMENT? WHAT'S THAT EVEN MEAN?

An endowment can mean different things to different organizations. In short, an endowment is designed for permanency and long-term sustainability. This is typically achieved by preserving both the original contribution(s) and any subsequent contributions that are then invested for long-term growth. Generally these funds are held by a qualified nonprofit organization or foundations as designated by the original donor(s). An endowment can grow through ongoing contributions and positive investment returns. A percentage of the earnings are used to advance the organization's charitable mission.

WHAT IS A PLANNED GIFT?

A planned gift is any major gift, made in lifetime or at death, as part of a donor's overall financial and/or estate planning. In short, a planned gift is any gift to your organization that takes more than 2 minutes to process. These gifts provide ways for philanthropic individuals to support organizations through larger gifts than they could make from ordinary income. This includes anything from stock gifts to real estate, artwork to life insurance, estate plans to charitable gift annuities.



WHY AN ENDOWMENT?

1. The transfer of wealth is real.

By 2025, it is estimated that all of the members of the 'Greatest Generation' will have passed away. This is the generation that historically has given to both nonprofit operational funding as well as endowments. After this point in time, it will become much more difficult for nonprofits to raise money to support their endowments, and thus, their overall sustainability.

2. Now is the time to prepare for the future.

With the transfer of wealth comes a very sharp decline in endowment giving. Right now, bequest and planned giving is on the rise, indicating that long-time and major donors are primed to have conversations about their legacy, passion for your organization and impact on the community.

3. Government grants are unstable.

Just as budgets were slashed in the 1980's after federal funding booms, nonprofits today are currently experiencing waves of financial uncertainty with federal, state and local grants.

4. Tax laws have changed.

With tax laws changing for individuals it is more important than ever for nonprofits to cultivate their current donors to create more major gift opportunities. These opportunities will not only benefit the organization but also have tax benefits for individuals.

5. The number of nonprofits reaching out to your donors is increasing.

The most recent count of nonprofit organizations in the IRS Data Book shows a steadily increasing number of nonprofits. These figures do not include hundreds of thousands of churches and similar organizations that are not required to file for tax-exempt status.

HOW DO I MAKE MY ORGANIZATION FINANCIALLY HEALTHY?

When we look at financially healthy organizations, aside from the health of the operating budget, we look at three main pots of “savings.”

1. Cash Reserve

A cash reserve operates very similarly to your personal long-term savings account or “break- glass-in-case-of-emergency” fund. They are used to stabilize finances in the event of unexpected cash flow shortages, expense or losses. A commonly used reserve goal is 3-6 months’ expenses.

2. Board Designated (or Quasi) Endowment

A board designated endowment is one which is established by a board and used for long-term, opportunity or emergency use. These are typically held at local banking institutions and future boards may access as much or as little of the principal as they would like as set by the organization’s spending policies.

3. True Endowment:

A true endowment is one in which the principal of the endowment can never be accessed. These are typically held by Community Foundations or established by individual donors.

HOW BIG SHOULD AN ENDOWMENT BE?

A healthy endowment should spin off investments that equal 10% of your organization’s annual operating budget. Example: With an average spending rate of 4.5% a \$200,000 endowment would provide \$9,000 per year in unrestricted funding.

WON'T DONORS STOP GIVING TO US ANNUALLY?

No! If you have a compelling case for support as to why supporting both your endowment and your annual campaign are important, donors who feel passionately about your organization will be happy to support your sustainability.

WE BARELY HAVE TIME TO RAISE FUNDS FOR OPERATIONS, LET ALONE OUR ENDOWMENT!

Endowment building isn’t for all organizations! It truly depends on the life cycle and stage of your organization as well as your financial health and development resources. However, with this in mind, from the time an organization starts planned giving discussions with its loyal donors; the average time it takes to receive the first estate gift is between 3-5 years. The average size estate gift for mid-size nonprofits is \$40,000.

WHY THE COMMUNITY FOUNDATION?

While we realize that it is important for nonprofits to diversify their pools of funds, the only way to have a true endowment is housed at the Community Foundation of Greater Fort Wayne. This will ensure the long-term financial sustainability of your organization. When you open an Agency Endowment with the Community Foundation you will receive:

- 20% match on all gifts into the fund up to \$10k per calendar year
- Back office management of gifts, acknowledgments, reporting, etc.
- Unrestricted access to the online portal to see all gifts into the funds and fund statements
- Basic language on planned giving to incorporate in print and digital materials
- Free process of stock gifts into the fund and help with facilitation of other planned gifts
- Promotion in the ‘Gifts from the Heart’ end-of-year mailing
- Monthly fund statements
- Professional investment team and access to national investment advisors
- Free access to the Nonprofit Endowment Building Needs Assessment for your future growth plans
- Exclusive access to the Nonprofit Endowment Building Toolkit
- Access to challenge grant opportunities