GROWING AN ENDOWMENT FOR YOUR NONPROFIT

Why endowments are important in your fundraising strategy and how to engage donors, professional advisors and your board.



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YOUR PRESENTERS

Shelly Maharry, Executive Director Community Foundation of Johnson County

Michelle Beisker, Senior Vice President of Development Greater Cedar Rapids Community Foundation

Laura Booth, CFRE, Donor Relations Officer Greater Cedar Rapids Community Foundation Partnering with your local community foundation



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ROLES OF COMMUNITY FOUNDATIONS

- Connect Donors to Important Causes
- Create Legacies
- Make High-Impact Grants
- Provide Donors access to the Endow Iowa Tax
 Credit Program
- Build Community
 - Support for Nonprofit Organizations
 - Leadership on Important Issues

Endowment 101



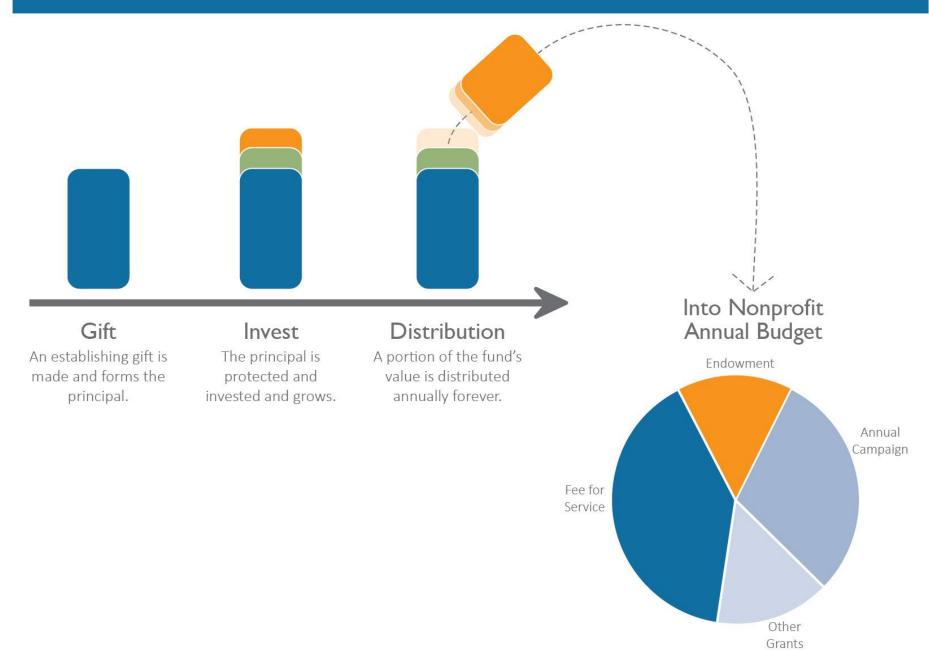
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WHAT IS AN ENDOWMENT?

- An endowed fund is a permanent fund that is established by a donor to help ensure the long-term sustainability of nonprofit organizations by providing a permanent source of support.
- At community foundations endowed funds are pooled and invested to achieve long-term growth by balancing principal protection with distributions. Contributions to endowed funds at qualified community foundations may be eligible for Endow lowa tax credits.

How an Endowment Fund Works



POWER OF THE ENDOWMENT

Assume an endowment fund earns a net total return averaging 7% annually and has a payout policy allowing a 4.5% distribution.

	Years											
	1	2	3	4	5	6	7	8	9	10	Su	mmary
Beginning Balance	-	10,550	10,668	10,786	10,900	11,014	11,129	11,245	11,363	11,482		-
Contribution	10,000	-	-	-	-	-	-	-	-	-		10,000
Grants	-	(462)	(468)	(480)	(485)	(490)	(496)	(501)	(506)	(511)		(4,400)
Investment Gains	700	739	747	755	763	771	779	787	795	804		7,640
Fee	(150)	(158)	(160)	(162)	(163)	(165)	(167)	(169)	(170)	(172)		(1,637)
Ending Balance	10,550	10,668	10,786	10,900	11,014	11,129	11,245	11,363	11,482	11,602		11,602

ENDOW YOUR ANNUAL GIFT

What if the endowment fund had been established 100 years ago?

The fund would:

- Distribute \$5,187 this year
- Have a current value of \$118,137
- Have distributed \$197,647 over the lifetime of the fund

How much impact do your Donors want to have 100 years from now?

TYPES OF ENDOWMENT GIVING

Gifts Made Today:

- Cash and Cash Equivalents
- Memorials and Honors
- Securities
- Real Estate
- Closely Held Securities
- Gifts of Grain
- Board Directed

Legacy and Planned Giving:

- Bequest
- Beneficiary Designation (Retirement Asset)
- Life Insurance and Life Insurance Beneficiary
- Charitable Gift Annuity
- Charitable Remainder Trust

GIFT TYPE: BOARD DIRECTED

What happens if you receive an unrestricted estate gift?

Through your Gift Acceptance Policy, your board can direct that unrestricted gifts be placed into your endowment fund.

Guidelines for the size and portion to be placed into your endowment fund can be determined in advance and provide parameters for future gifts.

Establishing these guidelines prior to receipt a gift allows your board to be strategic, rather than make a rush decision.

GIFT TYPE: RETIREMENT PLAN ASSETS

IRA ROLLOVER

A special rule made permanent by Congress in 2015 allows certain donors to use their IRA assets to make a "Qualified Charitable Deduction" without incurring income tax on the withdrawal from the IRA. Some limitations include:

- Donor must be age 70 ½ or older at the time the gift is made
- The transfer must be made from the IRA administrator directly to the charity
- Contributions cannot be made to a Donor-Advised fund, supporting organization or private foundation

GIFT TYPE: RETIREMENT PLAN ASSETS

With fewer taxpayers itemizing, donations from retirement accounts are looking better and better.

There are real benefits for older donors who give from their IRA accounts, but too few know about the option.

ENDOWMENT PROSPECTS

A donor is an endowment prospect if you can answer 'yes' to the following points:

- Has been in an ongoing relationship with the charity
- Has charitable interest
- Has money, stocks, property or other assets to give
- Has confidence in gift officer and the charity

IDEAS TO CULTIVATE PROSPECTS

- 1. Understanding the process (ability to give / affinity)
- 2. Discover and understand each donor's personality style, dreams and fears as it relates to the process
- 3. Set and achieve clear goals for each scheduled personal visit

Moves management refers to the process by which a prospective donor is moved from cultivation to solicitation. "**Moves**" are the actions an organization takes to bring in donors, establish relationships, and renew contributions.

LEGACY SOCIETIES

- Provides recognition for estate gift donors
- Minimum gift levels
- Roster and recognition
- Gift values
- Annual recognition
- Continued stewardship
 - New current gift or additional estate gift
 - If revocable, ensure gift stays with your organization

Please share your success story with donors



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PROFESSIONAL ADVISORS

Types of Professional Advisors:

- Attorneys (Estate Planning/Tax)
- Accountants
- Trust Officers
- Wealth Managers/Financial Advisors

WHY PROFESSIONAL ADVISORS ARE IMPORTANT

- Gatekeepers
- Independent advice to clients
- Prompt charitable planning conversation from tax perspective
- Potential resource for technical help

IDEAS TO CULTIVATE PROFESSIONAL ADVISORS

- Invite them to serve on your board or a committee
- Include a line on your legacy society form asking donors to identify their professional advisor
- Send a thank you note to the attorney/law firm when a bequest gift comes in
- Consider hosting a networking event for professional advisors
- Send a targeted newsletter
- Join a membership organization such as:
 - Eastern Iowa Planned Giving Council
 - Cedar Rapids Estate Planning Council

Please share your success story about a professional advisor partnership



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ENGAGING YOUR BOARD IN ENDOWMENT BUILDING

When to consider an endowment initiative:

- Clear mission and history of accomplishment
- Financial stability
- Adequate annual fund and donor base
- Committed present and past board leadership
- Time

ENGAGING YOUR BOARD IN ENDOWMENT BUILDING

Four Critical Steps:

- 1. Engage board in Mission
- 2. Engage board in annual and major gifts giving
- 3. Build understanding of endowments
- 4. Find a champion

RESOURCES

Cedar Rapids Estate Planning Council Jennifer Decker - jdecker@hoganhansen.com

Eastern Iowa Planned Giving Council www.eipgc.com

The Institute for Charitable Giving by Jerold Panas <u>www.instituteforgiving.org</u>

Community Foundation of Johnson County <u>www.communityfoundationofjohnsoncounty.org</u>

Greater Cedar Rapids Community Foundation <u>www.gcrcf.org</u>