

# GROWING AN ENDOWMENT FOR YOUR NONPROFIT

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



GREATER CEDAR RAPIDS  
**COMMUNITY  
FOUNDATION**



**Community  
Foundation**  
of  
**Johnson County**

# 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

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your local  
community  
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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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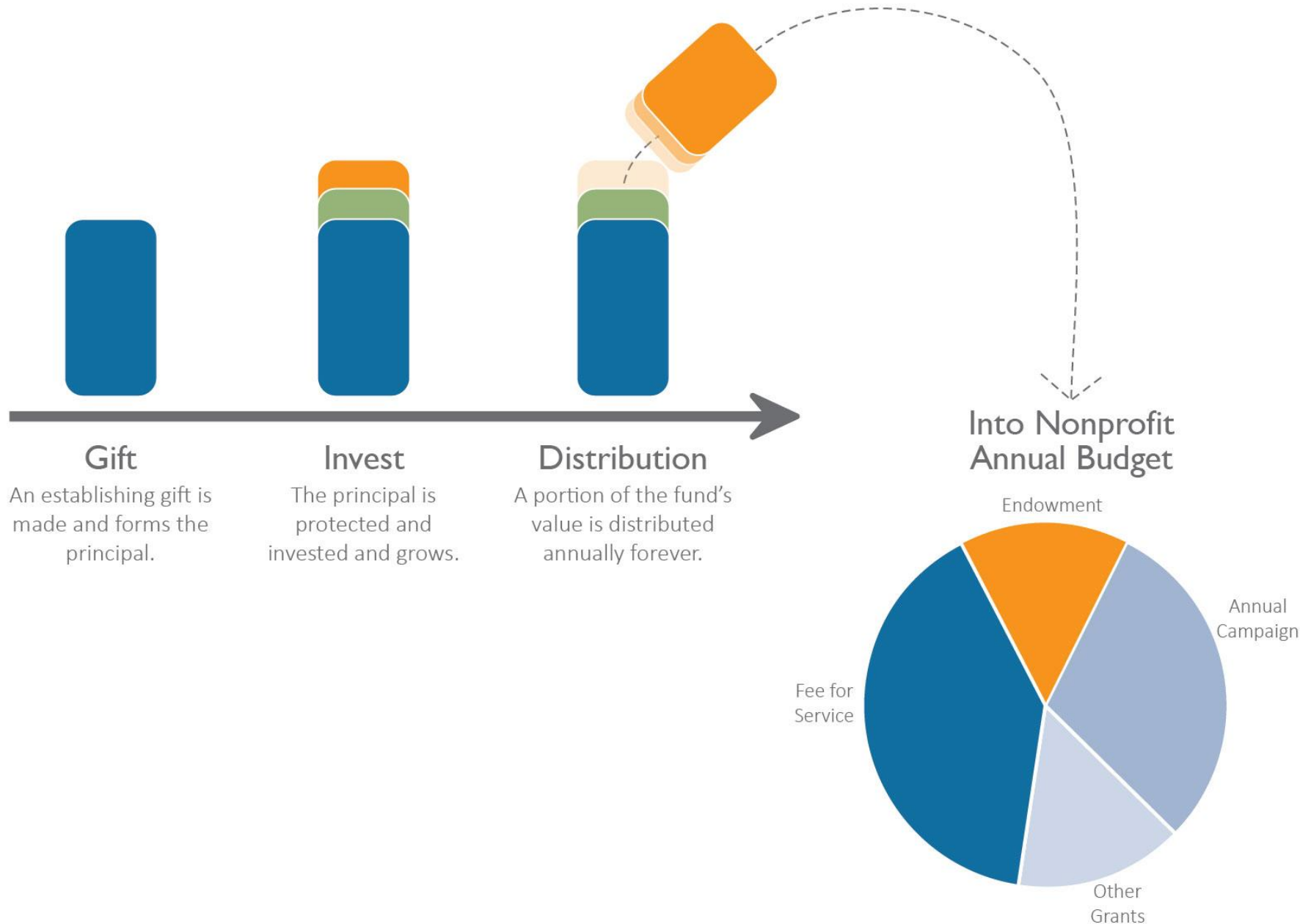


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# WHAT IS AN ENDOWMENT?

- 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 Iowa tax credits.

# How an Endowment Fund Works



# POWER OF THE ENDOWMENT

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

	Years										
	1	2	3	4	5	6	7	8	9	10	Summary
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)
- Charitable Gift Annuity
- Life Insurance and Life Insurance Beneficiary
- 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](mailto:jdecker@hoganhansen.com)

Eastern Iowa Planned Giving Council

[www.eipgc.com](http://www.eipgc.com)

The Institute for Charitable Giving by Jerold Panas

[www.instituteforgiving.org](http://www.instituteforgiving.org)

Community Foundation of Johnson County

[www.communityfoundationofjohnsoncounty.org](http://www.communityfoundationofjohnsoncounty.org)

Greater Cedar Rapids Community Foundation

[www.gcrcf.org](http://www.gcrcf.org)