

## Organizational Endowment Funds

### WHAT IS AN ORGANIZATIONAL ENDOWMENT FUND?

The Winston-Salem Foundation helps nonprofits plan for a secure future with annual operating support made possible through organizational endowment funds. These funds are permanent endowed funds established by a nonprofit organization, income from which supports the organization in perpetuity. Organizational endowment funds give nonprofits the opportunity to safeguard original investments, while creating a permanent stream of revenue for the agency. By partnering with the Foundation, organizations are able to keep the focus of staff and board resources on its mission, while leaving the investment management, complex estate planning services, and reporting/technical details to us.

### WHO IS IT FOR?

An Organizational Endowment Fund is ideal for organizations that:

- Have leadership and boards who share in the vision of creating permanent support for their mission.
- Have a healthy operating budget with resources in reserve.
- Have a broad base of support, are stable, and have a plan for long-term sustainability.

### BENEFITS OF AN ORGANIZATIONAL ENDOWMENT FUND:

- **Stability and responsibility:** Having an endowment with The Winston-Salem Foundation signifies to donors that the organization is serious about long-term financial security. The endowment offers a permanent income stream that can be distributed or reinvested, while offering assurance to donors that the principal of the fund will be protected.
- **Prudent investment management:** An organizational endowment fund enjoys the advantage of being invested in a larger pool of assets, which can lead to greater fund growth and increased income. Even modest endowments can enjoy the leverage and economies of scale usually reserved for organizations with multi-million dollar endowments. We add value to organizational endowment programs by offering an investment program that smaller nonprofits simply cannot afford to duplicate without substantial invested assets. The Foundation handles all investment management and oversight as well as accounting and financial reporting. Organizations have online access to fund statements showing fund balances, new gifts, distributions, and the amount available for distribution.
- **Planned giving expertise:** Foundation staff is available to work with donors and advisors on planned gifts to the organizational endowment fund. We also provide nonprofit development staff with educational opportunities via webinars and speakers focused on planned giving, at no charge.

- **Administrative support:** We provide all administrative and record-keeping support related to agency endowment funds, including gift acknowledgments, memorial/honor notifications and fund statements. Donors can make gifts to the organization for the endowment, or directly to the Foundation.
- **Effective use of charitable resources:** The organization enjoys the benefits of expert service for reasonable fees, easing administrative burdens so as to enable a focus on mission-related activities. We eliminate the need to design an investment policy, select an investment committee and fund manager, and monitor the fund manager's performance, which is time-consuming and drains resources.

## WHOSE ASSET IS IT?

The organizational endowment is legally owned and governed by The Winston-Salem Foundation on behalf of the nonprofit organization, and thus it is shown as an asset on the Foundation's Form 990. However, for financial statement presentation only, Statement of Financial Accounting Standards No. 136 notes that the nonprofit organization should recognize an asset, and the community foundation should recognize a liability. Each organization should consult with its own auditors to determine the best solution for its needs.

## FINANCIAL FACTS

- An organizational endowment fund can be established with a minimum gift of \$25,000.
- There is a 1% administrative fee for funds with market values below \$2.5 million and a declining fee for larger funds, based on the fund's prior quarter-end market value.
- The Foundation's total return spending policy dictates that 4.0% of the fund's trailing 12-quarter market value average be available for distribution to the organization. This method puts the focus on long-term growth in the distributable amount and creates a more predictable grant stream than an income-only approach.
- The principal of the endowment remains intact, in perpetuity.

## HOW TO GET STARTED

- Discuss an organizational endowment fund with your board to determine how much you would like to invest long-term. The Foundation's Philanthropic Services staff is available to meet with your board or other appropriate volunteers and staff.
- The Foundation will work with your organization to customize a Trust Agreement.
- The organization makes the initial contribution (minimum \$25,000).