



## Agency Endowment Fund Frequently Asked Questions

Through the Wisconsin Conservation Endowment, your nonprofit organization can establish an agency fund with the Natural Resources Foundation to provide permanent, sustainable financial support for your important conservation work in Wisconsin. An endowment fund provides a source of constant income, allowing your organization to grow and become sustainable in your operations, allowing you to make a deeper impact on Wisconsin's lands, waters, and wildlife.

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**Q. What is an endowment fund?**

- A.** An endowment is a permanent fund that is placed in an investment pool where it is managed for long-term growth. The principal value of the fund is preserved. Annually, a percentage of the fund's total asset value is distributed for the purposes the fund was established to support.

**Q. What is an agency fund?**

- A.** Agency funds are a type of endowment fund established by nonprofit organizations to support their operations and mission. Agency funds are permanent, and provide annual distributions to support your important conservation work. The Natural Resources Foundation holds agency funds specifically for conservation organizations in Wisconsin.

**Q. Why should we create an agency fund?**

- A.** Building a permanent endowment provides organizations with future stability that is not contingent on the success of current or future fundraising efforts. Because the principal value of the endowment is preserved over time, and only a percentage of the fund value is distributed each year, endowments provide a reliable, ongoing source of annual income, while demonstrating long-term financial stability for the organization.

**Q. Who can create an agency fund?**

- A.** Nonprofit organizations with 501c3 IRS designation can establish an agency fund with the Natural Resources Foundation. Individual donors have the option to create a designated fund to support their favorite nonprofit organization, or can make outright or planned gifts directly into an agency fund.

**Q. What is the minimum amount required to establish an agency fund?**

- A.** The minimum dollar threshold for creating an agency fund is \$15,000.

**Q. What is the administrative fee?**

- A.** The Foundation assesses an annual administrative fee of 1% on each fund. We have a sliding scale reduction for funds (0.9% for funds valued at \$250,000-\$499,999; 0.8% for funds valued at \$500,000-\$999,999; 0.7% for funds valued at \$1,000,000 or more). The fee is deducted quarterly from the fund, calculated as ¼ percent of the annual fee multiplied by

the average fund value over the prior four quarters. Our administrative fee covers our operational expenses related to the administering and managing the endowment, including:

- Professional investment services and oversight for the fund, and maintenance of fund financial records and accounting services.
- Receipt, deposit, and acknowledgement of gifts to the fund, and administration of future bequests to your fund (if applicable).
- Processing of annual fund distributions.
- Communications to fund holders, and generation of quarterly fund financial reports.
- Marketing exposure through website, newsletters, annual reports, and other communications.
- Professional fundraising advice and assistance to grow your fund.
- Third-party annual financial audit and filing of all applicable annual state and federal reports.

**Q. What is the investment fee?**

**A.** The investment management fee charged by TIAA is currently 0.37% and is applied to the entire portfolio of endowment funds.

**Q. What is the fee on annual distributions?**

**A.** No fees are assessed on the distribution of funds in the annual payout.

**Q. How is an endowment fund created?**

**A.** Your organization will work with the Natural Resources Foundation to finalize a fund agreement, which specifies contractual requirements, such as the fund name and purpose; the distribution schedule; and investment and administrative fees. Upon final signature by both parties and receipt of the minimum gift of \$15,000 required to establish the fund, the endowment is considered active. The fund will make its first distribution following a minimum one-year initiation period in either January or July, whichever is closest to the fund's creation date.

**Q. How is the endowment managed?**

**A.** Assets from all endowed funds are managed by TIAA according to the Foundation's investment policy with a passive management approach. The Foundation's investment committee regularly meets with TIAA's portfolio management team to review investment activities, performance, and market trends. The objective of the endowment is to grow the investments via long-term, gradual appreciation, to ensure an annual distribution while also adding long-term value to each fund.

**Q. Are dividends and capital gains distributed back to the fund holders?**

**A.** Any growth achieved by the investment portfolio applies proportionately to each endowed fund. For example, if a particular fund constitutes 4% of the total value of the Wisconsin Conservation Endowment, that fund will receive 4% of the earnings.

**Q. How do you calculate the amount available for distribution?**

**A.** Annually, a percentage of the fund's total asset value is distributed for the purposes the fund was established to support. Currently, the payout rate is 4.5% per year, and is calculated over a lookback period up to 12 quarters. The Foundation establishes the payout rate following the annual review of the endowment's long-term performance. This formula

ensures the ability of the fund to make distributions in perpetuity; to smooth out the available distribution amount during market fluctuations; and allows your agency fund and the distributions it makes to increase in value over time.

**Q. When can we withdraw distributions from the fund?**

**A.** You may choose to receive a distribution from your agency fund once a year, or not at all (annual distributions are not required). The allowable distribution amount will be communicated to you by a member of our staff, and you may communicate your preference in writing to that staff person. You may not withdraw more than the allowable payout rate, which is currently 4.5%. By choosing to hold your fund with a third party, this makes it a true endowment fund, meaning you cannot withdraw from the historic value of the fund (defined as the original gift and any additional contributions), unless such distribution follows the terms outlined in Wisconsin’s Uniform Prudent Management of Institutional Funds Act (WUPMIFA).

**Q. Can the funds be returned to the agency or transferred to another financial manager?**

**A.** Funds cannot be transferred to another financial manager or community foundation. As an endowment is, by definition, a “permanent, long-term” investment, our Foundation does not allow for fund assets to be routinely withdrawn by an agency. However, an agency may request an extraordinary distribution from the principal of the agency’s fund, subject to review and approval by the Foundation’s Board of Directors, provided one of the following conditions is met: 1) the distribution is for the purpose of enabling the agency to acquire or renovate a capital asset; 2) the group is faced with extraordinary financial needs that are not likely to reoccur, and the distribution will enable the agency to meet those needs.

**Q. What is the past rate of return on investments?**

**A.** Rate of return depends upon the global market and investment strategies. The table below shows each rate of return in recent year.

2011	2012	2013	2014	2015	2016	2017
-4.4%	11.2%	17.5%	5.6%	1.56%	8.75%	13.48%

**Q. How will you keep us informed of the fund’s activity?**

**A.** The Foundation provides quarterly reports to your agency, detailing the beginning and ending balance of your fund, as well as contributions, distributions, investment performance, and fees. Upon request, we can provide a quarterly report of donations listing individual contributors to the fund.

**Q. What would happen to our endowment if our nonprofit dissolves?**

**A.** If your organization is dissolved, loses its status as a qualified-exempt organization, or changes its purpose to be inconsistent with the Foundation’s mission, the balance of the fund shall continue to be held and managed by the Foundation, and distributions from the fund shall be applied to purposes the Foundation deems consistent with the agency’s original purpose of the fund, in order to preserve donor intent.

**Q. Who legally owns the fund?**

**A.** Per IRS regulation, agency funds are legally owned by the Natural Resources Foundation and are accounted for in accordance with the Financial Accounting Standards Board Accounting Standards Codification Topic 958. To comply with this standard, the Foundation records an offsetting liability for the fair market value of the agency nonprofit funds. Organizations report the fair market value of the fund as a “long-term asset held by others”.

**Q. How do we report the assets of our agency fund?**

**A.** Financial statement reporting for agency endowment funds is subject to Financial Accounting Standards Board Accounting Standards Codification Topic 958 (formerly FASB Statement 136). In general, the Foundation records the funds as an asset and a liability on its books. The agency should record the Fund value as a “long-term asset held by others”. The asset value would be equal to the value of the endowment as of the date of the financial statement. Contact our Development Director for further explanation.

**Q. How will the Foundation acknowledge gifts to our agency fund?**

**A.** Nonprofits may choose to receive contributions directly, and then forward some or all of those gifts to the Foundation in a single transfer. In that case, the Foundation will acknowledge the agency's gift and the agency, in turn, should acknowledge its supporters' gifts. Donors may also contribute directly to the agency fund, an approach particularly useful for gifts of stock or real estate, or more complex types of gifts. Gifts made directly to the agency fund will be acknowledged by the Foundation. Gifts can be made directly to the agency fund via check or [online donation](#) to the Natural Resources Foundation of Wisconsin.

**Q. How does the Foundation provide support for the endowment?**

**A.** We work with your staff and board to promote and grow your agency fund via:

- **Technical assistance**, including guidance, trainings and presentations to organizations' board and members on development topics, including how to establish and grow your agency fund.
- **Development tools**, including planned giving options for your donors, assistance with major donor stewardship, and facilitation of non-cash gift processing.
- **Statewide recognition and visibility** to Wisconsin's conservation community through our website, publications, news articles, social media, and more.

**Q. What other organizations have an agency fund with the Natural Resources Foundation?**

**A.** Click here for our List of Current Funds, which includes agency funds held by the Natural Resources Foundation.

**Q. Why work with the Natural Resources Foundation?**

**A.** Our mission is to provide sustainable funding for Wisconsin's most imperiled species and public lands, while connecting generations to the wonders of Wisconsin's lands, waters, and wildlife through conservation, education, engagement and giving. The Natural Resources Foundation is regarded as the lead, statewide foundation for conservation endowments. We bring extensive conservation and investment expertise, and currently hold endowments with many reputable conservation groups, including The Nature Conservancy, The River Alliance of Wisconsin, Friends of Wisconsin State Parks, and the Wisconsin Society for Ornithology, among many others. Many organizations find it advantageous to work with the Natural Resources Foundation because they benefit from the credibility that comes with partnering with one of Wisconsin's most respected conservation organizations, where major gifts and endowments are stewarded regularly, investments produce solid returns, and administrative fees go directly back to our shared mission of conserving Wisconsin's natural resources for future generations.

- **Wisconsin-based, conservation focus:** The Natural Resources Foundation is not affiliated with a larger, national organization; all of your contributions stay right here in Wisconsin. And because we are a conservation nonprofit organization, even your fund's administrative fee is put to work helping to protect Wisconsin's natural

resources. The Foundation shares your organization's conservation mission and has connections to a broad base of like-minded conservation experts and potential donors to your fund.

- **Long-term financial stability:** By creating a permanent source of funding for your organization, you are improving the sustainability of your organization, ensuring that you can work to achieve your mission long into the future. Endowment funds also attract donors who wish to ensure permanent, impactful support for your organization.
- **Low fees:** The Foundation uses passive investment fund management with TIAA. As a result, our investment fees are often lower than other fund managers that use active fund management. Because we are a conservation nonprofit organization, our low administrative fee of 1% goes right back to supporting Wisconsin's natural resources. Nonprofits can establish an agency fund with a minimum amount of \$15,000.
- **Professional financial services and competitive fund returns:** Our investment manager, TIAA, is one of the largest asset managers in the world. The Foundation's board and investment committee bring a wealth of expertise to the oversight and management of our Wisconsin Conservation Endowment, which has generated competitive returns across our investment portfolio.
- **Personal approach:** Our Foundation staff will work with you and your board on fundraising guidance, strategies, and advice on how to secure additional outright and future estate gifts to continue to grow your agency fund.
- **Recognition and visibility:** Your fund will be held by the Natural Resources Foundation of Wisconsin, a respected and trusted statewide conservation organization. You will join organizations such as Madison Audubon Society, the River Alliance of Wisconsin, and the Southern Wisconsin Chapter of Trout Unlimited, who have agency funds with the Foundation.

**Contact Us:**

If you have questions about your agency fund, or are interested in creating an agency fund, please contact our development director, Camille Zaroni, at (608) 264-8922 or [Camille.Zaroni@Wisconsin.gov](mailto:Camille.Zaroni@Wisconsin.gov).

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