



Wisconsin Conservation Endowment Frequently Asked Questions

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Overview

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 the Wisconsin Conservation Endowment?

A. The Natural Resources Foundation of Wisconsin provides individuals and organizations the opportunity to create permanent endowment funds for the conservation cause of their choosing, be it a specific land or waterway, wildlife species, or conservation organization, or to support the greatest conservation need in Wisconsin. Individual endowed funds are pooled together in our Wisconsin Conservation Endowment, which was created in 2006 and currently contains more than 100 endowed funds, totaling more than \$10 million in assets.

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.

- **Wisconsin-based, conservation focus:** The Natural Resources Foundation is not affiliated with a larger, national organization; all 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. Our staff's conservation expertise ensures that your fund will have a deep, lasting impact on Wisconsin's natural resources.
- **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. Endowment funds can be established starting at \$10,000.

- **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.
- **Recognition and visibility:** Your fund will be held by the Natural Resources Foundation of Wisconsin, regarded as the lead, statewide foundation for conservation endowments.

Creating a Fund

Q. Why create an endowment fund?

- A.** Endowments provide permanent sources of sustainable funding to ensure the long-term protection of our natural resources. The principal value of the endowment is preserved over time, and only a percentage of the fund value is distributed each year. Endowments serve as a perpetual source of funding and provide a reliable source of support for conservation causes and organizations.

Q. Who can create an endowment fund?

- A.** Individuals and organizations have the option to create a field-of-interest, designated, or donor-advised fund to support their favorite conservation cause or organization. Nonprofit conservation groups can establish an agency fund to provide permanent support for their operations and programs.

Q. How is an endowment fund created?

- A.** You will work with the Natural Resources Foundation to finalize a fund agreement – a legal document prepared by the Foundation's attorney - which specifies contractual requirements, such as the fund name and purpose, and eligible recipients. Upon final signature by both parties and receipt of the minimum gift 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 long does it take to set up a fund?

- A.** Setting up a fund includes opportunity for the fund creator/s to review and edit a draft fund agreement, as well as time for the Foundation to undertake due diligence steps. This process typically takes 2-4 weeks (occasionally longer, depending on the unique purpose and circumstances of each fund). A fund is considered established following the Foundation's receipt of the minimum gift to create the fund, and on the date the final fund agreement is fully executed. *If your fund needs to be established before a certain date, please let Foundation staff know as soon as possible. We will try to accommodate the required timeline.*

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

- A.** The minimum dollar threshold depends on the type of fund. See the table below for a description of each of the different fund types, and the minimum threshold to establish that type of fund. For all fund types except agency funds, an acorn fund option is available to

start a fund with minimum contributions of \$2,000-\$8,000 per year, until the threshold for the fund is reached. Sub-accounts cannot be established through an acorn fund.

Fund Type	Minimum Threshold	Description
Field of Interest Fund	\$10,000	Created to support the Natural Resources Foundation's priority impact areas: Public Lands and Waters; Wildlife; and Education. Distributions are made annually to support the purpose of the fund, towards the area of greatest need as selected by the Foundation.
Agency Fund	\$15,000	Created by a nonprofit conservation organization to support the organization's operations and programs. Distributions are made annually to the organization to support their operations or programs. Sub-accounts within an endowment fund can be established with a minimum gift of \$15,000.
Designated Fund	\$20,000	Created to support a specific conservation purpose. Distributions are made annually to support the purpose of the fund, as designated by the donor. Sub-accounts within an endowed fund can be established with a minimum gift of \$20,000.
Donor Advised Fund	\$40,000	Created to support a specific conservation purpose. Distributions are made annually to support the purpose of the fund, as advised by the donor.

Q. How will the fund be recognized?

A. The Wisconsin Conservation Endowment holds 100+ funds, with diverse purposes representing Foundation members' varied conservation passions. All funds are highlighted on our website, including the fund's name, purpose, creator/s, and year established. The Foundation also celebrates the creation of new funds by sharing them in our e-newsletter and our annual report. Funds featured in our newsletter and other communication channels are determined at the Foundation's discretion based on their alignment with our core mission activities or timely strategic priorities.

Fund Management & Growth

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. 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 years.

2013	2014	2015	2016	2017	2018	2019	2020	2021
17.5%	5.6%	1.56%	8.75%	13.48%	-5.57%	19.63	14.26	10.87

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). Administration fees will be applied to each sub-account individually. 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 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. How are the endowment assets classified?

- A. Every endowed fund has 3 asset classes, all of which accumulate earnings or losses until the money is physically taken out of the fund (i.e., a distribution): Historical Fund Balance (permanently restricted), Accumulated Earnings (temporarily restricted) and Unrestricted (this is the spendable allotment). Any gains or losses incurred after the spendable allotment is calculated and reclassified go into the accumulated (temporarily restricted) asset class for that fund.

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

- A. An individual donor cannot request a return of the assets, nor can funds be transferred to another financial manager or community foundation. For agency funds, 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 are options for growing the fund?

A. Fund creators have the option to grow their fund through additional outright gifts at any time and/ or through a future planned gift. Some fund creators ask their personal contacts to make gifts to their funds in lieu of traditional holiday or birthday gifts; memorial gifts may also be directed to a fund. Though the Foundation does not typically solicit additional gifts from other members toward a donor's endowed fund (with the exception of funds that are set up to support the Foundation's priority conservation programs) our members occasionally choose to make unsolicited gifts to endowed funds created by others.

Q. How will the fund be recognized?

A. The Wisconsin Conservation Endowment holds 100+ funds, with diverse purposes representing Foundation members' varied conservation passions. All funds are highlighted on our website, including the fund's name, purpose, creator/s, and year established. The Foundation also celebrates the creation of new funds by sharing them in our e-newsletter and our annual report. Funds featured in our newsletter and other communication channels are determined at the Foundation's discretion based on their alignment with our core mission activities or timely strategic priorities.

Fund Distributions

Q. How does the endowment make distributions?

A. Annually, a percentage of the fund's total asset value is distributed for the purposes the fund was established to support. Multiple disbursements may be made in any given year based on the amount available for distribution, but each disbursement must meet a minimum of \$500. The annual distribution may be rolled back into the fund if a distribution is not desired. No distribution will be made from an endowment if the value of the fund following distribution would fall below the historic dollar 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.

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

A. Currently, the payout rate is 4.75% per year, and is calculated by looking at the average fund balance over a lookback period up to 20 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 fund and the distributions it makes to increase in value over time.

Q. What is the fee on annual distributions?

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

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 one fund constitutes 4% of the total value of the Wisconsin Conservation Endowment, that fund will receive 4% of the earnings.

Q. What are the options for making a distribution?

- A. Depending on the type of fund, there are four options: 1) distribute the full allowable amount; 2) distribute a partial amount; 3) reinvest the distribution back into the fund; 4) accumulate the distribution for future use.

Reporting

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

- A. The Foundation provides annual fund reports to the donor, detailing the beginning and ending balance of your fund, as well as contributions, distributions, investment performance, and fees.

Q. When will we receive our fund reports?

- A. Foundation staff will mail your annual endowment fund report in February.

Q. What does the terminology in my fund report mean?

- A. Terms from the fund performance report are explained below:

Contributions – Non-Spendable: The sum of the contributions to the fund for the specified period. All contributions to endowed funds are permanently restricted – and therefore – non-spendable funds.

Investment Earnings: The amount of dividends and interest allocated to the fund for the specified period. Because the endowment funds are pooled within the Wisconsin Conservation Endowment, these amounts are allocated based on each fund's portion of the total investment account at the end of each month.

Investment Management Fees: The fee charged by the investment manager (currently TIAA) on a monthly basis. The fee is allocated to each of the endowed funds based on each fund's portion of the total investment account at the end of each month.

Grant Distributions: Distributions made from the fund for the specified period.

Endowment Administration Fees: Fees charged by the Natural Resources Foundation of Wisconsin for the administration of the fund. Fees are assessed on a sliding scale based on the fund's value.

Realized Gains/Losses on Investments: The cumulative amount of gains or losses on the sale of investments held with the investment manager over the specified period. These amounts are allocated based on each fund's portion of the total investment account at the end of each month.

Unrealized Gains/Losses on Investments: The cumulative amount of gains or losses of investments held with the investment manager that have not yet been realized (sold) in the specified period. These amounts are allocated based on each fund's portion of the total investment account at the end of each month.

Historical Fund Balance: The cumulative amount of contributions to a fund over the life of that fund.