



## **Agency Endowment Funds for Nonprofits Frequently Asked Questions**

Through the Wisconsin Conservation Endowment, your nonprofit organization can establish a nonprofit endowment fund (called 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.

If your organization wants to set aside savings as an endowment fund but doesn’t want to worry about how to invest and manage it, consider working with the Natural Resources Foundation. We can work with you to hold and manage your endowment, and offer professional management, quarterly fund reporting, and a low administrative fee of 1 percent, which can save your organization time and money, while allowing you to make a deeper impact on Wisconsin’s natural resources.

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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 a nonprofit endowment fund or agency fund?**

**A.** Nonprofit endowment funds (called “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.** A “qualified exempt organization” can create an Agency Fund defined as either: (i) a duly organized and validly existing nonstock corporation in good standing under the laws of the State of Wisconsin with full power to carry on its business and is a public charity exempt from taxation pursuant to I.R.C. § 501(c)(3), which is not a private foundation or a Type III supporting organization as defined in IRC §509(a)(3) ; or, (ii) a governmental unit as described in IRC § 170(c)(1). 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. Sub-accounts within an endowment fund can be established with a minimum gift of \$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). 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 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 long does it take to set up a fund?**

A. Setting up a fund includes opportunity for the fund creator/s to edit and review 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. How will the fund be recognized?**

A. The Wisconsin Conservation Endowment holds over 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.

**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 4.75% 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 agency fund and the distributions it makes to increase in value over time.

**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. 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 future planned gifts. Some fund creators ask contacts to make gifts to their funds in lieu of traditional holiday or birthday gifts; memorial gifts may also be directed to a fund. The Foundation does not typically solicit gifts from other members toward existing endowed funds (with the exception of funds that support the Foundation's priority conservation programs), but our members occasionally choose to make unsolicited gifts to endowed funds created by others.

**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.

**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 4.75%. 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 our organization?**

- A.** Funds cannot be returned to your organization, except under extraordinary circumstances. 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; or 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. Can the funds be transferred to another financial manager?**

A. No, an agency fund cannot be transferred to another financial manager. Please see the question above regarding extraordinary distributions from the principal of the agency 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 year.

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. 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. When will we receive our fund reports?**

A. Foundation staff will email your agency fund contact the quarterly fund reports. This typically occurs the third week following the end of the previous quarter.

**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.

**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. Once the donation is made, the Natural Resources Foundation has legal ownership over the fund. The agency maintains the asset on their books as a beneficial interest in assets held by others, and records the income as beneficiary investment income on their nonprofit books, which affects the accounting treatment of the funds, not the legal ownership.

**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. Assets that an Agency contributes directly to NRF for its Agency Fund can be listed as a "long term asset held by other" on the Agency's financial statements. Third party contributions to an Agency Fund, defined as gifts that other individuals or organizations contribute directly to NRF for an Agency Fund, are managed as part of the Agency Fund and are considered part of the Agency Fund's total fund balance when calculating the Fund value and annual distributions, but third party contributions need to be accounted for and reported on separately from Agency contributions to an Agency Fund. Gifts that others contribute directly to NRF for an Agency's endowment are NOT considered part of the Agency's assets. These gifts cannot be included on the Agency's financial statement as part

of your “long term asset held by others.” We encourage Agencies to tell their members and donors to direct donations for your Agency Fund to your Agency first, and then your Agency can transfer the asset to NRF. Gifts that you receive from others for your endowment fund that your Agency later transfers to NRF can be considered part of your “long term asset held by other” on your financial statements.

**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. See [www.wisconservation.org/ways-to-give/current-endowment-funds-list](http://www.wisconservation.org/ways-to-give/current-endowment-funds-list) 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 Director of Philanthropy, Marta Weldon, at (608) 409-3112 or [Marta.Weldon@wisconservation.org](mailto:Marta.Weldon@wisconservation.org)