

COMMUNITY FOUNDATION OF SOUTHERN WISCONSIN AND ORGANIZATIONAL ENDOWMENT FUNDS

Among the permanent funds managed by the Community Foundation of Southern Wisconsin, Inc. are many established by nonprofit organizations to serve as endowments to support their future operations. Some endowment funds begin with a modest gift and a commitment to reach \$10,000, which is the minimum required to establish such a fund; others have exceeded \$750,000. Most bear the organization's name or purpose.

Distributions are made at least annually from these funds to the designated organizations to be used by their governing boards to meet on going operating expenses.

Why should an agency consider entrusting all or part of its endowment funds to the Community Foundation of Southern Wisconsin?

Expertise

The Community Foundation has approximately \$35 million invested assets under management and close working relationships with the region's leading financial institutions. The Community Foundation has the professional staff, management experience, sophisticated board supervision and strong community commitment needed to manage endowments effectively, a combination that is available to few other nonprofit organizations.

Avoiding Obsolescence

Most of the funds the Community Foundation manages are permanent endowments. Our role is to ensure that the donor's wishes are carried out in perpetuity. Should the purposes for which a fund was established become obsolete, as in the case of a fund to benefit an organization that ceases to exist, the Community Foundation's Board is responsible for determining a comparable need, so that the fund still serves the community effectively, as originally intended.

A small organization, or a new one with an uncertain future, may find it difficult to attract endowment gifts. It is easier to do so with an endowment fund in the Community Foundation of Southern Wisconsin because the donor knows that their contributions will benefit the community forever.

Fund Recognition

The Community Foundation gives special attention to organization endowment funds on its website. In this way, potential donors throughout the community and our region are reminded of the importance of these funds as a means of fulfilling their charitable intent.

Fund Promotion

Although we are not able to devote substantial staff time to promoting contributions to an individual component fund, our experienced staff is available to counsel organization members in such matters. In our experience, organization endowments will expand to the extent that organizations devote time and attention to their promotion.

Investment Management

Because gifts from many donors are pooled in a common portfolio, much like a mutual fund, the Community Foundation can provide a diversified portfolio and low investment management fees.

The portfolio is managed for growth in market value, at least equal to the rate of inflation, so that the purchasing power of each fund is preserved. The Community Foundation's Asset Management Committee monitors performance of the investment managers.

Low Cost

Funds held at the Community Foundation are charged an annual service fee. We currently charge organization endowment funds 1.25% annually for staff services. Funds are allocated proportionate investment fees relative to the investment pool. The investment management fees are charged on a monthly basis.

Board Oversight

Typically, endowments are managed by the organization's own board of directors whose members may be inexperienced in such matters. All funds in the Community Foundation are governed by the Community Foundation's Board whose volunteer members are selected specifically for their capacity to manage funds in keeping with the original donor's intent and on behalf of the community.

Permanence

Most donors who make endowment gifts want to be certain that the principal they contribute will not be used to meet an organization's short-term needs. The Community Foundation provides that assurance.

Accountability

The Community Foundation is audited each year and a summary of the audit report is printed in the annual report. We will also provide organizations with regular financial reports showing the status of that endowment fund.

Are there other considerations?

Any organization that places endowment funds in the Community Foundation of Southern Wisconsin gives up control of these funds. They are no longer an asset of the organization but, instead, fall under the ultimate authority of the Community Foundation's governing board. Although the funds will be permanently committed by the Community Foundation to serve the organization's purposes, the organization will no longer be directly involved in management of the asset or its investment. This process does prevent such funds being considered assets available in liability, bankruptcy and other negative judgments.

Within reasonable limits, the Community Foundation is able to supply regular reports on the fund and its performance, but organizations should not expect the detailed attention and more costly reports, which might be provided by a financial institution managing the endowment as a separate unit.

Who can give to any organization endowment fund?

Anyone, who would like to, may give. The Community Foundation of Southern Wisconsin is a public charity, fully qualified to receive charitable contributions from individuals, corporations and private foundations, with all the tax benefits available under the law. Organizations often contribute surplus funds or bequest gifts to such funds, and individuals frequently contribute directly to the Community Foundation to support them. We acknowledge all gifts and the agency is promptly informed.

Can the Community Foundation use these funds for other purposes?

Yes, **but** only if it becomes impossible, impractical, incapable of fulfillment, unnecessary or inconsistent with the charitable needs of the community to direct the fund as originally intended. This means that the fund could be diverted by the Community Foundation for a variety of reasons. For example, if the organization goes out of business, loses its federal tax exempt status, turns from a nonprofit to proprietary institution, its purposes become outmoded or changed drastically, or if the organization decides that it no longer needs the fund's annual income, the Community Foundation Board would redirect the fund to serve a charitable purpose in the community, closely consistent with the fund's original purpose.

The Community Foundation of Southern Wisconsin considers effective management of organization endowments an important contribution to the strength of our region's nonprofit institutions. We welcome the opportunity to discuss these arrangements with organization managers, boards and financial advisors.



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