



MINNESOTA COMMUNITY FOUNDATION



THE SAINT PAUL FOUNDATION

# The Power of Endowment

Planning for the future of your nonprofit organization or community fund means planning for growth—and for a permanent, stable source of income. An endowment fund managed by Minnesota Community Foundation or The Saint Paul Foundation can be a powerful tool that enables a nonprofit or community fund of any size to have a greater impact every year than the year before.

**An endowment fund managed by Minnesota Community Foundation or The Saint Paul Foundation is a way to secure your organization's future no matter what its size. For more than 60 years, the Foundations have managed endowment funds for a wide range of nonprofits—from small, all-volunteer groups to multi-million-dollar organizations—throughout Minnesota.**

## **The power to take your fundraising to the next level.**

If your organization is small or just starting out, you probably already know that it can be difficult to attract endowment gifts. Setting up an endowment fund with Minnesota Community Foundation or The Saint Paul Foundation assures prospective donors that the use of their gifts will be monitored by objective, well-established philanthropic foundations—and that their gifts will be part of a fund that is intended to continue in perpetuity.

## **The power to make your money work harder.**

Creating an endowment fund at Minnesota Community Foundation or The Saint Paul Foundation provides access to a large investment pool that includes asset classes not otherwise available to small and medium-sized individual endowments. In addition, the economies of scale achieved by placing your fund with the Foundations—which manage endowment funds for more than 200 organizations and community funds statewide—mean that you will pay lower investment fees than you would if your endowment were managed independently.

## **The power to strengthen relationships with your donors.**

Minnesota Community Foundation and The Saint Paul Foundation have longstanding relationships with donors in every corner of our state. You may find significant overlap between your donor list and the list of people who have established Donor Advised Funds with the Foundations—so many of your donors may already have an affinity with us. Our professional gift-planning staff is available to meet with prospective donors and their advisors to help them establish a new endowment fund or contribute to an existing fund.

# The Power to Build a Strong Future

## What an endowment is...

An endowment fund uses charitable gifts to build an investment that is intended to grow and provide increasing income for your organization over time; its earnings flow back to your organization as annual income. Endowment funds are also referred to as “permanent funds” because they are intended to grow and grant charitable dollars for their defined purposes forever. Unlike contributions that donors earmark for spending on an immediate need, an endowment fund is designed to produce many times its original value as the years go on.

## ...and what it is not.

It is important not to confuse an endowment fund with an operating reserve. Every organization needs to maintain an active reserve fund that is readily available to meet cash-flow needs and unanticipated operating emergencies. It is also key to know that once your organization places an endowment fund with Minnesota Community Foundation or The Saint Paul Foundation, the organization gives up direct control of the fund so it can be managed by our expert team.

## Why choose the Foundations?

### Financial expertise and professional administration

Donors want to know that their gifts are going to an organization that emphasizes good business and investment practices. The Foundations’ sophisticated investment committee and expert asset managers ensure that your organization’s endowment fund is managed for growth over time. Our carefully crafted spending policy seeks to achieve an annual distribution for grants equal

to 5.5 percent of the fund’s average market value over the last 16 calendar quarters (but not less than 4.5 percent of the fund’s current market value nor more than 6.25 percent of current market value less administrative fees).

### Access to a high-performing portfolio

Permanent endowment funds are invested on a total return basis in a multi-asset endowment portfolio, which means that your fund’s dollars are pooled with others. That way, your money can be invested in higher-performing assets that are typically available only to the largest endowments, and you will pay lower investment fees than you are likely to find elsewhere.

### Support for your board and staff

Volunteer boards of directors can have varying degrees of financial expertise, and a board’s composition typically changes over time. Not only do the Foundations provide consistency and continuity in the management of your endowment fund, but we also free your board and staff from recordkeeping and administrative tasks so they can focus on donor outreach and on your organization’s mission. The Foundations’ expert gift planners are available to help craft giving plans for prospective donors. Plus, you have access to our best practices, publications, communications network and workshops for board members and staff—all of which can help you build your organization’s endowment much more quickly than you might be able to achieve on your own.

**“The revenue that Children’s Home Society & Family Services receives from our endowment is central to our work. It is a safety net in tough economic times, a cushion for key programs when other donors’ priorities change and seed money for innovative new programs that address changing needs in our community.”**

— Madonna W. King  
President and CEO, Children’s Home Society & Family Services, Saint Paul

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**Donor-initiated endowment funds** are established with gifts from individuals.

**Organization-initiated endowment funds** are established by organizations for their own benefit and can be used for unrestricted support or for restricted purposes.

	DONOR-INITIATED ENDOWMENT FUNDS		ORGANIZATION-INITIATED ENDOWMENT FUNDS			
	Designated Fund or Designated Fund with Restrictions	Designated Education Funds	Standard Nonprofit Endowment	Nonprofit Endowment with Termination Clause	Nonprofit Endowment with Conditional Access to Principal	Nonprofit Endowment with Conditional Access to Principal and Termination Clause
Minimum Fund Size	\$25K	\$25K	\$25K	\$250K	\$250K	\$250K
Features	Benefits one or more specific organizations. Permanently held at the Foundations.	Benefits a specific educational institution for scholarships. Permanently held at the Foundations.	Permanently held at the Foundations.	Retain board's ability to terminate fund and request its assets back.	Retain board's ability to request additional amounts above the spending policy. Permanently held at the Foundations.	Retain board's ability to request additional amounts above the spending policy, and to terminate fund and request its assets back.
	.7% of first \$1 million; .35% thereafter Minimum fee: \$250	.7% of first \$1 million; .35% thereafter Minimum fee: \$250	.7% of first \$1 million; .35% thereafter Minimum fee: \$250	1% of first \$1 million; .35% thereafter Minimum fee: \$500	1% of first \$1 million; .35% thereafter Minimum fee: \$500	1% of first \$1 million; .35% thereafter Minimum fee: \$500
Who gets early fund payments?	Donors	Donors	Nonprofit	Nonprofit	Nonprofit	Nonprofit

**For all funds:**

- The annual investment expense is approximately 0.84 percent of the fund's average market value.
- Fees and grant amounts are calculated according to the average market value on December 31, based on our spending policy, with grants distributed in March.

**How an endowment fund grows**

This example shows the impact an endowment fund can have over time. An endowment fund that starts at \$100,000 will produce more than 10 times its original value over its first 50 years (assuming an annual net total return of 8 percent), granting \$564,000 to your organization while also achieving a fund balance of \$438,400. That adds up to more than \$1 million in value for your organization and the community it serves.

Year	Endowment Fund Value	Annual Distribution for Charitable Purposes	Cumulative Charitable Distribution
1	\$100,000	\$5,000	\$5,000
5	\$115,900	\$5,600	\$26,500
10	\$134,400	\$6,500	\$57,300
25	\$209,400	\$10,200	\$182,300
50	\$438,400	\$21,300	\$564,000

## About the Foundations

Minnesota Community Foundation and The Saint Paul Foundation are community foundations—nonprofit organizations created by and for local residents to support the health and vitality of a geographic region. The Foundations help donors fulfill their charitable goals and work with communities to identify issues that need attention.

Minnesota Community Foundation has been serving the statewide community since 1949. The Saint Paul Foundation is the state's largest community foundation, serving Saint Paul and the surrounding areas since 1940.

**“When the opportunity arises for donors to give their last gifts, they can be confident with an endowment fund that the organizations they cherished will continue to have their support long after they are gone.”**

— Silvan Durben  
Art Director, Owatonna Arts Center

**“Since Hibbing College Foundation affiliated with Minnesota Community Foundation in 2007, our yearly disbursements have provided us an opportunity to make a difference in many students' lives—which is more important than ever in these economic times.”**

— Dr. Pam Perell  
Board Chair, Hibbing Community College

### Learn more about working with us

We can work directly with your organization's board, staff, donors and professional advisors to explore the options available to meet your goals for the future. For more information about the benefits of a nonprofit endowment fund, please contact our Development team at 651.224.5463 or 800.875.6167.



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**Minnesota Community Foundation | The Saint Paul Foundation**

55 Fifth Street East, Suite 600, Saint Paul, Minnesota 55101-1797 | 651.224.5463 and 800.875.6167  
inbox@mncommunityfoundation.org | inbox@saintpaulfoundation.org  
www.mncommunityfoundation.org | www.saintpaulfoundation.org