



## WACOSA Endowment Funds

*Your gift will touch the lives of many, and leave a mark of lasting value.*

The objective of this training session is to educate board members to answer the following questions:

1. **WHAT** is an Endowment, and specifically the WACOSA Endowment Fund?
2. **WHY** is the WACOSA Endowment Fund important to the future of WACOSA?
3. **HOW** does the WACOSA Endowment Fund operate/function?

### Objective #1:

#### **WHAT is an Endowment and specifically, the WACOSA Endowment Fund?**

Endowments are designed to keep principal gift amounts (and any future gifts) intact while only using the investment income for charitable efforts.

#### **WACOSA has three types of endowment funds:**

1. **WACOSA Endowment Fund**, established by the WACOSA Board in 2020, is a general endowment funded with permanently restricted contributions. Unless otherwise restricted, all distributions can be used to pay for general operating expenses or the cost of special projects/equipment.
2. **WACOSA Flexible Fund** (aka: "Quasi-Endowment Fund", "Board Designated Endowment" or "Funds Functioning as Endowment") is funded with legacy or estate gifts that are unrestricted by the donor. The Fund is operated like an endowment but funds are not permanently restricted, meaning both the corpus and the investment income are available for distribution.
3. **Named Endowment Fund (NEF)** is a subgroup within the WACOSA Endowment Fund and funded with permanently restricted contributions from an individual, family or company. Typically, NEF's are established to honor, memorialize and/or provide recognition. There is an added level of due diligence in establishing a NEF:
  - A "Memorandum of Agreement", signed by the donor(s) and a WACOSA representative, is required to establish a NEF. The agreement includes the following components: Fund Name, Recognition, Purpose/Designation (if any), Fund Type, Fund Administration, Funding Details, Laws Governing the Agreement, Stewardship/Reporting, Effective Date and Signatures.
  - The NEF assets will be commingled with other WACOSA endowment assets for purposes of investment. Separate records and accounts will be kept for receipts and disbursements of each NEF, so annual performance reports can be shared with donors or a donor's representative.
  - No distributions will be made until a NEF is fully funded with a minimum amount of \$25,000 and fully invested for one full calendar year.

## **Objective #2:**

### **WHY is the WACOSA Endowment Fund important to the future of WACOSA?**

The endowment will eventually be an important source of annual income in support of WACOSA's core services, since none of the service lines generate enough earned income to cover all direct and allocated expenses. Additional funds currently come from revenue-generating services and annual donations.

As outlined in the WACOSA Case Statement for Planned Giving, the endowment will be critical to WACOSA's future success because annual distributions will be used to:

- **Ensure long term viability and sustainability.** People with disabilities will always be a part of society's population demographic, so there will always be a need for the high-quality programs and services provided by WACOSA.
- **Build on a history of success and innovation.** The entrepreneurial culture of WACOSA will continue by funding new, cutting-edge programs that require startup costs and specialized staff training and equipment beyond normal operating expenses.
- **Smooth out financial shortfalls.** The cost of providing essential services exceeds the funding provided so additional funds are needed to fill the gap.
- **Invest in people.** WACOSA must invest in the best training, educational benefits and competitive compensation to attract and retain skilled professionals and care providers

## **Objective #3:**

### **HOW does the WACOSA Endowment Fund operate?**

The management and administration of the WACOSA Endowment Funds involves a board-approved, third-party relationship with the Central Minnesota Community Foundation (CMCF) ...a highly respected organization that manages and professionally invests over \$140 million for hundreds of nonprofits and individual donors.

- The investment guidelines for the CMCF, and the annual income made available for distribution from the endowment, are determined by policies approved by the WACOSA Board of Directors.
- To keep the Endowment Fund running smoothly and in compliance with accounting rules and best practices, various tasks are assigned to the Development Committee, Finance Committee, Board of Directors, Director of Finance, Development Manager, Executive Director and Central Minnesota Community Foundation.

**SEE: WACOSA Endowment Fund-Actions & Assigned Tasks**



## **WACOSA Endowment Funds Actions & Assigned Tasks for Board/Committee/Staff**

### **WACOSA Development Committee:**

- Review WACOSA Gift Policy & Procedures, including minimum amounts needed to establish and fully fund a Named Endowment Fund (NEF)

### **WACOSA Finance Committee:**

- Review Annual Distribution Rate from WACOSA Endowment Fund (typical distribution rates of 4-5% allow for some growth to accommodate for inflation).
- Review investment options through Central MN Community Foundation (CMCF)

### **WACOSA Board of Directors:**

- Approve Annual Distribution Rate from WACOSA Endowment Fund
- Approve investment options through the CMCF
- Review and approve changes to WACOSA Gift Policy & Procedures, including minimum amounts needed to establish and fully fund a NEF

### **WACOSA Director of Finance:**

- Provide paper trail of funds transferred to the WACOSA Endowment Fund
- Maintain copies of all related documents for endowment gifts (i.e. NEF donor agreements, estate gifts, general endowment gifts)
- Provide quarterly investment reports for endowment funds invested by the CMCF
- Submit request to CMCF for annual distribution of funds to WACOSA

### **WACOSA Development Manager:**

- Create and manage all new Donor Agreements
- Track all endowment gifts by category (i.e. individual NEF, estates, undesignated).
- Provide stewardship and annual report of activity to contact person(s) for each NEF

### **WACOSA Executive Director:**

- Review and sign all new Donor Agreements

### **Central Minnesota Community Foundation (CMCF):**

- Provide quarterly reports on investment performance of WACOSA Endowment Fund
- Payout annual distribution from the WACOSA Endowment Fund
- Manage all "life income" gifts established by WACOSA donors through CMCF