



**KITCHENER
WATERLOO
COMMUNITY
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The Role of Endowments as part of your Fundraising Strategy

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Waterloo-Wellington Fundraising Executives

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Do More Good. Forever. Together.

Thank you for making the time to participate in this discussion

As the charitable sector continues to recover from the impacts of the COVID-19 pandemic, it is an important time to review the mix of your revenue sources as part of your overall fundraising strategy. Let's chat about the role that endowments can play as part of your strategy.

Most common funding sources for charities

- Donations from individuals
- Government grants
- Events
- Membership fees / fee for service
- Sponsorship
- Donations from foundations or corporations
- Impact Investments

How individuals give

- Annual donations
- Monthly donations
- In-kind donations
- Major donations (one-time or pledged over some years)
- Donations of Appreciated Securities
- Planned Giving donations
 - Bequest (specific or residual)
 - Life Insurance (beneficiary or transfer of ownership)
 - RRSP / RRIF
 - Other

Individuals can't give forever...or can they?

Major and Planned donors want their donation to make a lasting impact, freeing them from having to make ongoing donations to your organization...this is where endowments come into play.

What is an Endowment?

A donation which is invested, in perpetuity (most of the time), and the income earned is used to support a charity's operations. Endowments are most common at academic institutions, hospitals, churches, cultural institutions and service-oriented organizations.

Types of Endowments

- True Endowment – permanent (principal must be maintained); initiated by donor
- Term Endowment – principal can be accessed after a set period of time or when an event takes place (i.e. death of the donor); initiated by donor
- Quasi Endowment – principal can be accessed; initiated by Board

Endowment vs Reserve Fund

- Reserve Fund can be accessed (principal and income), making it similar to a Quasi Endowment
- Reserve Fund is usually cash or investments that can be easily and quickly converted to cash; investment strategy is low risk and low return
- Reserve Fund is often designated for a specific purpose (i.e. capital project)
- Reserve Fund can be viewed negatively in the eyes of a donor or granting agency (looks like you don't need their money)

Is an Endowment for you?

- Financial stability
- Protects against years where revenue is unexpectedly reduced
- Assists with long-term planning due to the predictability of revenue
- Attractive to major donors and planned giving donors
- However:
 - Endowments can be a lot of work and costly to manage
 - Must balance between the needs of today versus the future
 - Do you have donors ready to make this commitment?

How an Endowment works

- Board or Board designated group (i.e. Finance / Investment Committee) decides on investment strategy & policies
 - Conservative fixed income strategy until the size of the endowment is large enough to justify hiring a money manager
- Annual payout determined by Board or Canada Revenue Agency (generally sits between 3%-4%, although some foundations pledged to donate 5% or more in 2020 because of COVID-19 creating heightened need in the charitable sector)
- Set aside some earnings in a stabilization account to ensure funds are available for disbursement regardless of annual investment performance (ideal target is 2 consecutive years)

How KWCF can help with your Endowment

- Endowments are our core business
 - \$108M under management
 - Investment portfolio returned 16.5% in 2019
 - Average rate of return since inception 9.6% (9.1% in past 10 years)
 - Investment Committee reviews the target investment portfolio mix and controls allocations to each asset class (fixed income / cash / short term, Canadian equity, global equity, impact investments). We then pay for the services of consultants and investment managers
 - Fees decrease as the amount of money managed increases
- We currently manage 22 Endowments for charitable partners
 - Sizes range anywhere from \$28,000 to \$2.8M

Charitable Organization Endowment Funds at KWCF

- Fund can be established with a minimum amount of \$5,000
- The asset lives on our financial statement, not yours
 - Can be advantageous when applying for grants
- We issue the tax receipts to the donors
- A 1.7% fee is charged on the fund (about 1/3 of this goes to paying the investment managers)
 - This is discounted from the 2.1% fee we charge to our other funds
- We accept all types of donations, including the complex ones

Charitable Organization Endowment Funds at KWCF

- You receive a fund statement each spring (late March) that outlines all activity on the fund from the previous calendar year
 - Confirms how much is available to be disbursed to your charity in the current year (4% - protected against it being less, but could be more)
 - Disbursement sent to you via EFT or cheque a few weeks after fund statement is delivered
 - List of donors to the fund is provided and contact information available, upon request, if you want to steward the donors
- We provide an online donation page and marketing support
 - Sample pages <https://www.kwcf.ca/kwcs>, <https://www.kwcf.ca/juni>

Charitable Organization Endowment Funds at KWCF

More info on Charitable Organization Endowment Funds can be found here <https://www.kwcf.ca/giving-to-a-charitable-organizations-endowment-fund>

Charitable Organization Endowment Funds at KWCF

- Anselma House Endowment Fund
- Big Sisters Endowment Fund
- Child Witness Centre – Balsillie Endowment Fund
- Community Support Connections Fund
- Grand River Conservation Fund
- Homer Watson House & Gallery Endowment Fund
- Hospice of Waterloo Region Endowment Fund
- Junior Achievement Terry Burch Memorial Fund

Charitable Organization Endowment Funds at KWCF

- KidsAbility Foundation Endowment Fund
- Kitchener Sports Association Legacy Fund
- Kitchener Conestoga Rotary Club Endowment Fund
- KW Counselling Services Endowment Fund
- Parents for Community Living Robert Denomme Fund
- Scouts Canada – North Waterloo District Endowment Fund
- St. Mary's General Hospital Foundation – Physician's Endowment Fund

Charitable Organization Endowment Funds at KWCF

- The United Way Forever Fund
- The Uptown Waterloo Jazz Festival Endowment Fund
- Waterloo Public Library Endowment Fund
- Waterloo Public Library Summer Reading Club Fund
- YW General Fund
- YW Emergency Shelter Fund
- Zonta Club of KW Fund

Thank you!

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Questions?

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