

# Endowment Building Toolkit

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*A guidebook to understanding and  
establishing an Agency Endowment  
Fund with a Community Foundation.*

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2023



*We Grow. We Give. We Inspire.*

# Acknowledgements

This toolkit was produced and distributed by the Westlock Community Foundation (WCF). WCF serves Westlock and region by building permanently endowed charitable funds for the changing needs and opportunities of the community, making grants, and providing leadership that contributes to the health and vitality of the community. WCF is a public foundation governed by a Board of Directors.

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This project was also made possible thanks to support from the following organizations that generously gave their time to help test and/or provide sample content for this toolkit.



**Westlock  
Community  
Foundation**

## Our Mission

The Community Foundation's mission is to nurture, support, and uplift the vibrant spirit of our community through philanthropy and capacity building.

## Contact Us

*Enriching Lives, Embracing Change.  
Together, We Shape the Future!*

*If you are interested in finding out more about how WCF can assist with your endowment, please contact us.*

*(780) 349-2212*

*[info@westlockfoundation.ca](mailto:info@westlockfoundation.ca)  
[westlockfoundation.ca](http://westlockfoundation.ca)*



**COMMUNITY  
FOUNDATIONS  
OF CANADA**

The **Community Foundations of Canada (CFC)** is the national leadership organization for Canada's 191 local Community Foundations (CF). Together with CF's across the country, CFC helps drive local solutions for national change on the issues that matter most to Canadians. CFC is building a movement that connects CF's, Canadians, and partners to create a just, sustainable future. For more information about CFC please visit [www.communityfoundations.ca](http://www.communityfoundations.ca).



**NORTHWESTERN  
ALBERTA FOUNDATION**  
ROOTED IN COMMUNITY

The **Community Foundation of Northwestern Alberta (CFNWAB)** is part of the CFC network and works with the giving and charitable spirit found in the people and communities that call Northwestern Alberta home. For more information about CFNWAB please visit [www.buildingtomorrowtoday.com](http://www.buildingtomorrowtoday.com).



**COMMUNITY  
FOUNDATION**  
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The **Community Foundation of Lethbridge & Southwestern Alberta (CFLSA)** is part of the CFC network and works to help Southwestern Alberta communities thrive through generosity. For more information about CFLSA please visit [www.cflsa.ca](http://www.cflsa.ca).



**RED DEER & DISTRICT  
COMMUNITY  
FOUNDATION**  
*all for community.*

The **Red Deer & District Community Foundation (RDDCF)** is part of the CFC network and works to provide strong, sustainable solutions for Central Alberta. For more information about RDDCF please visit [www.rddcf.ca](http://www.rddcf.ca).



The **Medicine Hat Women's Shelter Society** supports individuals impacted by family violence by providing them with safe shelter, education, advocacy, and access to community resources. They are committed to social change by providing programs and services that promote treating all people with respect and dignity. For more information about MHWSS please visit [www.mhwss.ca](http://www.mhwss.ca).



**McMan**

The **McMan Youth, Family & Community Services, South Region** exists to support and encourage individuals and families to achieve their full potential as members of their community. For more information about McMan please visit [www.mcmansouth.ca](http://www.mcmansouth.ca).

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# 01 Introduction to Endowments

This toolkit has been developed to assist in the potential establishment of an Agency Endowment Fund for charitable organizations, municipalities, qualified donees, and non-qualified donees. The intention of this workbook is to learn about endowments through the information provided, identify where you need to do research or obtain more information, and guide you through the process of developing an action plan for endowment building success.

You are your own expert when it comes to the mission, goals, and needs of your Agency. You know your expertise, strengths, and challenges, and no better team could help write your plan than your own. You will find note sections throughout this workbook for you to keep track of your questions, findings, and ideas along your endowment building journey. To begin, let's look at some key terminology associated with endowments.

## Key Terms

### Endowment Fund

In an endowment, all assigned donations are pooled and permanently invested as capital to create a source of revenue. Generally, the principal is restricted and remains intact in perpetuity, or for a defined period or until sufficient funds have been accumulated to achieve a designated purpose. A portion of the annual investment revenue earned is then used for charitable purposes – either at the direction of the fund holder to the charities they designate, or through a grant making process.

### Perpetuity

The property of continuing forever. In finance, perpetuity is an investment that has a stream of cash payments that will last indefinitely.

### Restricted (Cash/Investment)

Held for a specific purpose, meaning it is not accessible for general business use.

### Unrestricted (Cash/Investment)

Has no restrictions and is accessible for immediate business use.

### Principal

The cash value of an investment including initial, and any future contributions made.

### Assets

Accumulated resources that provide future economic value such as investments, inventory, equipment, buildings, or land. Assets can be current, fixed, financial, or intangible.

### Capital

A broad term that describes available resources with economic value such as cash and assets that can be used or sold to produce an outcome. Capital includes working capital, debt, equity, and trading capital. NOTE – all capital is an asset, but not all assets are capital

### Investment Portfolio

A collection of investments owned by one organization or individual and managed with a specific investment goal in mind.

### **Fund holder**

An organization who has money invested in an established fund.

### **Donor/s**

An organization or individual that makes a contribution or allocates the distribution.

### **Donee / Grantee**

The organization that receives a contribution or grant.

### **Grant**

An award of funds to an organization to be used for a specific purpose.

### **Unrestricted Grant**

An award of funds to an organization to be used for their greatest need as deemed by the organization.

### **Disbursement**

The paying out or disbursing of money from a fund.

### **Charity**

A nonprofit whose net profits from donations, membership fees, or business activities does benefit the general public of which there are two types. A Public Charity has many sources of funding and relies on public support vs. a Private Foundation that typically has a single private or limited funding sources. While all charities are nonprofits, not all nonprofits are charities.

### **Non-profit**

An organization whose net profits from donations, membership fees, or business activities DOES NOT benefit any individual or the general public, instead serving their member's collective interest. E.g.) Registered non-profit society with a provincial government.

### **Agency**

A particular kind of company, which serves as an intermediary between clients (other companies or individuals). Note – Firm, corporation and business are synonyms of "company".

Now that we have explored some key terms, let's start to focus on understanding endowments and why they're important. As with any big decision, the key you could say is to think before you endow.

Endowments, like an Agency Endowment Fund, provide organizations with a simple and efficient way to build capacity and sustainability. It is a safe and simple way for an Agency to establish its own endowment. Your Board, stakeholders, and donors can all be sure that the endowed fund's principal will not be spent and can grow over time, providing a source of lasting income. The annual disbursements from the fund go towards helping with unexpected expenses, operational costs, or the Agency's greatest needs, forever!

When you create an Agency Endowment Fund, you generate income annually, which contributes to the long-term sustainability of your Agency, helping you continue to make an impact well into the future.

### **Why an Endowment?**

Establishing an endowment with a Community Foundation allows donors to support local needs in a lasting way that matches the donor's wishes. There are tax benefits for individuals who donate to an Endowment Fund, and Community Foundation staff can help you navigate these benefits.

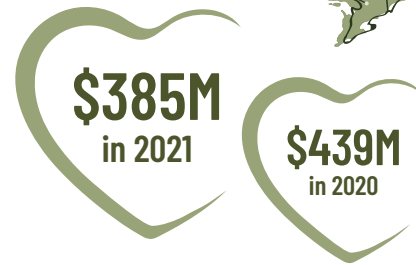
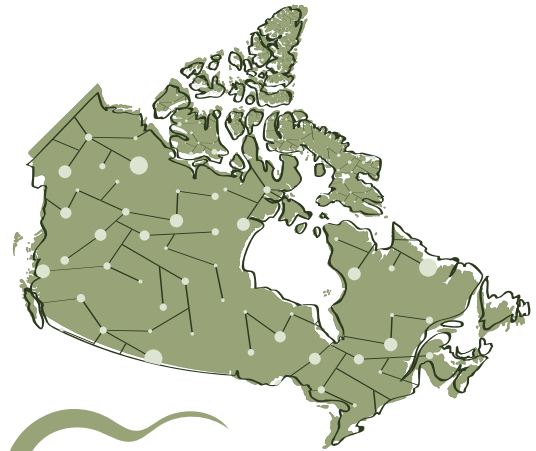
# How a Community Foundation Works

Most people are familiar with single purpose charities who can explain their mission in one meaningful sentence. It's a bit more complex for Community Foundations! All Community Foundations can confidently say that they exist to improve the quality of life in their community today and forever. That's a very general statement, and even if that goal is understood the next question of "how?" gets more complicated.

Community Foundations are autonomous but are linked and supported through Community Foundation networks across Canada. Each Community Foundation has its own Board of Directors that is invested in supporting the community and increasing the capacity of the charitable sector across the region. Community Foundations provide financial support to the charitable sector, convene partners, and provide leadership.

Collectively, Community Foundations award millions of dollars across the country annually, making them one of Canada's largest centers of philanthropy. Their operating model builds endowments to provide lasting support for local priorities through multiple grant programs.

Community Foundations make giving easy and effective, accepting a wide variety of gifts, and providing many charitable options for donors. Establishing an Agency Endowment Fund with a Community Foundation gives a Charity access to the Community Foundation's professionally managed investment portfolio, which includes a more diversified portfolio and a lower administration fee than is typically available with small investment portfolios. All donations to an Agency Endowment Fund qualify for a tax advantage, and the Community Foundation takes care of the receipt, leaving you time to focus on your priorities. Through your Agency Endowment Fund, you generate income annually, making you more sustainable and effective.

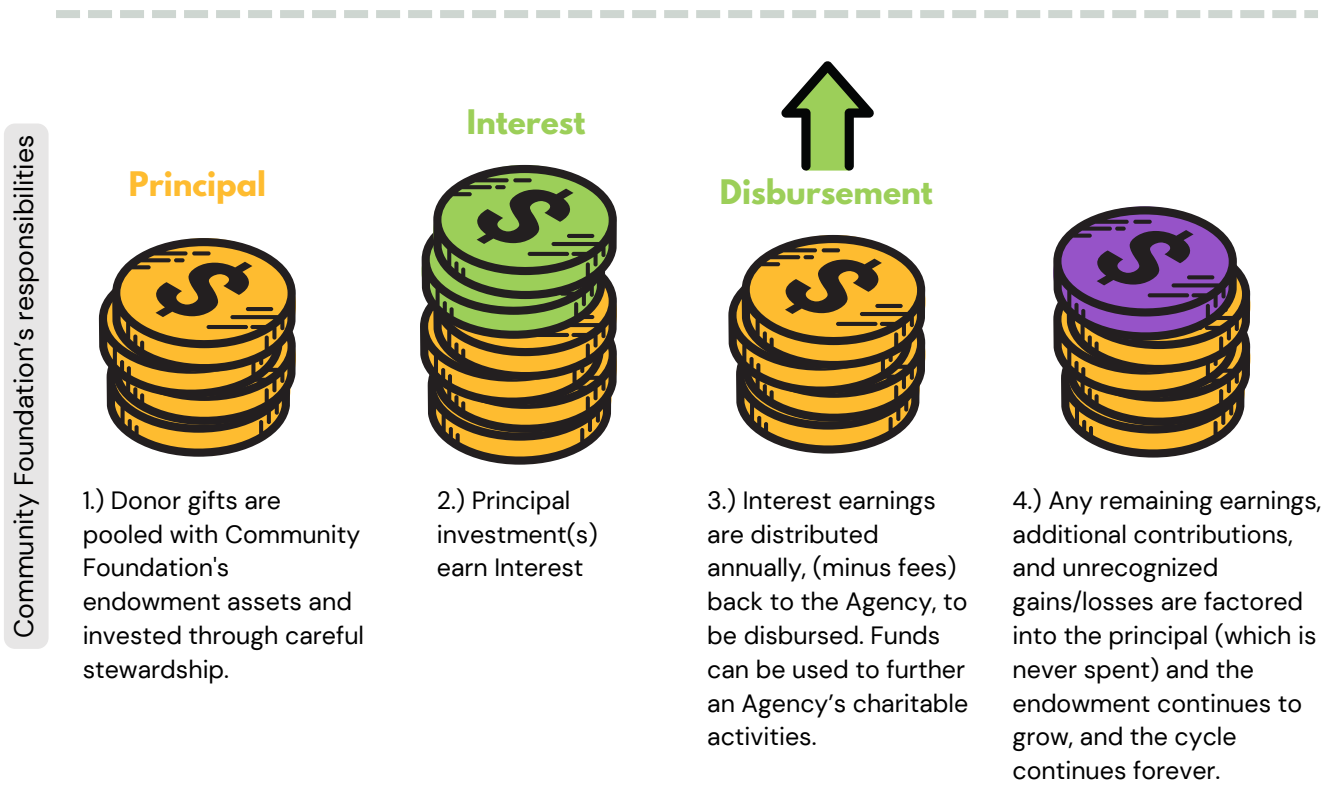
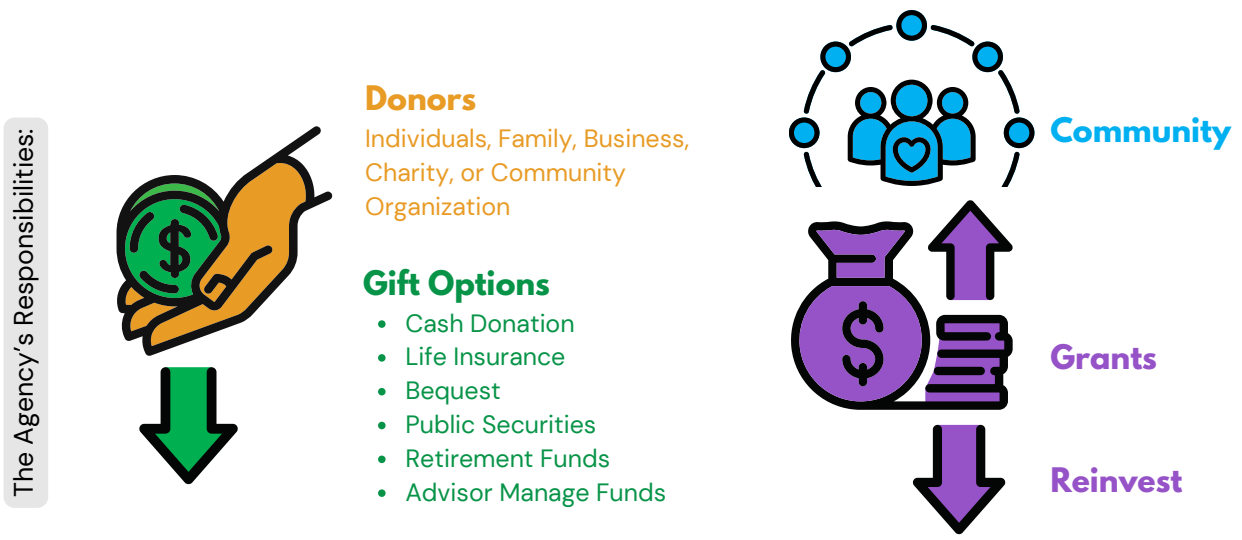


"The Board of Directors of REDI contributes to the REDI Endowment Fund at the Community Foundation to recognize retirees from the Board. We are also honored to make contributions in the memory of individuals who have asked for a donation in lieu of flowers."

**REDI Enterprises Executive Director, Craig Wood**

# How a Community Foundation Agency Endowment Fund Works

Anyone can be a **Donor** and contribute a **Gift**, small or large, to your Agency Endowment Fund – at any time. Once created, its cyclical endowment process begins. Within each cycle, Income is gained then **Granted and Reinvested** to your Agency for **Community** impact. The infographic below shows a typical Community Foundation endowment process.





Now that you are familiar with the process, let's take the various parts and arrange them into areas of endowment responsibility. With an endowment fund, there are various regulations and restrictions that need to be managed to ensure the fund maximizes its earning, minimizes its risk, and abides by financial laws. Essentially, each aspect is managed by the subject matter expert, fund and investment expertise by the Community Foundation and fundraising and disbursement management by the charity.

In the infographic on the previous page, you will notice a dotted line through the middle. This represents the separation of responsibility. Everything above the line is the Agency's responsibility; everything below is the Community Foundation's responsibility.

### The Agency's Responsibilities:

**Communications** – Choose how you would like to promote and communicate to your stakeholders and the general public about your Endowment Fund. Your local Community Foundation can assist your Agency with these details.

**The Amount** – Choose how much you will contribute to your endowment fund.

**The Purpose** – Choose how you to use the income from your fund. Because the endowment fund is unrestricted, you can allocate them as you see fit to further your charitable activities.

### The Community Foundation's Responsibilities:

**Ownership** – The Community Foundation will be the owner and only beneficiary of the portfolio as is required by the Canada Revenue Agency to comply with the ability to provide a charitable receipt for donor contributions.

**Investment Asset Mix** – The Community Foundation determines the guidelines for the asset mix of the investment portfolio through its Policy on Investment. Benchmarks are established for the portfolio to be evaluated against. Investment manager's performance is evaluated at least quarterly by subject matter experts with the Community Foundation's Board and Committees.

**Gifted Amounts** – The Community Foundation provides you with an annual disbursement quota from your endowment fund, which is based on the following factors:

- Canada Revenue Agency disbursement quota (5% as of 2023)
- Preservation of capital
- Annual investment returns of the Community Foundation
- Annual Administration Fee (1-3% fee which varies with each Community Foundation)

**Administration Fees** – Community Foundation's have administration fees required to administer the fund. The fee may be amended from time to time.<sup>2</sup>

1. Financial Advisors must be registered and in good standing with IIROC (Investment Industry Regulatory Organization of Canada) and/or MFDA (Mutual Fund Dealers Association).

2. Fee for CFSEA administration of the funds is currently annualized at 1% of the portfolio value, payable in quarterly installments based on the portfolio value at the end of each calendar quarter

# Types of Endowments

1

## True, Permanent or Restricted Endowment

The principal is invested in perpetuity, while the earnings from the fund are traditionally disbursed as per the donor's conditions or intent. This is the most common for Community Foundation's to use and create with their donors.

2

## Term Endowment

Stipulates that the principal can be expended only after an agreed upon period of time or a certain event. Community Foundations refer to these as "Spend Down Funds."

**For example,** a \$100,000 contribution is invested and distributes a set amount of \$10,000 annually until the fund is spent down (give or take 10 years depending on investment gains/losses).

We hope that we've provided you with a clear understanding of endowments. With this knowledge, we are confident you are ready to begin considering the process of exploring your Agency's Endowment Readiness in Section 2. If you have any questions, please give your Community Foundation a call – they would be happy to provide further information.

"HALO Air Ambulance is incredibly fortunate to have donors who are deeply invested in our Program. HALO donors are extremely loyal, and many of them support HALO year after year. Recently we noticed donors making additional investments in our endowment at the Community Foundation of Southeastern Alberta and we quickly realized how remarkable those donations were; our supporters were no longer only invested in keeping HALO in flight for your life today, they were invested in keeping HALO for tomorrow!"

**HALO Air Ambulance CEO, Paul Carolan**

*Notes*

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# 02 Endowment Readiness

## Worksheet: Endowment Readiness Questionnaire

This questionnaire has been developed as a starting point and guide for analyzing your Agency's endowment building readiness. It can be used as a self-check, or as a more formal process of internal moderation of your Agency with key stakeholders.

While the questionnaire identifies core considerations, some may not be relevant while others may require more detail than given here. Each question will require thoughtful consideration and honesty in order to reveal potential hurdles and the work that may be needed to overcome them.

Questions To Ask	Factors to Consider	Answers	
<p><b>As an Agency, will we be around in perpetuity?</b></p>	<p>Traditionally there is always a need for most Agency's services. Doing an honest and analytical evaluation of what funding most positively impacts your work can begin to inform the feasibility of an Endowment Fund.</p>	<p><b>Yes</b></p> <input type="radio"/>	<p><b>No</b></p> <input type="radio"/>
<p><b>Is an Agency Endowment Fund in alignment with our Agency's mission and vision?</b></p>	<p>Does the permanency and longevity of an Endowment Fund resonate with your Agency and what it aspires to achieve?</p>	<input type="radio"/>	<input type="radio"/>
<p><b>Our timeline or need for funds is generally not immediate?</b></p>	<p>What is the persuasive rationale for putting assets into a less liquid form and growing them for future use? Being a permanent endowment fund but operating-cash-poor is not ideal.</p>	<input type="radio"/>	<input type="radio"/>
<p><b>Are we ok with the costs associated with managing an Endowment Fund?</b></p>	<p>Depending on how and with whom an endowment is established, the associated costs and fee structures will vary. When partnering with a Community Foundation, percentages will be applied, but are typically lower than industry standard.</p>	<input type="radio"/>	<input type="radio"/>
<p><b>Will our Board of Directors be comfortable authorizing and overseeing an endowment?</b></p>	<p>Having a Board capable of understanding and advising on finance and investing matters is important. While not overly complex, distribution, for what purposes and in what amounts are key considerations.</p>	<input type="radio"/>	<input type="radio"/>
<p><b>Will our current donor listing contribute to an endowment?</b></p>	<p>Most donors are donating to the more immediate need for delivery of services. Will donors hesitate to donate to future unrestricted income?</p>	<input type="radio"/>	<input type="radio"/>
<p><b>Will the creation of an endowment fund have a negative impact on our fundraising efforts?</b></p>	<p>A common perception with Endowment Funds is that there may not be an immediate or ongoing need for annual contributions. With donor education, this can be overcome.</p>	<input type="radio"/>	<input type="radio"/>

The more you can answer "yes" to the questions above, the higher your Agency's level of readiness for starting the process of exploring and establishing an Endowment Fund.

# Pros and Cons of Endowments

The decision to establish an Agency Endowment Fund should not and cannot be made quickly. The following list of Pros and Cons has been developed to help inform your decision. The list has been categorized into **Agency**, **Donor**, and **Fundraiser** groups to help consider the impact and work an endowment will have on each.

## Agency

Pros	Cons
An endowment symbolizes permanency and longevity which will reinforce an Agency as a cornerstone in the community.	The Agency and its Board can get caught up in the growth and success of the endowment.
An endowment builds unrestricted funding for an Agency for long-term sustainability. Predictable grant distributions can be relied upon for unrestricted funding for the Agency's greatest needs. E.g. capital costs and administration for the Agency to further their charitable activities.	Unrealized gains/losses can fluctuate and lose value. The market can be unreliable which may result in under performance.
An endowment is a step towards independence. Leveraging financial security to fuel long-term success.	The investment principal is permanently restricted and bound to the endowment. It cannot be accessed if required.
The principal is never lost. With continued investment, an endowment continues to grow.	

## Donors

Pros	Cons
An endowment provides donors another option for giving. For some donors, it will be an opportunity to match their values and priorities and donate with impact to the Agency Endowment Fund.	Can cause questioning from stakeholders and the public around a large amount of money not being spent on current needs. The opportunity cost could be an ongoing factor if education about the fund is not implemented.
An endowment can create a legacy connection with donors. Donors who are committed to your cause can bequest a donation towards the Agency Endowment Fund for a lasting impact.	

## Fundraisers

Pros	Cons
An endowment (Agency Fund) offers another option to current donors. <ul style="list-style-type: none"><li>• Can attract new donors, such as businesses, or those looking to make a legacy.</li></ul>	Will create additional work for PR / Marketing needing to create content and educate donors about the investment endeavor. This may be short-lived once it is crafted and added to current marketing strategies.
Supports growing annual fundraising goals. Disbursements can be put towards a specific project that funds are being raised for. Once reached, can focus resources on other goals.	

Endowment Funds are not for every Agency. Spending a good amount of time understanding the process and intricacies along with being able to mitigate any concerns serves to aid in making an informed decision. What will it take for your Agency to be comfortable dividing time, energy, and money on an endowment?

*Notes*

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# The Endowment Decision

So, after all this time spent learning about, researching, and deliberation about endowments, you have two key questions to answer.

## Q1 *What is the Agency's purpose?*

Your mission statement should answer this question.  
(Purpose, direction, whom you serve and how you serve them.)

## Q2 *Will an Agency Endowment Fund increase your ability to carry out that work?*

If the answer to the second question is "YES", then you are ready to move onto Section 3) Launching Your Endowment. If the answer is "NO", that is okay. Maybe the time isn't right or maybe there is an option better suited to your agency.

# Alternative to an Endowment Fund

## Spend-Down Fund

Would the establishment of a Spend-Down Fund be a more viable solution for your Agency? The capital is invested and disbursed in predetermined amounts and intervals over a set amount of time until depleted. An Agency or donor may choose to do this as a means of being personally involved in their philanthropic giving. It also allows for greater flexibility in planning and executing fund disbursement in anticipation of change in circumstances or opportunities.

## Open Designated Fund

An Open Designated Fund is a great option when it is known where exactly funding should go and grantmaking is not a requirement. Typically, these funds are established by a donor who designates it to benefit a specific Agency. If either of these are options you might like to learn more about or pursue, please contact your local Community Foundation. To locate and contact your nearest Community Foundation, please turn to page 21.

"Someone is sitting in the shade today because someone planted a tree a long time ago."

**Warren Buffet**

# 03 Launching your Endowment

## Checklist: Starting an Agency Endowment with a Community Foundation

### ACTION ITEM

- Call your Community Foundation and start a conversation.**  
They are experts in endowments and can help answer your questions.
- Research endowments for your Agency**
  - Determine the most suitable fund for your Agency.
  - Identify and understand any restrictions, investment policies, gift acceptance policies, tax benefits, and CRA regulations.
- Deliver a presentation to your Board of Directors for their consideration.**
  - Determine overall goals for the endowment.
- Research and partner with a local Community Foundation to manage the fund.**
  - Complete a fund agreement.
  - Develop an investment policy to govern the fund and disbursements. Sample policy can be found on page 23.
  - Review your Agency's investment policy OR establish an investment policy.
- Fundraise or allocate reserves into the fund.**
  - You and your donors can add to the fund at any time.
- Ensure ongoing evaluation of the fund (Monthly/Quarterly/Year End).**
  - Administration – how soon/often are funds needed, return disbursement designation (if changing on a regular basis).
  - Financial – Principal deposits, returns for disbursement, financial updates, reinvest back into the capital.
  - The Community Foundation will provide annual statements of funding activity for your Agency Endowment.
- Prepare a communications plan for your donors and the public.**
  - Create a marketing plan.
  - Templates can be found in section 4.

# 04 Growing your Endowment

## Promoting your Endowment

### Create a marketing plan that:

- Connects with your mission and vision.
- Identifies key audiences (consider perspectives on giving both your known donors and others outside of your regular areas of influence).
- Includes key messages and easy ways to tell people about the Agency Endowment Fund.
- Includes donor and personal stories for impact.

### Communication Ideas:

- Donor information session and presentations, office tours, phone calls.
- Print materials – letters, brochure, annual report, or newsletter story.
- Press release or news article.
- Digital – social media, email, charitable connections e-blasts.
- Special “Legacy Club”? Eg. CFSEA Heritage Club as a model?

**Resources** (Free stock images e.g. [Pexels](#), [Unsplash](#), [Wikimedia Commons](#))

**Contact a local marketing firm for additional support.**

### Templates & Resources

Community Foundation Content Ideas and Templates:

- Letter to Agencies to Establish Endowment
- [Joint Agency Offer to Support](#)
- [Newsletter Highlight](#)
- Agency Endowment Fund Agreement

Marketing Plan Template:

- HubSpot Marketing Plan Template
- [Templates \(canva.com\)](#)

Agency Templates:

- [Communication with Donors](#)



# 05 How a Local Community Foundation Can Help

Community Foundations are independent public foundations registered as a charity with the Canada Revenue Agency. They seek to make long-term and meaningful philanthropy for the communities that they support. Community Foundations ensure good stewardship and secure funding for continues growth, leadership, and impact.

## Expertise

Community Foundations are experts in fund development who can help develop planned giving programs and assist with investment management and administrative details. Establishing an Agency Endowment Fund is a simple and efficient way to build a permanent source of income for your Agency.

### *How it Works*

- Your Board determines how much you would like to invest long-term.
- Your Agency works with the Community Foundation's professional staff to complete a fund agreement.
- An Agency Endowment Fund is established in the name of your Agency.
- Your Agency receives regular statements on the fund.
- Contributions can be added to the fund at any time.
- The Community Foundation will handle all the administrative details including investment management.
- Gifts are placed into your endowment and combined with other endowments in the Community Foundation's investment pool. Over time, earnings from your fund are distributed to your Agency to address the most pressing needs.
- Donors are provided charitable tax receipts for contributions to your fund.

Community Foundations can facilitate even the complex gifts, including gifts of publicly traded securities and real estate. They handle investment management and the administrative responsibilities related to your Agency Endowment Fund. Your Agency's donors can gift a bequest to your fund while creating a personal legacy to benefit your organization, forever.

While the Community Foundation oversees the administration and investment management of your Agency Endowment Fund, your staff and volunteer hours can be focused on fulfilling the organization's mission and mandate.



# Additional Information & Resources

## Frequently Asked Questions

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### Q *How much money do we need to start an endowment?*

While technically an endowment can be started with any amount, Community Foundation's recommend a minimum investment amount of \$5,000.

### Q *How large of an endowment is needed?*

a.) If the endowment is a set amount, a returns' percentage can be used to estimate your return each year/cycle. i.e., a \$100,000 endowment at an average annual return rate of 5% would yield \$5,000 before fee and disbursement quota set by CRA.

b.) If the endowment is growth focused, the amount the fund needs to earn each year/cycle can be divided by the annual rate of return and multiplied by 100. i.e., If the goal of the fund is to pay for 25% of the \$500,000 annual operating budget, then to see \$125,000 in returns each year with an average annual return rate of 5% you would need \$2.5M in the fund.

### Q *Can you spend an endowment?*

No. Most endowments are set up to be restricted. This means the principal is held in perpetuity and only the interest is disbursed for spending. Only a spend-down fund can have the principal be spent.

### Q *How long does it take for an Endowment Fund to make its first disbursement?*

This will vary depending on where the endowment is set up. As an investment, an endowment must work for one full fiscal year before a disbursement can be made.

### Q *What is the difference between contributed capital and market value?*

Contributed capital is the total value of the cash that has been put into the principal of the investment. Market value reflects investment markets and is the current price or value of the invested principal if it were to be sold.

### Q *How is the disbursement quota determined? Is there a minimum or maximum withdrawal rate?*

Disbursement quotas are dictated by the CRA. The minimum annual disbursement rate is currently set at 5% of the fund balance at the end of the fiscal year. Your Community Foundation will advise you annually of your disbursement quota.

**Q** *What is the average payout % for an endowment?*

The following mock Statement of Activity report shows what a typical Community Foundation endowment report would look like.

<b>Fund Activity</b>	
<b>Beginning Balance</b>	42,249.81
<b>Receipts</b>	
Donations Made	2,700
Capital Losses-Realized	-4.15
Capital Gains-Realized	0.05
Capital Gains-UnRealized	8,171.86
Investment Revenue	2,828.81
<b>Total Receipts</b>	<b>10,996.57</b>
<b>Distributions</b>	
Admin Charges (1%)	478.61
Grant Reserve	1,650.00
Investment Manager / Custodian Fees (5%)	210.17
<b>Total Distributions</b>	<b>2,338.78</b>
<b>Ending Balance</b>	<b>53,607.60</b>

**Q** *Will our fund continue to produce grants even if markets underperform?*

Most likely, yes. Endowment Fund(s) are established to ensure reliable funding is achieved through regular management of diverse asset allocation. If the market underperforms, the fund will yield positive returns but may be lower than anticipated depending on the size of the fund.

Community Foundations determine their granting annually with a multi-year rolling average for their rate of returns. This ensures that the market doesn't substantially affect the disbursement amount.

In rare occurrences, due to market vulnerability, a Community Foundation may decide to limit the disbursements made from the endowments to protect the capital. Contact your Community Foundation to learn more about the policies they have in place.

**Q** *How often is investment performance reported?*

Annually, or upon request.

**Q** *Will an Agency Endowment Fund discourage our donors from giving to our operations?*

Agencies are encouraged to talk to their donors about the opportunity of giving a percentage of their contribution to the Agency Endowment Fund. By doing this, Agencies can ensure operational costs are still being covered while they invest in the future of the Agency. Additionally, donors can leave a bequest through the Community Foundation to the Agency's Endowment Fund, creating a personal legacy to benefit your Agency forever. Donors will have the comfort knowing that the Community Foundation's processes and control procedures are in place to safeguard the donation principle.

**Q** *How do you manage an endowment?*

The Community Foundation will be the owner and only beneficiary of the portfolio as is required by the Canada Revenue Agency to comply with the ability to provide a charitable receipt for contributions. The Community Foundation also determines the guidelines for the asset mix of the portfolio, operating fees to administer the account, and distribution amount. Community Foundations work with a professional investment managing firm whose performance is evaluated quarterly by the Community Foundation’s subject matter experts.

**Q** *Do you itemize all your fees and expenses in writing?  
Are there any transaction charges or other expenses not listed?*

Yes. Detailed fund statements are released annually. No – All financial line items are included.

**Q** *What is the difference between an endowment and a reserve fund?*

An **endowment** is cash invested and set up to be restricted. This principal is held in perpetuity and only the interest is disbursed for spending. A **reserve fund** is cash on hand being held for predicted upcoming expenses and to hedge against any future uncertainty.

**Q** *What is the difference between contributed capital and market value?*

**Contributed capital** is the total value of the cash that has been put into the principal of the investment. **Market value** reflects investment markets and is the current price or value of the invested principal if it were to be sold.

**Q** *What is a Rural Community Fund?*

Information on Rural Community Funds can be found on page 26.

**Q** *Who decides how disbursements are spent?*

The fund holder of the endowment dictates how the disbursed funds are to be used. If an Agency sets up an endowment, the disbursed funds are directed back to them as they see fit to further their charitable activities.

*Notes*

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# Network of Community Foundations

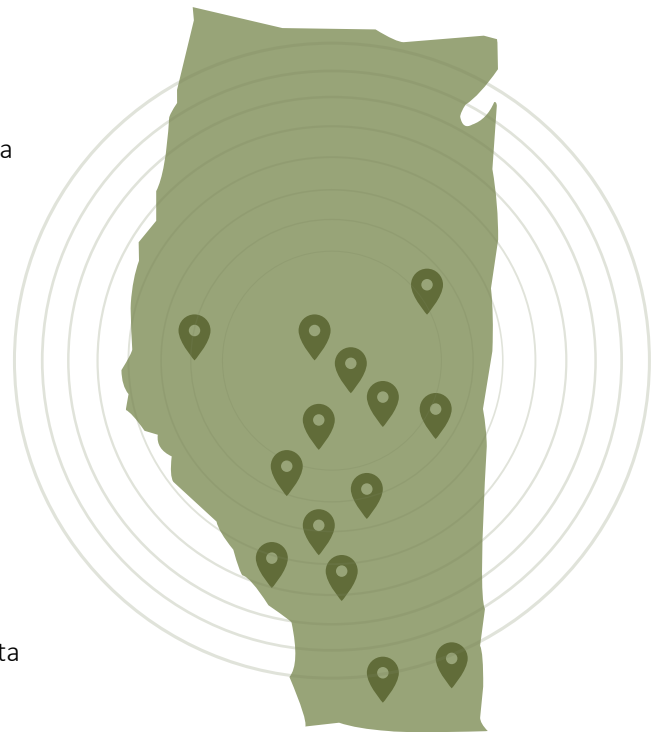
Community is at the heart of Community Foundations. As the rate of change around the world amounts at times to overwhelm, we are not without Agency. Community Foundations continue to be committed to the outcomes that matter most to communities – evolving governance, granting, and investing models to meet the moment.

The power of a network is the Community Foundation’s ability to collaborate, lean on and support each other. Each Community Foundation brings its own strengths, relationships, and unique perspectives to the table sharing a deep understanding of local needs and opportunities. The work of social and environmental change is bigger than each Agency, bigger than the network: as we repair and recover, we will pursue a future where everyone belongs.

With over 191 Community Foundations actively contributing to over 200 Canadian communities from coast to coast, Community Foundation’s help guide volunteer efforts and financial support to where it will have the greatest impact. In Alberta, WCF is one of 15 Community Foundation’s that span across and serve the province. Connect with your local Community Foundation to learn more about the difference they’re making and the best way to contribute to making your community a better place.

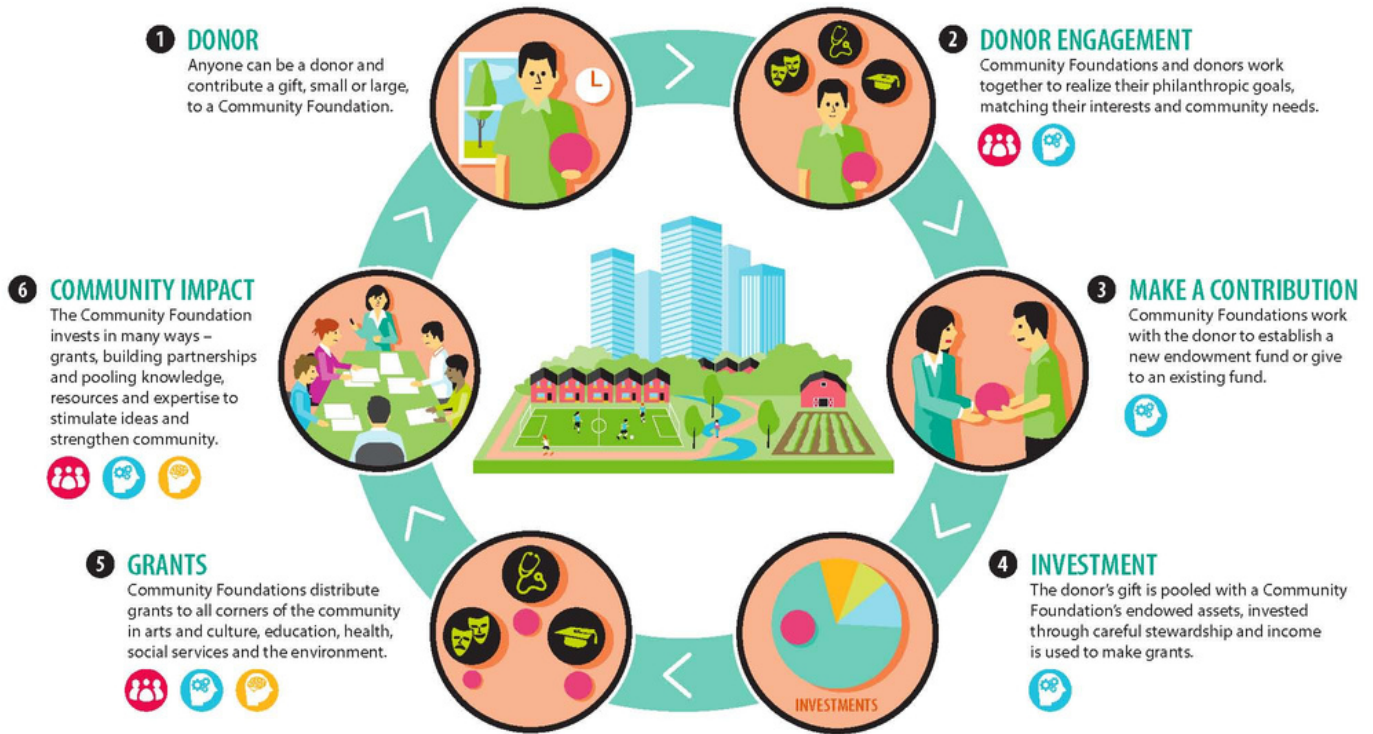
## COMMUNITY FOUNDATIONS WITHIN ALBERTA

- Westlock Community Foundation
- Fort McMurray Wood Buffalo Community Foundation
- Grande Prairie Community Foundation of Northwestern Alberta
- Edmonton Community Foundation
- Vegreville Elk Island Community Foundation
- Drayton Valley Community Foundation
- Camrose Battle River Community Foundation
- St. Albert Community Foundation
- Red Deer & District Community Foundation
- Banff Canmore Community Foundation
- Airdrie and District Community Foundation
- Cochrane and District Community Foundation
- Calgary Foundation
- Community Foundation of Medicine Hat & Southeastern Alberta
- Community Foundation of Lethbridge & Southwestern Alberta



For a complete map of Community Foundation’s across Canada with contact information, please visit <https://communityfoundations.ca/find-a-community-foundation-map/>.

# Giving to a Community Foundation



### Why Contribute to a Community Foundation?

- Community Knowledge**  
A deep understanding of local needs and opportunities.
- Expertise**  
Community Foundations are credible stewards of assets with granting expertise.
- Leadership**  
Community Foundations are led by a volunteer board of directors comprised of knowledgeable community leaders.

"I am so glad that we made the decision many years ago to set up an endowment fund with the CFSEA to ensure long term sustainability for the MHWSS. We have made a pledge to continue to work as a Board and staff team to ensure our fund will continue to grow year after year. The interest we earn from our fund every year helps reduce our dependency on grants and fundraising. I would strongly encourage every Agency to make the step to build their capacity as an organization to establish an endowment fund."

**Medicine Hat Women's Shelter Society Executive Director, Natasha Carvalho**

# Sample Agency Endowment Policies



Policy Section: Resource Development  
Policy: Endowments

Policy Number:  
Date Approved:  
Date Last Reviewed: Last Date Revised:  
Number of Pages: 1 of 1

## ENDOWMENT FUND

1. The MHWSS shall maintain an account with the Community Foundation of Southeast Alberta (CFSEA) through which all donors of endowments and endowed bequests will be encouraged to deposit their contributions.
2. The MHWSS Executive Director shall maintain and review annually the signed agreement with the CFSEA and report annually on that review to the MHWSS Board.
3. The Executive Director shall report annually or more often if requested by the Board on the status of the funds within the CFSEA account.
4. The CFSEA will distribute income from the endowment fund to the MHWSS annually. Income from non-designated funds can be spent at the Board's discretion and will be included in the annual MHWSS budget approved by the MHWSS Board.
5. Earnings from designated funds may be accompanied by specific instruction on how that income can be spent.



# Sample Agency Endowment Policies



Policy Section: Finance  
Policy: Reserve Funds

Policy Number:  
Date Approved:  
Date Last Reviewed: Last Date Revised:  
Number of Pages: 1 of 1

The Board establishes designated funds and reserves to create funds to:

- Help ensure the stability of MHWSS
- Plan for long-term financial needs of MHWSS.

## PARAMETERS

1. The dollars for designated funds come from surplus funds generated from MHWSS's project activities, Board fund raising, donations, or other financial gifts.
2. There are three types of reserves:
  - a) Unrestricted
  - b) Restricted and designated
  - c) Endowment (see Resource Development Policy Section for further information)
3. Unrestricted reserves
  - 3.1 Unrestricted reserves have no external restrictions on the use of the funds for specific purposes.
  - 3.2 These reserves may be used for:
    - a) Specific new projects provided both of following conditions are met:
      - i. The proposed project is consistent with MHWSS's mission statement.
      - ii. The project does not commit MHWSS to ongoing expenses in future years.
      - iii. Reserves will be invested following guidelines in Policy F7.
  - 3.3 The Board must give prior approval for the use of all unrestricted reserves.
4. Restricted and designated reserves
  - 4.1 Restricted and designated reserves are funds that are restricted by MHWSS policies or by outside Agencies or persons.
  - 4.2 MHWSS maintains an internally restricted reserve account for building replacement, which is invested following guidelines laid out in Policy F7.

# Fundraising and Giving Resources

The following is a list of Agencies and organizations that can help in furthering your research into the current state of giving.

## Community Foundations of Canada Resource Library

CFC helps leaders in the community philanthropy sector to identify important trends, seize emerging opportunities, strategically address risks, capitalize on new technologies and more. Their Resource Library provides useful and timely research, practical tools and tips and experiential learning opportunities designed to help you work better and achieve more.

## Imagine Canada

Imagine Canada works to bolster the Canadian charitable and non-profit sector's role in building, enriching, and defining our nation.

## CanadaHelps

Canada's best destination for donating and fundraising online. For more than 22 years, CanadaHelps has been a trusted charity, informing, inspiring, and connecting charities and donors, with the causes they care about. They have facilitated over \$2 billion in giving.

## The Philanthropist Journal

News and analysis for the Non-Profit sector.

## CharityVillage

CharityVillage is the top Canadian source for nonprofit news, nonprofit jobs, nonprofit funding, nonprofit resources, and nonprofit training in Canada.

*Other Resource Ideas*

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# Rural Community Funds for Community Foundations

In 2023, the WCF established the first three community funds to serve the charitable needs of specific geographical regions within Westlock Alberta. These permanent Endowment Funds were established by local residents and enable the community to 'give where you live'. They operate using the Community Foundation's charitable status, administration, and financial support.

## *How does a Community Fund Work?*

- Community members donate to the Community Fund in their region to create and grow a permanent endowment.
- This pool of donations is invested with a professional advisor.
- Every year, in perpetuity, earnings from the investments are used to help support projects and programs within the parameters of the fund.
- Local charities apply to the Community Foundation to receive funding.
- Qualified donees are eligible for direct granting dollars.
- Not for profit societies can partner with a qualified donee to apply for grants through an affiliation process.
- A local Advisory Committee in each area leads the direction of the fund and makes recommendations for grant allocations.
- Funds are distributed to local charities so they can help support a vibrant, healthy, and caring community – forever!

WCF utilizes current research and participatory grantmaking to determine current community needs in Westlock Alberta. Grant applications are submitted by local charities which are reviewed by a committee to determine successful grant requests. WCF handles all the administrative details and issues grants to charities in the name of an established fund.



# Community Foundation and Community Fund

Community foundation or geographic-based community fund? What is the best solution for our community?



## What is the Difference Between a Foundation and Fund?

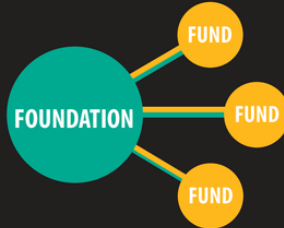
### Community Foundation

A non-profit corporation registered as a public foundation with the Canada Revenue Agency.

Governed by a Board of Directors.

Responsible for financial records and reporting, tax filing and audit, administrative infrastructure and resources, investment management, granting administration, organizing joint meetings, entering into fund agreements with donors.

Has liability for all activities and volunteers.



### Community Fund (geographic-based)

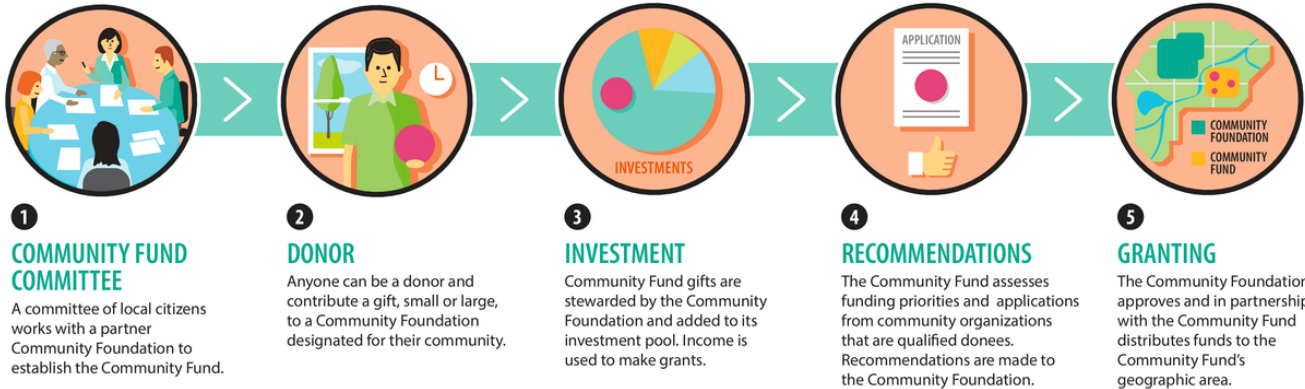
A component of a Community Foundation that may or may not be a separate legal entity.

Run by a local Advisory Committee in liaison with the Community Foundation board and support from Community Foundation staff. Adheres to the Community Foundation's policies and practices.

May or may not implement own application process; provides grant recommendations to the Community Foundation.

There can be multiple geographically-based Community Funds partnered with one Community Foundation.

## How Does a Foundation and Fund Work Together?

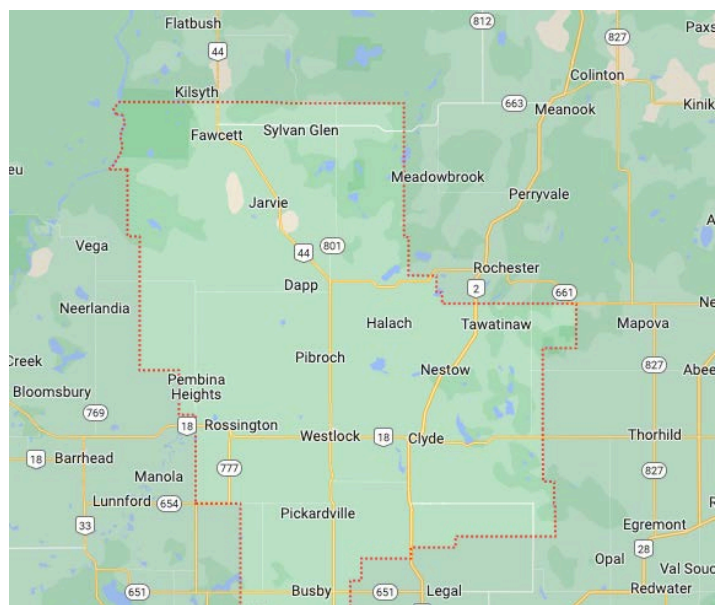


## WCF Rural Community Funds: "Give where you live"

The Westlock Community Foundation currently only funds projects within the Town of Westlock, Westlock County, and the Village of Clyde. Our vision is that rural neighbouring communities will start their own funds that would be distributed specifically to that area. Regions may include: Barrhead, Thorhild County, and Athabasca.

Contact the WCF to learn more about establishing rural community funds in your region.

### Westlock Community Foundation



# Glossary

## Agency Endowment Fund

A permanently endowed fund of which the investment income is issued back to a not-for-profit organization to enhance their charitable purpose.

## Assets

Accumulated resources that provide future economic value such as investments, inventory, equipment, buildings, or land. Assets can be current, fixed, financial, or intangible.

## Asset Mix

The breakdown of all assets within an investment portfolio.

## Capital

A broad term that describes available resources with economic value such as cash and assets that can be used or sold to produce an outcome. Capital includes working capital, debt, equity, and trading capital.

## Charity

A nonprofit whose net profits from donations, membership fees, or business activities does benefit the general public of which there are two types. A Public Charity has many sources of funding and relies on public support vs. a Private Foundation that typically has a single private or limited funding sources. While all charities are nonprofits, not all nonprofits are charities.

## Community Foundation

A Community Foundation is a tax-exempt, nonprofit, autonomous, publicly supported, philanthropic institution composed primarily of permanent funds established by many separate donors of the long-term diverse, charitable benefit of the residents of a defined geographic area. Typically, a Community Foundation serves an area no larger than a province or state. Community Foundations provide an array of services to donors who wish to establish endowed funds without incurring the administrative and legal costs of starting independent foundations.

## Disbursement

The paying out or disbursing of money from a fund.

## Donor

An individual or organization that makes a contribution or allocates the distribution.

## Donee / Grantee

The individual or organization that receives a contribution or grant.

## Endowment (Fund)

In an endowment, all assigned donations are pooled and permanently invested as capital to create a source of income. Generally, the principal is restricted and remains intact in perpetuity, or for a defined period or until sufficient funds have been accumulated to achieve a designated purpose. The annual investment income earned is then used for charitable purposes – either in the direction of the donor or fund holder to the charities they designate, or through a grant making process.

## Fund Holder

An individual, organization, or business who has money invested in an endowment that they established.

## Grant (Unrestricted)

An award of funds to an organization to be used for a greatest need.

## Investment Portfolio

A collection of investments owned by one organization or individual and managed with a specific investment goal in mind.

## Not-For-Profit Organization

Synonymous with non-profit organization or Community Service Organizations (CSO). The term was coined to rid the notion that the term non-profit may suggest organizations do not make any profit. Not for Profit means an enterprise can make a profit but the organization does not exist solely to do so.

## **Non-Governmental Organization (NGO)**

An organization that is not government. Most often the term is used to differentiate between government, which in all respects is a non-profit organization, and other non-profit organizations.

## **Non-profit**

An organization whose net profits from donations, membership fees, or business activities DOES NOT benefit any individual or the general public, instead serving their member's collective interest. e.g.) Registered non-profit society with a provincial government.

## **Non-Profit Company**

A term primarily used by Alberta Government Services to denote a nonprofit organization that will operate a company for profit, but the profits will be used solely for the purpose of promoting the objects of the organization and will not be paid to members (also known as a social enterprise).

## **Non-Profit Organization**

A general term denoting any organization formed whereby any profits realized from the activity of the organization are used solely for the purpose of promoting the objects of the organization and are not paid to the members.

## **Non-Qualified donee**

A person, club, society, association, or organization who does not hold charitable status with the Canadian Revenue Agency.

## **Open Designated Fund**

This type of fund allows donations or gifts to be made by any interested contributor (open) with the disbursement beneficiary being selected (designated).

## **Organization**

The larger form and generally comprises of several companies. Simply, a company is an organization, but an organization is not just a company.

## **Perpetuity**

The property of continuing forever. In finance, perpetuity is an investment that has a stream of cash payments that will last indefinitely.

## **Principal**

The cash value of an investment including initial, and any future contributions made.

## **Qualified donee**

Organizations that can issue official donation receipts for gifts they receive from individuals and corporations.

## **Rate of Return**

The net gain or loss of an investment over a specified time period, expressed as a percentage of the investment's initial cost.

## **Registered Society**

A society that has been incorporated with the Corporate Registry of Alberta.

## **Reserves**

Liquid assets that organizations set aside to fund planned future needs, or cushion against unplanned events and expenses.

## **Restricted (Cash/Investment)**

Held for a specific purpose, meaning it is not accessible for business use.

## **Society**

An association of persons united by a common aim or interest or principle. Alberta Corporate Registry views a society as an association of five or more people who share a common recreational, cultural, scientific, or charitable interest. A society may not incorporate primarily to carry on a trade or business.

## **Spend-Down Fund**

A fund where the capital is invested with the intent to disburse or grant the total amount in predetermined intervals over a set amount of time until depleted.

## **Unrestricted (Cash/Investment)**

Has no restrictions and is accessible for immediate business use.

# References

## Websites:

1. <https://communityfoundations.ca/resource-library/>
2. <https://www.investopedia.com/terms/>
3. <https://am.jpmorgan.com/us/en/asset-management/adv/resources/glossary-of-investment-terms/>
4. <https://corporatefinanceinstitute.com/resources/knowledge/trading-investing/endowment-fund/>
5. <https://www.canada.ca/en/revenue-agency/services/charities-giving/charities/policies-guidance/qualified-donees.html>
6. [https://charityvillage.com/endowment\\_funds\\_an\\_overview/](https://charityvillage.com/endowment_funds_an_overview/)
7. <https://www.councilofnonprofits.org/tools-resources/endowments>
8. <https://learn.robinhood.com/articles/6aTnbITCUPDRP6Rntxvlet/what-is-an-endowment/>
9. <https://www.alancantorconsulting.com/2012/11/endowments-pro-and-con/>
10. <https://benefactorgroup.com/the-benefits-of-an-endowment/>
11. <https://www.ocf-fco.ca/donors/types-of-funds-2>
12. <https://offers.hubspot.com/marketing-plan-template>

*Notes*

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A decorative pattern of small, light-colored dots is scattered across the dark green background. On the right side, there is a prominent spiral pattern that starts from a central point and expands outwards, composed of larger dots.

**Working with your local  
Community Foundation  
is the ideal way to  
establish an Agency  
Endowment Fund.**