



Guide to Endowments for Nonprofit Organizations

An endowment is a permanent fund that holds its principal in perpetuity and is invested for the benefit of a particular purpose. You can start a permanent endowment with a gift of cash, securities, or complex assets, or a donor can establish a Donor Advised Fund that can convert to a permanent endowment upon their passing. The nonprofit institution or donor can even establish an endowment directed to a specific population or need.

Benefits of Creating an Endowment

- **Simplicity and ease** - The Catholic Foundation manages the administrative aspects of the fund, and the nonprofit organization simply receives the proceeds.
- **Visibility and marketing**— The Foundation promotes your endowment through the Catholic Foundation’s annual report, newsletters, website and donor portal.
- **Integrity of values** – The Foundation’s investment committee along with Merrill Lynch’s professional management team ensures all funds are invested in accordance with the United States conference of Catholic Bishops guidelines for socially responsible investments.
- **Peace of Mind** – Funds created by the Catholic Foundation of Michigan provide asset protection from potential liabilities. They ensure the specified growth and lasting legacy of our Catholic communities.

Types of Funds

Nonprofit Endowment Funds

Nonprofit organization endowments with the Catholic Foundation ensure the continuation and growth of their services and programs for future generations. An annual distribution is paid directly to the nonprofit institution.

Designated Funds

Designated endowments are created by *donors* wishing to support your organization. Income from these funds is distributed directly to the institution named by the donor(s).

Honorary and Memorial Funds

A gift of an endowment to benefit your nonprofit organization in the name of someone special is a gift that declares, “Together we are giving hope to future generations.” Imagine the distinct, memorable gift a donor could give to a loved one.

Donor Advised Funds

These funds are created by donors wishing to support one or more schools, parishes or nonprofit organizations. Contributions are invested and granted to the institution as advised by the donor(s). Additionally, a donor can establish a fund that can convert to a permanent endowment to benefit the organization upon their passing.

Field of Interest Funds

These endowments are funded by donors wishing to support a specific cause within the scope of the Catholic Foundation’s mission. Income from these funds are distributed through the Foundation’s competitive grant process, to institutions and nonprofits serving an area of special interest to the donors. Examples of these funds are Catholic education & formation, social services and vibrant parish life.



Getting Started

1. **Identify the Need to Create an Endowment** – Many people see the benefit of endowing their cherished charity, but do not know how to go about doing so. Likewise, nonprofit leaders see the necessity for having a diversified revenue source that will benefit the organization into the future while making a conscious choice to use memorial monies, bequests or other revenues to establish an Endowment Fund. A helpful resource for your decision making process is: <https://www.councilofnonprofits.org/tools-resources/endowments>
2. **Define a Purpose** - State a clear purpose for which the earnings will be used into the future. While the purpose should be clear, it should not be overly restrictive. Some examples are for: The mission and operations of the specifically named organization, or capital improvements etc.
3. **Determine the Initial Amount to Initiate the Fund.** The minimum amount to set up an endowment is \$10,000. Distributions take place in the following year after at least 1 year of investment.
4. **Official Approval of Funds** – Nonprofits that wish to establish endowment accounts using organizational funds must consult with their board of directors, finance committee and/or appropriate leadership as an initial first step. A letter approving the use of the funds is required by the Catholic Foundation.
5. **Work with the Catholic Foundation** and your board to create the Endowment Agreement with the Foundation. Identify 1-2 fund liaisons from your team.
6. **Choose the name of the fund.** The endowment can be named after an individual, family, or the organization(s) benefiting from the fund.
7. **Make the initial contribution** to the fund by way of assets (cash or stocks)
 - a. An organization and/or individuals may continue to donate to the endowment after the initial contribution.
 - b. Public endowments allow anyone to donate to the fund after it is established.
8. **Celebrate!**
 - a. Share on social media that your organization has successfully opened a fund that will benefit your mission for years to come!
 - b. Follow the Catholic Foundation on LinkedIn, Facebook and Twitter in order to allow us to do the same to maximize and amplify your social media presence.
9. **Ongoing support**
 - a. Quarterly statements will be sent to you regarding the growth, balance and activity of the fund.
 - b. Yearly, a percentage (typically 5%) of the endowment is given to the donor's chosen beneficiary.
 - c. Contact the helpful Catholic Foundation staff at any time if you have questions.

We invite you to prayerfully consider an Endowment Fund with The Catholic Foundation of Michigan. Together as people of faith, we can spread the Light of Christ and make a difference in the lives of many, for generations to come!

“God’s will: Peacefully do at each moment what, at that moment, ought to be done.”

- St. Katharine Drexel