Doing good forever:
The Power of Endowment & Planned Gifts

Tony Banegas – Philanthropic Advisor
Ed Knight, Senior Philanthropic Advisor
14th Annual Summer Institute, Sedona
July 17th, 2013
Mission

Lead, serve and collaborate to mobilize enduring philanthropy for a better Arizona.
Fast Facts

• Founded in 1978
• One of 700+ community foundations nationwide
• Statewide organization with four regional offices managing 11 affiliated foundations
• $423 million distributed since 1978
• $504 million in assets held in 1,108 component funds
  o 150 nonprofit funds
  o 107 scholarship funds
  o 25 supporting organizations
• $36 million in grants distributed in FY12
• About $40 million in new gifts received annually
Strategic Priorities

Donors & Relationships
Serve and amaze our donors, both current and future.

Community Leadership
Define and pursue a civic and philanthropic agenda reflecting the intersection of our donors’ interests and Arizona’s needs.

High Impact/Measurable Social Return
Quantify and communicate, through data-driven decisions and measurable results, the collective impact of our grantmaking and leadership.
Asserting Leadership

Our Philanthropic Agenda

- Fueled by Discretionary & Field of Interest Funds
- Enhanced by Public Policy, Advocacy, Partnerships & Leadership

- Quality Education
- Health Innovations
- Community Improvement & Development
- Arts & Culture
- Environment & Sustainability
Choosing the Key Sectors

Philanthropic Agenda

Donor Intent
(fields of interest)
Available $

Community Needs
(Data)

Opportunity to Lead, Leverage, Innovate and/or Impact the Community
Three Business Units

**Executive Services**
- Marketing, Communications, Branding, Board Relations, Strategy, Public Policy, Research, Education & Scholarships, Corporate Philanthropy

**Philanthropic Services**
- Advancement, Donor Services, Programs, Affiliates

**Financial Services**
- Finance, Administration, Human Resources, Operations, IT
Statewide Affiliate Network

- Each ACF Affiliate has a community endowment fund
- Local advisory boards bring local knowledge and expertise
- Grant decisions made locally
How Gifts Become Funds

Donor Chooses from 7 Fund Options

Fund is Created and Named (typically, for the donor/family)

Fund is professionally managed for growth & grants

Grants awarded for charitable purposes

Cash Equiv.
Securities
Stock
Real Estate
Business Interests
Retirement Assets
Life Insurance
The Power of Endowment

- A donor-advised fund that began with $160,506
- Fund has grown to $357,475
- More than $167,000 in grants distributed over 23 years

Edward B. Burr Foundation
Types of Funds

Less Restricted

- Fund for the Common Good
- Field of Interest Fund
- Project/Initiative Fund
- Donor Advised Collaborative Scholarship Fund
- Supporting Organization Fiscal Sponsorship
- Designated Fund
- Nonprofit Fund

More Restricted
Nonprofits have two choices for establishing an organizational fund, both offering a reliable source of financial support for the organization over the long term, thanks to professional management.

A permanent endowment gives organizations the opportunity to create a fund that generates investment income, year after year, which can be drawn down in set annual payments to the organization, or reinvested in the fund to grow over time. The permanence of an endowment fund is both appealing and reassuring to donors and nonprofit boards of directors who seek the enduring value of a dedicated source of income to support the organization they love, today and forever.

These funds give organizations the opportunity to save non-endowed, medium-term or emergency dollars in a professionally managed fund that can generate investment income, year after year, but also remains fully accessible with a vote of the nonprofit’s board. A portion of the earned income can be drawn down in set annual payments or reinvested in the fund to grow over time, according to the organization’s needs. It’s a flexible, simple way for nonprofits to build toward a project or future operational needs.
Assets by Fund Type
As of March 31, 2012

- Supporting Org: 31%
- Field of Interest: 16%
- Advised: 24%
- Nonprofit: 6%
- Designated: 9%
- Scholarships: 4%
- Trusts & Annuities: 4%
- Other: 2%
- Discretionary: 4%
Grants by Program Area
As of March 31, 2012

- Health & Human Services, 42%
- Education, 30%
- Law, Justice & Public Safety, 1%
- Arts, Culture & Humanities, 7%
- Community, Neighborhood & Economic Development
- Environment & Species Protection, 8%
- Scholarships, 7%
Five-Year Perspective
As of March 31, 2012

CHANGE IN ASSETS OVER 5 YEARS

<table>
<thead>
<tr>
<th>Year</th>
<th>Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>'08</td>
<td>$500,016,704</td>
</tr>
<tr>
<td>'09</td>
<td>$389,413,173</td>
</tr>
<tr>
<td>'10</td>
<td>$469,856,892</td>
</tr>
<tr>
<td>'11</td>
<td>$509,762,970</td>
</tr>
<tr>
<td>'12</td>
<td>$504,367,361</td>
</tr>
</tbody>
</table>

GRANTS AWARDED OVER FIVE YEARS

<table>
<thead>
<tr>
<th>Year</th>
<th>Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>'08</td>
<td>$70,954,614</td>
</tr>
<tr>
<td>'09</td>
<td>$34,002,001</td>
</tr>
<tr>
<td>'10</td>
<td>$36,892,029</td>
</tr>
<tr>
<td>'11</td>
<td>$37,415,789</td>
</tr>
<tr>
<td>'12</td>
<td>$36,142,152</td>
</tr>
</tbody>
</table>
Types of Grants

- **Responsive**
  - Community need drives grants
  - (emergencies, disasters, urgent needs, narrow fields of interest)

- **Priority**
  - ACF proactively invests in five key sectors
  - Impact
  - Investing loans

- **Initiative**
  - Grants made to support ACF initiatives; supported by federal grants & partnerships
  - (Accio Education Fund; Communities for all Ages; AZ Family Economic Success, Project SAM)

- **Advised**
  - Grants made through advice from Donor Advisors and SO Boards

May involve competitive grant cycle; may be selective стратегических грантов.
OUR PHILANTHROPIC AGENDA:
LEADERSHIP · LEVERAGE · INNOVATION · IMPACT

To achieve our mission, we catalyze the generosity and activities of our donors and other partners around our state’s pressing needs and opportunities, which form our philanthropic agenda. We support this agenda through our discretionary grantmaking and by leveraging our investments to achieve more significant and strategic impact. Most importantly, we work with our donors and partners to explore and develop innovative ideas and solutions. With our donors and funding partners, ACF has sharpened its social investment strategy to focus on the following areas:

**QUALITY EDUCATION:** Because a quality education system is a key driver of Arizona’s economic competitiveness and quality of life, education reform is a top priority. Supported by a sizable endowment, ACF makes significant investments to expand and bring to scale innovative, high-quality reforms to benefit all Arizona students.

**HEALTH INNOVATIONS:** The quality and accessibility of health services are critically important to our shared quality of life and the health of our communities. ACF makes important investments in community health and emerging research, and provides catalytic funding for medical and healthcare innovations.

**ARTS & CULTURE:** A thriving arts scene and diverse cultural offerings bring enjoyment to residents and visitors, and are important drivers of our economy. To celebrate our rich history and diversity, bring valuable learning experiences to children and adults, and maintain our strong social fabric, ACF collaborates to build Arizona’s infrastructure to support a vibrant arts and culture community.

**COMMUNITY IMPROVEMENT & DEVELOPMENT:** Affordable housing and stable neighborhoods are the building blocks of a healthy community. Investments in this area include one of ACF’s flagship issues, affordable housing, plus economic success initiatives for the working-poor, basic needs for Arizona’s most vulnerable populations, and programs that build strong communities for all ages.

**ENVIRONMENT & SUSTAINABILITY:** Arizona’s natural resources are among the most highly valued attributes of our state, and a top priority of residents. With several endowments established to support animal welfare and an ever-growing interest in sustainability among donors, ACF is forming partnerships that protect, preserve and responsibly manage Arizona’s natural resources in both urban and rural areas.
Competitive Grantmaking

• Grants awarded annually from ACF’s discretionary resources through open, competitive processes

• Grant information disseminated as broadly as possible to reach as many applicants as possible

• Grant review process is fair and equitable
  - Involves peer review panels as appropriate
Competitive Grantmaking

- Approximately 25 competitive grant cycles annually
- Typical grants are for a one year period
- Strategic initiatives can be multi-year
  - Communities for All Ages
- Apply online via ACF’s website
- Grant Cycles are approximately open for one month
- Technology improvements coming in the late Spring/early Summer 2013
Organizational Profile

- Used to apply for grants on ACF web site
- Proves eligibility to receive funding
- Tracks past grant applications
- Marketplace to donors
- Used by panel members during grants review process
- Do not duplicate your profile!
Is your profile clear, concise and informational?

- Keep information updated
  - Include staff, board, programs, budget
- Regularly check our grants page for opportunities
  - www.azfoundation.org/grants

Need technical assistance?

- Kristen Nelson
  - knelson@azfoundation.org
www.azfoundation.org/grants

Give with a Passion

Nonprofits & Grantseekers

Current Grant Opportunities

Competitive Grant Opportunities
ACF conducts more than 40 grant cycles each year, most of them online. Last year more than 3,500 grant applications were received and processed at ACF. The grant cycles which are currently open for application consideration are posted below. Click on the headline to learn more about the grant cycle, its parameters, your organization's eligibility and to complete the application.

Be sure to check back regularly as more grant cycles open and close.

Peer-Reviewed Social Innovation Expo

Predevelopment Recoverable Grant for Affordable Housing in Arizona
Competitive Grant Approval Process

• Staff vetting of applicants
  o Review 990’s and 501(c)(3) status
  o Ensure nonprofit applicants fit the grant guidelines

• Recommendations from review committee
  o Review committee consists of:
    • Subject matter experts, community leaders, and/or board members
  o Review committee scored proposals individually first, and then gets together and makes their recommendations as a team

• Final approval by Philanthropic Services Committee
Measuring Intended Outcomes

• Your organization’s **specific intentions** are part of the grant application, answering the question: “What do we want to do?”

• Measurement and evaluation are emerging components of grantmaking

• As grant recipients, organizations must also consider the answers to three key questions:
  - What did we do?
  - How well did we do it?
  - What difference did it make?
Measuring Outcomes

WHAT DID WE DO?

HOW WELL DID WE DO IT?

WHAT DIFFERENCE DID IT MAKE?

IMPACT
Actual results / improvement in the population served by the grant

INFLUENCE
Reach
Commitment
Action
Changes in systems, policies, practices and opinions which support the strategies that work

LEVERAGE
Investments by other funders that support strategies that work
Current and Upcoming Open Grant Cycles

- Predevelopment Recoverable Grant for Affordable Housing in Arizona (always open)
- Regional Affiliate grant cycles

- Check ACF grants page once a month for updates
  www.azfoundation.org/grants
- Follow us on social media:
  facebook.com/azfoundation
twitter.com/azfoundation
Questions?
Introduction to Planned Giving

An Primer on Endowment Building for Nonprofits
Introduction to Me

Ed Knight, attorney
eknight@azfoundation.org
602-682-2069 (office)
find me on LinkedIn

The information contained in these materials and any attachments is being provided for informational purposes only and not as part of an attorney-client relationship. The information is not a substitute for expert legal, tax or other professional advice tailored to your specific circumstances, and may not be relied upon for the purposes of avoiding any penalties that may be imposed under the Internal Revenue Code.
Other Resources & Service Providers

• Endowment Building by Diane S. Newman
• The Complete Guide to Planned Giving by Debra Ashton
• Planned Giving Round Table of AZ
  www.pgrtaz.org
  o Leave a Legacy Arizona
• Partnership for Philanthropic Planning
  www.ppp.org
• ACF website: www.azfoundation.org
What is the next step I (we) should take regarding a planned giving program?
“If you do what you’ve always done, you’ll get what you always got.”

- Mark Twain

(and many others)

90%, 10%

(“Change or Die” FastCompany article, 2005)
Planned Giving Program

• One definition: a planned giving program is a concerted, strategic effort to
  1. solicit,
  2. steward, and
  3. collect planned gifts.
Myths About Planned Giving
What are planned gifts?

– First, they are planned around a donor’s
  • Balance sheet (think assets, not just income)
  • Tax structure (convert, shift, defer)
  • Estate documents
  • Lifestyle needs

– Second, they are gifts
  • Most gifts are good, not bad
  • Think positive
What are planned gifts?

The integration of personal, financial and estate planning goals using lifetime or testamentary charitable giving with benefits to the donor.
What are planned gifts?

A potentially useful method of giving that is kept secret by charities.
Why are planned gifts good?

High utility rate for donors

Small-income donors can make large gifts

Large Gifts = Large Impact
Types of Planned Gifts

• Beneficiary designation for a life insurance policy
• Transfer/Payable On Death ("TOD"/"POD") for accounts of cash and cash equivalents
• Beneficiary deed for real estate
• Charitable distribution via Last Will or estate planning trust
More Types of Planned Gifts

- Gifts of life insurance policies
- Charitable Trusts
  - NIMCRUTS, NICRUTS, CRATS, CRUTS, CLATS
- Charitable Gift Annuities
- Retained life estate (real estate)
Most Common Species of Planned Gift

• Charitable distribution via Last Will or estate planning trust. Thankfully the simplest option is also the most popular.

Assume that many of your constituents will want to leave a legacy with your organization – they don’t because they simply don’t know their options.
the DONOR’S NEED

• Many people want to give to charity but are unable to donate property during their lifetime. For example, a donor may have property that will be needed during life to cover living expenses or rising health care costs. The donor may be able to donate this property through his or her estate. Bequests are gifts that anyone can make.

the SOLUTION

• Donors can retain ownership and use of property during life and still benefit a charitable organization by leaving the property to charity at the time of their death.

the BENEFITS

• The charity receives cash or property.
• The amount given to charity is not subject to federal estate tax.
• Flexible: Donors are able to use and control property during their lifetime.
bequests

A donor can leave property to charity by including a bequest in his or her will or trust. Property that passes through a beneficiary designation (such as IRAs) can be left by designating the charity as a beneficiary.

**Specific Asset Bequests**
"I give my car to ________." 

**Specific Amount**
"I give $1,000 to _______." 

**Bequest of a Percent of the Residue**
"I give 50% of the residue of my estate to ________." 

**Undivided Percentage of Asset**
"I give half of my home to ________."
Planned Giving Program

- Everyday Fund
- Savings Fund
- Endowment Fund
"Endowment fund" means… a fund that is not wholly expendable by the institution on a current basis.
endowment

Two types
- Set aside by Board
- Set aside by a donor

Three Elements
- Save
- Grow
- Spend
Options for Next Step

Do nothing new...
...and you're done.
Options for Next Step

• Do Everything.
  o Create planned gift policies regarding CRTs, CLTs, beneficiary deeds, life estates, etc.
  o Create windfall policies for unexpected testamentary gifts.
  o Conduct focus groups.
  o Attend every seminar available in the world.
  o Create a legacy society.
  o Identify prospects.
  o Purchase planned giving software.
  o Hire a planned giving officer.
  o Hire a consultant and outside legal counsel.
  o Conduct staff and board training on each of the planned gift types. And more...
Options for Next Step

- **Do Something.**
- **Low-hanging fruit...**
  - Create simple marketing and communication pieces to include in a newsletter. Let prospects self-identify by responding to these pieces.
  - Assign a staff person to take calls regarding planned gifts. Get basic planned gift training for this person.
  - Use a planned giving back-office to handle complex questions.
  - Develop relationships with estate planning attorneys and financial advisors who can assist donors with planned gifts and can refer potential donors too.
  - Create a simple legacy society to honor those who have left a legacy.
  - Start a conversation with _______ about planned giving.
Don’t let *perfect* be the enemy of *good*.
Thank You!

Questions and Comments