

Starting an Endowment Fund with The Pembina - Manitou Area Foundation

Frequently Asked Questions (FAQs)



1. How do we know if our organization is eligible to start an Endowment Fund (EF) with Pembina-Manitou Area Foundation (PMAF)?
 - a) Your organization should have a Charitable Registration number with Canada Revenue Agency (CRA) or be willing to work with an organization that has a Charitable Registration number.
2. If we started an Endowment Fund (EF) with PMAF, would the fund provide a better return on our investment (ROI) than our current method of using GICs? Potentially yes.
 - a) Historically the investments held by PMAF have returned a better interest rate than GICs.
 - b) Canada Revenue Agency requires PMAF to pay out approximately 4% of our investments annually.
 - c) If your EF with PMAF returns a percentage above the 4% payout (adjusted annually), this higher return will be added to the capital of the Endowment Fund.
3. Would an EF be returnable if we needed the funds for a large planned project? Typically, no.
 - a) Endowment Funds held by PMAF are considered long term investments and are typically invested in perpetuity.
4. Our charity has a considerable amount of money in savings. Should we invest all of our savings with PMAF? Typically, no.
 - a) If your organization uses your savings to fund its operations you may want to consider creating an EF with only a portion of your savings.
5. How does our organization (charity) receive our annual return on investment?
 - a) The dollar figure that is shown on your annual Endowment Fund statement is the amount that will be returned to your organization by PMAF.

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6. Our board has reviewed the annual report of the PMAF and understands your foundation realized a 10.5% ROI. Would our organization expect the same ROI?
 - a) The PMAF typically receives four to five percent on its investments to be granted to the community to fund local initiatives.
 - b) This is the same percentage that your organization would receive annually.
 - c) Any growth above this four to five percent stays in your endowed fund and helps the capital grow.
7. If our charity started an EF, could we add to it annually, or have individuals contribute to the fund on our behalf?

Yes.

 - a) If your charity has extra capital on hand, it can be used to top up your EF.
 - b) If other individuals or organizations choose to contribute to your EF, the PMAF will administer the contributions to your EF.
 - c) Some potential contributors (estate planning) may be motivated to contribute to your organization when they know their donation will be held in perpetuity.
8. If we start an EF with PMAF and receive an ROI from the investment, can we still apply to the PMAF for a grant?

Yes.

 - a) PMAF encourages all charities and organizations to apply for an annual grant regardless of whether the foundation holds an Endowment Fund.
9. What happens to our EF if our organization ceases to exist, or we don't have volunteers to sit on a management board?
 - a) As part of the agreement between your charity and the PMAF, the document that is signed by both parties will have a clause that stipulates how to direct the funds if the charity ceases to exist.
10. Does starting an EF (say \$100,000) bolster the account of PMAF and in turn create more funding for the foundation to grant to the community?

Yes.

 - a) The funds that started your EF stay with your Endowment Fund, and the growth percentage (4%-5%) of your EF is typically used for enhancing local community initiatives.

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11. How much money does our organization need to have on hand to start an EF with PMAF?

- a) Typically, the PMAF needs a contribution of \$5,000 to start an Endowment Fund, but recommends or suggests that the fund balance is \$20,000 within 5 years.



12. If our organization starts an EF, are donations to the fund tax deductible?

Yes

- a) PMAF will offer a Charitable Tax donation receipt for donations to the EF.

13. I currently hold Investment Securities that I could donate to the PMAF. Should I cash out my securities and then donate the funds to the foundation?

No.

- a) Securities, shares, and bonds, can be transferred to PMAF directly without cashing them initially.
- b) The foundation will offer the securities holder a Charitable Donation receipt, and Capital Gains tax can be avoided.

14. How does creating an EF with PMAF support the workings of the foundation in the local community?

- a) The interest that is returned to your organization is typically used for charitable projects within the community.

15. When our organization receives its annual return on investment, are there any restrictions on how we can use these funds?

- a) The annual return on your Endowment should be used for the purpose (ex; maintenance and repair) that was stated on your EF agreement when the fund was created.