So You Want to Build an Endowment?
Ten questions to get you started
Who are we?

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Senior Consultant
• 25+ years in the field
• Clients in all sectors, strong focus on education and youth
• Passionate about meeting organizations where they are

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Senior Consultant
• 20+ years in the field
• Specializes in major gifts, campaign planning and donor relations, primarily in Oregon and SW Washington
• Campaigns of $1 million to $39 million
And who are you?
What we’ll cover today

- **Definition**: what an endowment is (and isn’t!)
- **Purpose**: what it can fund
- **Timing**: when it should be a priority
- **Size**: how much is “enough”
- **Prospects**: who you should approach, and how
Does your organization have an endowment?
The dictionary definition!

- A large amount of money that has been given to a school, hospital, etc., and that is used to pay for its creation and continuing support
- A person's natural ability or talent

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#1: What is an endowment, really?

A fund, or collectively invested individual funds, established to generate income for an organization’s long-term benefit

Source: Kathryn Miree
A common misconception

Planned Gifts = Endowment

In fact:

• Planned gift = **how a donor makes a gift**
• Endowment = **how an organization uses a gift**
Our headlines

An endowment fund is a supplemental revenue stream that helps you meet community needs.

It adds to, but doesn’t replace, other sources of revenue.
Think of it this way...

**Short-term needs**
- Annual gifts

**Medium-term needs**
- Major gifts
- Capital gifts

**Long-term needs**
- Endowment gifts

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#2: What are the different types?

<table>
<thead>
<tr>
<th>Types of endowment</th>
<th>How established, and why</th>
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</thead>
<tbody>
<tr>
<td><strong>True endowment</strong></td>
<td>• Established by a donor &lt;br&gt; • Funds permanently set aside (“corpus” or “principal”) &lt;br&gt; • Donor may limit how income is spent (restricted) or let organization decide (unrestricted)</td>
</tr>
<tr>
<td>“Permanently restricted net assets”</td>
<td></td>
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<tr>
<td><strong>Quasi-endowment, aka board-designated-to-endowment</strong></td>
<td>• Established by board &lt;br&gt; • Funded from variety of sources, designated for long-term use and/or emergencies and/or opportunities &lt;br&gt; • May be for specific or unrestricted purpose &lt;br&gt; • Future board may “un-designate” at any time</td>
</tr>
<tr>
<td>“Unrestricted net assets”</td>
<td></td>
</tr>
<tr>
<td><strong>Term endowment</strong></td>
<td>• Established by board or donor &lt;br&gt; • Funds set aside for period or time or until event occurs</td>
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<tr>
<td>“Temporarily restricted net assets”</td>
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</tbody>
</table>
#3 Why have an endowment?

- **Diversify** revenue sources
- **Respond** to pressure on other revenue sources
- **Build** reliable, predictable, supplemental revenue stream
- **Protect** core mission in down times
- **Leverage** opportunities in good times
#4 When is the right time to build endowment?

<table>
<thead>
<tr>
<th>Requirement</th>
<th>Status</th>
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<tbody>
<tr>
<td>Board perceives long-term sustainability as fiduciary duty</td>
<td></td>
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<td>Organization is financially healthy, with plan for future</td>
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<td>Clear, short- and long-term priorities for fulfilling mission</td>
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<td>Established annual giving program meets immediate needs</td>
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<td>Loyal major donors are educated and cultivated</td>
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<td>Leadership is ready to give, and to ask</td>
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<td>Policies and procedures are in place</td>
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#5 What strategy is right for you?

- Endowment-only campaign
- Comprehensive campaign
- Designation of surplus funds
- Planned giving initiative
- Endowment on major gifts menu

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#6 How much is “enough?”

**Benchmarks**

vary by organization needs and may take years or generations to reach

- 3-5x your annual budget
- $XX,XXX per student
- % of program expense
- % of operating expenses
- “Seed” program for 3-5 years, with plan to sustain

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#7 What is the profile of an endowment donor?

- Deep **understanding** of your mission
- Long-term **investment** in your mission
- **Confidence** that you’ll be needed in the future
- Desire to leave a **legacy**
  - to protect your mission
  - to realize your vision
  - to protect the investment they’ve already made

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Endowment as the “ultimate” gift

Source: Sarah Clifton, Donor Lifecycle Map
#8 When do donors resist?

- Insufficient support for the cause
- Lack of confidence in organization’s leadership or future
- Concerns over future financial security (their own)
- Lack of immediate gratification
- Loss of control over gift

#9 What policies do you need?

**Gift Acceptance**
- What kind of gifts?
- When will unrestricted bequests fund endowment?
- Is there a minimum for restricted or named fund?

**Investment**
- Where will funds be managed?
- What is the investment strategy?

**Spending**
- What % of income will be spent annually?
- How will you allocate income among fund priorities?
- When will you start spending income?

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#10 What can you do today?

- Help your board and staff get educated
- Continue to build your annual giving program
- Strengthen relationships with major donors
- Invite donors into the endowment planning process
## Endowment Readiness Spectrum

### Pre-Endowment Essentials
- The organization has staff dedicated to development
- The annual case for support communicates the importance and role of philanthropy
- There are tailored cultivation, solicitation, and stewardship strategies for board members and major donors to invite personally meaningful, stretch gifts
- Board members are engaged in development in ways that reflect their personal strengths and interests
- Development is a strategic priority with specific financial and non-financial goals and objectives
- Constituents have opportunities to remain engaged with the organization
- Donors are recognized by giving level to educate and inspire others and to build donor loyalty

### Launching an Endowment
- Board and staff understand endowment principles
- Board members have determined the minimum amount of annual endowment income desired
- The case for support communicates the role of endowment in the organization’s long-term financial sustainability
- There are loyal donors who have indicated their interest in supporting the long-term sustainability of the school
- Endowment prospects are invited to support an unrestricted endowment or specific area of need
- Board members have established policies into place to guide endowment gift acceptance, investing, and spending

### Growing an Endowment
- Board and staff understand planned giving principles
- Board members periodically review the organization’s policies related to endowment
- Board members have made their own commitments to the endowment, either through outright or planned gifts
- The organization has staff dedicated to planned giving, and experts available to provide guidance as needed
- The organization conducts periodic wealth screenings of the donor database to identify top prospects for planned and outright endowment gifts
- Loyal donors are invited to make “ultimate” outright or planned gifts to the organization

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*Your strategic development plan is the foundation for launching & growing an endowment*
Your turn!
We’re here for you

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