



So You Want to Build an Endowment?

Ten questions to get you started

BECAUSE YOUR MISSION MATTERS

Who are we?



Barbara Maduell, CFRE

Senior Consultant

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



Amy Brown, CFRE

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

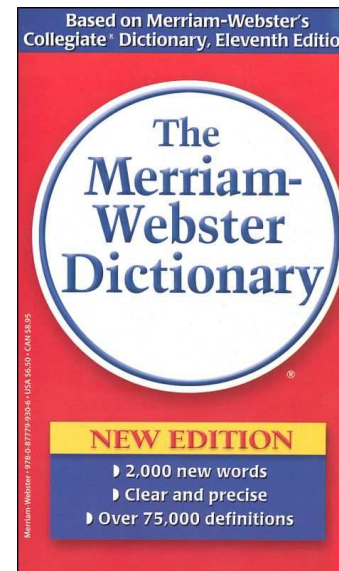


Does your organization have an endowment?

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

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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.

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Think of it this way...

Short-term needs

- Annual gifts

Medium-term needs

- Major gifts
- Capital gifts

Long-term needs

- Endowment gifts



#2: What are the different types?

Types of endowment	How established, and why
True endowment “Permanently restricted net assets”	<ul style="list-style-type: none">• Established by a donor• Funds permanently set aside (“corpus” or “principal”)• Donor may limit how income is spent (restricted) or let organization decide (unrestricted)
Quasi-endowment, aka board-designated-to-endowment “Unrestricted net assets”	<ul style="list-style-type: none">• Established by board• Funded from variety of sources, designated for long-term use and/or emergencies and/or opportunities• May be for specific or unrestricted purpose• Future board may “un-designate” at any time
Term endowment “Temporarily restricted net assets”	<ul style="list-style-type: none">• Established by board or donor• Funds set aside for period or time or until event occurs

#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?

- Board perceives long-term sustainability as fiduciary duty
- Organization is financially healthy, with plan for future
- Clear, short- and long-term priorities for fulfilling mission
- Established annual giving program meets immediate needs
- Loyal major donors are educated and cultivated
- Leadership is ready to give, and to ask
- Policies and procedures are in place



#5 What strategy is right for you?

Endowment-
only campaign

Comprehensive
campaign

Designation of
surplus funds

Planned giving
initiative

Endowment on
major gifts
menu



#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



#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



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

Source: *Nonprofit Essentials: Endowment Building* (Wiley, 2005)



#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?



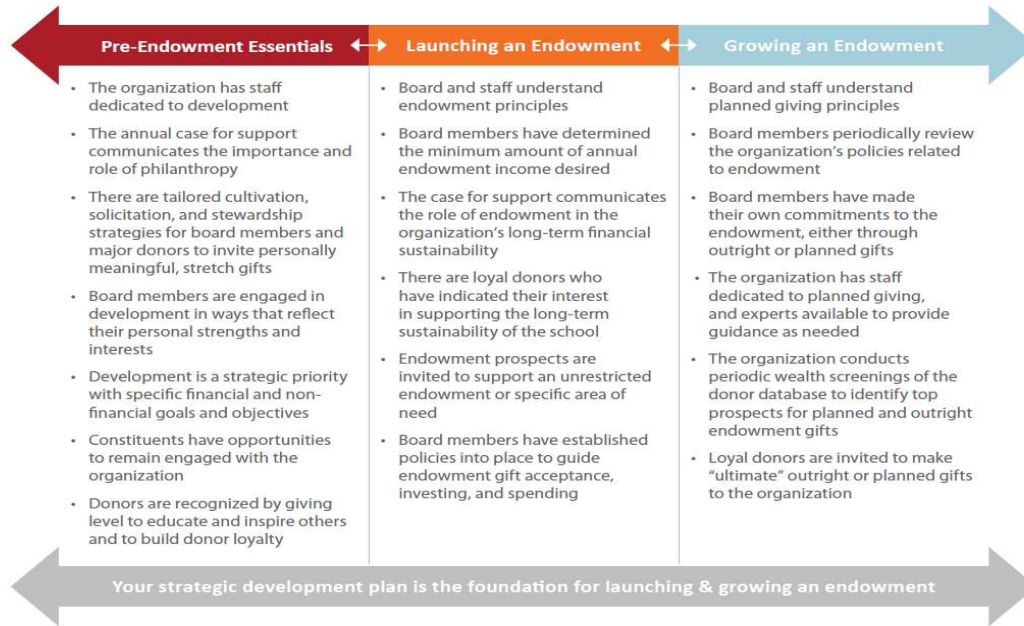


#10 What can you do today?

- 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



Your turn!



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We're here for you

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