



collins group
a division of
Campbell & Company

So You Want to Build an Endowment?

Ten questions to get you started

BECAUSE **YOUR MISSION** MATTERS

Who are we?

Kate Roosevelt, CFRE, Executive Vice President:

- Specializes in developing major gifts, campaign planning, and donor relationships
- 60+ clients, \$200M+ raised



Barb Maduell, CFRE, Senior Consultant:

- Focus on K-12 & higher education, arts & culture, human services
- Two decades in the field
- Campaigns of \$1M-25M



Poll #1

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

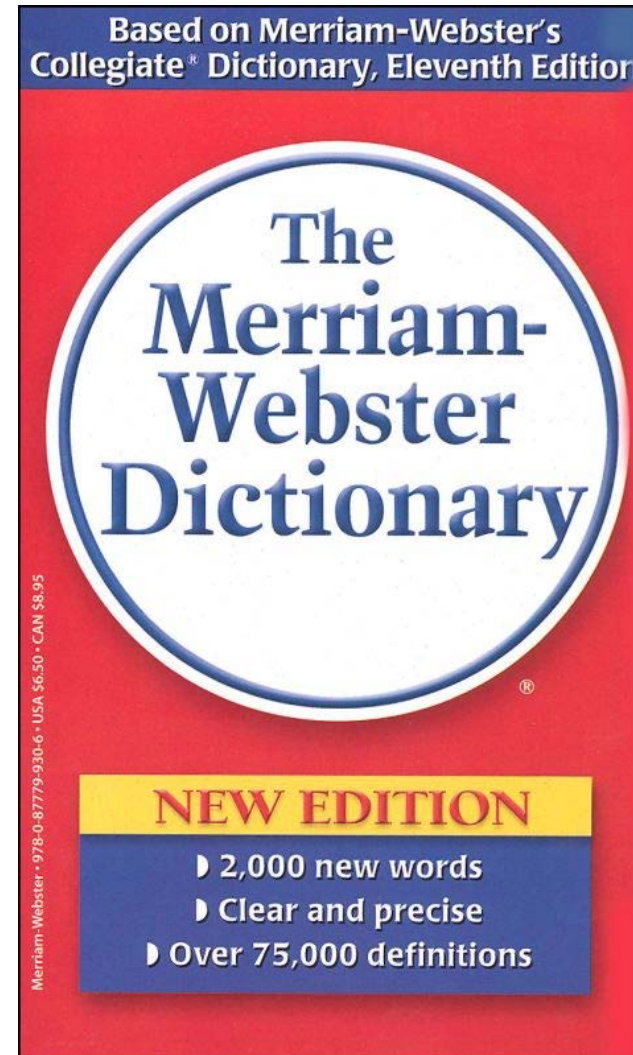


Poll #2

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
- The act of providing money to create or support a school, organization, etc.
- A person's natural ability or talent



#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



#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, <i>aka</i> 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 sector and may take years or generations to reach

- 3-5x your annual budget
- \$XX,XXX per student
- \$XX,XXX per faculty
- % 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 gifts 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



We're here for you

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Upcoming webinar:

“Prospect Research Demystified,” May 20, 11am-12pm PT

