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# The Pathway to Endowment: Learnings from the Region

December 2, 2014

BECAUSE **YOUR MISSION** MATTERS

# The Study Team



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Senior Consultant

- 25+ years in the field
- Former Director of Advancement
- School clients in the PNW and across the country
- Firm's sector lead for independent schools



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Consultant

- Specializes in developing major gifts, campaign planning and strategy and case development with human service and education organizations
- Worn many hats in nonprofit sector – fundraiser, finance, consultant
- Campaigns of \$1 million to \$300 million



# What we'll cover today

- What we learned from all of you
- **How you can:**
  - Prepare for
  - Launch
  - Grow and
  - Demystify (!) endowment



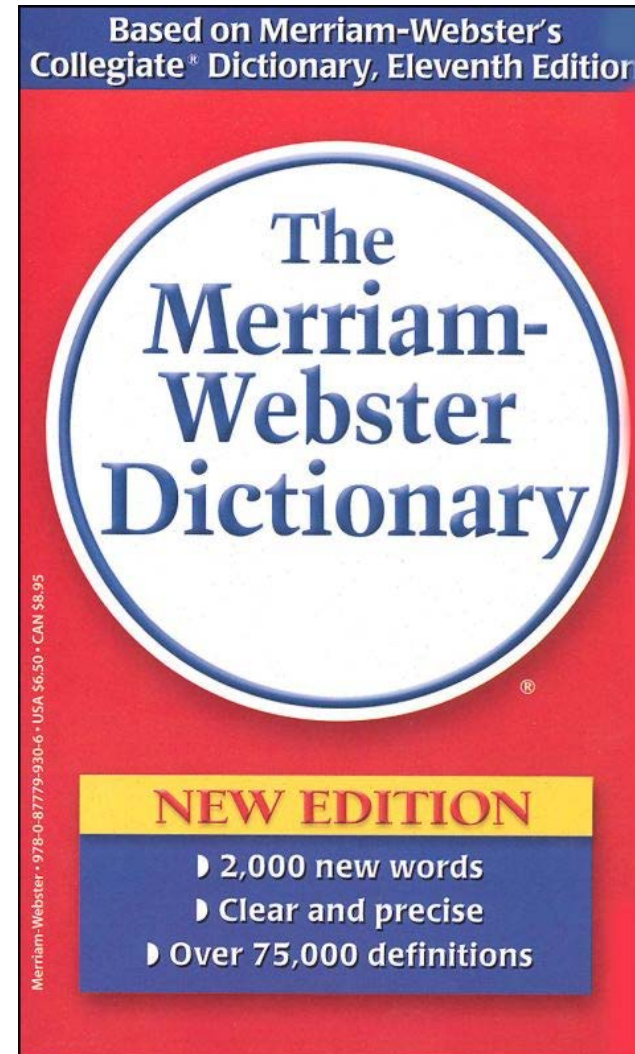
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**First, some context...**

# 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



# Our working definition, part I

A **fund**, or  
collectively invested individual funds,  
established to generate income  
for your school's  
**long-term benefit**

Source: Kathryn Miree

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# Our working definition, part II

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.*





# Why this topic, and why new?

- **Diversify** revenue sources
- **Alleviate** market pressure on tuition
- **Build** reliable, predictable, supplemental revenue stream
- **Leverage** opportunities in good times
- **Protect** core mission in down times



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# The Survey

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# Our methodology

- Collaborated with NWAIS leaders on critical issues and question development
- Online survey
- Emailed to 110 schools in July 2014
- 29% response rate (thank you!)

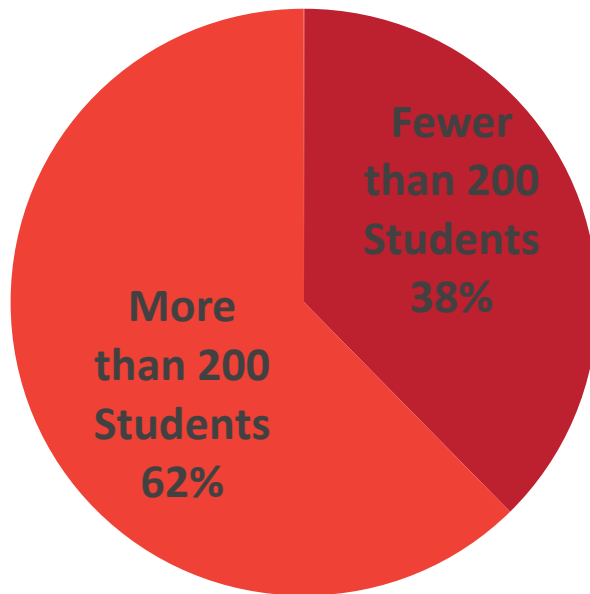
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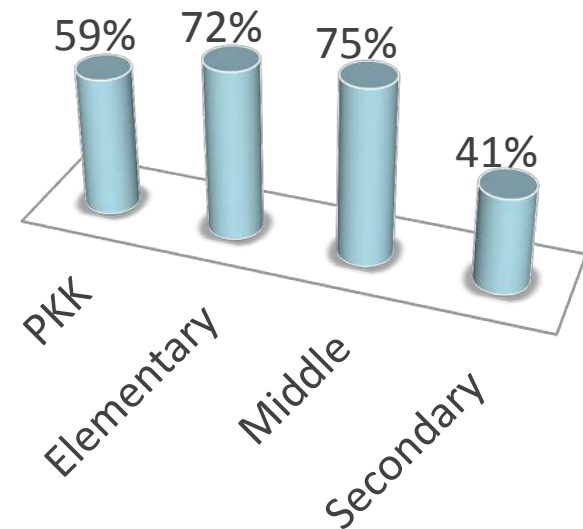
# Who responded?

- 32 schools responded:
  - 75% founded after 1975

## School Size



## Grades Served Distribution



# Who has an endowment?

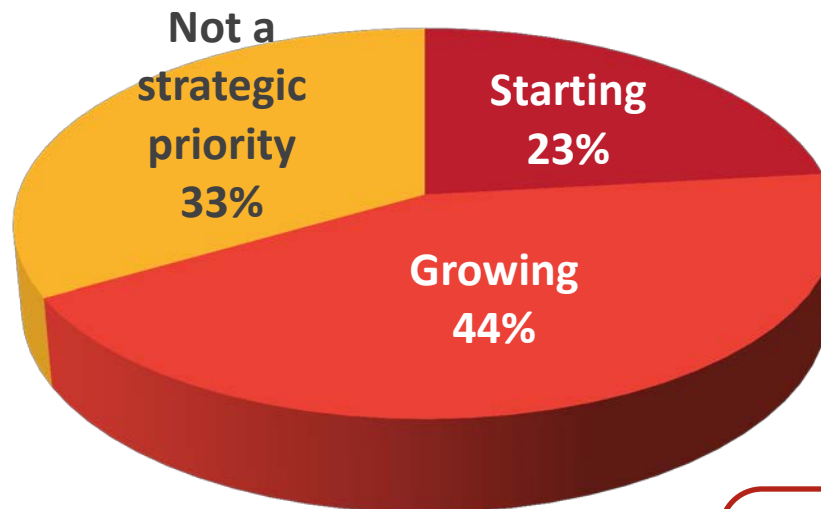
Characteristics	Schools with an Endowment	Schools without an Endowment
<b>Founding Dates</b>	Span entire century	Founded between 1975 – 2000
<b>Student Bodies of 400+</b>	63%	18%
<b>Staff Dedicated to Alumni Relations</b>	75%	9%
<b>Staff Dedicated to Planned Giving</b>	25%	0%
<b>Well-Established or Limited Planned Giving Program</b>	50%	27%
<b>Fundraising Focus</b>	<b>Major gifts</b> in addition to the annual fund and special events	<b>Foundation grants</b> in addition to the annual fund and special events
<b>Strategic Focus</b>	<b>Growing their current endowment</b>	<b>Starting an endowment is not a top strategic priority</b>



# Key findings – what we heard

- Growing existing endowments are top strategic priority

## Strategic Priorities



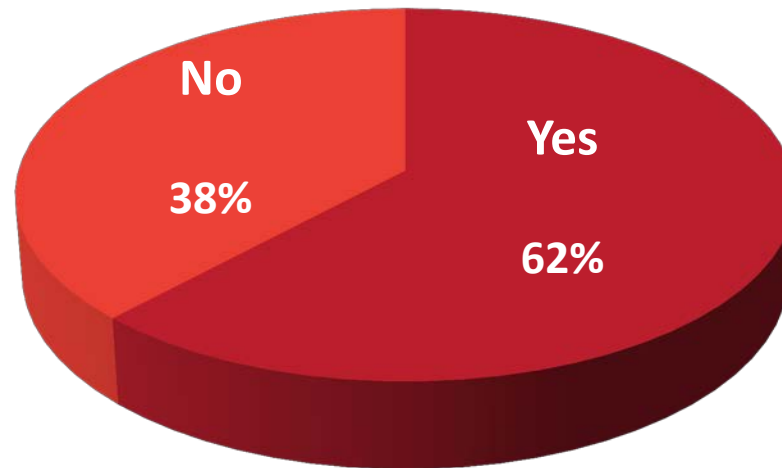
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# Key findings – what we heard

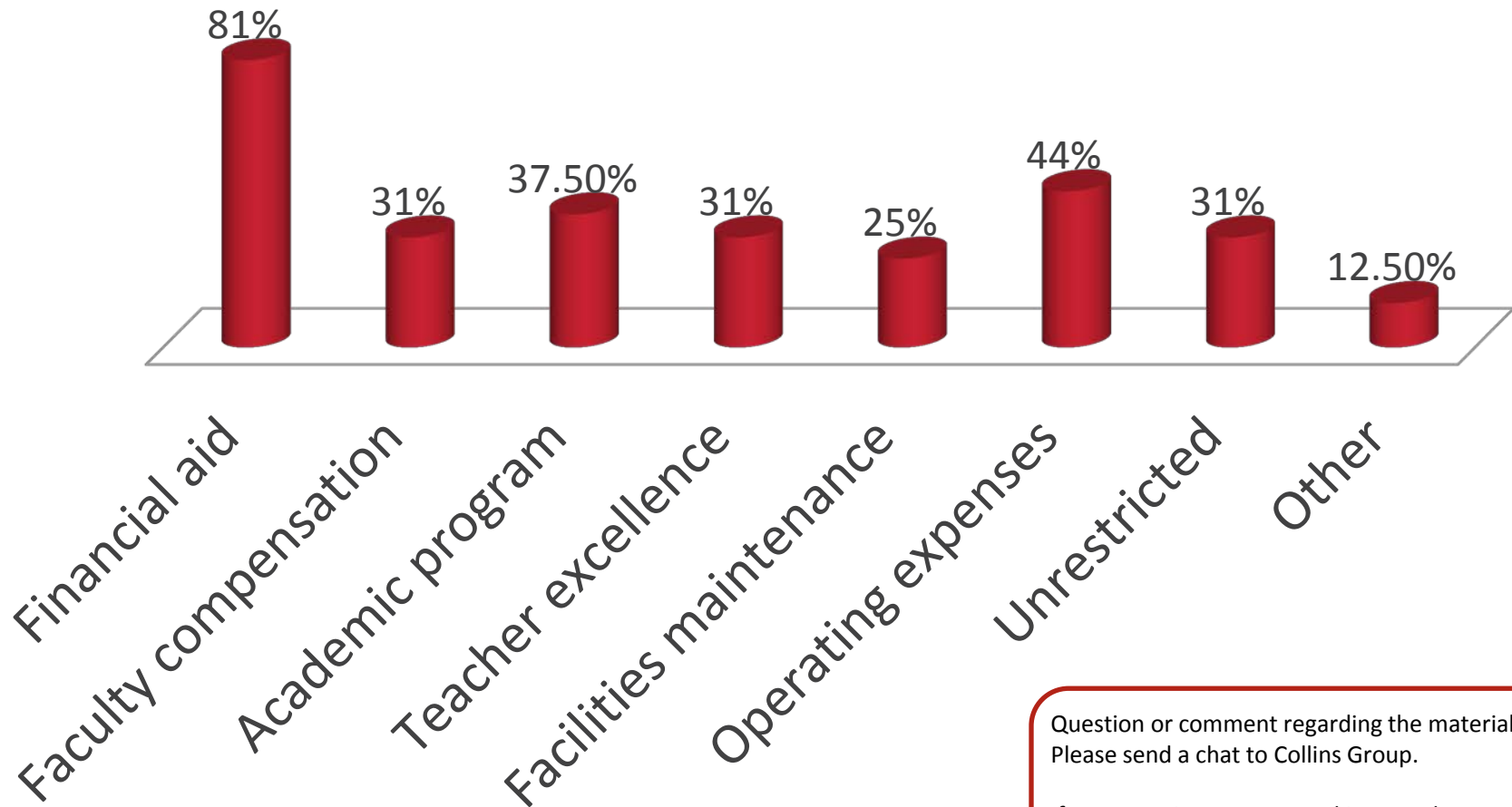
- Major and planned gifts programs pave the way for endowments

**Do you have a major gifts program?**



# Key findings – what we heard

- Endowments support financial aid



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# Key findings – what we heard

- Heads of School perceived as more informed about endowments than board and development staff
- Outright gifts to endowment come from a variety of constituencies
- Schools use a combination of strategies to build their endowments



# Key findings – what we heard

- Philanthropy is deeply ingrained in independent schools
- Donor recognition by giving level is a common practice

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# Strategies for Endowment

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# Strategy #1

**Create a strategic development plan that goes beyond a calendar of activities**

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# What's included?

- Tie to strategic plan
- Financial and non-financial goals
- Strategies by constituency and giving level
- Staffing and volunteer roles
- Clear messaging:
  - Clarifies types of development activities
  - Appeals to different audiences
- Benchmarks to monitor and evaluate



# Strategy #2

**Include major giving as part of your development strategy**

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# What does that mean?

## In general:

- **Definition** of “major donor:” can be \$500 or \$50,000
- **Top prospect** list – whether 10 or 150
- **Tailored** strategies tied to interests and values
- **Requests** for specific amounts or ranges
- **Donor journey** captured in donor base

## For your board:

- **Every trustee** treated like a major donor
- **Board composition** reflective of fundraising priorities
- **Trustees building relationships**





# Strategy #3

**Create a case for giving that distinguishes what your annual fundraising and endowment make possible**

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# Here's what that looks like in general...

## Short-term needs

- Annual fund
- Auction

## Medium-term needs

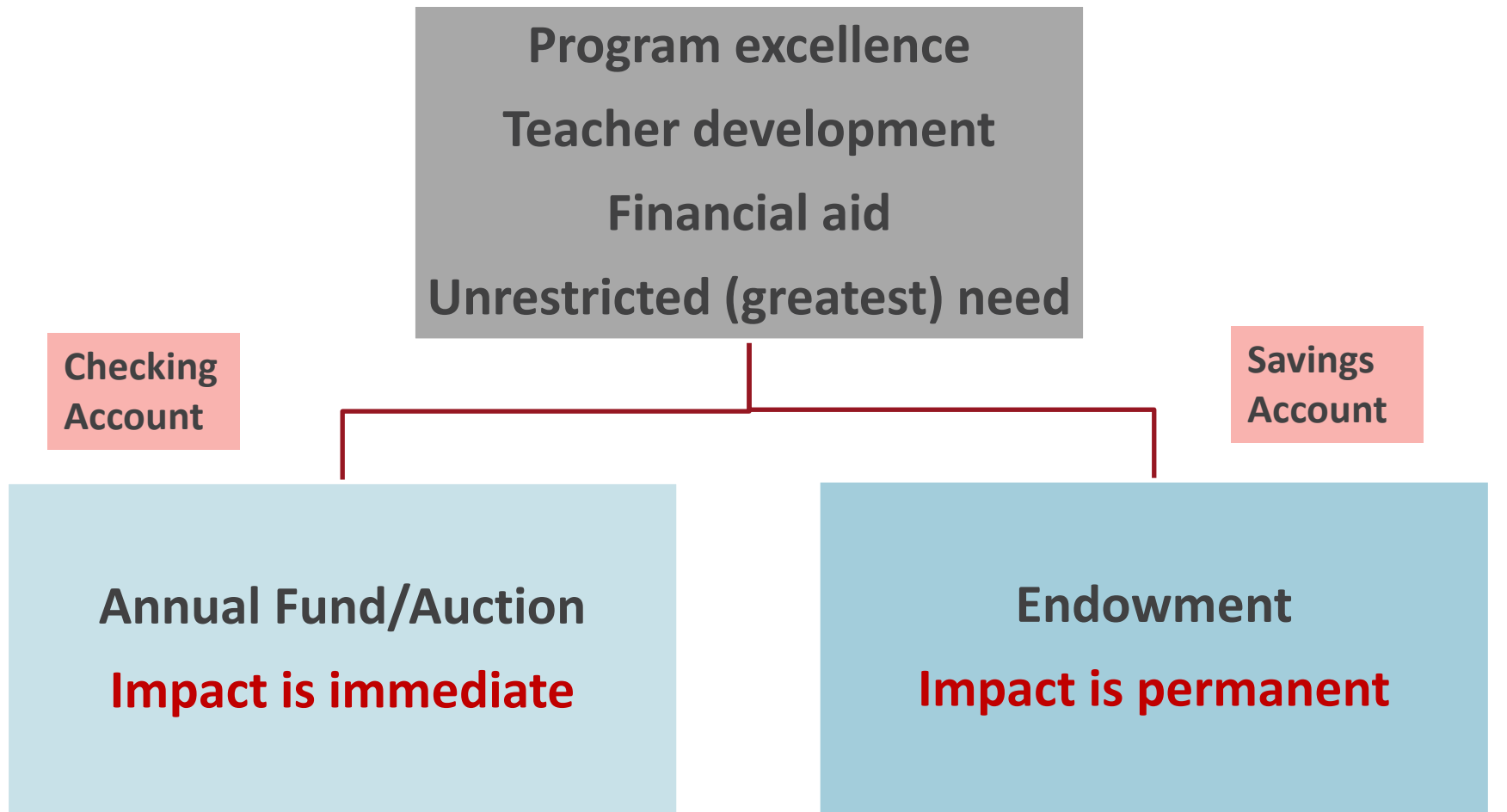
- Programs
- Capital

## Long-term needs

- Endowment



# ...and more specifically...



# ...and by audience

- Current parents and grandparents will gravitate toward Annual Fund
  - Can see the impact
  - Impact is personal
- Alumni and alumni parents will gravitate to endowment
  - Grateful for experience
  - Role as part of tradition of generosity – pay it forward

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# Strategy #4

**Use a variety of strategies to fund  
endowment growth**



# What *are* the different types?

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



# Endowment fuels endowment

**Reinvesting a portion of your earnings grows your endowment principal.**



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# Strategy #5

**Allocate resources to educate leaders  
about endowment**



# It can be daunting...

- Takes time and repetition to learn “the theory”
  - Types of funds
  - Potential uses
  - Accounting
- Prepare volunteers for role in fundraising:
  - Convey importance of peer-to-peer conversations
  - Start with thanking
  - Move to asking

**Make endowment a professional development priority**



# Strategy #6

**When it comes to alumni giving, take the long view**

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# Strong endowment prospects!

- Graduates:
  - Communicate importance of philanthropy
  - Engage in thanking
  - Stay in touch on their terms
  - Create opportunities to return
- Their parents/grandparents:
  - Educate about tradition of generosity
  - Engage families
  - Create opportunities to return
  - Start the conversation before they leave!



# Strategy #7

**Recognize donors by giving level**



# “But it’s not our culture”

- Educates new philanthropists
- Inspires and motivates peers
- Recognizes generosity
- Sets stage for named endowment funds
  
- Anonymous can remain so!

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# Strategy #8

**Adopt board policies to support  
endowment**





# What policies will you need?

## Gift Acceptance

- What kinds of gifts will you accept? *Who will decide?*
- For what purpose will gifts be used?
- Is there a minimum for a restricted or named fund?

## Investment

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

## Spending/Holding

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



# Strategy #9

**Be mindful that not every donor is an endowment prospect**

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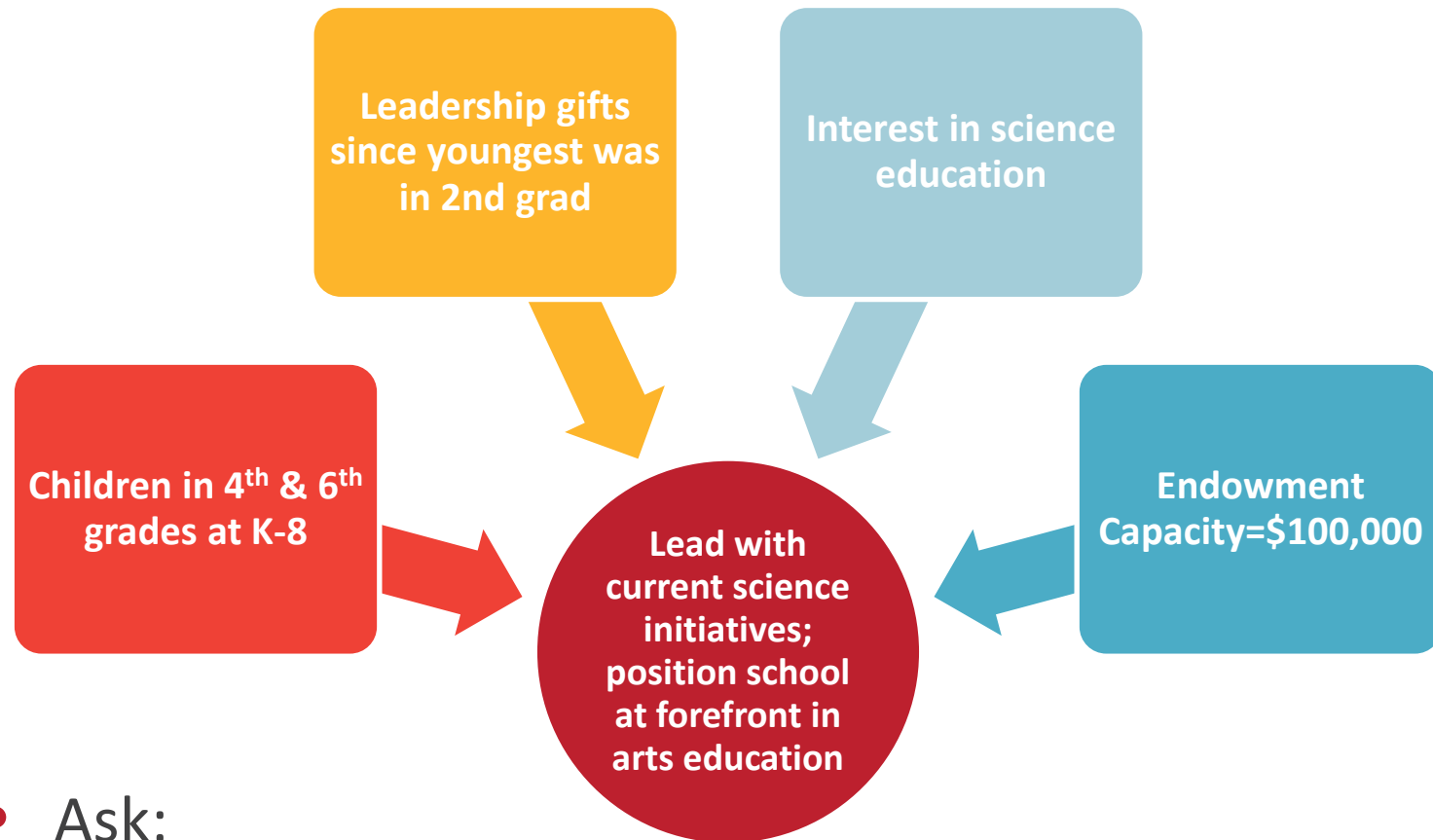
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# Who are your prospects?

- Deep **understanding** of your mission
- Long-term **investment** in your mission
- **Confidence** that you'll be needed in the future
- **Gratitude** for impact on child(ren)
- **Pay forward** generosity of others



# Example of a strategy



- **Ask:**
  - Increase AF from \$3K-\$5K (perhaps multi-year)
  - \$100K over five years to endowment



# A final word... when are you ready?

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



**Q & A**



# We're here for you

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