

## **Endowment fund**

An organization which undertakes an endowment campaign does so in order to lessen its need either to raise money each year to cover any operational deficit—the difference between earned income and expenses—or to raise money for occasional extraordinary expenses. Income earned on money placed in an endowment fund is restricted to the purpose of that fund, and the fund is not easily invaded. Usually, an organization's bylaws make it hard, if not impossible, for the organization to spend endowment.

Because of the special nature of endowment funds, an organization should undertake an endowment campaign only when:

- The organization is old enough to have exhibited sufficient financial stability for donors to feel comfortable giving to endowment which will yield income in perpetuity. Endowment is for eternity, and before beginning an endowment campaign, an organization needs to be well-enough established to anticipate a long life; an organization with a history is more likely to look like an organization with a future.
- The organization anticipates and expects that in the short term it can cover any operational deficit through an annual campaign and other gifts and grants. It simply is not good business to expend limited resources on an endowment campaign when those resources may be desperately needed to raise money to offset an operational deficit. Another argument for having a strong annual campaign in place before attempting to raise money for endowment is that a successful annual campaign program aids endowment fund-raising efforts by creating a cadre of volunteers and a proven donor base.
- The organization has the desire, resources, and opportunity to manage a successful endowment campaign for a substantial amount of money. Since the money being raised in an endowment campaign is to be invested for future income, the goal should never be small. The effort required for an endowment campaign is too great to justify a result that when invested will yield only a few thousand dollars of yearly income.

Endowment campaigns ought to be rare creatures. They probably should have a separation of at least five or seven years between them. Special anniversary years of an organization's founding—the 10th, 25th, 50th,—are often used to whip up interest, but an endowment campaign is not something that should be scheduled as regularly as every five years. You have to be careful about arbitrarily deciding that it's time to go out and make another pass at raising endowment. Like capital campaigns, endowment campaigns rely heavily upon large gifts from a few donors. Run them too close together, and you may find that your donor base is still meeting its last pledge. That does not bode well for the success of new requests.

### ***An Endowment Campaign Must Be A Large-Giver Campaign***

While an annual campaign is a broad-based effort relying on smaller gifts from a great number of donors to achieve its goal, an endowment campaign expects a much smaller number of donors to make very large gifts. In an endowment campaign you should expect to get a third or more of the goal from 10 or 15 donors. The second third or more would then come from an additional 75 to 100 donors, and the remainder in smaller gifts from whatever other donor base you have targeted for the campaign. In short, an endowment campaign must be a large-giver campaign.

All too often, organizations that have decided on an endowment campaign begin with the idea of making it a broad-based appeal. You can't raise a million rands by targeting as your primary donors those who have the capability to give R100 or even R1,000. You would have to achieve 10,000 of the former or 1,000 of the latter. Rather, you need to begin by targeting prospects who can give at least R50, 000—and remember, a number of those prospects may give only R5, 000, or R10,000, or R20,000, instead of the R50,000 you suggested. Especially daunting is fund-raising's "rule-of-thumb" prospect to donor ratio. You usually need to identify at least three viable prospects for each contribution required contribution level.

### ***"Named" Gift Opportunities***

Many times endowment campaigns will be general in nature, seeking donations which will provide income to non-profit organizations for support of their operations. However, you can still create and offer commemorative naming opportunities because they are symbolic in nature. Of the myriad programs and services conducted by an organization as part of its regular annual operation, many can be "packaged" and related to donors' gifts. Other campaigns are for the purpose of endowing a specific project, program, etc., and as such offer explicit naming opportunities. As membership categories in an annual campaign work to suggest contribution levels, so do naming opportunities for endowment and capital campaigns. Naming faculty chairs, artistic positions, medical departments, buildings, and so on allows an organization to establish a tangible reward for a major contribution. This is especially bolstering to solicitors. It gives them something to "sell." The reason a donor gives should be to benefit the organization, but a naming opportunity at a university, such as Economics Chair, can be a great incentive for giving.