

# FundraisingMatters

*We Share Your Passion!*

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## **ENDOWMENT** – *Perhaps the most confusing term in the fund raising universe*

It seems there are as many perceptions and definitions for the word as there are people talking about it. How do you personally define endowment, the nature of an endowment gift, or an endowment campaign? I thought this article may provide you with some insights on endowments and how important they are.

### ***There are also a number of confusing myths attached to endowments.***

Advancement officers must be prepared to address common misconceptions about endowments as part of internal conversations as well as with donors and stakeholders. Consider the following:

**Myth:** Organizations with endowments are too “rich.”

**Reality:** The endowment “protects” the effectiveness of current and future gifts.

**Myth:** Restricted endowments are difficult to manage.

**Reality:** Restricted gifts are a fact of life so you need the system to be able to manage them. Work with donors to liberalize the use of funds.

**Myth:** By asking for endowment gifts, you are “robbing Peter to pay Paul.”

**Reality:** Annual gifts, campaign gifts, and endowment gifts each have different purposes and cases for support. Be sure you can provide arguments for the importance of each to your organization, and have separate written case statements to support your discussion.

**Myth:** Endowment improves financial stability.

**Reality:** Endowment funds bolster your balance sheet but may have little positive effect on the P&L statement. Endowment revenue can be substantial but budget realistically in anticipation of this earnings income.

**Myth:** Endowment management is a burden and requires special staffing.

**Reality:** This is a “problem” you want to have. Use your finance committee and investment advisors to manage the funds along with your reserve funds.

**Myth:** Endowment funds are used as part of loan covenants.

**Reality:** Banks may not be able to access these funds in the event of a default; as a result, restricted endowments do not assist in financing. Board directed endowments, however, can and often are used as collateral for loans.

*Excerpt from “Endowment Fundraising Weighing the Options”*

By Larry G. Raff, Editor

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## More than Just Money! Benefits of a Capital Campaign

Besides raising a special sum of money to do extraordinary things for your organization and the community that it serves, we believe that there are additional benefits that will also have longtime impact on your fundraising success:

*Discover and develop new leaders*

*Focus attention on purpose, programs, and services*

*Unite constituencies in a common cause*

*Strengthen morale of staff and volunteers*

*Promote positive public image*

*Identify new prospects for ongoing support and planned giving*

*Enhance success of annual appeals*

*Raise sights of donors*

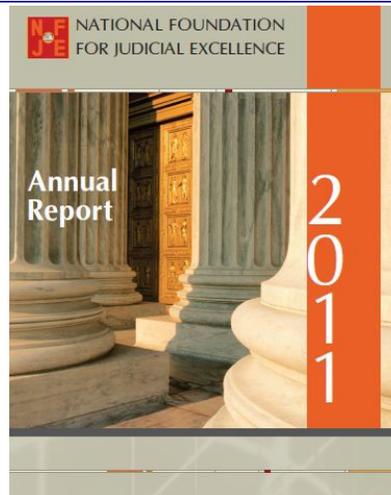
*Engage new volunteer leaders in fundraising*

The National Foundation for Judicial Excellence (NFJE) is celebrating eight years of success! This 501(c)(3) foundation was started by board members of the Defense Research Institute, a professional association of 22,000 defense attorneys.

The mission of NFJE is to address legal policy issues affecting the law and civil justice system by providing meaningful support and education to the judiciary.

The format is an annual symposium in Chicago featuring outstanding speakers representing the bar and academia. Last year's topic: Applied Science and the Law: 21<sup>st</sup> Century Technology in the Courts was fully subscribed with 129 judges from 35 states. Their 2011 annual report highlights support of more than \$350,000 from donors throughout the United States.

[www.nfje.net](http://www.nfje.net)



*"Thank you for your newsletter. I always enjoy reading it and learn something every time I do. I read the section about gifting real estate and your p.s. was not only relevant, but, I think, VERY important. As you know, not all gifts of real estate are the "manna from heaven" that nonprofits are hoping to receive. Without a policy in place to establish the guidelines for what will or will not be accepted, it can be challenging to "gracefully" refuse the gift and keep the giver as a friend of the organization.*

*In our case, the land that was to be donated was not only undeveloped, but, also had hazardous material that would need to be cleared up before it could be sold to anyone...in the meantime, we would have had the liability of insurance and property maintenance (which, also, happened to be out of town). Fortunately, for us, we had a real estate lawyer on our board who had the property inspected and crafted a very nice refusal for the donation. The donor was a lawyer and understood the ramifications of what his gift "really" meant. He continued as a volunteer...no harm, no foul, however, if we had not had such a good board member, being so small and with no gift guidelines in place, we could have just as easily put a smile on our face and said "thank you very much." Who knows what the ramifications of that decision could have been. Thanks again David!"*

Sandy Turner, Executive Director  
VOICECorps Reading Service

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I think it's called a  
"Last Wall And Testament".



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