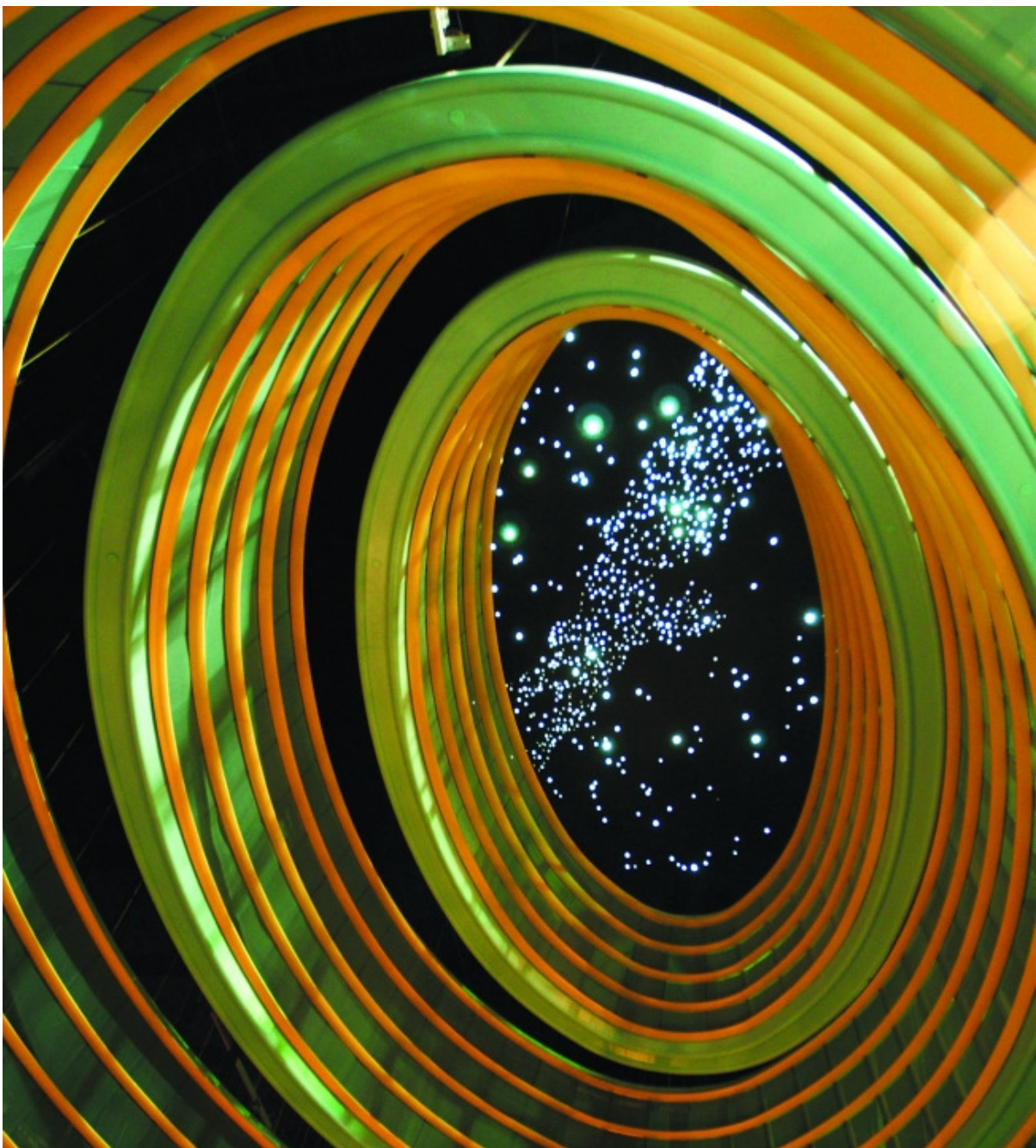
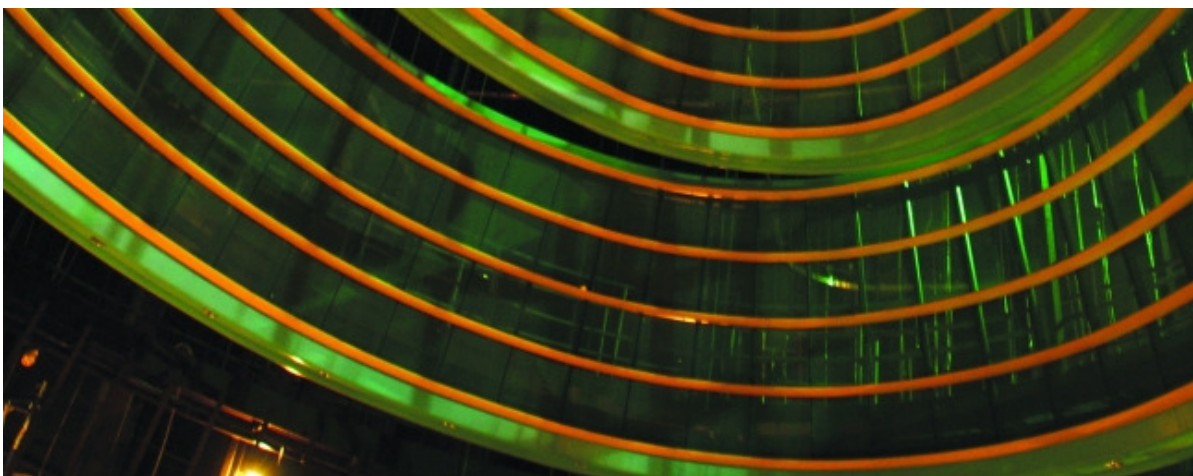


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Fundraising Helps Give Endowments a Strong Boost

By Ben Gose and Peter Olsen-Phillips





Andy Snow

GOING UP - An endowment campaign is raising millions for the upkeep of the Schuster Performing Arts Center in Dayton, Ohio.

The financial crisis had a way of upending the strategic plans of charities, and the Victoria Theatre Association was not spared. The Dayton, Ohio, charity built an \$88-million performing-arts center 12 years ago as a companion to two other arts venues, including the historic but aging Victoria Theatre. Sales of condos and commercial space in an adjoining tower were expected to yield enough money for an endowment to support the upkeep of facilities, but the real-estate crash in 2008 left the endowment far short of projections.

By 2012, the association estimated it needed \$1.5-million a year just for upkeep of the buildings, far more than its annual budget provided.

It was time to get serious about the neglected endowment. The association set a goal to more than triple its value, to \$30 million. All 23 board members contributed, along with all 65 full-time staff

members and two-thirds of the part-time staff. The staff gave nearly \$103,000 — enough to earn a naming right for the green room.

Major donors, impressed by the personal contributions of the board and staff, stepped up, too.

Ricia Ballas, the association's vice president for development, says the endowment has now grown to more than \$23 million and that anticipated gifts may push it past the \$30-million goal within six to eight months.

"We haven't had anyone say no," Ms. Ballas says. "Donors truly appreciate the fact that we're planning for the future."

Much of the media coverage about endowments focuses on investment returns at big institutions. But smaller charities can often grow their endowments faster through fundraising.

And fundraising experts say now is a terrific time to solicit endowment gifts. Markets have been strong in recent years, and that provides appreciated assets for donations. The sting of the most recent recession can sometimes serve as a rallying cry.

"Everyone remembers how hard that period was — the board, the donors, the clients," says Diana Newman, a fundraising consultant with Benefactor Group, in Columbus, Ohio. "They're thinking, 'Now let's make sure we have that endowment behind us so that when the next dip comes it won't have such an impact.' "

Big Gainer

The Chronicle's annual survey of endowments shows that many of them are growing fast as the economic recovery continues. The median increase in fiscal year 2014 fair market value was 11 percent — up from 9 percent in 2013 — among the 128 organizations on both surveys. The Jewish National Fund's endowment, which jumped a remarkable 1,900 percent in 2014, was the biggest gainer, and it may land on top again for the current year. The charity's endowment grew from \$4 million to \$80 million last year, and it has already doubled, to \$160 million, so far in 2015.

Endowments Show Strong Gains — and Provoke Controversy

[A survey and analysis](#) by *The Chronicle* shows big asset gains that are being used to launch new projects and better prepare balance sheets for the future. But impact investing and divestment are growing points of contention.

The seeds of that growth were planted around 2002, when a \$10,000 check arrived from John and Dora Boruchin in response to a mail solicitation. Mr. Boruchin, who, along with his wife, survived the Holocaust, had vowed as a young man to leave money to the state of Israel if he ever accumulated wealth. "We were exactly what he was looking for," says Matt Bernstein, the fund's chief planned-giving officer.

Mr. Boruchin died in 2012 and Ms. Boruchin died in 2014, leaving the fund more than \$200 million in their estates, most of which ended up in the fund's endowment. The fund honored the donors this year by creating the \$100- million JNF Boruchin Israel Education Advocacy Center to promote and develop Zionist

education. Mr. Bernstein says the growing prominence of that center is resonating with other donors and may lead to additional large endowment gifts to the Jewish National Fund in the future.

"This has enabled us to talk to some people about some very significant estates," Mr. Bernstein says. "They want to see their endowment gifts have impact, and that's what we're doing."

Fundraising experts say the charity is taking the right approach. "The old mode was just to use the income from unrestricted endowment as part of your income stream each year," Ms. Newman says. "But we're suggesting that organizations use endowment dollars for specific things so that then they can talk about it to other donors. If you can say what you're doing with it, you're much more likely to get new endowment gifts."

Some organizations are boosting their endowments without relying on investment returns or fundraising. The Western University of Health Sciences, founded in 1977 in Pomona, Cal., is a relative newcomer in higher education. The university has benefited from strong demand for its programs, which include osteopathic medicine, veterinary medicine, nursing, and pharmacy. By 2010 the university had accumulated major cash reserves. It started four new programs that year, and the board decided that once the first class of students had made it to graduation, the university would move some of its reserves to the endowment, says Kevin Shaw, the chief financial officer. That transfer hit this year — and explains almost all of the \$10-million increase in the university's endowment, which rose in value to \$25 million.

Mr. Shaw expects fundraising to fuel the next leg of growth. The university's oldest graduates are only in their 50s and 60s, an age when they might start considering a significant gift. "We'll start to see some major gifts come in from our alumni base over the next several years," Mr. Shaw says.

Endowment Pitch

For community foundations, the urgency to add to their endowments is often just as great as at traditional charities. At many community foundations, donor-advised funds make up the bulk of assets, but money often churns through those grant-making vehicles, which can create an unstable business model for the foundation.

How to Invest?

The Chronicle's endowment survey suggests that size matters when it comes to investment strategies. Based on data from 233 respondents, we compared the share of dollars that organizations with varying endowment sizes put into stocks, private-equity funds, and other investments.

	INVESTMENT DISTRIBUTION		
	Endowments more than <u>\$1 billion</u>	Endowments less than <u>\$1 billion</u>	All endowments
Stocks	33%	43%	35%
Private equity	16%	8%	14%

Hedge funds	15%	18%	15%
Bonds/fixed income	9%	13%	10%
Real estate	7%	3%	6%
Venture capital	4%	2%	4%
Cash	4%	4%	4%

Note: Totals do not equal 100 percent because of various other investments.

When a longstanding family-owned business sold this year in the Birmingham, Ala., area, the selling family came to the Community Foundation of Greater Birmingham eager to make a donation that would help local citizens now and in the future. It was a natural opening for the community foundation to pitch an endowment gift — and the family liked the idea.

The family (which has asked to remain anonymous) structured the gift as a donor-advised fund but also as an endowment gift. The contribution made up the vast majority of the \$66 million in endowment donations received by the community foundation so far this year, says Erin Stephenson, vice president for development, and helped raise the endowment's value to \$170 million.

"It was a way for us to say, to the extent that your family wants to be involved, you can be in the driver's seat," Ms. Stephenson says.

"But if for some reason your family isn't able to play that role, an

endowed gift puts us in position to keep your name involved in good projects in perpetuity."

The CityArchRiver 2015 Foundation in St. Louis recently created an endowment that it believes will strengthen its efforts today and in the long run. As part of its efforts to revitalize the museum and grounds surrounding the Gateway Arch, the foundation has socked away \$19 million in an endowment even while raising \$221 million in donations for construction. Maggie Hales, president of the six-year old organization, says she thinks the foundation can hit its \$29-million endowment goal by the end of the year. Those funds will fulfill a commitment CityArchRiver made to the National Park Service to help maintain the new infrastructure around the arch.

The project includes a renovated museum and a new grassy park that extends over the interstate to connect the city and the monument. When the project is complete in 2017, Ms. Hales says, CityArchRiver plans to become a conservancy and continue to grow the endowment. "That's when the real heavy lifting is going to come," she says. "We'll need to make the case for the endowment and why it matters to a broader audience."