
PEJE SERIES IN DAY SCHOOL AFFORDABILITY: *Creating & Using Endowment Funds*

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- Charles Goldman
(UJA Federation New York)
on Day School Endowments
- Twenty Questions:
Are You Ready To Conduct A
Capital/Endowment Campaign?

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Creating & Using Endowment Funds

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Creating endowments is an approach some Jewish day schools have used to try to deal with the issue of affordability. While there is no definitive count of how many of the over 700 Jewish day schools in North America have endowments, of the 100-120 schools that PEJE currently works closely with, approximately 20-25 of those schools currently have endowments or are developing endowment campaigns. PEJE anticipates that this number will grow significantly in the next few years as schools recognize the need and value of having an endowment fund. As a clearinghouse of resources and expertise, PEJE can help a school connect with the people who can assess its needs and help guide the school's endowment campaign.

There are various methods to raise funds for an endowment, all with the same goal: To help a school think about its plans for the future by providing a permanent inflow of cash to their operating budget. PEJE has asked UJA-Federation New York professional Charles B. Goldman to reflect on day school endowment campaigns, and how schools can use endowment campaigns can help boost their ability to make day school education more affordable and accessible to more families. We have also included a PEJE resource quiz: Twenty Questions: Are You Ready To Conduct a Capital/Endowment Campaign?

CHARLES GOLDMAN ON DAY SCHOOL ENDOWMENTS

Charles B. Goldman is the Group Vice President of the Department of Planned Giving and Endowments of UJA-Federation of New York, recognized as one of the leading endowment programs in the country. He is responsible for the development of sophisticated giving strategies, working closely with donors and their advisors to tailor charitable gift plans that satisfy their estate, tax, and philanthropic planning objectives.

A graduate of the University of Rochester and Brooklyn Law School, Mr. Goldman has written several articles and has lectured extensively on the subject of charitable planned giving throughout the United States. He is President of the Board of Trustees of the Hannah Senesh Community Day School in Brooklyn, New York.

1. What is an endowment?

An endowment fund provides a permanent source of present and future income. The assets contributed to an endowment fund are invested and the corpus is left intact; only the income earned is used for immediate purposes. This income can be used to fund a specified program or an Annual Campaign gift in perpetuity.

2. How can raising an endowment help a school deal with the affordability challenge?

I think making day schools an affordable option for more Jewish families is a major challenge for the Jewish community. Individual day schools can help themselves by developing endowments to fund future growth and maintain tuition levels. A school can use its endowment to increase financial aid and establish special scholarships for deserving students. Distributions from an endowment fund can help relieve a school's budget pressures.

3. How can local Federations and community endowment funds help schools to raise or increase their endowments?

Federations, as the central fundraising body in Jewish communities, often have considerable expertise in the area of endowments. In addition to supporting school fundraising campaigns and assisting with coordinating solicitations to major donors, federation professionals can help day schools learn about endowments. Some federations "house" the endowment funds and provide investment management services.

4. Why should a Jewish day school have an endowment?

A Jewish day school will establish an endowment fund generally for two reasons. One, to generate a steady source of additional income for the school. Two, to allow the school to plan its budget and programs into the future. The yearly challenge of keeping tuition affordable means that schools have less time to focus on planning for the future. An endowment gives the school some financial stability and flexibility, and the opportunity to plan for the future. A school that is in a stable financial position due to a history of strong fundraising is generally able to launch an endowment campaign.

5. What does a school need to start an endowment?

Strong professional and lay leadership will help create the environment for an endowment campaign to succeed. The chairperson and members of the endowment committee should be people who bring wealth, wisdom, and work to the committee. Past chairs of the schools, committee heads, and leaders in the community are all valuable people to be involved. The endowment committee should then develop a work-plan with quantifiable goals and dates. Some suggested ideas include: developing major gift strategies with higher end donors, designating liaisons to federation, creating or enhancing relations with professional advisors, having someone with expertise in planned giving working with the committee,

deciding what marketing strategies to use (e.g. newsletters, direct mail, etc), and creating a calendar of events over the course of the campaign.

6. What are different models of endowment campaigns that schools have used effectively?

Schools have created endowments with individual campaigns, combined capital and endowment campaigns, and incorporated the endowment campaign as part of a capital campaign. Whenever possible, it is a good idea to try and include an endowment component in a successful capital campaign. The model you choose for your school will depend on which method you believe will be most successful given your knowledge of your community. A school has to determine the receptivity of its community to an endowment campaign. This starts with the day school community, then people who have a connection to the school, and then the greater Jewish community. Another aspect that schools need to remember when soliciting for this campaign is the use of alumni. Alumni may live all over the country and even the world, but they have a strong connection to the school and should be solicited for gifts.

7. Can a school have an annual or capital campaign and an endowment campaign at the same time?

Yes. Each campaign has a particular role for the school, and the endowment campaign should have a specific goal (i.e. program, scholarship, etc). What a school needs to be aware of is not overloading its constituents with too many campaigns at the same time or continuously. The capital campaign is a time-specific campaign with an explicit goal, while an endowment campaign focuses on long-term projects and helps to reinforce a culture of giving in the school. Once a school starts raising endowment funds, it should never stop.

8. What percentage of your annual revenue should generally come from endowment income?

There is no set amount that a school should receive from its endowment income, but there are general standards of what a school's traditional sources of income should be and what percentage of income a school should be raising from each. Ideally, a school should receive between 70 to 80 percent of its income from tuition, about 15 percent from fundraising, and the final 8 to 10 percent from its endowment. Day schools, along with most other organizations with endowments, spend in the area of 5% of the endowment each year. This money can be used to fund a program based on the donor's wishes as designated in the fund agreement. Since the majority of Jewish day schools do not currently have endowment funds, these numbers do not represent the budgets of most schools, but the position they hope to reach in the future.

9. How is asking for an endowment gift different than asking for an annual gift?

Donors to an endowment campaign must be cultivated and stewarded over a period of time to ensure both they and the school are comfortable with the gift they are planning to give. They may need time to discuss the gift with their advisor (accountant, attorney) because of the tax consequences of endowment gifts. Endowment donors are usually more sophisticated donors, not current parents at the school but parents of former students with large amounts of disposable income or supporters of day school education who live in the community. The conversation with a donor to an endowment campaign is also different than speaking with a donor to an annual campaign. Speaking with a donor to an annual campaign, the focus is on the current needs of the school and how the needs of the students can be met today. A conversation with a donor to an endowment campaign is about the future of the school and the donor's specific interest in the school. An endowment fund is focused on helping a school keep itself on solid economic standing in the future.

10. When is the best time for a school to start raising an endowment?

There is no guaranteed way to know when is the right time for your school to conduct an endowment campaign. There are many factors that play into the decision to launch an endowment, most of them individual to your school and community. If your school is launching a capital campaign, it may be a good time to consider an endowment campaign too. One tool that might help you decide if your school is ready is PEJE's "Twenty Questions: Are You Ready To Conduct A Capital/Endowment Campaign?" This short survey allows a school to assess if they are ready to begin an endowment campaign, and to identify what areas they need to work on before beginning.

Twenty Questions: Are You Ready to Conduct a Capital/Endowment Campaign?

- | | | | |
|----|---|---------------------------|----|
| 1. | Is your school a Federation agency? | Yes | No |
| 2. | Does your school have an Annual Fund of more than \$100,000? | Yes | No |
| 3. | Does your school have a Board of Directors of more than 25 and fewer than 50? | Yes | No |
| 4. | How many of your board members/donors give more than \$10,000 to the annual campaign of the Federation? | .Fill in the Number _____ | |
| 5. | Has anyone on your board made an endowment gift of more than six figures for Jewish education to your school, its predecessors, or for a Jewish educational facility in the community in the recent past? | Yes | No |
| 6. | Has the headmaster or administrative head ever raised funds for capital or endowment? | Yes | No |
| 7. | Do you have an outside fundraising consultant to help manage your school's campaign? | Yes | No |

- | | | | |
|-----|--|-----|----|
| 8. | If no, can you create a document outlining your plan for raising all of the funds for the campaign? | Yes | No |
| | | | |
| 9. | Does your school's board have a goal of more than \$2 million and less than \$5 million before you set out on your own campaign? | Yes | No |
| | | | |
| 10. | Is your local Federation willing to get behind your campaign 100%? | Yes | No |
| | | | |
| 11. | Do you have a development professional on your team who has been through a successful capital/endowment campaign before? | Yes | No |
| | | | |
| 12. | Do you have a Financial Vice President (lay) or a financial professional on your staff who has the skills and expertise to plan and account properly for the money that will be pledged, and who, with your development professional, can maintain happy and satisfied donors? | Yes | No |
| | | | |
| 13. | Going into the campaign have you examined what the fundraising costs amount to and determined an appropriate spending policy? | Yes | No |

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|-----|---|-----|----|
| 14. | Do you have a marketing firm, an internal marketing professional, a budget, or the commitment of your board to support the marketing costs of the campaign? | Yes | No |
| | | | |
| 15. | Do you have a written plan for the activities to take place in your renovated school or as a part of your multi-million dollar capital/endowment campaign that you can share with the board or a significant donor? | Yes | No |
| | | | |
| 16. | Do you have solicitation material, marketing literature as well as training for solicitors? | Yes | No |
| | | | |
| 17. | Do you have a group of 20 solicitors for gifts at all levels? | Yes | No |
| | | | |
| 18. | Have you made a list of every public and private funding source in your metro area as well as regional and national sources? | Yes | No |
| | | | |
| 19. | Have you conducted one-on-one interviews and/or focus groups with your lead families to determine their interest in the new structure or endowment campaign? | Yes | No |

20. Have you acquired a lead gift of \$1million or more from a constituent of the school?Yes No

Are you ready for a campaign?

Total all your answers. If your "yeses" total:

17-20 and you have 10 or more \$10,000 donors to Federation Annual Campaign on your board: GO FOR IT!

14-16 With outstanding leadership, your campaign has a good chance to succeed, but pay attention to your weak spots.

11-13 Before committing to a campaign, get to work in the areas in which you are lacking positive responses.

10 or fewer Consider seeking the advice of seasoned development professionals to help your school build its capacity to sustain an endowment campaign before taking on a project like this right now.

The Partnership for Excellence in Jewish Education (PEJE) is a collaborative initiative of philanthropic partners whose mission is to grow Jewish day school enrollment and to ensure the excellence and long-term viability of all day schools through capacity-building strategies that strengthen the day school field.

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