



# Building an Endowment

© 2024 Eagle Ranch



## WHY AN ENDOWMENT?

I was asked many years ago by a friend of Eagle Ranch about my plan to develop an endowment fund. My reply was simply, “I guess when people die, they’ll leave us in their will,” to which he replied, “Eddie, it takes people a long time to die!”

That conversation began a long and thoughtful process of how to create and develop an endowment fund. Today our endowment accounts for nearly 18% of Eagle Ranch’s operational budget and is crucial to our financial health,

### OUR ENDOWMENT HAS GROWN PRIMARILY IN THESE WAYS:

1. Receiving monies designated for our endowment fund through wills/bequests
2. Designating monies from “windfalls” after a certain amount is allocated toward our operational budget
3. Including an increase to our endowment fund in all comprehensive campaigns
4. Establishing Eagle Ranch Foundation to hold all our endowment funds

## AN ENDOWMENT OVERVIEW

An endowment provides income (from the endowment corpus) in perpetuity for your organization.

An endowment is deposited into a safe, strategic investment portfolio that generates interest and dividends to use as operational income. The investment strategy is geared toward principal (corpus) protection and long-term growth, and the corpus is never encroached except in the event of an emergency.

As you begin to build your endowment, consider using an existing community foundation to manage the funds. Once you are more established, you can later establish your own foundation fund with a separate Board of Directors to serve for advisement and investment decisions.

You will want to engage legal expertise to design your foundation to ensure that endowment funds are protected in the event of legal repercussions. This is commonly called a “corporate veil.” Many organizations place all of their real property (land, facilities, etc.) in the Foundation as well.

An endowment can include designated and non-designated funds, which gives your organization flexibility in how you can position your endowment. An example of a designated endowment would be to endow a position, program, or upkeep of a facility. Endowment funds that are undesignated go toward funding general operational costs.

Your Board of Directors should determine the desired goal of endowment contribution to the annual operating budget (i.e., the Eagle Ranch goal is to endow 25% of our annual operating budget).

We recommend establishing a six-to-eight-month operational reserve (short-term strategy) before creating an endowment fund (long-term strategy).

## FUNDS-ACTING-AS-AN-ENDOWMENT

A creative way to fund different projects, positions, or programs is through a strategy that some call Funds-Acting-As-An-Endowment.

In this scenario, individuals give a certain amount per year to fund an initiative with the intent to eventually endow that initiative so that the income generated will be equivalent to their annual gift.

An example would be to underwrite a position at \$50k per year. An individual could commit to donating \$50k per year and in their estate plan, or, when they have increased financial capabilities, endow that initiative with a \$1M endowment (which produces \$50k per year of income).

## STEWARDSHIP

Keep in mind that an endowment is never meant to be the sole provider of operational support. It is only a supplement. Having a clear path for building an operational endowment concurrent with capital growth is good stewardship.