

# Endowments

May 22, 2014

2<sup>nd</sup> Annual Serving with a Purpose Conference



Library Endowments: What exactly are they and why should Library advocates be interested?

By April L. Butcher

Executive Director

Sacramento Public Library Foundation

# Today's Agenda

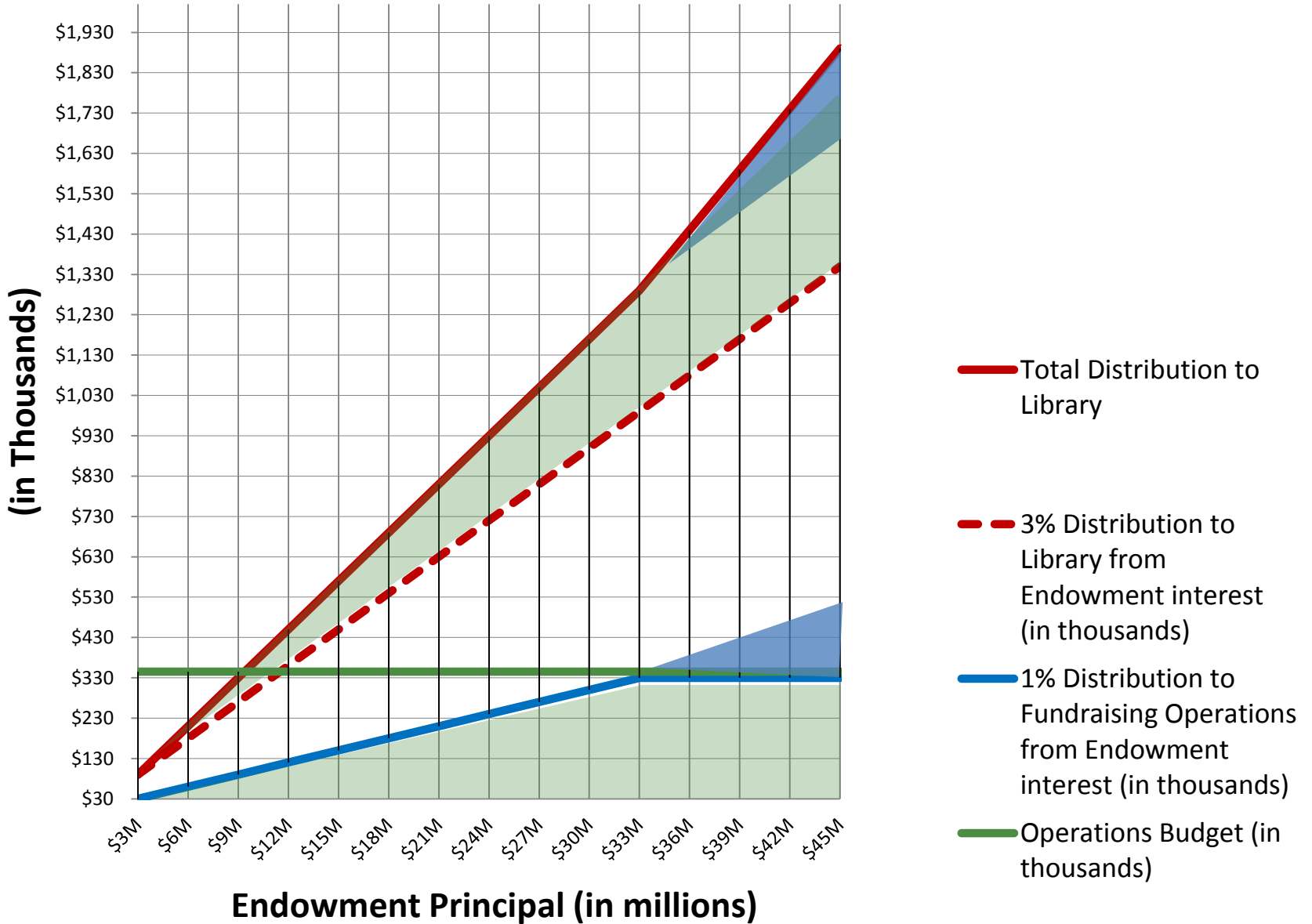
- **Presentation on Endowments**
  - Why
  - What
  - How
- **Q&A**



# Why Build Endowments?

- Libraries must be able to achieve higher levels of philanthropy in the future.
- In perpetuity support
- Legacy Leadership for a legacy organization
- The time is right! Libraries are having a renaissance.
- The market downturn has helped people realize the value of longer term thinking.
- Foundations will not be effective as foundations without endowment building.

# Financial Case for Endowments



# What is to be done?

- **Construct a Vision**
- **Establish Financial Sustainability**
- **Create Financial Capacity**
- **First Steps**

*all of these can (and likely will) happen simultaneously*

# How to create a Vision

- ***Develop a vision statement: This can be done in conjunction with revisiting your mission and establishing your goals.***
  - *Board and Stakeholders need to be present to give input and share in goals. (i.e. Library, Friends and Foundation alike).*
- ***Create a goal based on the vision that is huge and exciting. (i.e. the notion of a big hairy audacious goal per Jim Collins)***
- ***Large Endowments are big hairy audacious goals.***

*SPLF's Vision: The Foundation will increase endowments and total revenues to fund programs that promote children's literacy.*

# How to establish financially sustainable?

## Financial

- Unrestricted support covers cost of raising money in addition to delivering significant financial support to the library.
- Bequest and Legacy support free to go into endowments and or large projects.

## First Circle Focus



- A stable and comprehensive donor base that can meet the operations budget and create value for the Library.
- Effective Fundraising relationships with the Friends of the Library and the Library.

SACRAMENTO  
PUBLIC LIBRARY

FOUNDATION

# How to build Financial Capacity

## 1. Establish Finance Committee

- Needed backgrounds include Financial Advisors, CPA's, CFO's from local companies, and Library staff from Finance department.
- Establish Audit Committee: new 990 requirement for \$1M plus organizations and a good practice.

## 2. Develop Finance committee capacity

- Create Investment and Spending Policy through benchmarking. This exercise will build expertise and inform committee when selecting investment professional

## 3. Identify Investment Professional

- RFP process. Board members may not be best choice. Conflict of interest when vendor is the boss of the customer they are serving.

## 4. Develop Financial Strategy

- Approach revenue streams like other Foundations, i.e. management fees , administrative fees, endowing the operation.
- Identify which direction is best for your organization



# Taking the first steps

## 1. Board is on board

- Your board must be willing to actively support, solicit and champion an endowment campaign.

## 2. Conduct a Feasibility study

- Identify a consultancy to conduct a feasibility study
  - Create a robust case statement
  - Confidential interviews will inform your direction.
  - Assesses feasibility of amount, timing and interest level.

## 3. Identify Endowment Committee

- This group will emerge through the process.

# Endowment Readiness Scorecard

Item	Score: Yes/No/In Progress
<b>Vision</b>	
<ul style="list-style-type: none"> <li>Develop a vision statement: This can be done in conjunction with revisiting your mission and establishing your goals.</li> </ul>	
<ul style="list-style-type: none"> <li>Create a goal based on the vision that is huge and exciting.</li> </ul>	
<b>Financial Sustainability</b>	
<ul style="list-style-type: none"> <li>Unrestricted support covers cost of raising money in addition to delivering significant financial support to the library.</li> </ul>	
<ul style="list-style-type: none"> <li>Bequest and Legacy support free to go into endowments and or large projects.</li> </ul>	
<ul style="list-style-type: none"> <li>A stable and comprehensive donor base that can meet the operations budget and create value for the Library.</li> </ul>	
<ul style="list-style-type: none"> <li>Effective Fundraising relationships</li> </ul>	
<b>Financial Capacity</b>	
<ul style="list-style-type: none"> <li>Establish Finance Committee (<i>Needed backgrounds include Financial Advisors, CPA's, CFO's from local companies, and Library staff from Finance department</i>)</li> </ul>	
<ul style="list-style-type: none"> <li>Establish Audit Committee</li> </ul>	
<ul style="list-style-type: none"> <li>Create Investment and Spending Policy through benchmarking.</li> </ul>	
<ul style="list-style-type: none"> <li>Identify Investment Professional</li> </ul>	
<ul style="list-style-type: none"> <li>Develop Financial Strategy</li> </ul>	

# Endowment Q & A