

Building for the Future:  
Best Practices and Lessons learned from  
Community foundations in Establishing, Managing, and Cultivating Donor  
Support for an Endowment

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CENTER ON PHILANTHROPY  
AND CIVIL SOCIETY

**THE  
GRADUATE  
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CITY UNIVERSITY  
OF NEW YORK

*This paper was submitted in partial fulfillment of the 2012 Emerging Leaders International Fellows Program of the Center on Philanthropy and Civil Society at The Graduate Center, The City University of New York. The paper may have subsequently been revised, translated, circulated or published in alternate format by the author.*

*During the course of the program in 2012, the author was Development Coordinator at BrazilFoundation.*

# Building for the Future:

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## Best Practices and Lessons Learned from Community Foundations in Establishing, Managing, and Cultivating Donor Support for an Endowment

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Fall 2012

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## 1. Introduction

**Brazil**Foundation is a grant-making and fundraising public charity, incorporated in New York in 2000, to generate resources to support community-based nonprofits across Brazil that foster and creative approaches to local social challenges and growth of human capital. The Foundation has invested more than \$18 million over the past 12 years, mostly in comparatively small one-year grants, supporting the work of more than 300 social projects throughout Brazil.<sup>1</sup>

As a diaspora foundation, **Brazil**Foundation serves as a link between the Brazilian community in New York (and more recently in the cities of Miami and Sydney, Australia) and grassroots nonprofit projects throughout Brazil. Similar to community foundations, the **Brazil**Foundation has in-depth knowledge of the needs of each community in which it disburses grants, and the project's relevance to the community's needs and interests weighs heavily during grantee selection. As a means of spanning the distance between these diaspora communities and the local nonprofit organizations in Brazil, the Foundation promotes knowledge of and confidence in their work through lectures, informational events, and the increased visibility of their programs and achievements. Over the past decade, **Brazil**Foundation has developed a sizeable community of supporters both in the United States and Brazil, but the majority of donors reside in the U.S.

**Brazil**Foundation's grants – managed at the Foundation's Rio de Janeiro office – are designed to encourage and support social entrepreneurs in the development of their

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<sup>1</sup> **Brazil**Foundation institutional materials.

communities across Brazil. Since its first grant in 2001, the Foundation's annual selection process has defined its philosophy on social investment. The relationship with each grantee lasts at least two years from start to finish, beginning with the project selection – which includes site visits to some 50 finalists yearly – followed by financial and technical support and monitoring and evaluation. The site visits are themselves instrumental in the selection process insofar as they allow the Foundation to confirm the necessity and legitimacy of the work on the ground.

A crucial aspect of **Brazil**Foundation's grant-making is its capacity development program – **Brazil**Foundation's "boot-camp," in which organization and program managers receive training in varied aspects of nonprofit management, and is aimed at promoting the sustainability of programs and projects well beyond the scope of the grant period. The initial capacity workshops are followed by technical support throughout the life of the grant.

**Brazil**Foundation also disburses donor advised grants – following diligent review – to 120 nonprofit organizations chosen by individual and corporate donors in the United States, as well as nonprofits previously supported by the Foundation whose track records of success have earned the trust of the donor community.

Traditionally, as described above, the Foundation has employed a heavily "flow-through" model of fundraising and grant-making. Funds are raised each year through various campaigns and activities, the largest of which being the Annual Gala in New York, to

support the call for proposals and grantmaking process. This strategy has enabled the Foundation to move resources quickly and put them directly in the hands of community leaders and social entrepreneurs in need of immediate financial and technical support. After a decade of fundraising and grant-making, **Brazil**Foundation's model of social investment through partnerships with grantees and donors alike has proven effective.

Following a period of reflection at the 10-year mark of operations, the Foundation has introduced the initial phases of an endowment campaign, with an eye towards the future and the sustainability of the organization. The creation of an endowment, and the necessary fundraising it would entail, represents a departure for the organization and will require the support of its staff, Board, and donor community if it is to be successful.<sup>2</sup> The purpose of this paper will be to gather the current trends, best practices, and lessons learned from other community foundations and diaspora organizations in establishing, managing, and cultivating donor support for an endowment within today's philanthropic and economic climate. My recommendations, while specific in nature to the **Brazil**Foundation, are also applicable to diaspora and community foundations that find themselves at a similar point in their organizational development, and are seeking the stability an endowment can provide. By ensuring that the necessary administrative structures are in place, securing the support of the Board, employing targeted appeals to specific donors, engaging in endowment-specific fundraising, and balancing endowment fundraising with fundraising for current grantmaking, the Foundation can successfully establish a useful endowment.

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<sup>2</sup> Kathryn W. Miree, "From Theory to Practice: Three Successful Models to Build Endowment," October 2003.

## 2. Establishment and Management of an Endowment

Many community foundations begin their life with a large gift that becomes their endowment. A sizable endowment can afford a great deal of stability for a foundation's operations.<sup>3</sup> This happens to be one of the most compelling reasons for Foundations without endowments to create them, but several factors should be taken into consideration before embarking on such a large and direction-shifting endeavor. The "financial calculations and management issues that an endowment raises," should not be underestimated in this process, nor should the individual organization's level of preparedness.<sup>4</sup> When determining an organization's readiness for endowment-building and management, two important questions should be asked: "Does a permanent need exist for this organization?" and "is the organization ready for the obligations of an endowment?"<sup>5</sup> After twelve years of operations, **Brazil**Foundation's role within the Brazilian philanthropic sector is relatively established, and while the organization's goal may be one day to work itself out of business, for the foreseeable future, an argument for its "permanent need" could be made easily. The second question, however, suggests that an organizational readiness evaluation should be one of the first steps in creating an endowment. The TCC Group, as part of an evaluation for the Kresge Foundation, cited ten important factors that demonstrate a foundation's readiness for endowment-building

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<sup>3</sup> Marilyn Gelber, Brooklyn Community Foundation; Oct. 23, 2012 Meeting with fellows.

<sup>4</sup> GrantCraft, "Providing for the Long Term: Supporting Endowments and Investable Assets," p. 3. (<http://www.grantcraft.org/?pageid=1349>)

<sup>5</sup> Ibid, p.7.

that ranged from strategic planning to funder roles and staff capacity.<sup>6</sup> GrantCraft also lays out similar benchmarks that every foundation should consider prior to forging ahead with endowment fundraising. Placing these ten factors into larger umbrella categories, the most crucial areas to evaluate are: Staff, Board & Management, and Administrative Systems & Governance Procedures.<sup>7</sup> An important 4<sup>th</sup> umbrella category is Donors, which I will address in detail in the third section of this report.

***BrazilFoundation Readiness Evaluation:***

*a. Staff*

Running an endowment campaign can differ from other types of fundraising campaigns, and often calls for a diverse set of skills and strategies from the Foundation staff.<sup>8</sup> Unlike many community foundations, **BrazilFoundation** currently engages in a great deal of fundraising each year. Foundations such as the Winnipeg Foundation, in Winnipeg, Canada, and the New York Community Trust, which serves all five boroughs of New York City, do not actively participate in fundraising efforts, nor do they have a development department within their staff. The fact that **BrazilFoundation** has staff members that are already dedicated to events planning and fundraising is beneficial for an endowment campaign, so long as the organization can be clear about separating endowment fundraising from other fundraising efforts, and distinguishing between the language and donor targets that should accompany each. An endowment campaign requires the Foundation to clearly communicate its value as well as its role in the long-

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<sup>6</sup> Geevarghese, Salin and Brown, Joyce, “Factors for Success: Increasing the Capacity to Raise Unrestricted Endowment,” TCC Group - The Factors for Success, October 2003: p. 5.

<sup>7</sup> GrantCraft, “Providing for the Long Term: Supporting Endowments and Investable Assets,” p. 8. (<http://www.grantcraft.org/?pageid=1349>)

<sup>8</sup> A. Scott DuPree and David Winder with Cristina Parnetti, Chandni Prasad, Shari Turitz; “Building Endowments,” From *Mobilizing Resources and Support in Foundation Building Sourcebook: A practitioners guide based upon experience from Africa, Asia, and Latin America*; The Synergos Institute, August 2000; p. 197.

term, rather than simply pointing to current activities.<sup>9</sup> As with most community and diaspora foundations, **Brazil**Foundation has limited resourced and capacity to hire additional staff members. In the absence of a Chief Financial Officer, the Foundation should rely on a well-thought out campaign strategy and strong support from its Board members. It is also important to note that endowment campaigns draw upon some of the organization's traditional donor base, and this can affect the success of concurrent fundraising efforts, which are crucial to the organization's day-to-day operations. In the case of the **Brazil**Foundation, the annual gala events in New York and Miami must be balanced with the Foundation's efforts to fundraise for the endowment.

*b. Board & Management*

Board leadership when it comes to endowment-building is crucial. If Board members are divided on the importance of this type of fundraising, the campaign cannot be successful.<sup>10</sup> The Board's involvement and support is particularly important in **Brazil**Foundation's case because the Board is the Foundation's best asset in gauging the donors' interest in and openness to a **Brazil**Foundation endowment. **Brazil**Foundation's Board currently includes various sub-committees, which represent the interests and goals of individual members, which help to focus the Board's efforts in specific areas such as Communications or Finance. The endowment campaign may necessitate the creation of a sub-committee of Board members who would be dedicated to this purpose and tasked with drawing up endowment guidelines, setting the endowment use and investment parameters, and signing-off on a campaign strategy for the staff.

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<sup>9</sup> Kathryn W. Miree, "From Theory to Practice: Three Successful Models to Build Endowment," October 2003.

<sup>10</sup> Geevarghese, Salin and Brown, Joyce, "Factors for Success: Increasing the Capacity to Raise Unrestricted Endowment," TCC Group - The Factors for Success, October 2003: p. 6.

*c. Administrative Systems & Governance Procedures*

A stable foundation in administrative systems and governance procedures is necessary before launching an endowment campaign. As a practical example, endowment campaigns often involve receiving donations in alternative forms, such as bequests or stocks.<sup>11</sup> The Foundation must be equipped to accept these gifts, which requires forethought about various policies and procedures. In addition to making decisions regarding staff oversight of the endowment and its fundraising campaign, the organization must also have an official investment policy and financial guidelines.

**Brazil**Foundation is currently in the process of producing such documents, and plans to have them in place before actively pursuing endowment fundraising. Two community foundations with particularly detailed and useful financial guidelines and investment portfolios are the Winnipeg Foundation and Berks County Community Foundation. Examples of their investment policies and fund allocations can be found in **Appendices A and B**.

In conjunction with the creation of an investment policy and financial guidelines, the Board and management will also need to determine the optimal endowment size for an organization of **Brazil**Foundation's size and scope. As a simple rule of thumb, an endowment should produce at least 10 percent of an organization's operating budget.<sup>12</sup> Organizations should also factor in the need to reinvest part of the interest back into the endowment each year, to account for inflation. See **Appendix C** for useful tools to

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<sup>11</sup> GrantCraft, "Providing for the Long Term: Supporting Endowments and Investable Assets," p. 7. (<http://www.grantcraft.org/?pageid=1349>)

<sup>12</sup> Ibid, p. 10.

calculate the best endowment size for **Brazil**Foundation based on various assumptions.<sup>13</sup>

Once an appropriate endowment size has been determined, it may be wise for **Brazil**Foundation to engage in a study of its fundraising potential, which will demonstrate whether or not the organization has the ability to raise the amount of resources it needs for an endowment, or whether it should consider alternative options.<sup>14</sup>

It is also important to note that most organizations spend several years in the “preparation phase” of endowment building, before delving into full-on campaign mode, and this may well be the case for **Brazil**Foundation.<sup>15</sup>

### **3. Cultivating Donor Interest and Support for an Endowment**

#### *Addressing tensions between immediate and future needs*

The question of immediate versus future need is one that many community and diaspora foundations face both internally and in conversations with donors. For Foundations that started out with an endowment, the decision to continue drawing from interest payments and maintaining the bulk of the endowment in investments is a logical one. Many have argued this approach is the surest means of guaranteeing organizational sustainability in the long-term.<sup>16</sup> For Foundations that began with a flow-through model of fundraising and grant-distribution, such as **Brazil**Foundation, and whose work is focused on communities with plenty of immediate need, the question of endowments and

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<sup>13</sup> See also, Endowment calculator:

<http://www.grantcraft.org/index.cfm?fuseaction=Page.ViewPage&pageId=1545>

<sup>14</sup> GrantCraft, “Providing for the Long Term: Supporting Endowments and Investable Assets,” p. 11. (<http://www.grantcraft.org/?pageid=1349>)

<sup>15</sup> A. Scott DuPree and David Winder with Cristina Parnetti, Chandni Prasad, Shari Turitz; “Building Endowments,” From *Mobilizing Resources and Support in Foundation Building Sourcebook: A practitioners guide based upon experience from Africa, Asia, and Latin America*; The Synergos Institute, August 2000; p. 200.

<sup>16</sup> Nick Deychakiwsky, Charles Stewart Mott Foundation; November 21, 2012 Meeting with fellows.

endowment-building becomes more complex. Communicating the importance of putting funds away for the future when needs exist today, and when the Foundation has had a decade of success addressing those needs, can be a difficult task. In the face of these tensions, some peer Foundations are choosing to uphold flow-through philanthropy instead of opting for the endowment model. The Women in the World Foundation, for example, which is just over a year old, has no plans to amass large amounts of wealth within the Foundation itself. One of the foundation's representatives stated that Women in the World's mission is to advocate for women and to be a bridge between donors and global "women of impact" and the nonprofits they run.<sup>17</sup> Their mission also entails strategic grant-making, supported by the Foundation's annual fundraising. This model of philanthropy is reminiscent of **Brazil**Foundation's founding goal to act as a philanthropic bridge between the Brazilian diaspora community and worthy nonprofit organizations in Brazil. Endowments are very much about timing, however, and should not be attempted before a foundation has achieved at least 10 years of operations.<sup>18</sup> Women in the World has much ground to cover before it reaches the point of organizational reflection that **Brazil**Foundation is in right now. It is useful to note, however, that endowments are not a requirement for foundations today.

*Making the case for long-term funding and donor feedback mechanisms*

Foundations that are currently engaged in endowment-building are employing several strategies to make the case for endowments and to communicate more effectively with

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<sup>17</sup> **Brazil**Foundation meeting with Prisca Bae and Mabel McKeown, Women in the World Foundation; November 20, 2012.

<sup>18</sup> Kathryn Miree, "The growing importance of endowments," *Philanthropy Journal*, July 26, 2011. (<http://www.philanthropyjournal.org/resources/managementleadership/growing-importance-endowments>)

donors. As previously discussed, a well thought-out investment strategy is crucial, and can serve as a strong selling point for donor support.<sup>19</sup> One of philanthropy's current trends has informed the approach of foundations, and that is the phenomenon of increased donor involvement in grant-making. Marcela Orvañanos de Rovzar, Chairman at Qualitas of Life Foundation, noted that today's generation of philanthropists needs numbers and evidence, and they seem to "know everything." Donors are increasingly engaged in the work of the organizations they support, and therefore demand stronger feedback loops and more decision-making power over their contributions. This trend is exemplified by the growth of Donor-Advised funds, and their extreme popularity in recent years.<sup>20</sup>

According to a report from the National Philanthropic Trust, "total assets managed by such funds increased to \$37.43 billion in 2011," an increase of 17.5%.<sup>21</sup> While the donor involvement trend has made discretionary resources more difficult to come by, community foundations are embracing donors' interest by increasing the donor services they offer, producing reports that quantify impact and potential "return" on investment and affording donors the more hands-on approach to philanthropy they are seeking.<sup>22</sup>

For its part, **Brazil**Foundation has had great success with its own version of donor-advised funds, wherein the Foundation enables the disbursal of donor-advised grants.

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<sup>19</sup> A. Scott DuPree and David Winder with Cristina Parnetti, Chandni Prasad, Shari Turitz; "Building Endowments," From *Mobilizing Resources and Support in Foundation Building Sourcebook: A practitioners guide based upon experience from Africa, Asia, and Latin America*; The Synergos Institute, August 2000; p. 199.

<sup>20</sup> Geevarghese, Salin and Brown, Joyce, "Factors for Success: Increasing the Capacity to Raise Unrestricted Endowment," TCC Group - The Factors for Success, October 2003; p. 1.

<sup>21</sup> National Philanthropic Trust, "2012 Donor-Advised Fund Report," Section 4. Market Overview; 2012. (<http://www.nptrust.org/daf-report/index.html>)

<sup>22</sup> Shannon St. John, "Donor Services: New Philosophy, New Opportunities," In *Building Philanthropic and Social Capital: The Work of Community Foundations*, ed. Peter Walkenhorst, Bertelsmann Stiftung/Brookings Institute Press, 2002; p. 109.

Donors choose from a project bank of organizations that the **Brazil**Foundation has supported in the past or deems worthy of support. While the donor-advised grants have been quite successful, they tend to be concentrated in only a couple of states, and as is typical of the donor-advised trend, do not allow the Foundation much control over which programs should be prioritized. In order to generate a level of donor interest comparable to that of donor-advised funds in support of discretionary or endowment funds, **Brazil**Foundation might consider tailoring services to its key donors in relation to their interest areas, or the overall work of the Foundation. By creating issue specific portfolios and harnessing the power of the data points on needs and Brazilian grassroots NGOs (which the Foundation already possesses), **Brazil**Foundation can appeal to the donors of today who want details and a “direct” connection to their beneficiaries, without necessarily losing the discretionary aspect of their support. An example of this might be organizing donor trips to visit grantees in a specific issue area, or facilitating donor participation in the annual capacity-building workshop for grantees. **Brazil**Foundation has already sampled these strategies, and may yield higher returns from donors seeking a greater level of engagement with the Foundation’s beneficiaries.

In relation to increased donor services, finding specific donors to focus on and cultivate relationships with is an almost unanimously encouraged strategy employed by fellow community foundations.<sup>23</sup> Not every donor should be approached about endowments, and organizations should be quite strategic about their appeals in this area. An organization’s consistent donors, and not necessarily its biggest donors, are the most likely to contribute

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<sup>23</sup> South African Grantmakers Association and Synergos, “Innovative Endowment Building and Investment for Grantmaking Organisations: Workshop Proceedings,” June 2000, Johannesburg, South Africa.

to an endowment campaign and to make a bequest in the name of the organization. These donors have proven that they believe in the organization over the long-term, and have a track record of supporting it (even in small amounts).<sup>24</sup> In the case of **Brazil**Foundation, the logical first step in identifying these key donors is to start with the Foundation's Board. Not only are all the Board members consistent donors to the Foundation, but they have also demonstrated an extreme level of commitment and dedication to the organization by agreeing to sit on the Board. By engaging in initial conversations in the relatively "safe" space of the Board members, Foundation staff can begin to formulate the language they will use and the case they will make to begin this dialogue with other loyal donors and key supporters of the organization. Development and refinement of the Foundation's "case statement" for an endowment is critical before beginning these appeals.<sup>25</sup> The Board can also be quite helpful in determining which outside donors fall into the target group, and can serve as liaisons between the Foundation and the donors in initiating these conversations.

The effects of the current economic climate on endowed investments and the ramifications this can have on a donor's willingness to support an endowment are also noteworthy. Interest payments from investments are at an all-time low, and not only are community foundations having a harder time operating and distributing grants off of the interest collected from endowed funds, but donors are extra-weary of their contributions sitting in unsuccessful funds for the future, when they could be put to work through

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<sup>24</sup> Kevin Murphy, Berks County Community Foundation; November 12, 2012 Meeting with fellows.

<sup>25</sup> Kathryn W. Miree, "From Theory to Practice: Three Successful Models to Build Endowment," October 2003.

grants today.<sup>26</sup> While the economy is certainly a factor, it has by no means completely deterred philanthropic investments, and community foundations are employing innovative strategies to reach out to potential donors. Since endowments are synonymous with legacy, one popular strategy for reaching out to the target donor community is to connect with lawyers, tax attorneys, and financial advisors who work with the Brazilian diaspora community in New York City. The reach of these individuals is wide, and they are already having conversations with potential **Brazil**Foundation donors about how best to handle their estates. Forming a relationship with these practitioners is a worthwhile investment for the Foundation and a good use of staff resources.<sup>27</sup> The Berks County Community Foundation (BCCF) in Reading, Pennsylvania has even gone so far as to create an award, the Door Knob award, which they bestow upon financial advisors who direct clients toward planned giving and bequests in the name of BCCF. The practitioners display the awards prominently in their offices, thereby incentivizing the advisors to compete for the awards and directing the attention of potential donors to the Foundation at the same time.

Kevin Murphy, President of BCCF, observed that **Brazil**Foundation's donor base might be on the young side for planned giving and endowment support. While it is true that even young, high net-worth donors have often already drawn up wills and made plans for their estates, Murphy suggests that a younger donor is not yet necessarily in the mindset of legacy, nor are they looking to place their philanthropic dollars in one location – they are still in the building phase of their careers. In other words: these donors are not yet in

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<sup>26</sup> Vincent McGee, Overbrook Foundation and Atlantic Philanthropies; October 16, 2012 Meeting with fellows.

<sup>27</sup> Kevin Murphy, Berks County Community Foundation; November 12, 2012 Meeting with fellows.

“endowment mode.” Allyson Reaves, Associate Director at CCS Fundraising, echoed this sentiment and noted that mature donors are crucial for endowment-building. Endowments equal immortality – this is one of the largest selling points to donors – but this argument will only resonate with certain demographics. In addition, across the donor spectrum (both young and old), gifts from living donors are far outpacing bequests in today’s philanthropy.<sup>28</sup> This trend and the average age of **Brazil**Foundation’s donor base point towards the need for a more innovative strategy to make the case for supporting an endowment.

*Donor Communications and Incentivizing Endowed Funds:*

*Brooklyn Community Foundation Case Study*

The Brooklyn Community Foundation’s model is a useful case study for **Brazil**Foundation in terms of innovating interactions with donors and incentivizing endowment support. Though BCF focuses on one borough of New York City, and **Brazil**Foundation’s purview spans the whole of Brazil, there are many parallels to be drawn between the two organizations, and lessons to be learned as well. The borough of Brooklyn is extremely diverse. There are neighborhoods of extreme wealth, as well as areas of extreme poverty. There is diversity not only in terms of race and socio-economic status, but also in terms of urban versus rural communities. The population size is formidable – if Brooklyn were a city separate from New York, it would be the 7<sup>th</sup> largest in the country. For these reasons, BCF believes they have the unique ability to look at the borough as a whole, and decide which programs would be most beneficial to each

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<sup>28</sup> Jennifer Leonard, “Creating Community Capital: Birth and Growth of Community Foundations,” In *An Agile Servant*, ed. Richard Magat. NY: The Foundation Center, 1989: 89-103.

community, which communities are most in need, and which connections between the non-profits themselves should be facilitated by the Foundation for the benefit of their communities and the entire borough. Substitute the borough of Brooklyn for the country of Brazil, and the previous sentences could very well describe **Brazil**Foundation.

In addition to traditional donor-advised funds, one measure BCF has taken to incentivize endowed-giving is to create named funds – currently they have two, both of which are in memoriam. Named funds are a powerful way to honor a loved one’s legacy and promote their values while benefiting the community. There are stipulations on the size of the initial gift for a named fund to ensure that the staff time and resources spent managing the funds are worthwhile to the Foundation. In terms of making the case for giving discretionary resources to the Foundation, BCF asserts that “With your support, Brooklyn Community foundation can direct more funds where they will have the greatest impact and reach people in need.”<sup>29</sup> By branding themselves as “one place to give” for the whole of Brooklyn, BCF succinctly communicates their value – they know Brooklyn and its needs better than anyone, and a donation to BCF will maximize the donor’s impact. This is a communication strategy that **Brazil**Foundation is already employing on some levels, but has yet to explicitly spell out on its website or in donor materials.

Another area where **Brazil**Foundation could borrow from BCF is their dissemination of data on Brooklyn. Given that their intimate understanding of the borough is show-cased as their greatest value, BCF takes the opportunity to display statistics about various

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<sup>29</sup> Brooklyn Community Foundation, “Helping You Give: Maximize the Impact of Your Giving,” (<http://brooklyncommunityFoundation.org/give/helping-you-give>).

communities on its website, and positions itself as the authority on all things Brooklyn. Created by BCF, the Center for the Study of Brooklyn is, “the first and only research center devoted exclusively to the study of public affairs and policy issues in the borough.”<sup>30</sup> The Foundation plans to put out its first “Brooklyn Trends” report this year. An example of the Brooklyn-focused data and maps produced by this BCF initiative can be found in **Appendix D**. At this juncture it is also important to note that BCF was founded with \$50 million in invested assets. This endowment gives the organization a stable base upon which to create innovative models of grant-making and fundraising, and the flexibility to mobilize resources and capitalize on its knowledge of the borough and position itself as a reference point. BCF’s endowment represents one of the large differences between its current position and that of **BrazilFoundation**.<sup>31</sup> Given all that BCF has accomplished, and the inspiring work they are involved in, this may be all the more incentive for **BrazilFoundation** to work towards such an endowment of its own.

### *Crossing the cultural divide*

For the **BrazilFoundation**, which engages with a diaspora donor community, and for whom an endowment campaign would represent a shift in fundraising mentality and organizational priorities, the organizational and cultural ramifications of endowment-building are critical. Raising resources through an endowment campaign is unprecedented in the Brazilian NGO community. **BrazilFoundation** sees itself as a landmark in Brazilian philanthropy, and successfully introducing the concept of endowments to the region could open many doors for future Foundations, philanthropists,

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<sup>30</sup> Brooklyn Community Foundation, “Center for the Study of Brooklyn,” (<http://brooklyncommunityFoundation.org/center-study-brooklyn>).

<sup>31</sup> Marilyn Gelber, Brooklyn Community Foundation; Oct. 23, 2012 Meeting with fellows.

and grantees alike. While this may be an important impetus for **Brazil**Foundation to undertake this initiative, the lack of existent endowments belies an important cultural factor that **Brazil**Foundation must address during this process. While the majority of community foundations are based in and make grants within the United States, where the culture of philanthropy has been existent and evolving over many years, **Brazil**Foundation must look to other diaspora foundations and international community foundations for best practices and strategies for introducing and making the case for endowments amongst predominantly non-American donors.

A strategy that has been echoed by a number of organizations dealing with a non-American donor base has been the use of matching campaigns. The Heinz Endowments initiated a campaign for an endowment that would support projects in the Czech Republic by contributing \$50,000, which would then be matched by local Czech-Americans in Pittsburgh.<sup>32</sup> The benefits of matching campaigns, in this instance in particular, are that they build trust between the donor and the organization, help to legitimize the campaign, and can make donors feel as though their philanthropic dollars are going farther than they would have otherwise. When encouraging non-American donors to engage in endowment-building, a matching campaign can lead by example and demonstrate the power of philanthropy.

Often the largest battle for international community foundations and diaspora foundations is raising awareness and educating donors on the American perspective of philanthropy.

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<sup>32</sup> Stephen G. Greene, "Giving Back to Their Homelands: Charities worldwide get support from emigrants in America," *Chronicle of Philanthropy*, May 16, 2002.

The Kenya Community Development Foundation's strategy for instilling the culture of philanthropy and encouraging endowment building was to initiate a matching program for community and legacy funds. Individuals, families, and local organizations throughout Kenya are invited to contribute to pooled funds, which, once they reach a certain threshold, will serve their own community.<sup>33</sup> The KCDF model has met with great success throughout Kenya, where immediate needs have often trumped arguments for endowments. There are lessons to be learned from KCDF's commitment to engaging community members in their own endowment-building process and in their efforts to communicate the importance of making philanthropic commitments both for today *and* for tomorrow. While the majority of **Brazil** Foundation's donors are living in the United States and have been exposed, to varying degrees, to American philanthropy, matching campaigns can also be powerful in terms of addressing a more untapped base for the Foundation – donors living in Brazil. Nick Deychakiwsky, of the Charles Stewart Mott Foundation, who spent many years working in Eastern Europe and introducing the concepts of community philanthropy to citizens of Ukraine, suggests that without raising contributions directly from the beneficiary community itself, the recipients of grants or grant-supported programs cannot be invested to the degree necessary for programmatic success, nor can they expect to continue to succeed once the grant period has ended.

Lastly, Catalina Samper Horak, founder of the Columbian-American Community foundation, raises an important point at the core of diaspora fundraising. One of the greatest values of any diaspora foundation is that it understands, and is often a part of, the

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<sup>33</sup> Kenya Community Development Foundation, (<http://www.kcdf.or.ke/>).

diaspora culture and community it supports.<sup>34</sup> Horak cited, for example, that she and her colleagues understood that Colombian-Americans would not respond well to a direct-mail campaign, despite the fact that this strategy is very popular and successful among American fundraisers. This type of insider knowledge about the culture at-hand has informed diaspora foundations' approaches to fundraising from the very start, and its importance should not be underestimated when initiating an endowment campaign. Borrowing techniques and strategies from other community foundations and diaspora foundations will be helpful in **Brazil**Foundation's pursuit of an endowment, but applying the Foundations knowledge about what has and has not worked amongst Brazilian donors in the past will be just as vital for the campaign's success. As mentioned previously, **Brazil**Foundation has been at the forefront of philanthropy in Brazil since its founding, and educating donors about endowments is in many ways the natural next step on this journey.

#### **4. Recommendations and Conclusion**

The Community Foundation model, upon which **Brazil**Foundation was based, has provided many useful teachings in terms of maintaining endowments and fostering support for them. Looking, in addition, to examples of diaspora foundations that have struggled with the cultural barriers that exist in the world of philanthropy, has provided a very detailed picture of the options and best strategies available to **Brazil**Foundation as it moves forward into its second decade of operations. Given the various factors at play, useful recommendations for a community or diaspora foundation interested in

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<sup>34</sup> Catalina Samper Horak and Cecilia Mejia interviewed by *Global Giving Matters*, "Creating the Colombian-American Community Foundation – Diaspora Philanthropy by Word of Mouth," *Global Giving Matters*, August-September 2003.

establishing an endowment should be focused in two areas: 1) in regards to the endowment's management (the so-called "practical" aspects), and 2), in regards to donor cultivation and strategic planning to encourage support for the endowment. Therefore, recommendations for the **Brazil** Foundation and similar organizations have been structured as such below.

A) Establishment & Management of an Endowment

i. Administrative Structures & Strategy

Administrative structures must be in place before any sort of meaningful endowment fundraising campaign can take place. These structures range from hiring or re-allocating the appropriate staff members to manage the process, to creating a detailed investment policy and determining how and when the funds will be used. The best way to ensure that all administrative structures are in place and that the endowment will launch on stable footing is to create, during this initial phase, a detailed strategy for the endowment campaign. This strategy will encompass not only the staff resources needed, but also the targets for fundraising, and guidelines for how the Foundation will approach potential donors, and who these donors might be.

ii. Board Dedication

As is the case with any major decision or matter of organizational policy, the Foundation must make certain that it has the full support of the Board members before focusing its efforts on an endowment campaign. The Board members should be considered the first tier of supporters of the Foundation, and if they cannot be convinced of the necessity of an endowment, it is unlikely that other donors will support the campaign. Not only should the Board be supportive, but the Foundation should also consider creating a sub-set of the

Board which would take on a more focused role in guiding the establishment and management of the Endowment.

iii. Fundraising Potential

As part of its endowment preparations, **Brazil**Foundation may also consider engaging in a study of its fundraising potential. This evaluation was recommended as a tool that can reveal the actual potential of the organization to build an endowment sizable enough to be worthwhile. Depending on the size of the Foundation's operating budget, 10% can often amount to a rather large sum.<sup>35</sup> Lastly, several foundations have noted that their "endowment prep" phase lasted up to five years.<sup>36</sup> Given the importance of this campaign and the need for the Foundation to be successful in establishing its endowment, it is in **Brazil**Foundation's best interest to dedicate adequate time to this phase rather than begin an unsuccessful campaign before it is ready.

B) Donor cultivation

i. Identifying Targets and Making the Case

Perhaps the most salient recommendation that was most often repeated throughout endowment literature and in conversations with practitioners was the need to identify specific target groups within the donor base, and to then perform targeted appeals to these donors. After **Brazil**Foundation has finalized its "case statement" in support of a **Brazil**Foundation endowment, the Foundation must begin to think about who might support a fund for the future, and what are the best methods of reaching and motivating those donors. This process should begin with Board members and the Foundation's most

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<sup>35</sup> Useful tools for calculating endowment size and setting fundraising goals can be found in **Appendix C**.

<sup>36</sup> Geevarghese, Salin and Brown, Joyce, "Factors for Success: Increasing the Capacity to Raise Unrestricted Endowment," TCC Group - The Factors for Success, October 2003: p. 12.

frequent supporters. As Kevin Murphy of the Berks County Community Foundation suggested, working through lawyers and CPA's may be one example of an effective approach to getting at the right donor community for endowment-building.

ii. Matching Strategy

Thinking specifically in terms of what has worked for other diaspora foundations, if **Brazil**Foundation is able to orchestrate a matching aspect to the endowment campaign (on either a large or a small scale), this too can be an important tool in terms of galvanizing support, especially across cultural lines. Perhaps the profile of donor who is right for endowment support does not describe the majority if **Brazil**Foundation donors at this moment in time (either because of their age, or the fact that endowments are not a common phenomenon in Brazil or in Brazilian philanthropy). A matching campaign might be a way to engage with donors who might not otherwise support the endowment campaign, and encourage them to begin thinking of the Foundation's future and the long-term nature of their potential gift.

iii. Balance Fundraising Efforts

The Foundation must also balance its endowment fundraising efforts with annual fundraising for projects, which are critical to the everyday operations of the Foundation. This is another reason why an evaluation of the overall fundraising potential would be useful. While the benefits of an endowment are clear, the fundraising campaign must not either overshadow or interfere with the fundraising that supports the organization's annual grant making. With this issue in mind, the Foundation might consider what I outline in the following as a "soft" campaign and planned giving approach to endowment building.

iv. “Soft” Campaign and Planned Giving

Taking all of the above factors into consideration, the most useful approach to endowment-building for **Brazil**Foundation may be to engage in what is called a “soft” endowment campaign. In this scenario, **Brazil**Foundation would set relatively low financial goals for the endowment each year, at least initially, and build to larger sums in time while the Foundation continues to educate the donor population about endowments; gives the donor base more time to mature; and gives the Foundation time to solidify its plans for the endowment. Endowments, as we have learned, are not the only means of long-term sustainability. Social enterprise and successful fundraising are also important, and **Brazil**Foundation has decades of experience in the latter. The importance of fulfilling immediate needs will always outweigh thoughts on future needs, therefore a strategy of dedicating a set portion of resources or fundraising each year for the endowment, and relying more so on planned giving, without building expectations too high or taking away from flow-through fundraising, may be the most effective plan.<sup>37</sup>

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<sup>37</sup> Nick Deychakiwsky, Charles Stewart Mott Foundation; November 21, 2012 Meeting with fellows.

*Note to reader:*

*Appendices A, B, C, and D are lengthy and contained in a separate file that is available upon request. The appendices are as follows:*

Appendix A: “Asset Management Governance Plan & Statement of Investment Policy & Guidelines”; The Winnipeg Foundation

Appendix B: “Investment Policy Statement & Investment Opportunities and Risks in a Recovering Economy”; Berks County Community Foundation

Appendix C: Grantcraft Endowment Worksheets

Appendix D: “Our Work & Brooklyn Neighborhood Reports Presentation”: CUNY Brooklyn College, Center for the Study of Brooklyn, & Brooklyn Community Foundation