

KEY TAKEAWAYS

Endowment Building



Endowments play a critical role in long-term nonprofit sustainability—but successful endowment programs don’t happen by accident. In this webinar, **PG Calc’s President Gary Pforzheimer** outlined the core principles organizations should understand before launching or expanding an endowment. Below are the key takeaways from the presentation.



GARY PFORZHEIMER
President
PG Calc

1. An Endowment Is a Collection of Individual Funds, Not a Single Account

At its core, an endowment is a collection of individual funds—some restricted, some unrestricted—that are typically pooled for investment purposes. While donors may designate how their fund is used, they do not direct specific investment decisions. Pooling assets allows organizations to invest more efficiently, achieve stronger returns, and reduce administrative complexity.

2. Endowments Strengthen Long-Term Stability

Endowments provide reliable, consistent funding that helps nonprofits weather market volatility and fluctuations in annual giving. By preserving principal and spending a portion of returns, organizations can generate income that keeps pace with inflation while supporting evolving needs over time.

Endowments are especially powerful for:

- Supporting ongoing programs
- Maintaining facilities and long-term assets
- Funding scholarships and research
- Enabling thoughtful long-range planning

3. Clear Policies Are Foundational

Strong endowments are built on well-defined policies that align governance, fundraising, and financial management. Gary highlighted five interdependent keystones of endowment building:

- **Gift Acceptance Policies** establish which gifts are appropriate and protect the organization from undue risk.
- **Investment Policies** define risk tolerance, asset allocation, and oversight.
- **Spending Policies** ensure prudent, consistent distributions over time.
- **Commingling and Sub-Accounting** allow multiple funds to be invested together while tracking each fund's activity.
- **Stewardship Practices** sustain donor trust and multigenerational engagement.

These policies should be in place *before* launching an endowment campaign.

4. Spending Policies Should Be Prudent and Predictable

Most organizations apply a spending rate between 2.5% and 5%, often calculated using a trailing multi-year average of market value. This approach smooths volatility, supports budgeting, and avoids spending too much or too little during market swings.

Importantly, modern standards emphasize prudence and documentation—not preservation of historic gift value at all costs.

5. Sub-Accounting Makes Pooled Investing Work

When assets are pooled, sub-accounting allows organizations to:

- Track gifts, returns, fees, and distributions by fund
- Allocate gains and expenses pro rata
- Apply donor restrictions without maintaining separate investment accounts

This structure enables access to more sophisticated investment strategies while preserving transparency and accountability.

6. Stewardship Drives Long-Term Success

Endowments outlast their original donors, making stewardship mission-critical. Effective stewardship combines:

- Clear financial reporting
- Consistent communication
- Opportunities to deepen engagement

Annual endowment statements should show fund value, spending, and growth—paired with meaningful stories of how the endowment advances the organization’s mission.

In short? Happy donors are repeat donors.

To learn more about these key takeaways and other important insights, [check out the full conversation here.](#)

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