

# Welcome

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## Our Presentation

## Will Begin at 12pm

- All viewers are muted. Audience cameras cannot be turned on.
- Who's with us today? We invite you to share your nonprofit's name in the chat box.

# Establishing an Endowment: When does it make sense?



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Thursday, July 17, 2025

# Mission of Pro Bono Partnership of Atlanta

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To provide free legal assistance to community-based nonprofits that serve low-income or disadvantaged individuals.

We match eligible organizations with volunteer lawyers from the leading corporations and law firms in Atlanta who can assist nonprofits with their business law matters.

# PBPA Learning Center for Georgia Nonprofits

[www.pbpatl.org/resources](http://www.pbpatl.org/resources)

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# Client Criteria

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In order to be a client of Pro Bono Partnership of Atlanta, an organization must:

- Be a 501(c)(3) nonprofit.
- Be located in or serve the greater Atlanta area.
- Serve low-income or disadvantaged individuals.
- Be unable to afford legal services.
- Employ at least one paid staff person.

Visit our website at [www.pbpatl.org](http://www.pbpatl.org) to apply.

# Legal Information

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This webinar presents general guidelines for Georgia nonprofit organizations and should not be construed as legal advice. Always consult an attorney to address your particular situation.

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# Agenda

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- How could you end up in this situation?
- What is an endowment?
- How do endowments work?
- Alternatives to endowments
- Examples/scenarios involving major gifts

How could you end up  
in this situation?



# How could this happen?

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- Usually starts with donor contemplating a major gift
- Could include outright gift during life and/or planned gift
- May (or may not) have extensive history with your nonprofit
- Size of gift motivated by desire to accomplish something specific or create something lasting that will be part of their legacy

# How could this happen?

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- Donor (or advisor) could reach out to explore your interest
  - Construct a building
  - Complete a project
  - Expand your impact
- Outline “the deal” as they see it
  - They will give you this substantial gift... IF
  - You agree to use/manage it how they want

Because of the nature of endowments, gift terms will often require the nonprofit to establish an endowed fund to be used for defined purpose

# What is an endowment?

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- Pool of assets (cash or investments)
- Managed to preserve corpus over time
- Uses investment gains to support mission
- Two typical types of endowment funds
  - Donor-restricted (controlled by gift agreement)
  - Board-designated (controlled by your board)

# What is an endowment?

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- Benefits of an endowment
  - Signals financial stability to the community
  - Creates sense of permanence, a “financial bedrock”
  - Provides reliable stream of income for nonprofit
- Considerations
  - Require setting resources aside for the future
  - Must comply with UPMIFA regulations

Depending on the agreement made to secure the gift, the nonprofit might not be able to use their own resources during an emergency

# How do endowments work?

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- Craft and sign a gift agreement
  - Lays out the rules for management and use of the funds
- Accept the gift
  - Gift receipt and any additional required documentation
- Invest/manage the gift
  - Nonprofit gift acceptance policy & investment policy
- Make and use annual distributions
  - Track flow of dollars to verify compliance with agreement
- Steward the major donor
  - Should donor have access to financial reports, etc.?

# Alternatives to endowments



# How do endowments work?

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- **Build Operating Reserves** – liquid savings equivalent to several months' expenses available for use in a financial emergency
- **Board-Designed Endowment** – allows nonprofit to establish systems and structures to manage endowment-style funds without the demands and high-stakes of a major donor relationship
- **Term Funds** – rather than permanent, design time-limited fund to support specific strategic purpose or project over shorter period
- **Organization Endowment Funds** – work with financial institution (bank, community foundation, etc.) to manage endowment funds (invest, distribute, etc.) on their behalf, usually for a fee

# Examples/scenarios involving major gift donors

# Examples/Scenarios

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- **Fund to cover key expenses** – carefully consider how those expenses are defined (e.g. “utility bill” vs “Georgia Power bill”)
- **Unexpected bequest** – use money now vs save some for later?
- **Crisis Scenario** – urgent need for funding beyond annual budget because of emergency in your community or at your facility
- **Planned gift from major donor** – use advance notice to put policies and structures in place to accept/reject future gifts, manage additional endowed funds, etc.

# Questions?

# Pro Bono Partnership of Atlanta

[www.pbpatl.org](http://www.pbpatl.org)

As a nonprofit ourselves, PBPA relies on donors to continue providing free legal assistance to organizations like yours. If you're able to give, please consider donating to help us keep serving Georgia's nonprofits.