



# ENDOWMENTS: INVESTING IN OUR FUTURE

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*Susan Davies Goepf*

## *History*

The origin of endowments in western civilization can be traced back to Roman times when Plato left his academy and surrounding farmland to his nephew for the use of his followers (Orosz 2000). While this was the start of a new idea, it later progressed to a more modern view of philanthropy and endowments.

Benjamin Franklin was the first American to initiate an endowment through a planned gift concept in the United States. He left, in his will, \$4,444.49 equivalent dollars per year for 200 years to the cities of Boston and Philadelphia. Although the money was originally earmarked for “young married artificers of good character,” later the funds were allocated to more generally useful purposes while still addressing the ideals Franklin outlined (Orosz 2000).

Over the following century, philanthropy in America saw another major change in structure to become what we have today. Although Franklin’s concept seemed fairly modern, the interest from his endowment was not redistributed to the community in the form of grants. This is where the great philan-

thropists, Andrew Carnegie and John D. Rockefeller, came into play.

Andrew Carnegie was a major influence in philanthropy and one of the first U.S. millionaires to state that the rich “have a moral obligation to give away their fortunes.” While Carnegie donated much of his money prior to becoming exceptionally wealthy, he created seven philanthropic and educational organizations after he sold his corporation to J.P. Morgan (Carnegie Corporation 2002). His major initiatives were not modeled after traditional charities, providing free food, clothing, or need-based services for the poor. Rather, his initiatives were aimed at providing educational and health services for citizens to help better themselves. As such, assistance went to universities, libraries, hospitals, public parks, and cultural centers.

John D. Rockefeller was, of course, another pioneer of the modern version of philanthropy. While he donated money to his church as a young man and later added other organizations, his first major endowment went to help establish the University of Chicago. Soon after, Rockefeller hired Rev. Frederick T. Gates to manage his philanthropic activities. With Gates’ help he established a series of institutions that are important in the history of American philanthropy, science, medicine and public health including Rockefeller Foundation, Rockefeller Center and Rockefeller University.

But giving is not only for the super rich. In 1889, a young African American woman was turned down for admission at several white nursing schools in Chicago. Her brother, a reverend and a prominent African American surgeon, tried unsuccessfully to intercede on her behalf. They decided to take matters into their own hands. They gathered a group of black ministers, physicians and businessmen to talk about funding an interracial hospital and nurse-training program. Surprisingly, they gained the support of several prominent white Chicagoans as well. They held rallies and fund-raising

events all over Chicago's south and west sides. And the people gave, building for the future (Gaudiani 2003).

### *Importance*

Endowment building and management are very important for nonprofit organizations and universities. Without endowments, many organizations would be unable to maintain their programs over a long period of time. Also, by managing them correctly, organizations will have the flexibility they need to survive during times of economic downturn. While not all endowments are created in perpetuity, they are created to earn interest and to last for a number of years.

Endowments allow nonprofit organizations to have options for financial management. The funds can be used for programming or for operational emergencies when needed, as designated by the donor. Funds from an endowment are not subject to involuntary bankruptcy and are therefore protected during hard economic times.

### *Oakland University*

Most of us know the story of Oakland University's history. Matilda Dodge Wilson donated the land and two million dollars in 1957 to establish MSU-Oakland. The first class was welcomed to campus in the Fall of 1959. Matilda personally gave each of the 1963 graduates a class ring with a diamond. And we know of the dedication and commitment of those early pioneering faculty and administrators who sought to create a new vibrant university that has proudly conferred degrees to over 76,000 alumni, resulting in the OU we know today.

There are other stories that you may not know. Do you know who gave the first endowment gift to OU? Do you know the impact of those early endowments on our current students? Or how an endowment works today?

## *Early Endowments*

The first OU endowment was established on behalf of the faculty and students of Pontiac Central High School in May 1960 with a gift of \$5,000. Francis W. Staley, principal of Pontiac Central High School, and Dana P. Whitmer, superintendent of the Pontiac Schools, served on the OU Foundation board. Today the market value of the endowment has grown to \$13,700 and has been generating annual awards of \$500. While the records are sketchy at times in our history, we believe that close to \$26,000 has been disbursed since 1960.

The second OU endowment was established in June 1960 with an initial gift of \$2,000 by the Village Woman's Club of Birmingham and Bloomfield Hills. The club pledged \$10,000 to establish an endowment that was named the Village Woman's Club of Birmingham and Bloomfield Hills Scholarship and was fully funded in 1969. The market value of the endowment has grown to \$24,584 and is currently generating approximately \$960 per year for awards. Not only have we preserved the club's investment and grown the endowment to keep pace with inflation, we have disbursed more funds to students over the years than the total current market value.

The third endowment that was established at OU was created by Roger and Helen Kyes. The Mr. and Mrs. Roger Kyes Endowment provides awards to English majors and was started with a gift of \$10,000 in July of 1960. Mrs. Kyes donated an additional \$20,000 in September 1992 and another \$20,000 in March 1993. Today's market value is \$109,795 and is generating about \$4,000 per year for awards.

Benjamin Anibal was another early donor to OU who established two endowed scholarships. The Benjamin H. Anibal Scholarship Endowment, which is designated for engineering students, was established in November 1964. The original gift was \$19,250. If a similar valued gift were made today, it would be equal to \$128,345.

The second Anibal endowment is the Mary Fogarty Anibal and Eleanor A. Burgum Memorial Scholarship, also known as the Anibal-Burgum endowment fund. The fund was established in June 1968 with a gift of \$41,187.50. Inflation since 1968 means that a comparable gift today would be \$244,622.98. Additional gifts to this endowment were received as follows: \$35,968.75 (August 1969); \$56,454.13 (December 1970); \$78,062.50 (October 1971); \$80,562.50 (November 1972); and \$86,625 (December 1973). The historic dollar value of this endowment is \$391,679.65. The market value today is \$1,155,609, distributing approximately \$52,000 annually in scholarships.

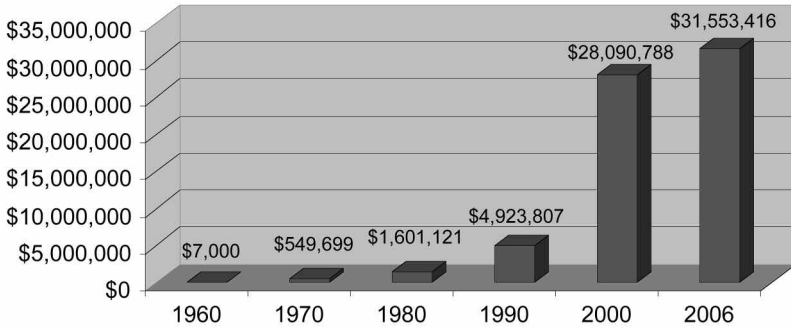
The lasting impact of endowed funds is one of the motivations for those making endowment gifts. A donor is able to memorialize or honor a person, or leave a lasting personal mark. It is important to many of our donors that they make a difference to OU and our students in perpetuity.

For over fifty years, Oakland University has benefited from these generous gifts and provided many students with an education they might not otherwise have been able to receive.

### *Endowment Growth*

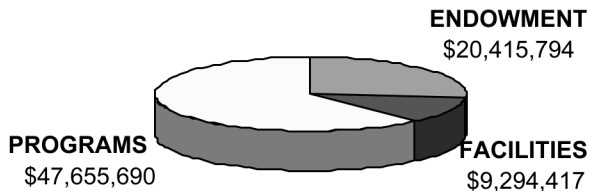
On June 30, 1960, when Oakland University's fiscal year ended, a total of \$7,000 in gifts from two donors was designated as "permanently restricted" endowments. The endowment pool grew to \$549,699 by fiscal year end 1970. According to audited financial statements, the endowment pool was valued at \$1,601,121 at June 30, 1980; and by June 30, 1990, the endowment had grown to \$4,923,807. Market growth and the very generous donations of our many friends and corporate partners brought Oakland's endowment value to \$28,090,788 by June 30, 2000. The most recent audited financial statement for June 30, 2006, reports that the market value of Oakland's endowment is \$31,553,416.

## Oakland University Endowment Growth



Since the start of our comprehensive campaign, “Innovation and Opportunity—The Campaign for OU,” fifty new endowments have been established. Commitments for these endowed funds total \$14,879,759, with gift assets received to date of \$1,419,067. In addition, donors have committed an additional \$3,585,040 to previously existing endowed funds. When these commitments are realized, OU’s endowment will be \$50,000,000 or more with continued wise investing and stewardship.

## Innovation and Opportunity The Campaign for OU \$77,365,901



Gifts and pledges as of May 31, 2007

Of the 155 OU endowments, 105 provide tuition support. The rest are designated for faculty positions, research, curricular enhancements, equipment and upkeep of facilities.

## *Endowment Procedures*

Endowments at OU can be established with a minimum commitment of \$25,000 payable over five years. We encourage alumni and friends to establish these funds during their lifetimes to see the benefit and impact that their generosity is making. It is tremendously rewarding for donors to meet their scholarship recipients or to hear first hand the outcome of research that was funded.

Ongoing gifts can be added to endowed funds throughout one's lifetime. We have donors who ask friends and family to make holiday and birthday gifts to their endowment in lieu of other presents. Many OU friends include a designation in their estate plan to further expand the reach of their endowment.

Donors wishing to establish an endowment work closely with a development officer to develop guidelines and criteria for the use and disbursement of the funds. An endowment agreement is drafted to ensure the donor that the university will utilize the funds as they have designated. The development officer communicates with the academic leadership that will be utilizing the funds and distributing the annual earnings to ensure that the gift can accomplish the donor's vision, is needed by the unit, and can operate effectively to accomplish the goals and mission of the unit and the university while offering the flexibility to meet these needs for the next 50 or 100 years.

The development team works with donors to establish endowments that will generate enough income to accomplish the need. For instance, an endowed professorship needs to generate sufficient income to cover salary and benefits. A full-ride scholarship with room and board, if established today, would require an endowment of \$311,444.

Endowments are guided and managed per university policy. Oakland will not invade the principle, and we typically use only a portion of the earnings on an annual basis. This allows the university to reinvest a portion of the earnings in order to

<b>Description</b>	<b>Endowment needed</b>	<b>Tuition*</b>	<b>Room and Board</b>	<b>Books and Supplies</b>	<b>Annual Total</b>
Funding for one year of attendance	\$311,444	\$6,576	\$6,354	\$1,085	\$14,015
Funding for one semester of attendance	\$155,733	\$3,288	\$3,177	\$543	\$7,008
Funding for one year of tuition and books only	\$170,244	\$6,576	N/A	\$1,085	\$7,661
Funding for one semester of tuition and books only	\$85,133	\$3,288	N/A	\$543	\$3,831
Funding for one year of tuition only	\$146,133	\$6,576	N/A	N/A	\$6,576
Funding for one semester of tuition only	\$73,066	\$3,288	N/A	N/A	\$3,288

\* undergraduate in-state rates

grow the funds and keep pace with inflation so that the endowment continues to have the same earning power for future generations. The endowment distributions are also set by board policy. Currently the policy states that 4.5% will be distributed annually.

“Endowment fund distributions shall be at an annual rate of four and one-half percent (4.5%) based upon the twelve



quarter moving average market value of the fund's value at the beginning of each quarter, with a one-quarter lag. However, if the market value of any individual endowment is at or below its historic dollar value, distributions with respect to that endowment shall be limited to current yield (such as interest, dividends, and rent). All earnings in excess of distributions shall be reinvested in the corpus of the fund." (Oakland University 1995)

Endowments are a way to combine a donor's vision with Oakland University's needs and objectives. They are the products of a dynamic and ongoing relationship between the donor and OU. Endowments secure a steady source of funds annually. These contributions touch innumerable lives by supporting OU's far-reaching programs of learning, discovery and engagement. These gifts build a permanent financial foundation for Oakland University and make a lasting impact in the lives of our students.

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