

***Catalyst: Endowment
Annual Report 2013***

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Centre for
Philanthropy

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1. Introduction

This is the first of five Annual Reports which will be produced every December until 2017. This report covers the progress of the University of Kent's evaluation project by providing a round-up of developments of a number of key initiatives.

31 organisations were awarded a *Catalyst: Endowment* grant and all are included in the evaluation project. They are as follows:

First round organisations:

- Arnos Vale Cemetery Trust
- Dulwich Picture Gallery
- Greenwich Foundation for the Old Royal Naval College
- Lakeland Arts Trust
- Lincoln Cathedral
- Linen Hall
- Mary Rose Trust
- National Museum of the Royal Navy
- National Portrait Gallery
- Pallant House Gallery
- Sir John Soane's Museum
- St Martin-in-the-Fields PCC
- Strawberry Hill Trust
- The Abbotsford Trust
- The Bowes Museum
- The British Library
- The Holburne Museum of Art
- Victoria & Albert Museum

Second round organisations:

- Ashmolean Museum of Art and Archaeology
- Churches Conservation Trust
- John Clare Trust Ltd
- London Wildlife Trust
- National Horseracing Museum
- Peterborough Cathedral
- Severn Valley Railway
- South Tynedale Railway Preservation Society
- ss Great Britain Trust
- Tank Museum
- The Holocaust Centre
- The Wiener Library Institute of Contemporary History
- Watts Gallery Trust

In terms of the location of these organisations, there is a geographical skew towards London, with 11 organisations found in the capital. Beyond this there is a spread around the UK, and the map below illustrates their locations.

Map of the location of the 31 organisations



Key:

Red = First round organisation

Blue = Second round organisation

1.1 Headline findings

The key findings of the Annual Report 2013 are as follows:

Annual Review

- First round organisations have drawn down 28% of the £27m awarded to them.
- Organisations in the first round have not experienced much change in income streams yet, but 88% plan to diversify.
- Voluntary income accounts for more than half of total income for the control group in both 2011/12 and 2012/13, and has increased to 65% in 2012/13.

Case studies

- Organisations plan to use their endowments in a mixture of ways. For many, conservation and preservation are key, but maintenance of buildings and being able to keep their doors open to visitors is also often mentioned as the aim.

- Prior to *Catalyst*, many organisations had already recognised that an endowment was essential for their future existence, although others seized upon the opportunity when they heard about it.
- There was not a huge sense in the case studies that the endowment fundraising would significantly diversify income streams, but mainly because the organisations felt that they were already diversified in this regard.
- Overall, organisations felt that fundraising for an endowment was not vastly different than for capital appeals in terms of skills needed.

Annual workshops

- The two workshops have been well received by grantee organisations, with them finding it a useful event and making new contacts. The mixture of discussion and learning from expert speakers seems to hit the right note for attendees.
- On receiving the grant award organisations often felt mixed emotions in that they were thrilled to have been selected but daunted and slightly perplexed by the challenge that lies ahead.
- Initially there was often a misunderstanding internally or from trustees on what the grant means – many thought that the grant had already arrived in full, rather than that it would be triggered by donations over time.
- Particularly among the second round organisations there are many organisations with relatively new members of staff working on *Catalyst*, who were not involved in the application process.

Application and draw-down process¹

- Organisations in the first round agreed that the application form had been difficult to complete, although they appreciated that this was due to the rush to launch the programme leading to using a form that was not tailored for the programme. The need to work on the application over Christmas was also raised as being unhelpful, especially when the announcement was slow.
- The feedback on the regional offices and case workers is very positive, and while some would have liked more information during the application process, they appreciated that with it being a new programme that not everything was organised or set in stone before the application forms were distributed.
- With regard to the draw-down process, so far some organisations have encountered problems, but they have all received their money.

¹ These bullets refer to organisations from the first round of grant awards only.

2. Summary of the Annual Review

The Annual Review looks at the annual monitoring and tracking work that is ongoing for the duration of the evaluation project. This work includes monitoring organisations' progress against their fundraising targets, the tracking of financial indicators such as income streams and fundraising expenditure which are gathered in a web survey annually, and the monitoring of the financial health of a control group (organisations which were unsuccessful in their application for a *Catalyst: Endowment* grant).

2.1 Headline findings

The key findings of the Annual Review 2013 are as follows:

Progress against fundraising targets

- On reviewing the targets set by organisations in their applications, nine first round organisations are behind schedule with their fundraising, six are ahead and one is on-track. In the second round, most (11) are on track in that they were not due to have reached a fundraising milestone yet, and two are behind schedule.
- First round organisations have drawn down 28% of the £27m awarded to them in June 2012.

Financial status changes (survey)

- Organisations in the first round have not experienced much change in income streams yet, but 88% plan to diversify.
- There have been changes in fundraising expenditure over two years for first round organisations, most notably an increase in marketing and publicity.
- Only five organisations have recruited staff for *Catalyst* to date.

The control group

- In 2011/12, 15 organisations declared an endowment, and just 10 have done so in their 2012/13 accounts so far.
- Voluntary income accounts for more than half of total income in both 2011/12 and 2012/13, and has increased to 65% in 2012/13.
- Grant income has dropped from 26% of total income to 12% in 2012/13.

3. Case studies

The case study element is the qualitative portion of the evaluation project. It is a two-stage process. In the first stage, 30 organisations will be visited (The National Museum of the Royal Navy is excluded from the methodology as they achieved their full target at an early stage, and so a case study would not be appropriate for them) in the first year or two of their grant to conduct an interview which will lead to a case study document. This stage captures the early fundraising work of the organisations, their thoughts on the *Catalyst: Endowment* scheme and future fundraising plans. By visiting them it is possible to see what they have already achieved through capital appeals and previous Heritage Lottery Fund grants, and to meet them in person. By meeting in person a relaxed interview can be achieved, so that the maximum level of detail can be obtained. It also has the benefit that they feel that the line of communication with the evaluation team is firmly open.

The second stage of the process is a phone call to each organisation in the final year of their grant period, to gather their perspectives on the project as it is coming to a close. This will culminate in a document which focuses on retrospective views of the project, but also draws upon the first case study document.

3.1 Methodology

The first stage of the case study element of the evaluation is underway at the moment. After the February workshop the main contacts at all of the first round organisations were telephoned to tell them in more detail about the case study work, to answer any questions about The University of Kent's role in *Catalyst: Endowment* and their case study visit, and to book a date for the case study itself. The date was chosen by the organisation based on issues such as wanting to get started with their fundraising before the visit, choosing a quiet time (such as avoiding an exhibition) or making sure that they are open to the public at the time of the visit. All of these first round organisations are either booked in for a visit or have been visited.

After the October workshop for the second round organisations, similar phone calls were conducted, and of this group and all but three are now booked in for their visit.

The topics covered in the first stage of the case study process include:

- Experiences so far in the *Catalyst* programme
- What fundraising has been done to date
- What their ultimate endowment target is
- Their fundraising plans and target donors
- Whether an endowment was already planned
- Future plans for the organisation
- How embedded *Catalyst: Endowment* is in the organisation
- Whether they will diversify their income streams
- Experiences of any changes in donor attitude towards heritage organisations
- Private funding successes and challenges
- Non-monetary benefits from donor relationships
- Need for new fundraising skills
- Other impacts on financial sustainability of the organisation
- Future sustainability

- Achievement of the outcomes: heritage will be better managed; your organisation will be more resilient
- Advice to fellow or future grantees
- Experience of the Heritage Lottery Fund's application and grant management process

3.2 Findings

To date, eight organisations have undertaken and agreed finalised case studies with the evaluation team. The completed case studies are:

- Abbotsford Trust
- Arnos Vale Cemetery Trust
- Bowes Museum
- Holburne Museum
- Lincoln Cathedral
- Linen Hall
- Mary Rose
- St Martin-in-the-Fields

All of the organisations, during the case study visit are interested to know how other organisations are doing, and are keen to hear about all grantees and their progress with fundraising. They are keen to be reassured that they are doing well, and that their plans are not out of place. As a result, plenty of time for discussions at the March workshop will be put aside, as all grantees have found this to be a valuable element of the events.

Most/all of the organisations have a long-standing relationship with the Heritage Lottery Fund, having received capital grants in the past, and many are either in the process of applying for new grants or are planning to apply for new funding in the near future.

The findings below are based on the case studies that have been signed off by organisations.

How organisations plan to use their endowment

Organisations plan to use their endowments in a mixture of ways. For many, the conservation and maintenance of buildings or other heritage structures is the priority. It is also a way for some organisations to afford to keep their doors open to visitors and to give them general security as they will be able to rely on a future income coming in.

Thoughts on Catalyst: Endowment

Many organisations had already planned to build an endowment, or were already beginning to raise money. For others an endowment was not originally in their fundraising plans, but they saw that it was a fantastic opportunity and would actually suit them best in the long-term.

Diversification of income

In the case studies, there was not a huge sense that the endowment fundraising would significantly diversify income streams, but mainly because the organisations felt that they were already diversified in this regard.

Target donor groups

There was an enormous range in the types of donors that organisations were planning to target. Major individual donors were mentioned several times, but the general public, trusts and foundations, Friends and Patrons/members were all raised, as well as seeking legacy donations.

Charity structure

There was a mixture among the organisations between holding the endowment as a separate restricted fund within their main charity's accounts, to creating a separate charity specifically for the endowment, usually with separate trustees. This is particularly useful when the purpose of the endowment is not closely linked with the main charity's objectives.

Outcomes

The Heritage Lottery Fund lists two objectives that they would like organisations to achieve as a result of *Catalyst: Endowment*. The first of these is 'heritage will be better managed'. Generally, the organisations felt that they would achieve this, although the ways that they saw themselves doing this were very varied. For some, the management would be physically obvious as it would be done through building maintenance, whereas for others it was about bringing in new staff who would in turn manage the heritage. Only one organisation stated that they did not see themselves achieving this outcome, and they stated that this was because they had already achieved this through previous fundraising campaigns.

The second outcome 'your organisation will be more resilient' yielded more definitely positive responses because regardless of whether the endowment will go towards maintaining something physical or just give an organisation the security that they will be able to keep the doors open, they anticipated increased resilience.

New fundraising skills

Generally, organisations did not anticipate needing to learn or acquire new fundraising skills especially for endowment fundraising. Overall, it was felt that the skillset was not vastly different than for capital appeals, but some organisations did plan to bring in fundraising staff because they were understaffed anyway.

The findings from the case studies will be expanded in future years, and it is possible that the thoughts and experiences of organisations alter slightly as they get further into their fundraising periods. The first instance of this will be with the first round organisations due to be interviewed in 2014, coming up to two years since their grant award.

4. Annual workshops

A workshop is to be run by the University of Kent early each year, which is an opportunity for the grantee organisations, case officers, national office staff and evaluation team to come together to network, discuss experiences, share fundraising progress, and to learn from experts who are invited to speak at the event.

To date, a workshop has been run in February 2013 for the first round of organisations, and then as a one-off, a separate event was run in October 2013 for second round organisations. Those first round organisations that had not attended the February event or who have a new starter in post for *Catalyst* were also invited to the October event.

4.1 General feedback on the two workshops

Anecdotal evidence shows that the two workshops have been well received by grantee organisations, with them finding it a useful event and taking away new contacts to speak to when back in the office about fundraising. The mixture of discussion and learning from expert speakers seems to hit the right note for attendees.

4.2 Speakers

At both the February and October 2013 workshops, Theresa Lloyd, author of 'Why Rich People Give' and 'Cultural Giving' and philanthropy advisor spoke. Claire Foster-Gilbert, formerly of St Martins-in-the-Fields, spoke in February and Patricia Castanha, Endowment Consultant at St Martin-in-the-Fields took over for the October workshop.

Theresa's presentations covered ideas and strategies for fundraising for endowments as opposed to capital or core fundraising, focusing on key practical steps that the grantees could take to secure donations to their endowments. Some of the key points that Theresa made were that:

- Trustees must be giving to their own charity, to show institutional commitment.
- When a charity is trying to raise additional money, the organisation needs to invest in raising this money, and an infrastructure needs to be in place to do this.
- Everybody in the charity needs to understand that fundraising is part of their job.
- Donors do not really want to meet the fundraisers, it is the trustees and senior managers and practitioners that are of most interest to them.
- Ask your trustees to send a personal thank you letter after receiving a major donation.

Claire Foster-Gilbert spoke to the group about what St Martin-in-the-Fields had learned from their research into fundraising for endowments from the US experience, and gave suggestions on how grantees could apply this learning.

Some of the key points that Claire made were:

- One way to encourage endowment gifts is to ask the donor what they most love about the gallery/church/project that your charity maintains, and then explain that you are offering them the chance to safeguard this in perpetuity.
- By focusing on one task/project/activity that you would need to spend the endowment on, it makes it easier to fundraise because you can tell your donors what specific thing they are paying for in perpetuity.

- Understand and communicate to colleagues and trustees that if you don't raise an endowment to cover this cost over future years, then you will need to run a capital fundraising campaign later down the line.

Patricia Castanha spoke to the group about what St Martin-in-the-Fields had experienced from their fundraising for endowments in the US experience, and presented her learning for others to take away. Some of the key points that Patricia made were that:

- They chose to start a separate organisation in America for fundraising from US donors, and so have had to become registered as 501c3 for tax in America.
- Having the grant in place gave donors extra confidence in giving to St Martin's.
- It is great that Americans do understand the fundraising process, and it is possible to have a very open conversation with them, but donors do expect to be courted more than UK donors.
- Donors are fed up with UK charities making large and unstructured asks, so it will work to your advantage if you are clear on what you need.

4.3 Roundtable discussions

During each workshop, the delegates were invited to share with the group what their organisation's reaction was to being awarded a *Catalyst: Endowment* grant, and what their progress with and plans for fundraising are. The key themes that arose were:

- Delight and fear at the same time – thrilled to have been selected but daunted and slightly perplexed by the challenge that lies ahead.
- Misunderstanding internally or by trustees on what the grant means – many thought that the grant had already arrived in full, rather than that it would be triggered by donations.
- Many grantees were already working on capital fundraising projects when they got the grant, and so have questions about how to combine fundraising for an endowment alongside existing fundraising activities.
- Some grantees have taken on (or plan to take on) additional fundraisers to work on the *Catalyst: Endowment* programme, but others will be working on this challenge on top of their other work.
- Some grantees have set up, or are in the process of setting up, a separate charity specifically for the endowment money, which is a time consuming process and can raise issues that need to be managed re. the relationships between the two sets of trustees.
- Some have already drawn down first payments whilst others have not yet drawn down any matched funding.
- There are concerns about how to attract donors to give to an endowment if they have preferred so far to fund projects or core costs.
- Many grantees see the *Catalyst* grant award as an endorsement of their organisation's capabilities, which gives their morale a boost.
- There are many organisations with relatively new members of staff working on *Catalyst*, who were not involved in the application process.
- The messaging for donors when fundraising for the endowment is an important consideration for many organisations.
- Donor fatigue is a concern for grantees, both because of recent capital campaigns and not wanting to 'exhaust' them during *Catalyst*, as they will need their support after *Catalyst*.

4.4 Q&As

There were two substantial Q&A sessions during each workshop, with answers provided both by speakers and by grantees, in an informal discussion format. The key themes that were raised during the sessions were:

- Will US-style tax breaks come to the UK?
- How does fundraising in the US differ from in the UK?
- Has anyone applied for the Prince of Wales Philanthropy Award?
- How do we encourage donors to give to endowments?
- How do we encourage staff to value endowment-raising?
- How successful are offering 'naming' opportunities?
- How do we unlock donations?
- How should we approach or convert 'Friends of' groups to becoming major donors?
- Should we set up a separate trust in which to hold fundraised endowments?
- How can we encourage donors to give to our endowment, when they want to invest elsewhere because of the better rate of return?
- How can we affect a culture change in order to encourage trustees to become more involved in fundraising?
- If fundraising in America, is it worth becoming 501c3 registered in order to receive direct donations from US tax payers?
- How competitive is it to fundraise in America?

4.5 Evaluation form results

At each workshop, all delegates were provided with an evaluation form which asked questions about the organisation of the event, the content of the session and requested ideas for future workshop themes. All organisations gave very helpful and positive feedback.

The top-level summary of results is as follows:

- In both February and October, 100% of delegates said that the event was either 'very good' or 'good'.
- Of these 100%, in February over three-quarters (78%) had said the event was 'very good'. In October, this had dropped slightly to just over half (55%).
- In February, for each of the elements of the organisation of the event, the vast majority of attendees said that they were 'very satisfied'. In October the majority of responses were still at the upper end, but with a wider spread across 'very satisfied' and 'satisfied'.
- In February, for each of the elements of the content of the event, the vast majority of attendees said that they were 'very satisfied'. In October the majority of responses were still at the upper end, but with a wider spread across 'very satisfied' and 'satisfied'.

Actions that grantees highlighted that they would take forward as a result of the workshop included:

- Share with colleagues the learnings from the workshop event.
- Implement new ideas, such as an increased focus on relationships, and ways to make fundraising for endowments attractive to donors.

- Further analysis of existing members in search for potential major donors.
- Encouraging more colleagues, including trustees, to get involved in fundraising for the endowment.
- Refinement of fundraising strategies.
- Share with colleagues the learnings from the workshop event.
- Affect culture change within their organisation.
- Plan/develop the fundraising campaign for the endowment.

4.6 Future workshop ideas

Organisations were asked in their evaluation form to suggest ideas for future events, and these ideas as well as informal feedback given at the event or on the phone or during a case study, plus ideas from the evaluation team are listed below. These are all open for consideration for inclusion in future workshops.

- Practical advice from Heritage Lottery Fund staff.
- Hearing from a major donor who supports endowments.
- A discussion on 'Friends of' and Patrons and how to convert them into endowment donors.
- How to explain endowment fundraising to potential donors.
- Education and communication - how to explain the way *Catalyst: Endowment* works to trustees and colleagues.
- An event for trustees to encourage their engagement in fundraising, endowments and making 'the ask'.
- How to fundraise for an endowment alongside a capital appeal.
- The legal and financial practicalities associated with endowment fundraising.
- The practicalities of raising funds covering situations such as securing donations, writing the case for support, encouraging trustee involvement – a grantee discussion.