



Equitable Philanthropy Case Study

Endowment Funding as a Grantmaking Tool

The Robert Wood Johnson Foundation Approach

By Darren Isom, Jasmine Reliford, Cora Daniels, and Lyell Sakaue

In 2020, after more than 100 years of fighting racism and inequity, the National Association for the Advancement of Colored People ([NAACP](#)) was at a crossroads. The murder of George Floyd had sparked widespread collective action against America's systemic racism, and one of the nation's oldest and largest civil rights organizations saw a need to reimagine itself to be better positioned to address the constantly evolving equity challenges of not only the moment but also the future. The nonprofit decided its continued efforts to establish an endowment—an investment account that grows over time—were part of the solution.

“From a leadership perspective, we'll be in these seats for a short time. But how can we be good stewards of them for the next leaders?” asks Yumeka Rushing, the NAACP's chief strategy officer. “To do that, we've got to be thinking beyond the programmatic grant or even beyond the fantastic multimillion-dollar donation. We've got to think about something that would be residual and that would feed the organization over time.”

The NAACP went to work to become endowment-ready. Its team assembled the infrastructure needed for the endowment, which included selecting an investment manager, creating investment and spending policies, and developing a governance model. But the road to an endowment for a nonprofit is not a solo undertaking. The NAACP also needed a philanthropic partner who could make a meaningful investment and be a true ally in the organization's journey as it sowed the seeds to financially thrive for the next 100 years. For this, the nonprofit approached the [Robert Wood Johnson Foundation](#) (RWJF), which had a history of giving the organization both general operating support and programmatic funding. NAACP President and CEO Derrick Johnson made the endowment appeal directly to RWJF President and CEO Richard Besser.

For RWJF, it was an intriguing request. At the time, the foundation was at the very beginning of rethinking its approach to endowment funding, but it did not have a clear policy yet. Therefore, Besser's honest answer was “I don't know.” However, RWJF was determined to get to a better answer—for both its grantees and its strategy.

RWJF conducted extensive research, learning, and thinking on endowment grants; held conversations with grantees, equity champions, and finance and investment professionals with endowment experience; and engaged its board. In 2022, RWJF launched its renewed endowment grantmaking strategy by giving endowment grants of \$5 million each to three racial justice organizations led by people of color: [Faith in Action \(FIA\)](#), [UnidosUS](#), and the NAACP.

“If we truly believe in racial equity,” says Besser, “why would we not want to ensure the long-term financial stability of organizations that are so directly committed to racial equity and racial justice? We see contributing to endowments as one of the ways to help do that.”

An endowment is not just a gift of money—it’s also a transfer of power. By helping to secure nonprofit organizations’ financial futures, endowments are one tool that can put them on the path to liberation, can demonstrate trust, and can give these organizations the freedom to dream their biggest dreams. “I look at endowments as vision statements put into actual dollars,” says Rev. Alvin Herring, the recently retired executive director of FIA, a network founded in 1972 (formerly known as PICO National Network) that employs community organizing of faith institutions toward the goal of building “a society free of economic oppression, racism and discrimination in which every person lives in a safe and healthy environment, is respected and included, and has agency over the decision that shape their lives.”¹ Herring sparked and oversaw FIA’s endowment strategy during his leadership.

This case study provides an overview of RWJF’s approach to nonprofit endowment grantmaking and explores how philanthropy can use endowment funding for equitable social change.² RWJF sees endowment funding as a critical philanthropic tool for advancing equity and achieving impact toward its mission of building what it calls a [Culture of Health](#), which recognizes people’s health is determined in large part by complex social factors and deeply ingrained systemic barriers that create inequities. While RWJF offers just one approach to endowment grantmaking, its experience can provide learnings for philanthropists, foundations, and other funders who seek to better understand what the path might look like.

What Is an Endowment?

An endowment fund is a pool of donated capital that is placed in an investment portfolio. An endowed organization can draw on the endowment as a revenue source over a long period of time. An endowment is not the same as reserve funds because, usually, there are some restrictions in the use of endowed assets to allow them to grow over time.³

Legally, there are various types of endowments, including term, restricted, unrestricted, and quasi endowments. Each type has different rules that govern the investment, withdrawal, and use of the funds. For instance, a quasi-endowment, which is sometimes called a board-designated endowment, acts like other traditional types of endowments except there are no legal requirements for it to exist permanently. A governing board, rather than the donor, determines the use of the funds, which can offer more flexibility.⁴

Regardless of the form, endowments function in similar ways: by transforming large gifts into bite-sized amounts (for example a \$5 million endowment gift might generate \$250,000 of income per year *in perpetuity*), and they can benefit nonprofits of any size.

1 [“About Us,”](#) Faith in Action, accessed February 23, 2024.

2 RWJF provided the funding for this research as part of its effort to increase the knowledge base on endowments in the sector. The foundation did not dictate or influence the content of the case study in any way. Through several working sessions and interviews, Bridgespan was given full access to RWJF leadership and members of the RWJF endowment working group. Bridgespan was also provided with RWJF internal documents. Bridgespan interviewed all three of RWJF’s endowment grantees and conducted additional interviews with experts on nonprofit endowments from across the sector who do not have connections to RWJF.

3 [“Endowments,”](#) National Council of Nonprofits.

4 [“Endowment Fund,”](#) Corporate Finance Institute.

What is an endowment?

ENDOWMENT

- Money, property, or other asset given to an organization to invest and use a portion of the earnings (typically 5% of the total endowment per year)
- Funds may be used for general operating support or to fund a specific program
- Endowments are generally held in perpetuity although the spending policy may allow the corpus to be used after a period of time or in case of exceptional need

REASONS FOR ENDOWMENTS

- Endowments **transfer resources and power** to communities and proximate leaders
- Endowments enable nonprofit leaders of color with unrestricted resources to **pursue bold goals**
- Endowments empower nonprofits to take a **longer-term perspective**
- Endowment grants **attract other potential funders**

“Endowments are a really nice way to make a one-time transformational gift that shifts capital and power because even with the most generous philanthropy—say multiyear general operating support—the power still sits with the philanthropist,” says George Suttles, executive director of [Commonfund Institute](#) at [Commonfund](#). “Having a level of autonomy and the ability to grow wealth is a game changer because now we are talking about multigenerational strategies that are going to transform communities and build new things we’ve never seen before.”

To be sure, The Bridgespan Group has seen in our client work that social change nonprofits, even small ones, often can absorb much more capital than philanthropists routinely assume. This is especially true of organizations led by people of color, which are chronically underfunded⁵ compared with their white-led counterparts. In other words, a nonprofit might just as easily be able to use \$5 million today than put it in an endowment. We discuss this in more detail on page 7 (see “[Funding Endowments Is Just One Grantmaking Tool](#)”).

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GEORGE SUTTLES, EXECUTIVE DIRECTOR,
COMMONFUND INSTITUTE AT COMMONFUND

5 Cheryl Dorsey, Peter Kim, et al., “[Overcoming the Racial Bias in Philanthropic Funding](#),” *Stanford Social Innovation Review*, May 4, 2020.

RWJF's Endowment Journey

As part of its mission to advance health equity by building a Culture of Health, RWJF sees dismantling structural racism and other systems of oppression as essential to ensuring that everyone has a chance to live the healthiest life possible. Therefore, organizations dedicated to fighting racism and inequity—like NAACP, UnidosUS, and FIA—have long been part of the constellation of RWJF grantees that advance health equity.

The NAACP's request for endowment support came at a time when Besser was having regular conversations about racial equity with nonprofit leaders of color, including Johnson of the NAACP. In addition to the internal self-reflection that this time brought about, there were also external factors demanding more from philanthropy. Against the backdrop of the COVID-19 pandemic, the Black Lives Matter movement focused the nation on the need to conduct long-term work to overcome continued injustices that took centuries to create. The rise of discussions about more equity-based and trust-based approaches to philanthropy, as well as ongoing research⁶ into their impact, demonstrated to the field how simple and effective it could be to transfer large sums of wealth to under-resourced communities of color.



RWJF's mission is to develop a Culture of Health rooted in equity that provides every individual with a fair and just opportunity to thrive. The foundation's strategy is to confront structural racism to transform health. (Photo: iStock/Jacob Wackerhausen)

6 Ellie Buteau, Elisha Smith Arrillaga, and Christina Im, *Emerging Impacts: The Effects of MacKenzie Scott's Large, Unrestricted Gifts*, The Center for Effective Philanthropy, 2023.

Adding to those discussions was a 2022 *Stanford Social Innovation Review* article written by William Foster and Darren Isom (Isom is one of the authors of this case study) on the impact potential of endowing Black-led nonprofit organizations.⁷ The article highlights the disparities between white-led nonprofits and nonprofits led by people of color, with the latter less likely to be endowed or having smaller endowments. For example, the article cites a Bridgespan analysis of the investment income of 56 social change nonprofits, which found that, on average, endowments of organizations led by people of color are nearly four times smaller than those of white-led organizations, and their average percentage of revenue was less than half.⁸

Around the same time, RWJF started to evaluate how it could be an even bigger champion of advancing equity alongside its grantees. As part of that journey, RWJF began rethinking its approach to endowment grants, the role of nonprofit endowments in sustaining social justice efforts, and the responsibility of philanthropies and funders to support the longevity of organizations that perform the hard work needed to advance equity.

“In philanthropy, we have the flexibility and the opportunity to really think about the long game like few other sectors actually do—so let’s take that seriously,” says Julie Morita, RWJF’s executive vice president in charge of programming, policy, research, and communications activities.

In the past, RWJF had mostly funded university endowments to honor people who were retiring or who had passed away, as well as the occasional endowment for programmatic purposes. This pattern is typical for philanthropy. Endowments and long-term capital commitments to assets such as buildings are a common way of making large gifts to universities (70 percent of which are endowed), hospitals (33 percent of which are endowed), and arts organizations (23 percent of which are endowed).⁹ In contrast, the Bridgespan analysis cited in the *Stanford Social Innovation Review* article highlights how rare endowments are deployed for funding social change. From 2000 to 2013, just 5 percent of philanthropic big bets—contributions of \$10 million or more to social change causes—took the form of an endowment.¹⁰

Rukaiyah Adams, an investment professional focused on empowering Black communities and the CEO of [1803 Fund](#), warns about the equity implications of such disparities. “By funding the endowments of universities but not those of Black- or brown-led nonprofits, in essence philanthropy is saying that transforming white minds is of greater social benefit than equipping Black and brown communities with resources.”

In 2021, to be more strategic with its endowment funding, RWJF created an internal working group to dig deeper. The process revealed that philanthropy lacked a blueprint for funding endowments and that there was a demand for more knowledge.

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JULIE MORITA, EXECUTIVE VICE PRESIDENT,
ROBERT WOOD JOHNSON FOUNDATION

7 William Foster and Darren Isom, “[Endow Black-Led Nonprofits](#),” *Stanford Social Innovation Review*, Winter 2022.

8 Ibid.

9 Ibid.

10 Ibid.

Funding endowments is just one grantmaking tool

It must be said that endowment funding does not replace other types of funding you might already provide to nonprofits. While endowment funding can be transformational for grantees, it may not be appropriate for every situation. Instead, endowment funding should be seen as an *additional* tool in your grantmaking toolkit to complement other grant types, each of which is used for a different strategic need.

For instance, through general operating support, philanthropists support a nonprofit organization's infrastructure and capacity rather than specific projects or programs. This type of support helps give power back to grant recipients to determine how to make use of grant funds, recognizing that proximate leaders are better positioned to understand the needs of the communities they serve.

Other tools also have their strategic role to play in creating impact. For example, project grants, which are used for a specific project, activity, or goal, help ensure funds are channeled to critical areas that may often be deprioritized in the allocation of general operating funds. There are a range of other grant types, including emergency, capital, and reserve funding.

However, none of these tools have the power to grow resources and sustain longevity in the way endowments can. Even general operating support often goes toward supporting the short-term needs of grantees. In conversations with its grantees, for example, RWJF expresses its openness to other strategic uses of the general operating support funds, such as building reserve funds.

This case study offers one funder's journey to adopt endowment funding; two key complementary resources offer further insight: A working paper coauthored by endowment experts Suttles of Commonfund Institute and Sabrina Stratton, senior vice president and Northeast regional director at Amalgamated Bank, provides a tool for nonprofits to assess where they are on the road to endowment-readiness and how to get to where they want to be. Additionally, the Center for Effective Philanthropy's (CEP) report on its survey of foundations to measure the prevalence of nonprofit endowments offers insights on both the drivers and barriers for grantmakers to adopt the funding tool.

CEP's sector research concludes that endowment giving is still relatively rare among foundations and represents a small fraction of philanthropic giving. Its survey of US-based foundations that provide \$5 million or more in annual giving found 69 percent do not fund endowments. Among foundations that never considered funding endowments previously, only 4 percent shared they would consider adding endowment giving to their grantmaking strategy in the future. For those foundations that do fund endowments, 86 percent dedicate less than a quarter of their total number of grants to endowments and over half make endowment grants to museums and performing arts organizations. CEP also found that advancing equity is not a primary consideration for most foundations that fund endowments.¹¹

¹¹ Elisha Smith Arrillaga, Christina Im, and Emily Yang, [Funding Nonprofit Endowments: Foundation Perspectives and Practices](#), Center for Effective Philanthropy, 2024.

The RWJF approach

RWJF's internal working group was made up of seven members from its program, finance, and legal teams, who met regularly for about a year. Understanding endowments and efficiently deploying endowment grants require expertise in finance and law as well as deep familiarity with the grantee organizations themselves. Therefore, having representation from the organizations' different teams was indispensable.

Members researched nonprofit endowments from their respective vantage points and collaborated to establish an endowment strategy and criteria for potential endowment grantees. The cross-function collaboration was anchored by a "how do we get to yes" mentality, meaning members of the working group were not stalled by the complexity of the challenge but instead stayed focused on how endowment grantmaking might align with RWJF's strategy and values.

"Working cross-functionally is an outgrowth of how we've learned to work together for our grantmaking in general," explains Program Finance Director Daniela Phayme. "We have embedded opportunities for the different operating groups to sit at the table, kick around ideas, and brainstorm."

The working group engaged potential grantees in information-gathering discussions about endowments. For RWJF, the endowment conversation evolved as a natural next step in its grantmaking approach. For years, it had already been doing sustained and intentional work to build relationships based on trust with its grantees, including providing unrestricted funding. The foundation's history of thought partnership with grantees allowed RWJF to open the discussion as an information-gathering expedition focused on collecting data and learning how to better serve organizations.

"I am trained as an organizer, so I think about the funders that are our co-conspirators in the fight for social justice—RWJF is in that group," describes Denise Collazo, FIA's former chief of external affairs.¹² "They are part of this core group we call first if something really amazing happens or if something really bad happens. That is a testament to the power and level of trust in the relationship."

RWJF also sought external experts on nonprofit endowments, including Marcus Walton, president and CEO of [Grantmakers for Effective Organizations](#); Andrea Levere, former president of [Prosperity Now](#) and author of [Blueprint for Enterprise Capital](#); and Suttles of Commonfund Institute, who were all particularly influential in educating the foundation and its board about the impact potential.

¹² FIA was going through a leadership transition at the time of publication. During Collazo's tenure with the organization, she worked closely with then Executive Director Rev. Alvin Herring on the endowment strategy. Collazo was actively leading the effort in her role on the executive team when she was interviewed for this case study.

How RWJF developed criteria for endowment grantees

The purpose of RWJF's endowment grants is to support anchor organizations in the advancement of health equity. RWJF recognizes that it cannot successfully build a Culture of Health grounded in equity all by itself; instead, it needs lasting partners and allies who are also committed to health equity. Therefore, the foundation saw a need for a grantmaking tool that would help protect the longevity of key organizations that are aligned with its strategic framework, strategies, and priorities. Funding the endowments of essential and crucial equity actors also serves as a public show of support that can attract additional funders and further amplify a nonprofit's power and influence. As Michelle Larkin, vice president of program management at RWJF, says of the endowment grantees, "These organizations are essential as we work together for a more equitable and just future."

Thus, RWJF established a non-negotiable criterion for considering an organization for an endowment grant: the organization must have a demonstrated, longstanding commitment to dismantling structural barriers to public health, including systemic racism. To assess this, RWJF felt it needed a long-term relationship with the organization; this would allow for a deep understanding of the core values of the organization and the current leadership's vision.

RWJF also sought out grantees that had already determined an endowment was the right fit for their organizations. This meant organizations needed to either have an existing endowment or be in the process of setting one up. It was important to RWJF that it did not prescribe an endowment as a financial course of action to grantees, given that starting an endowment requires a lot of upfront work. Instead, RWJF wanted to position itself as a partner in support of the organization's own vision for its sustainability.

Importantly, RWJF wanted endowments to have their own purpose and to stand apart from other forms of funding since it could still provide general operating support and funds for financial reserves to organizations that did not qualify for endowment support.

When considering endowment grant funding, therefore, RWJF looks for an organization that:

- **Targets problems that are aligned with the foundation's strategy.** RWJF's mission is health equity; therefore, organizations it considers for endowment funding must focus on social conditions that impact health in some way. That includes structural racism and other forms of discrimination that create barriers to good health.
- **Demonstrates shared values with the foundation.** Organizations must have a long-term commitment to promoting equity. These values also need to hold over time even through any leadership changes.
- **Is critical to the foundation's mission.** For RWJF, these are anchor institutions in advancing equity and health. One of RWJF's minimum requirements for their endowment grants is that it needs a strong relationship with and a history of supporting the grantee organization, generally for at least three years.

Different stages of development for endowments

RWJF applied the criteria it had developed to organizations that were quite different from each other. For starters, the grantees RWJF ended up giving endowment grants to had endowments at different stages of development.

For instance, FIA's endowment was established in 1997 with a \$1 million pledge from a major donor. In 2021, when it received a multimillion-dollar unrestricted grant from MacKenzie Scott, FIA was able to invest \$1.5 million of it into its endowment to grow funds itself. RWJF's \$5 million endowment gift a year later represented more than half of FIA's endowment funds. "Having an endowment has allowed us to grow the donations we have received," says Collazo, then of FIA. Still, that does not mean the organization is done fundraising. "You can't solve racism with \$5 million," as Collazo says.

Similarly, UnidosUS, founded more than 50 years ago and one of the nation's largest civil rights and advocacy organization serving Latinos, established its endowment in 2000 through an initial \$8 million grant from the Ford Foundation, which was supplemented by funds raised to acknowledge the long-term leadership of outgoing UnidosUS president, Raul Yzaguirre. "There was a lot of commitment by UnidosUS to build up our endowment," says Sonia Pérez, its current chief operating officer. "We first obtained consulting services to determine a reachable goal. Then, Raul Yzaguirre and our board chair invested a significant amount of time in one-on-one meetings and knocking on doors to raise considerable funds." The endowment's balance was already \$34 million when RWJF made its endowment grant.

Meanwhile, conversations between NAACP and RWJF evolved as NAACP was in the midst of setting up its own endowment and defining the elements of the endowment's infrastructure. Its investment committee had to align on many fundamental questions, including the following: Which of the NAACP nonprofit entities would house the endowment—the 501(c)(4) advocacy organization, the 501(c)(3) focused on programming, or the 501(c)(3) dedicated to fundraising? Would NAACP change any rules of board governance to structure decision making on the endowment? How much money would be needed to seed the endowment? Would the corpus of the endowment be intact forever, or could NAACP spend it after a certain period? As NAACP's Rushing recounts, RWJF accompanied the organization throughout this process: "RWJF did a fantastic job to give us space to think through these strategic components and provided an early perspective as well."

Grantees also differed in their endowment infrastructures. FIA had perhaps the most traditional endowment infrastructure, as the endowment lived at the nonprofit and the organization's board of directors and leadership team provided oversight. Its controller maintained supporting documentation and monitored performance. In contrast, the NAACP's endowment would not be held directly by NAACP but by the NAACP Foundation, which is the fundraising entity within the NAACP network of 501(c)(3) partner organizations. Earnings would be used to support [NAACP Empowerment Programs](#), which focus on training, education, and advocacy in service of racial equity. Whereas the UnidosUS endowment was structured as a separate entity. The Ford Foundation, a close partner and supporter of UnidosUS since its founding, had encouraged the organization

to think bigger by starting an endowment and recommended that UnidosUS set it up as a separate entity for legal, strategic, and financial reasons.

RWJF's endowment working group leveraged the expertise of the foundation's finance and legal teams to review the details of these very different structures. Program, legal, and finance staff members met with their departmental counterparts at each organization, which allowed the foundation to understand the endowments more clearly. The working group determined that if the organization had the policies, practices, and access to the expertise needed to manage an endowment, RWJF could move forward on recommending it for an endowment grant. "We weren't conducting an independent assessment of every investment or other decision. This allowed for a range of policies and approaches," explains Kelly Simone, senior associate general counsel in RWJF's Law Department.

Getting board support

RWJF's endowment working group first broached the subject of endowment funding with the foundation's board of trustees through a presentation that framed the conversation in the context of the grantmaking toolkit as a whole. This oriented the board toward focusing on what impact and corresponding tools might be missing, which pointed to the need for a method to sustain the longevity of organizations. Bringing in external experts on nonprofit sustainability was also helpful, providing the board with a learning opportunity and a chance to ask questions.

The working group and board discussed risks, including handing over control of significant resources (allowing organizations to grow their funds rather than granting earnings from RWJF's own endowment) and the potential of being affiliated with an organization that might change its direction in the future. In that discussion, the conversation kept coming back to the purpose of endowment grants and the role they can play in advancing equity. That education and framing allowed the board to align quickly and approve the strategy.

Board members were very supportive of using endowment grants. As Besser attests, this was because "they had come to understand the need for endowment grantmaking and they were committed."

Although RWJF's board already included some very strong advocates for endowment grantmaking—a reminder that it is good to have board members who can stretch a foundation's own thinking—the process and framing created a lot of excitement overall about the issue. Besser adds: "I don't think it'll be our last round of endowment grants."

RWJF then invited the three social justice organizations to formally apply for endowment funding. RWJF formalized the funding authorization, which allocated funds to be issued over five years for endowment grants.

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As part of this support, RWJF would also provide technical assistance for the organizations to build up their endowment infrastructures and conduct a final evaluation of these grants.

RWJF provided FIA, NAACP, and UnidosUS with endowment grants to support the longevity of their work and express RWJF's commitment to the organizations and their shared visions. The grants were \$5 million each, which was an amount that the foundation saw as meaningful and could also serve as guidance for future endowment funders. All in all, the process took approximately one year from assessment to research to implementation, thanks to the collaborative efforts of the cross-functional working group. RWJF hopes that by providing the field with lessons from its journey, other philanthropies will be able to execute endowment grantmaking even more quickly.

Impacts of endowment funding

There are many ways a nonprofit can use endowment funds to advance its mission. In their working paper for nonprofits, Suttles and Stratton highlight a few options, including using a percentage of investment income to fund operating budgets, providing special appropriations for innovation (e.g., new programs and initiatives), and making community impact investments. Nonprofits can also grow their endowments to achieve another strategic purpose such as purchasing a building, land, or other asset.

RWJF's endowment grantees share that RWJF's endowment grants are important in their plans for the future. UnidosUS, for instance, sees its endowment as crucial for implementing its long-term strategy and meeting the evolving needs of the Latino community. "UnidosUS is an organization that plays the long game. The work we do does not happen in one year, for instance. Policy work can take decades to reap benefits. All the while, our organization is adapting to our ever-changing community and new issues that arise," says Pérez of UnidosUS.

FIA points out how its endowment provides greater financial autonomy to weather fluctuations in the economy. "I think about it as having different pockets. Faith in Action has a pocket in the front, a side pocket, a back pocket—all different places to draw from in different ways for us to achieve our mission," says Collazo. She adds: "Ten years from now, Black and brown women in communities across the nation will be able to breathe more freely because of the work they had done with Faith in Action. This gift from RWJF will turn that vision into reality; for that, we are beyond grateful."

Endowment grantees also emphasize the role of endowment funding in creating space for them to make more ambitious plans. "There are creeping times and leaping times," NAACP's Rushing explains. "RWJF has done that for us—put us in that leaping time to dream the biggest dream for an organization like NAACP."

“There are creeping times and leaping times. RWJF has done that for us [with the endowment]—put us in that leaping time to dream the biggest dream for an organization like NAACP.”

YUMEKA RUSHING,
CHIEF STRATEGY OFFICER, NAACP

Next steps

RWJF will evaluate its endowment investments over the next five years to understand how endowment grants are leveraged as a tool for the long-term fiscal health of the grantee organization and how that can impact the operational and programmatic goals of the grantees. The endowment working group will help strengthen the skills and capacity of staff to use endowments strategically as one of many tools in its grantmaking toolbox to advance health equity. At the same time, it will be important for RWJF staff to recognize that endowment grants are not the be-all and end-all of funding and to continue matching grantmaking tools to their strategic objectives. “Oftentimes, it takes blending tools and resources to help organizations be sustainable in the long term,” explains RWJF’s Larkin.

“There is a misconception that because we have an endowment, we don’t need to fundraise. What we have is extraordinarily modest given the needs of the organization for the work still to be done.”

KENNETH TRUJILLO, FORMER BOARD MEMBER,
UNIDOSUS

Likewise, given the demands of the fight for equity and justice, endowment grantees will need continued support. As former UnidosUS board member Kenneth Trujillo points out, “There is a misconception that because we have an endowment, we don’t need to fundraise. What we have is extraordinarily modest given the needs of the organization for the work still to be done.”



RWJF is taking steps to focus on one of the biggest barriers to health in America: structural racism. The foundation supports work to transform inequitable institutions, systems, and social practices to help ensure that everyone has the opportunity to achieve their fullest health and wellbeing. (Photo: iStock/FG Trade)

Implications for Philanthropy

RWJF's experience provides valuable learnings, but it is just one approach to endowment funding: the foundation is the first to admit that it is not the only approach. Furthermore, endowments will never be for every nonprofit nor for every philanthropic organization or funder. Yet, our discussions with experts indicate that endowments can make a big difference—and that they are underused as a grantmaking tool. Below are ways that philanthropy can unlock the potential of endowment funding.



Embrace new mental models about nonprofit endowments

Our conversations across the field identified three useful perspectives that offer a nuanced understanding of endowments, particularly as tools for enhancing racial equity.

- **Endowments can prepare nonprofits to address new societal challenges** and to meet the ever-changing needs of the communities they serve. Many social change nonprofits, especially those led by people of color, are working to address systemic inequities that took centuries to manifest. Therefore, these organizations need resources to sustain them in the long journey toward equity.
- **Endowments allow organizations to think beyond survival and give them space to set ambitious goals.** Nonprofits can select socially responsible investments as another way to achieve their missions in the present. Additionally, an endowment does not have to exist in perpetuity; it can allow for flexibility and long-term strategic freedom without leading to hoarding behaviors, in which the motivation to accumulate capital begins to supersede the organization's mission rooted in equitable social change.
- **Endowed organizations will still need funding.** Money used from an endowment is a way to diversify and balance a nonprofit's revenue model, similar to organizations' engagement in earned revenue strategies. In general, nonprofits should allow their investments to grow and avoid withdrawing large amounts from their endowments. Nonprofits would therefore benefit from continued support from philanthropies through other grant types such as target support for a program, funds for technical assistance, and general operating support.



Understand where grantees are in their endowment journeys

Nonprofit organizations differ in their level of endowment-readiness, depending on their current financial situation and familiarity with endowments. Typically, they can fit into one of three broad categories: grantees with limited understanding of endowments, grantees that are getting ready to launch their endowments, and grantees that have already established their endowments.

RWJF had the capacity and expertise to support organizations in the latter two categories. There is an opportunity for funders, and others with the capacity, to provide values-aligned financial guidance to nonprofit organizations unfamiliar with endowments and other tools that can be used to secure their financial stability and growth. This is especially critical to organizations led by leaders of color, which typically have smaller revenues and fewer unrestricted net assets than their white-led counterparts. Such chronic under-resourcing can also limit access to asset managers, financial advice, and knowledge.

“Let’s not get stuck in the traditional endowment model that we know. There are alternatives that can also be entrepreneurial [and] powerful, and further transfer assets and power to community.”

GEORGE SUTTLES, EXECUTIVE DIRECTOR,
COMMONFUND INSTITUTE

There are many ways philanthropies and funders can support grantees with limited understanding of endowments and gaps in their financial fluency. For instance, Adams of 1803 Fund recommends funders provide resources to support cohort-based financial trainings so nonprofit leaders can learn from peers and build their networks.

In fact, an endowment gift can serve as an opportunity to amplify to the broader field some examples of best practices from leaders of color. “We have lessons learned that can help other nonprofits, and that is something RWJF has signaled to other funders through their endowment funding,” says Pérez of UnidosUS.

The end goal of engaging with organizations on financial matters does not have to be an endowment. Organizations that develop an increased understanding of endowments and other areas of finance are better equipped to improve their financial health in general. Ultimately, nonprofit leaders know what is best for their organizations and communities. Funders can support them by exposing them to different options such as borrowing and building operating reserve funds.



Endowments offer funders creative ways to advance equity and justice

Many funders are embracing aspects of trust-based philanthropy by deploying funding more flexibly. The next evolution of such visionary capital can include supporting endowment funding. However, there are many ways in which funders can go about supporting nonprofit endowments.

“Let’s not get stuck in the traditional endowment model that we know,” suggests Suttles of Commonfund Institute. “There are alternatives that can also be entrepreneurial [and] powerful, and further transfer assets and power to community.”

For instance, funders can consider endowing a fund that supports an entire ecosystem of organizations. Historically Black colleges and universities already use a similar approach with the United Negro College Fund.

Another option might be to use earnings from an endowment to cover the fundraising requirement of one or more seats on the board of directors, thereby allowing community members to serve on the board.

Some experts also suggest that funders might consider partnering with nonprofit organizations to determine how they can use their larger endowments in ways to allow smaller nonprofits to reap the benefits of economies of scale. Many community foundations already hold endowments for nonprofit organizations and take care of the administrative work. The advantages of this approach include administrative, legal, and compliance support as well as lower investment management fees. Community foundations could continue educating nonprofits on endowment-building strategies or serve as a preliminary or transitional partner until a nonprofit has set up appropriate systems to manage an endowment on its own.¹³

Finally, funders can consider the potential impact of the very investments that nonprofits can make through their endowments, which can take many forms, from local community and economic impact investments to socially responsible investments that consider environmental, social, and governance factors. These investments provide another opportunity for nonprofit organizations to achieve their mission and live up to their values. UnidosUS, for instance, invests a portion of its endowment in Latino-owned businesses. “When you give BIPOC folks resources,” reflects Suttles, “they find a way to give it back to their communities.”

Final Thoughts

When used strategically, endowment funding can be a powerful grantmaking tool to help address long-standing racial inequities and power imbalances.

“I don’t want to be hyperbolic, but I think the impact is arguably limitless,” says Ian Fuller, CEO of [Westfuller](#), a self-described Black-majority-, woman- and LGBTQ-owned investment advisory firm. “So many nonprofits, social justice organizations—specifically Black-led social justice organizations—have been hampered by constrained resources for so very long. And what that does is it places a cap, a glass ceiling, on their ability to make decisions, the decisions that we know are necessary to create sustainable systems change. This ability to have financial resources that support the kind of strategic decision making for an organization, for the leadership, for the stakeholders at large is imperative.”

Nonprofit endowments also offer an opportunity for philanthropy and nonprofit leaders to creatively partner in impactful ways. As NAACP’s Rushing reflects on the need for philanthropy and grantees to work together and think ambitiously, “Historically, there has been a power dynamic between the philanthropic organization and the nonprofit organizations, the doers. However, everyone needs to be a doer. It’s what the moment requires. More and more, we’re manifesting social justice together.”

¹³ See, for example, the Community Foundation for Greater Buffalo, the Greater Washington Community Foundation, and the Community Foundation Boulder County.

Rev. Herring takes that message even further: “We lose when we fail to recognize the real bond between philanthropy and nonprofit leadership in the justice space,” he says. “If we understood each other as coconspirators, coequal thought partners, coequal advocates for the kind of country we want to see blossom, we would win every time.”

RWJF plans to continue to share its own journey with the field through future updates to this case study. In addition to working with us on this case study, the foundation partnered with The Center for Effective Philanthropy on its survey research of how common nonprofit endowments are in the sector. For RWJF, endowments will always be just one type of grantmaking tool that can support an organization’s longevity. However, through these resources, RWJF hopes to inspire philanthropy to view nonprofit endowments as the social change tools that they can be.

Meanwhile, RWJF’s Besser is hoping other philanthropies and funders will add to the foundation’s investments and further enhance the impact of these anchor equity organizations. “A \$5 million endowment grant isn’t enough to guarantee an organization’s stability,” admits Besser, referring to both the amount of RWJF’s grant and that endowment funding is not a panacea. “But hopefully these RWJF grants will serve as catalytic money that leads others to do the same.”

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IAN FULLER, CEO, WESTFULLER

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