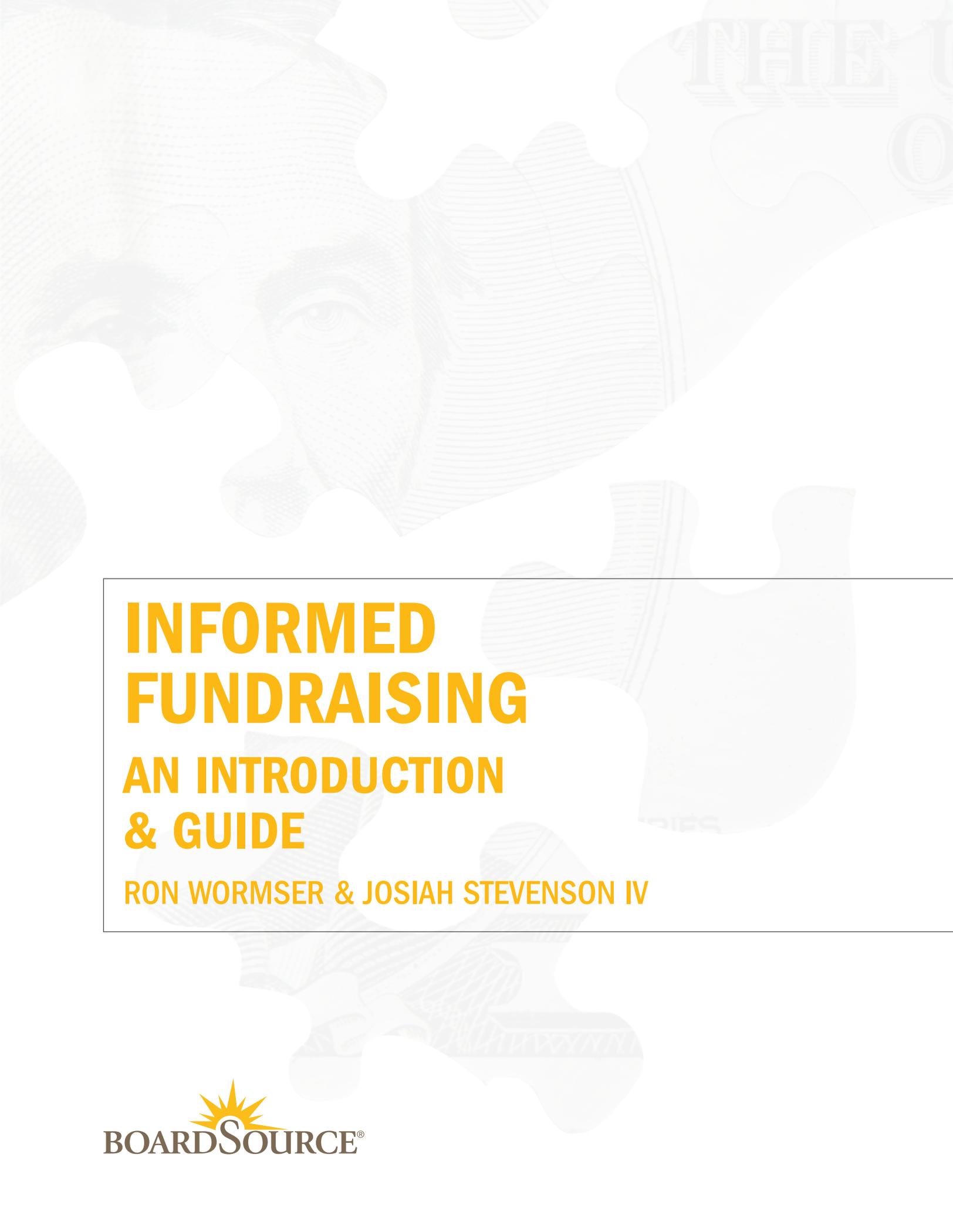


INFORMED FUNDRAISING

AN INTRODUCTION & GUIDE

RON WORMSER & JOSIAH STEVENSON IV

**BOARDSOURCE®**



INFORMED FUNDRAISING

AN INTRODUCTION & GUIDE

RON WORMSER & JOSIAH STEVENSON IV

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INTRODUCTION

THE NECESSITY FOR THIS GUIDE

Too many nonprofits¹ are not successful in raising the money they want or need.

Why is that? Based on our years of experience working with nonprofits, we have concluded that many organizations — particularly smaller and/or newer organizations — invest time and effort in unproductive efforts simply because they don't know much about fundraising and what it takes to do it effectively. Lacking a critical mass of fundraising knowledge among their boards and staff, their leaders approve well-intentioned, but uninformed, fundraising plans and goals. Such fundraising programs inevitably yield disappointing results.

A nonprofit handicapped by limited fundraising knowledge and expertise among its leadership carries a major handicap and an avoidable risk. The purpose of this guide is to mitigate that risk and thus remove the handicap. Our intention is to equip board members and chief executives with concepts and tools that will enable them to make informed strategic decisions for informed fundraising.

Among nonprofits, there are many different titles for the top staff position including director, managing director, executive director, chief executive, president or chief executive officer. Absent a common title applicable to all nonprofits, we have chosen to use 'chief executive' as the generic title.

INFORMED FUNDRAISING DEFINED

When discussing “informed fundraising,” it is important to distinguish between the **efforts** that go into raising money and the **results** of those efforts. The reason for drawing this distinction is that while a nonprofit can design and control its efforts to raise money, it can only influence, but not control, the results. This guide focuses on the efforts that go into informed fundraising, which, based on our learning, have three definable components:

1. Clear understanding of what is required to be effective in raising money so that whatever fundraising efforts are authorized are well-conceived.
2. Careful preparation of fundraising plans, strategies, and goals supported by necessary capabilities that reflect the unique needs and circumstances of the nonprofit.
3. Competent and consistent execution of the plan by those qualified for the tasks.

Fundraising efforts that are well-conceived, well-planned, and well-executed maximize the opportunity for reaching fundraising goals, which is why we call it “informed fundraising.”

While informed fundraising consists of the three components identified above, what we label “luck” also comes into play. Luck encompasses all the potential factors that can, and will, influence the results of your fundraising efforts but, unfortunately, are outside the control and, in many cases, even the influence of your organization. Favorable examples include a large gift from a previously unknown donor or a donor whose past gifts have been of modest size or a shift in a foundation's or corporation's giving priorities to now include your nonprofit. Of course, unfavorable developments also may arise, such as a sudden downturn in financial markets and

¹ This guide is addressed to charitable nonprofits popularly known as 501(C)3 organizations. Other types of nonprofits, such as educational retirement plans, fraternal organizations, and social clubs, have different sources of revenues and different financial challenges.

the economy, the appearance of or increase in the fundraising efforts of another nonprofit with a similar mission, the death of a key prospective donor or organizational leader, significant adverse publicity about or relating to your nonprofit, or a local disaster. Unfortunately, it has been our experience that adverse surprises tend to outnumber favorable ones.

INFORMED FUNDRAISING IS LIKE BUILDING A HOUSE

To describe how informed fundraising works, consider what it takes to build a house:

- Folks who understand construction theory and practice, housing codes, land-use regulations, and the reasoning behind why some designs and techniques work better than others in different circumstances.
- Folks who can prepare detailed architectural and construction plans that meet the buyer's needs and reflect approved design and construction techniques.
- Skilled workers who can correctly and effectively implement the construction plans.

Informed fundraising, like construction, rests and relies on a solid foundation of understanding.

In fundraising as in building a house, if the foundation is solid, everything else is possible; if it isn't solid, everything else will be compromised.

The purpose of this guide is to help you, a nonprofit decision-maker, build a solid foundation of understanding and be thoughtful, purposeful, and informed in your fundraising planning and execution.

ORGANIZATION OF THE GUIDE

We have organized the guide to reflect the three components of informed fundraising discussed above.

In the Understanding section, we discuss the foundational concepts and components on which informed fundraising programs should be constructed.

In the section on Preparation, we discuss the need for a policy and procedure framework, the components of an informed fundraising program, how to establish fundraising goals that reflect the programmatic aspirations of your nonprofit, and how to put together the pieces of an informed fundraising plan.

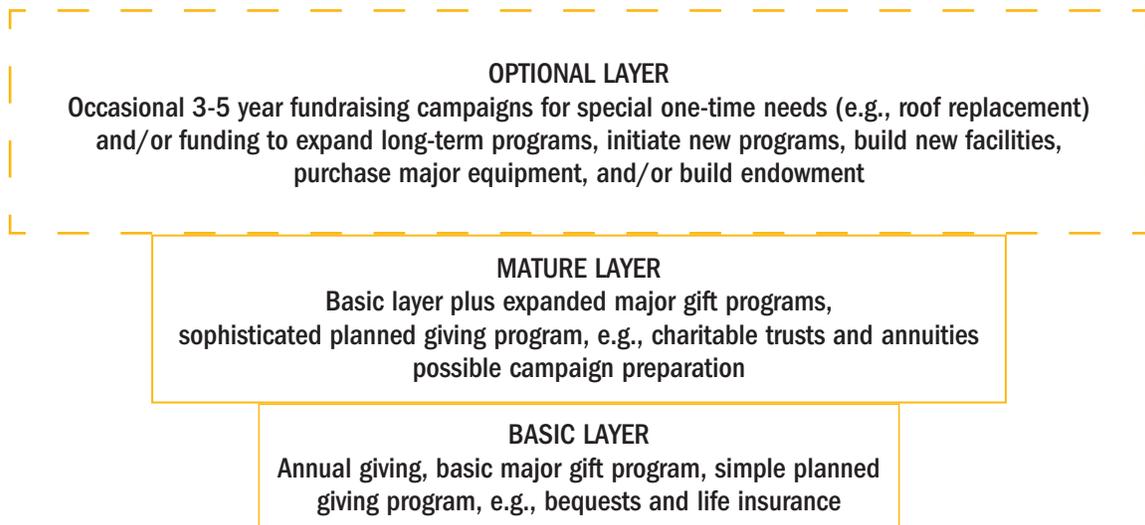
In the Execution section, we discuss the components and processes for cultivating and soliciting donor prospects, how a nonprofit should respond when a gift is received and when it isn't, the infrastructure needed to support an informed fundraising program, and how to monitor and assess progress as your program unfolds. We close this section with a chapter — Putting Together the Pieces: The Three Layer Model — describing how a fundraising program should be constructed and evolved over time. Visually, such a program would look like this:

Nonprofits have two significant sources of revenue:

1. **Earned income** — funds paid by or for receipt of services (e.g., fees paid by those using the programs or services or by a third party such as the state) or reimbursements from third parties such as insurers.
2. **Unearned income**, which includes contributions — usually the largest source — as well as rental and investment interest.

Earned income alone rarely covers all costs of charitable nonprofits. Because the beneficiaries of charitable programs are not expected to bear the full cost of the services they use, subsidies in the form of contributions from government agencies, foundations, or other donors are an important part of most nonprofits' revenue streams.

This means that raising money is critical to enabling nonprofits to serve their clients and to maintain programmatic and financial integrity in the short- and long-term.



Throughout the guide, we provide sample worksheets or direct you to appendices that illustrate the ideas and concepts being discussed. Please note that they are meant to be starting points and guides, not gospel to be automatically applied in your and every other nonprofit. They serve as models that can and should be modified to fit the needs and circumstances of your nonprofit.

WHO WE ARE AND WHY WE WROTE THE GUIDE

After retiring from careers as nonprofit executives, we became volunteers, serving on charitable boards and providing pro bono consulting services to nonprofits in higher education, science and medicine, arts and culture, and human services. Reflecting our expertise and experience, our work has focused on fundraising, governance, strategic planning, marketing, finance, and administrative operations — and now, with this book, on equipping decision makers with the information they need to make sound strategic fundraising decisions. If we succeed, more nonprofits will become financially stable and sustainable, and thus able to better serve those who rely on their programs and services, which is our ultimate objective.

SECTION 1: UNDERSTANDING

CHAPTER 1 BOARD AND BOARD MEMBER ROLES IN FUNDRAISING

Any discussion of the role that boards and board members should play in fundraising must first address common myths about both. We have found that these myths make it difficult for boards and board members to gain a correct understanding of their respective fundraising roles and responsibilities.

THE BOARD'S ROLE

The Myth: When we ask boards what their top concerns are, one of the first responses we most often hear is, “The chief executive isn’t raising enough money.” When asked to clarify, what becomes evident is that board members think fundraising is the job of the chief executive or of a staff member hired solely for that purpose. Period.

The myth that fundraising is the staff’s responsibility has adverse consequences: It deprives nonprofits of needed financial resources, and it can become a source of frustration and even irritation among those who should be enjoying a productive partnership.

The Reality: Nonprofits boards are held responsible for ensuring their organizations’ financial viability by the states in which they are incorporated. In fulfilling that responsibility, boards delegate operational responsibility for their organizations to staff while retaining final authority and oversight. Delegated responsibility is *shared responsibility*, and the board should use it to establish a partnership with management.

Almost all nonprofit boards understand and accept their fiduciary responsibility for *existing* financial resources. Unfortunately, fewer accept their responsibility for securing *additional* resources, particularly contributed funds, and some even refuse this responsibility.

In our opinion, a board’s fundraising responsibility has two parts:

- Responsibility for fundraising policies and oversight, which is part of the board’s responsibility for policy-making and oversight for all operations of the organization.
- Responsibility for partnering with management to raise money, which is part of the board’s fiduciary responsibilities and its shared responsibility.

We discuss both of these roles in Chapter 4.

THE BOARD MEMBER'S ROLE

The Myth: Few topics are as misunderstood and as sensitive as the fundraising responsibility of a nonprofit board member. The myth that has evolved about this responsibility is as prevalent among current board members and chief executives as it is among prospective board members.

It has two parts:

- A board member’s role is to “give, get, or get off” — that is, to either give a large amount of money, get a large amount of money, or get off the board.
- A board member must ask his or her friends for money.

We have observed two consequences of this myth:

- Current board members feel inadequate (“I can’t give what they expect.”) and/or fear being perceived as uncooperative and unsupportive (“I won’t ask my friends for money.”). These apprehensions impair their participation in fundraising and contribution to the nonprofit.
- Prospective board members who could be a real asset to the nonprofit shy away from serving as a board member for either or both of the above reasons.

Both consequences deprive nonprofits of potentially valuable board members who might be fully committed to and supportive of the organization.

The “give, get, or get off” myth became widely accepted more than 30 years ago and now is regarded as conventional wisdom. It replaced an earlier idea that reflected a wider understanding of a board member’s roles – that a board member should bring at least one of the following strengths to a board: “work, wisdom, or wealth.” We remain believers in the original concept and think the newer one has been of significant disservice to nonprofits.

The Reality: While we believe all board members should make some level of donation, there are many ways board members can help nonprofits raise money other than making large personal gifts and asking their friends for money.

When defining the role of board membership or evaluating a prospective board member, we recommend the following:

- Every board member should believe in and be personally committed to the nonprofit’s mission.
- Every board candidate should be prepared to make the nonprofit one of his or her top three volunteer and philanthropic priorities.
- Every board member should support and play an active role in building the nonprofit’s financial strength, including broadening and deepening its base of contributed funds.

As illustrated in Worksheet #1 on page 7, board members can make important contributions to the overall fundraising effort in one or more of three categories: advocacy, direct fundraising, and/or fundraising support. We recommend this model, or one modified to fit the particular needs and circumstances of your nonprofit, be used to enable your current and prospective board members to identify the ways they can contribute to the overall fundraising effort of your organization.

WORKSHEET #1
BOARD MEMBER ROLES IN FUNDRAISING

NAME OF BOARD MEMBER: _____

DATE: _____

In addition to a board member's own financial contribution, board members may further a nonprofit's efforts to expand its base of philanthropic support in a number of ways. Each board member should be asked to review the options listed below and to indicate which role(s) each can play relative to different potential sources of support.

The results will identify what level of help is available with each category of donors (useful for meeting fundraising needs), and those levels and categories where board strength is needed (useful for considering prospective board members).

ACTIVITY/ROLE

I. ADVOCACY

- Advocate for support from potential institutional donors
- Identify potential prospects
- Bring the nonprofit to the attention of personal and professional contacts
- Participate in meetings with prospects
- Host gatherings of potential prospects
- Cultivate potential prospects
- Let prospects know of your own financial support

II. DIRECT fundraising

- Make one's own personal gift
- Solicit others for gifts:
 - Solicit cash gifts from other prospects
 - Solicit gifts-in-kind from other prospects

III. Fundraising SUPPORT

- Introduce new people to the mission and work of the nonprofit
- Join in the cultivation of new friends for the nonprofit
- Attend and participate in fundraising events and nonprofit activities
- Assist with gift acknowledgment and recognition
- Help identify new funding sources
- Participate in planning strategies, events, etc.
- Share ideas and information
- Develop and/or critique fundraising materials
- Share high-value materials from other nonprofits

IV. Other ways I can help:

V. Please call me to discuss this further (Y/N): ____

POTENTIAL SOURCES OF FUNDS

	<u>IND'L.</u>	<u>CORPS.</u>	<u>FDNS.</u>	<u>GOV'T</u>	<u>OTHER</u>
	(Check those that apply)				
I. ADVOCACY Advocate for support from potential institutional donors Identify potential prospects Bring the nonprofit to the attention of personal and professional contacts Participate in meetings with prospects Host gatherings of potential prospects Cultivate potential prospects Let prospects know of your own financial support					
II. DIRECT fundraising Make one's own personal gift Solicit others for gifts: Solicit cash gifts from other prospects Solicit gifts-in-kind from other prospects					

WILLING TO HELP

	(Check those that apply)				
Introduce new people to the mission and work of the nonprofit Join in the cultivation of new friends for the nonprofit Attend and participate in fundraising events and nonprofit activities Assist with gift acknowledgment and recognition Help identify new funding sources Participate in planning strategies, events, etc. Share ideas and information Develop and/or critique fundraising materials Share high-value materials from other nonprofits					

Please note, however, that in our experience, direct board member engagement in cultivating and soliciting significant prospects has proven to be the most important and effective path to securing large gifts, and that few large gifts have been received without board member engagement. By investing the time needed to cultivate a prospect, board members make a powerful statement of both their own commitment to the nonprofit and its importance in the community. Such efforts rarely go unrewarded.

A BOARD MEMBER'S PERSONAL FINANCIAL CONTRIBUTION

There are compelling reasons why every board member should make a personal financial contribution to the nonprofit:

- As evidence of his or her commitment to and enthusiasm for the nonprofit's work. If those closest to and responsible for the nonprofit are unwilling to give, why should anyone else?
- In support of the nonprofit's efforts to secure gifts from institutional donors, foundations, and corporations, many of which expect 100 percent board participation in giving. It is important to note that participation is the goal, not a specified minimum donation. Nonprofits with less than 100 percent participation are often barred from receiving otherwise available funds.

Because every board member should contribute some amount, some nonprofits choose to set a specific minimum annual contribution, and then struggle with deciding the initial level and what subsequent levels should be. There are risks with fixing a set amount: It may be too high and thus exclude otherwise desirable board candidates, or it may be too low and thus discourage those capable and interested from giving more. The issue gets more complicated when nonprofits engage in other fundraising programs in addition to annual giving, such as one-time projects or major capital campaigns.

We believe the answer to “How much should each board member contribute?” should be “Each board member is expected to contribute an amount appropriate to his or her personal circumstances.” This recommendation rests on two considerations:

- First, if a board member can be trusted to make far-reaching decisions about the nonprofit on a wide range of significant issues, surely that member can and should be trusted to determine his or her appropriate level of personal financial contribution.
- Second, it recognizes that personal and professional circumstances may change over time.

In our experience, board members who are committed to the nonprofit, well-informed of its needs and circumstances, and actively engaged are also active financial supporters.

RECRUITING NEW BOARD MEMBERS

When recruiting new board members, we recommend that the nonprofit and prospective board member talk openly and candidly about their respective expectations of each other, particularly with regard to fundraising. It is important that this conversation take place prior to extending or accepting an offer of membership. Clearly understood and shared understandings provide a positive foundation on which to build a strong board service experience; their absence creates significant potential for disappointment.

CHAPTER 2

TWO TYPES OF FUNDRAISING

There are two distinct types of fundraising: one with a short-term focus on raising immediate cash, and one with a long-term focus on building relationships with ongoing supporters of the organization.

Understanding the distinction between short-term and long-term fundraising is important because

- each has its own style, methodology, results, and costs
- each nonprofit should decide which of the two will best meet its particular needs and circumstances. The choice will have a significant impact on not only funds raised but also on how your nonprofit is perceived. The chosen type says much about the relationship your organization wants with its supporters.

How do the two differ?

DISTINGUISHING TRAITS

	SHORT-TERM	LONG-TERM
Goal:	Immediate cash flow, e.g., one-time or infrequent asks ²	Developing a steady stream of ongoing financial support
Focus:	A focus on immediate cash flow; gift-centered	A focus on building relationships with supporters; donor-centered
Donor pool:	Large number of small givers; number of supporters	A range of donors, from small focus on to large with a large number of donors of small gifts at the base and a smaller number of donors of large gifts at the top
Donor traits:	Indistinguishable and frequently unknown	Identified and individualized
Visual:	A large, amorphous mass	A table of donors, with a large number of donors of small gifts at the bottom and a small number of donors of large gifts at the top
Style:	Immediacy of the ask	Donor cultivation over time

² In fundraising parlance, an “ask” is the act of soliciting (requesting, inviting, any form of asking for) a donation. “Please give generously” and “Please consider making a donation” are examples of asks.

	SHORT-TERM	LONG-TERM
Solicitation:	En masse by mail, media, web, social media	Personalized
Results:	Many small gifts with some larger gifts	A gift table with a wide base of small donors supporting smaller numbers of increasingly larger donors
Costs:	Inexpensive; takes less time and less senior-level effort	Expensive; requires time and effort of volunteers (board members and others), senior staff, and support staff
Examples:	Crisis response to emergencies, such as natural disasters and mass appeals for needs, e.g., CARE, ASPCA	Recurring annual giving and campaigns to raise funds for endowments or capital spending, e.g., facilities

Our focus in this guide is on the long-term development of relationships with donors. Why? Because we have concluded that it is the approach that most strengthens nonprofits and best positions them for the future.

CHAPTER 3

THE FIVE FUNDAMENTALS OF INFORMED FUNDRAISING

Fundraising intended to build support over time is a complex process with multiple components. Each nonprofit will need to develop its own blend of components best suited for its particular needs, strengths, and circumstances.

Whatever blend is chosen, all approaches to effective long-term fundraising share five fundamental characteristics:

- 1. Fundraising is a long-term commitment** designed to contribute to achieving and maintaining financial stability. It takes time to build relationships that are prerequisites to ensuring continuing support and willingness to commit to significant gifts.
- 2. Fundraising is complex and a team effort.** Attaining and sustaining a sound financial base are paramount duties of both board and staff. Raising money is a multifaceted function requiring the active support and engagement of both. Informed fundraising is a team undertaking.
- 3. Fundraising is increasingly competitive.** In today's world, public and private funds available to support the expanding needs for services provided by nonprofits have been significantly reduced. More and more nonprofits with more and more need for their services are chasing fewer available dollars from fewer sources.
- 4. Fundraising is hard work and time-consuming.** This is true for all nonprofits and particularly so for nonprofits that aspire to establish or significantly expand a fundraising program. Given the many pressing daily issues and needs of nonprofits, making time for raising money may seem less urgent, less immediately relevant, and perhaps even less appealing. But it is important, indeed imperative, to understand that time thoughtfully invested in fundraising will benefit your organization in the short- and long-term. Sufficient funding is the fuel on which virtually all else depends.
- 5. Fundraising is continuous and hopefully always growing.** The work of nonprofits is rarely done. Fundraising is about continuously broadening and deepening the donor base, two processes requiring constant and ever-growing effort. In the nonprofit world, there are no such things as too many donors giving too much money.

Fundraising, first and foremost, is about developing relationships with those who share a commitment to your nonprofit's mission. Developing friends takes time, as does maintaining those friendships. To retain and increase your current giving levels, you need to continuously cultivate donors and encourage them to suggest or introduce others to your nonprofit's mission and work. And, because your own human and financial resources may be increasingly scarce and stressed, you need to think clearly and carefully about where and how to invest your time and effort on the greatest potential for the largest net return³.

³ Net return means the amount of money left over after subtracting the direct costs of raising the funds, e.g., if the cost of securing \$50,000 in gifts was \$4,000 in postage, the net return would be \$46,000, and thus very much worth the time and cost. Alternatively, if the gross proceeds from a fundraising dinner or other special event were \$100,000 but the costs of the event were \$90,000, the net return would be \$10,000, a low return for the time, effort, and costs invested. Net return is a critical measure as it is the actual amount of money available to defer the costs for which the funds were raised. ("Gross costs" would include, in addition to out-of-pocket expenses, the "cost" of such things as the executive director's time spent in cultivating and soliciting gifts, the time of others on staff with multiple duties, etc.)

SECTION TWO: PREPARATION

CHAPTER 4 THE BOARD'S OPERATING FUNDRAISING RESPONSIBILITIES

THE BOARD'S OVERSIGHT FUNCTIONS

As part of their duty of care⁴ and in their exercise of fiduciary oversight, boards and their members are responsible for establishing policies. Your board, therefore, should address the following:

Gift Acceptance Policy

The board should approve a gift acceptance policy, which defines the types of gifts that your organization will and will not accept and any restrictions on their acceptance and use. Such policies are normally developed by the board and staff and formally adopted and periodically reviewed by the board.

A gift acceptance policy has four purposes:

1. Provide guidance to both those soliciting and accepting gifts and those wishing to make gifts of the types of gifts and/or gift conditions that will and will not be accepted by the nonprofit.

We suggest that the gift policy state the general conditions that all gifts must satisfy (e.g., “consistent with our mission”) as well as any specific types of gifts that will not be accepted (e.g., from certain industries or for certain purposes). Because it is impossible to predict all such conditions, the policy also should indicate that the list of unacceptable gift types is illustrative and not exhaustive, and that your nonprofit reserves the right to review all gifts. Such a statement provides your organization with the widest discretion and flexibility for future decision making.

2. Provide a framework for consistent and equitable gift solicitation and acceptance practices.
3. Enable a nonprofit to determine its gift acceptance policies on their merits, without the immediate pressure of a possible or actual gift.

While all circumstances cannot be foreseen, most nonprofits have either sources of funds or required uses of funds that would be inconsistent with the mission or values of the nonprofit. For example, health-related nonprofits would probably not, as a matter of principle and policy, accept contributions from the tobacco industry.

4. Help guard against mission drift.

It is not uncommon for a nonprofit to be presented with a gift opportunity that when accepted results in undertaking something it might not have otherwise chosen to do, but which, either because of the particular donor and/or size of gift, proved irresistible. Moreover, many nonprofits reward such donors by either choosing to elect or acceding to the donor's wishes

⁴ In CA, state law defines duty of care as “A director shall perform the duties of a director, including duties as the member of any committee of the board, ... in good faith, in a manner the director believes to be in the best interests of the corporation, and with such care, including reasonable inquiry, as an ordinarily prudent person in a like position would use under similar circumstances.” Other states' definitions are similar.

(or requirement) to be elected to the governing board. What then follows is the nonprofit version of The Golden Rule: “He who has the gold, rules,” meaning the donor exercises or is granted disproportionate influence. In our experience, buyer’s remorse often follows mission drift, and sooner or later, the nonprofit regrets having yielded to the temptation.

Some nonprofits incorporate elements similar to the following in their gift acceptance policies:

- Will not accept financial support from industries whose businesses are considered antithetical to or inconsistent with the nonprofits’ missions.
- Will not accept gifts that require the nonprofit to commit to new spending from existing resources
- Will not accept illiquid assets, e.g., real estate or automobiles.

Worksheet #2 provides samples of simple and detailed gift acceptance policies.

WORKSHEET #2 GIFT ACCEPTANCE POLICY SAMPLES

SIMPLE

1. [Name of the organization] solicits and accepts gifts that are consistent with its mission.
2. Donations will generally be accepted from individuals, corporations, foundations, government agencies, or other entities.
3. In the course of its regular fundraising activities, [Name] will accept donations of cash, real property, personal property, stock, and in-kind services.
4. Certain types of gifts may be reviewed prior to acceptance due to the specified purposes, special liabilities, and/or conditions that such gifts may pose for [Name], or because of the type of asset in which the gift will be made (e.g., gifts of real estate distant from the organization).

DETAILED

Whereas [Name] actively solicits gifts and grants to further the mission of the [Name], and

Whereas there is the potential for controversy if certain gifts are accepted, the [Name] has adopted the following Gift Acceptance Policy:

When considering whether to solicit or accept gifts, the [Name] will consider the following questions:

Values — Will acceptance of the gift compromise any of the core values of [Name]?

Compatibility — Is there compatibility between the intent of the donor and the [Name]’s intended use of the gift?

Public Relationships — Will or might acceptance of the gift damage the reputation of [Name]?

Primary Benefit — Will the primary benefit be to [Name] versus the donor?

Consistency — Will acceptance of the gift be consistent with prior practice?

Form of Gift — Is the gift offered in a form that [Name] can use without incurring substantial expense or difficulty?

Effect on Future Giving — Will the gift encourage or discourage future gifts?

All decisions to solicit and/or accept potentially controversial gifts will be made by the Development Committee of the board in consultation with the chief executive. The primary consideration will be the impact of the gift on the [Name].

A gift acceptance policy should be accompanied by a procedure for its ongoing use. We recommend that a gift acceptance committee, comprising a small group of staff and board members, be responsible for the following activities:

1. Prepare a gift acceptance policy for the board's consideration and approval.
2. Convene to review any proposed gift whose consistency with the approved policy is uncertain.
3. Develop a recommendation to the board indicating whether the proposed gift is or is not consistent with the organization's gift acceptance policy and whether it should or should not be accepted.
4. Ensure that the policy is approved by the governing board and reviewed regularly to ensure that it remains current and relevant and that those who need to be aware of the policy, e.g., those soliciting gifts on behalf of a nonprofit, are appropriately informed.

Given that the committee's role is to determine the appropriateness of potential gifts, its membership should be relatively small (no more than seven) and include both those involved in fundraising and those concerned with the nonprofit's programs, services, and finances.

Fundraising Code of Ethical Conduct

The board also should approve a fundraising code of ethical conduct, including a statement on conflicts of interest. With fundraising's sensitive and personal nature and the potential for inappropriate conduct, certain best practices have become, over time, generally accepted fundraising principles. We encourage you to discuss the topic of acceptable fundraising principles and conduct and to codify standards and guidelines applicable to everyone in your organization — staff and volunteers — engaging in fundraising. Appendix A — Code of Ethical Principles and Standards is the current gold standard provided by the Association of Fundraising Professionals, which many nonprofits adopt and which we endorse.

Fundraising Plans

The board should authorize, develop, and/or approve strategic and annual fundraising plans, including goals and strategies. Such plans should include how much money is to be raised, over what period of time and for what purposes, how the funds are to be raised, the sources of those funds, the costs associated with the effort, and the amount of time required from others in addition to the fundraising staff, such as volunteers (including board members), the chief executive, and any other senior staff members.

Appendix B — Reviewing a Fundraising Plan, Component Checklist is a spreadsheet consisting of factors that are typically included in a well-conceived fundraising plan. Not all elements necessarily apply equally to all nonprofits. We recommend that you consider each element in the checklist for its relevance to your organization's needs and circumstances, assuming each is relevant unless there are sound reasons to omit it.

The checklist's factors are clustered into nine categories, e.g., objectives, amounts and intended uses of funds, the fundraising team, etc. Completing the checklist is easy, requiring a simple yes or no for each factor. After completing the checklist, add up your scores. The composite score indicates the relative thoroughness of your plan, how well-thought-out it is, and, therefore, how ready the nonprofit is to go forward.

Based on our experience, a composite score of 70 percent or higher indicates a well-conceived plan and thus a sound basis for moving ahead if any missing factors can and will be readily addressed. A score lower than 70 percent indicates that a significant number of missing factors should be addressed promptly so that implementation can begin in the near future.

The reason for referencing the checklist at this point is to illustrate the complexity of informed fundraising plans and the commitment required for their effective implementation. Further explanations of the components on the checklist are addressed in subsequent chapters.

Note: We recommend that board members should vote for a plan *only if* they are personally willing to actively support and engage in implementing the plan by making an appropriate personal contribution and playing some role in helping raise funds from others, either directly and/or indirectly, e.g., through advocacy or support activities mentioned in Worksheet #1. Board members unwilling or unable to meet those criteria should abstain or vote “No.”

Progress Reports

The board should review periodic progress reports from staff on both the cultivation and solicitation of donors and on the financial results of fundraising to-date. This objective assessment of progress made should be followed by an active review and discussion acknowledging strengths and addressing weaknesses.

Appendix C1-C3 — Donor & Contribution Tracking illustrates ways to report progress on different types of giving programs by both donor activity and funds received, with separate formats (sheets in the Appendix) for annual gifts, capital gifts, campaigns, and planned gifts.

Engagement Tracking

The board should periodically review the fundraising team’s level of engagement, active participation, and fulfillment of assignments. As discussed earlier, informed fundraising is a team effort involving both board and staff. Accordingly, it is important to periodically assess how well team members are carrying out their respective responsibilities.

We believe that engagement tracking is important for two reasons: to identify areas of strengths and areas where added attention may be needed and to identify variances in perceptions among team members. Engagement tracking requires determining what is to be tracked and who will do the tracking.

As informed fundraising teams consist of board members, the chief executive, and, where appropriate, staff, the responsibilities normally assigned to those team members become the logical basis on which engagement levels can and should be tracked.

Worksheet #3: Engagement Tracking illustrates how engagement tracking can be implemented. Because one of the functions of engagement tracking is to identify variances in perceptions within the fundraising team, we recommend that each team member have the opportunity to assess the engagement level of all team members. We have found that a different understanding of responsibilities among team members is one of the more common problems that handicap, and can magnify if unacknowledged and unaddressed.

WORKSHEET #3
ENGAGEMENT TRACKING ^{1,2}
 For period ending XX.XX.XX

I. <u>UNIVERSAL CRITERIA</u> ³	PERFORMANCE <u>RATING</u> ⁴	<u>NOTE/ACTION INDICATED</u> ⁵
A. The Board		
Prospect identification		
Prospect/donor cultivation		
Prospect/donor solicitation		
Personal gifts pledged or received		
Other fundraising assistance		
B. The chief executive		
Prospect/donor cultivation		
Prospect/donor solicitation		
Donor acknowledgement/recognition		
Other fundraising assistance		
C. The Development Staff		
Board support		
Chief executive support		
Prospect/donor cultivation		
Prospect/donor solicitation		
Donor acknowledgement/recognition		
Reporting, external		
Reporting, internal		
Relations with other units in the org.		
Staffing		
Budget management		
Research		
Records		
Facilities		
Other relevant factors		
II. <u>GENERAL NOTES/ACTION INDICATED</u> ⁶ :		

III. NAME: _____ DATE: _____

¹ Certain fundraising criteria will apply to all organizations while others will be organization-specific reflecting that nonprofit's fundraising program and objectives.

² Special fundraising programs, e.g., capital campaigns, would require specialized reports unique to that effort.

³ This form should be completed by relevant board members, the chief executive and the head of the fundraising staff. Results should be compared and significant variations in perceptions addressed.

⁴ Performance Rating: The following is suggested: 3 = Above expectations; 2 = Meeting expectations; 1 = Below expectations.

⁵ Action Indicated: What would improve ratings where needed?

⁶ In addition to the component parts, what observations or actions above the overall program are relevant?

As we noted in Chapter 1, the most common complaint we hear from chief executives is that board members aren't pulling their weight in fundraising. The most common complaint we hear from board members is that not enough money is being raised by the staff. Common to both is that, when asked whether those concerns have been shared and addressed, the answer almost always is "No." Simply put, each moment spent complaining about another team member is time and energy that should have been put to better use. That is why we believe that including engagement tracking in design and implementation of fundraising plans is so important.

When it comes to how the level of engagement will be tracked, it is important to first note an important difference between donor and gift tracking and engagement tracking: Donor and gift tracking is entirely objective in nature; engagement tracking is primarily subjective in nature. The former is based on observable facts; the latter is based on perceptions.

For that reason, we have found that it is helpful to track engagement levels using three criteria: above expectations, meeting expectations, and below expectations. Where variances occur, these criteria offer the opportunity to clarify whether the issue lies in the expectations, the perceived level of engagement, or some of both.

We also have found that this process makes it easier for chief executives and staff to speak truth to power, thus enhancing the level of candor and building trust among the team. It enables the team to identify, discuss, and hopefully correct or improve varying perceptions, the net benefit of which is to keep as much positive time and energy as possible focused on raising money.

With regard to the frequency of engagement tracking, it should reflect the breadth and depth of your fundraising efforts. For example, a quarterly or semi-annual process should suffice for a nonprofit whose fundraising consists almost entirely of annual giving of relatively small amounts. Where the fundraising effort includes more types of giving and larger amounts, quarterly tracking is suggested. A major campaign will typically include monthly tracking.

See Chapter 14 for further discussion of assessing fundraising results and evaluating fundraising performance.

In their community outreach role, boards should be cognizant of their role as community antennae and as representatives and spokespersons of the nonprofit. How your nonprofit is perceived by and represented in the wider community are important factors influencing the results of even the most informed fundraising plan and efforts.

STAFF'S FUNCTIONS IN SUPPORT OF THE BOARD'S OVERSIGHT ROLE

Staff — in its role as implementer of board policies — should

- develop and propose for board review and approval all policies, plans, and strategies for carrying out the strategic and annual fundraising efforts
- develop and implement tactics, programs, and activities for fundraising consistent with board-approved policies, plans, and strategies and with related strategic and annual staff and financial plans
- provide appropriate and timely support and guidance to the board and board members to assist them in their fundraising roles and activities
- provide the board with concise periodic reports on fundraising results and engagement consistent with board-approved policies, plans, and strategies
- fulfill its fundraising responsibilities consistent with board-approved professional standards and codes of conduct
- actively inform and appropriately engage other parts of the nonprofit, both in supporting its fundraising efforts and in supporting the roles and efforts of other parts of the nonprofit

CHAPTER 5

BOARD AND BOARD MEMBER ROLES IN ASKING FOR GIFTS

One of the most common questions candidates for board membership pose is, “Will I have to ask people for money?” This question is also on the minds of current board members when a nonprofit is starting or stepping up its fundraising efforts.

As we have noted, informed fundraising, including direct gift solicitation, should be a team effort by both board and staff. In this chapter, we discuss why the board’s involvement is so important and offer our thoughts on how to prepare your board members for making an ask.

NECESSITY FOR BOARD MEMBER SOLICITORS

An important imperative of board engagement in fundraising is that some board members, including the board chair, need to participate in direct solicitation of gifts — they need to make the ask.

Why is this imperative? There are two fundamental reasons:

1. Board members themselves should be solicited by their peers.
2. For either professional and/or personal reasons, some significant prospects should be solicited by board members.

While the chief executive or other senior staff may be involved in the cultivation and may be present when an ask is made of the above individuals, the ask itself should come from a board member.

Should every board member be prepared to make an ask? No, not everyone is cut out to do this job. But it’s very probable that some of your members, because of their convincing nature and/or professional experience (sales or marketing), will be willing and even eager to make direct personal solicitations for contributions.

PREPARATION OF BOARD MEMBER SOLICITORS

Whether experienced or new to gift solicitation, your solicitors should be fully prepared for making an ask. You can do so by providing them with the following:

- Talking points about your nonprofit and why funds are needed.
- Information about the prospect’s relationship and involvement with your nonprofit and the prospect’s past giving history.
- Talking points about options for the specific use of the prospect’s gift related to the prospect’s known areas of interest.
- A range of amounts to ask for. We recommend saying, “Would you consider making a gift in the range of between \$5 and \$10,000?” rather than asking for a specific amount.
- A way to document the conversation. It is important to write or dictate notes after a conversation with a prospect, following an agreed-upon format for reporting such conversations. The notes should include important discussion points, action or follow-up efforts needed, relevant deadlines, and general observations about the prospect’s perceptions and feelings about your organization and the conversation.

Smaller and newer nonprofits are particularly vulnerable to not keeping and maintaining appropriate records, because so few people are involved. But turnover does happen, sometimes planned and sometimes not. The fact is, what has been discussed with a donor and what is known about him or her needs to be added to the records of the nonprofit, no matter its size or level of sophistication. Such information belongs to the nonprofit as does other proprietary knowledge about its programs, finances, personnel, etc.

TRAINING AND USE OF SOLICITATION TEAMS

One technique we have found effective in preparing board members for making asks is training sessions for all board members, even though some may not — at least initially — volunteer to assist in asking for gifts. An informed and experienced fundraiser should lead these sessions.

Such sessions offer experienced board members, and senior staff as appropriate, the opportunity to share experiences and field examples to others; provide inexperienced board members and staff with role models; and, perhaps most important, demystify solicitations for those new to the concept.

Another technique we frequently recommend is the formation of solicitation teams comprising, for example, a board member experienced in fundraising and another member interested in learning, to further the education and demystification process. We encourage these mentoring teams to rehearse with each other before visiting a prospect and to debrief after the visits.

Experience has proven that peer-to-peer solicitations are the most successful (highest ratio of gifts-to-asks) and yield the highest net return (size of gift less cost of securing the gift) of all forms of nonprofit fundraising.

Given the increased importance with which professional funders are viewing board support for each nonprofit and the increased competition for contributed funds, it is hard to overstate the importance of active board participation in raising money and in making the ask.

Documenting significant communications with donors and prospects is among the most critical — as well as the most overlooked — prerequisites for informed fundraising. Such documentation is essential for ensuring continuity in future communications with the prospect. From the donor's or prospect's perspective, his or her relationship with the nonprofit is one continuous stream. All too often, inadequate communication and coordination within a nonprofit result in what appears to the donor or prospect as intermittent, unrelated, and frequently inconsistent experiences — “They don't know what they're doing; the left hand doesn't know about the right hand!”

CHAPTER 6

DETERMINING THE AMOUNT OF FUNDS NEEDED AND THEIR USE

Nonprofits do not exist to raise money, but to meet needs. While seemingly self-evident, this is an important concept when considering how to raise money effectively. The *sources* of contributions — individuals, foundations, corporations, and possibly public funds — choose where to give their money, and almost all of them choose to give to meet the needs of greatest interest to them. The challenge for each nonprofit is to find those sources whose areas of “need interest” most closely align with those of the nonprofit. Therefore, it is important to begin with identifying what you need funds for (i.e., how they will be used) and the amounts needed.

DETERMINING THE USE OF DONATED FUNDS — A BASIC CONSIDERATION

Simply referring to your nonprofit’s mission as the reason for asking for money, while necessary, is not sufficient. Why? Because it is very likely that there are other nonprofits with the same or similar mission. The task is to explain how funds given to your organization will be a better, more effective investment, and to do so without making explicit comparisons or criticisms of your competitors.

It is important to keep in mind the need for and benefit of explaining to current and especially to prospective new donors what is unique about your organization and why a gift, an investment to it is a sound choice.

DETERMINING AMOUNT OF FUNDS NEEDED

Nonprofits raise money for one or both of the following reasons:

- To balance each year’s operating budget
- To raise additional money for
 - program enhancements and/or new program initiatives
 - capital acquisitions or enhancements for space or equipment
 - endowment funds

Determining the uses and amounts of the funds to be raised and the types of gifts that can be accepted for recurring annual operations are easily determined by each year’s operating budget. However, determining the uses and amounts of funds to be raised and the types of gifts that can be accepted for future needs is more complex. In our experience, nonprofits typically determine their future needs through the following sequence of activities:

1. Strategic plan development

The nonprofit develops strategic program and financial plans reflecting their needs and aspirations in the foreseeable future, typically a range of three to five years. The plans are accompanied by an estimate of future earned income and the amount of funds that need to be raised annually to implement and sustain the plans’ goals and objectives.

Note: When we work with a nonprofit without a strategic plan, we almost always recommend that one be developed for two reasons: First, the need for and benefits from having well-conceived strategic program and financial plans are self-evident. Second, such plans are an essential prerequisite for informed fundraising. Long-term relationships are easier to develop and maintain if there is a sense of focus and direction within the nonprofit.

2. Plan modification and feasibility studies

We have found that initial program and financial strategic plans may need to be modified for one of two reasons:

- Once aggregated, the total scope of work and amount of funds needed, are deemed beyond the reach of the nonprofit; or,
- An independent analysis of what new resources may be realistically attainable falls well short of the amount needed. In almost all cases, we recommend that when a nonprofit plans to mount a major campaign to achieve its long-term strategic needs, it should conduct an independent analysis or ‘feasibility study’ to determine the likelihood of its success in raising the required funds in the designated time period. We discuss feasibility studies in more detail in Chapter 9.

In either instance, the nonprofit then modifies its strategic program and financial plans.

Note: It is quite common for nonprofits to revisit their initial strategic aspirations to prioritize, sequence into separate phases, trim, or even on rare occasions defer aspects of the plan.

3. Fundraising plan and program development

Based on final strategic program and financial plans, the nonprofit develops a strategic fundraising plan and program. The strategic fundraising plan then becomes the framework for further development of annual giving programs, programs for capital needs, and/or major campaigns, as discussed further in Chapters 8 and 9.

DETERMINING THE TYPES OF FUNDS NEEDED

It is important to clearly determine the specific types of funds needed, as they will have a significant influence on the types of fundraising required, including

Short-term Funds

Operating needs:

- Support of ongoing, recurring operations, e.g., annual giving

Special needs:

- Support of projects with defined, limited purposes or timeframes, e.g., temporarily restricted funds

Long-term Funds

Tangible assets:

- Purchase or renovation of land and/or facilities
- Purchase of equipment, furnishings, and/or other needs of a capital nature

Endowment Funds

- Unrestricted, the annual distribution from which is to be utilized as determined by the nonprofit
- Restricted, the annual distribution from which is to be utilized for purposes specified by the donor and approved by the board in accordance with gift acceptance policies

A review of Appendix B — Reviewing a Fundraising Plan may be helpful at this point. See page 69.

DETERMINING HOW MUCH MONEY IS NEEDED AND WHEN

The amount needed for annual operating support is established in each year's budget, and the strategic program and financial plans should be clear about what types and amounts of funds will be needed.

However, knowing only the type and amount of new funds needed is, for fundraising purposes, not sufficient. To have funds available for implementing components of the strategic plan in the sequence required, it is also essential to determine how much cash will be needed *when*.

For example, the timetable to raise time-limited project funds (e.g., three- or five-year support for a particular program) may be different from the timetable to raise funds for a new or renovated facility, both of which may be different from funds to be raised for general endowment.

Therefore, *for each separate need identified in the strategic program and financial plans*, the nonprofit needs to answer the following questions:

- How much cash is needed and when?
- How long will support be needed? For each year of the campaign, for a specific length of time, such as one year? For one-time only?

Appendix D — Strategic Program and Financial Plans and the sample worksheets on pages 77-79 can be used to address these questions, estimate the costs and types of funds needed for each plan objective, summarize the needs for the entire plan, and establish the timetable on which funds will be needed to fuel elements of the plan's implementation.

Even if your nonprofit intends to borrow funds (by loans or bonds) to help meet cash needs, it should establish the timetable to help inform its needs and capabilities to assume financing obligations.

Nonprofits raising money to acquire major new fixed assets or equipment or to renovate existing assets need to decide whether to do so only after all funds necessary have been both raised and received. Nonprofits must decide whether to proceed on the basis of initial commitments while seeking financing for the balance from other sources, such as lending institutions in the form of loans or from the public in the form of bonds. Whichever choice is made will clearly be significant for the nonprofit and will likely also influence current and potential donors, either positively or negatively. Some organizations may see undertaking such debt as unduly risky while others may see it as prudent financial stewardship.

CHAPTER 7

IDENTIFYING WHERE THE MONEY WILL COME FROM

When setting out in search of funds, it is helpful to have an informed expectation of the probable results, not only of the total dollars raised but also of the distribution of donors relative to various sizes of gifts.

THE UNIVERSAL PATTERN OF GIFTS – THE GIFT TABLE

In almost all fundraising programs (annual giving and capital campaigns), the distribution of numbers and sizes of gifts will reflect the Pareto Principle⁵ — 20 percent of donors will contribute 80 percent of total funds raised. In practice, experience has demonstrated that gifts received fall into a table that resembles a pyramid: a few large gifts at the highest level, a higher number of gifts at the mid-level, and the largest number of gifts at the lowest levels. This universal pattern is referred to as the “gift table” or “gift pyramid.” Two samples follow:

To Raise \$250,000

Number	Level of Gift	Total
1	\$50,000	\$50,000
2	25,000	50,000
4	10,000	40,000
10	5,000	50,000
20	1,000	20,000
50	500	25,000
Many small (+/- 500)	100 or less	15,000
		\$250,000

To Raise \$1,000,000

Number	Level of Gift	Total
1	\$200,000	\$200,000
2	100,000	200,000
4	50,000	200,000
4	15,000	60,000
12	5,000	60,000
75	1,000	75,000
100	750	75,000
125	500	62,500
175	100	17,500
Many small (+/- 750)	100 or less	50,000
		\$1,000,000

⁵ A principle, named after economist Vilfredo Pareto, that specifies an unequal relationship between inputs and outputs. The principle states that, for many phenomena, 20 percent of invested input is responsible for 80 percent of the results obtained.

We introduce the Pareto Principle at this juncture to share its universality (and to set realistic expectations early) as well as to emphasize one of our primary recommendations: *Informed fundraising is more about quality of donors than number of donors.*

We discuss the construction and use of gift tables at the end of this chapter. For now, having the gift table concept in mind is an important departure point for identifying potential sources of gifts.

IDENTIFYING WHICH PROSPECTS ARE OF GREATEST POTENTIAL VALUE

The funds you raise will come from a combination of current and prospective donors. Early identification of which donor prospects are of the greatest potential value is an essential step in prioritizing the cultivation and solicitation time and efforts of your fundraising team. In our experience, concentrating on those prospects is the most effective strategy for generating the highest net return from fundraising efforts.

The process for arriving at a prioritized list of prospects begins with a useful database of the nonprofit's past and current donors along with known prospects and sources of prospects.

A useful database consists of the names and current contact information for past, current, and potential donors (including “users” or “customers” of the nonprofit's programs and services, where appropriate). The database should also contain relevant information for each past and current donor — e.g., date, amount, and purpose of each gift; known areas of interest relevant to the nonprofit; contacts or relationships with board and staff members; and other philanthropic interests.

How to Rate Prospects

To determine which prospects are of the greatest potential value, we recommend using a systematic and consistent basis of evaluation. You can do this by assembling a small group of staff, board members, and other informed volunteers to participate in screening and evaluation (prospect rating) sessions during which they discuss and rate each prospect (individual, corporation, and foundation).

In our experience, two factors and their interrelationship should be considered for each prospect:

- giving *potential*, i.e., the relative size of the donation the prospect is capable of giving
- giving *propensity*, i.e., the prospect's readiness to make a gift based on his or her current relationship with the nonprofit

The following worksheet illustrates the application of this technique.

Who are appropriate potential donors? Ticket buyers, visitors, and those who request more information about your nonprofit? Yes. Guests in emergency food and housing shelters or beneficiaries of emergency relief? No.

WORKSHEET #4					
PROSPECT RATING WORKSHEET					
Annual Giving Program ¹					
Rating Codes					
Capacity for a Gift Of:			Propensity to Give/Interest in the Organization		
\$100,000 and up		A		Highest Interest in the Mission	1
\$25,000 to \$99,999		B		High Interest	2
\$5,000 to \$24,999		C		Moderate Interest	3
\$1,000 to \$4,999		D		Low Interest	4
\$100 to \$999		E		No Interest	5
Below \$100		F			
INDIVIDUALS:			PROSPECTS BY PRIORITY		
PROSPECT		RATING		RATING	PROSPECTS
John Adams		D3		A1	Harriet Hendricks
Joan Brown		B1		B1	Joan Brown
Mr and Mrs Collins		A3		C1	
George Dowd		A4		A2	
Emily Eastman		F1		B2	Mr and Mrs Michael Fulton
Mr and Mrs Michael Fulton		B2		C2	
Harriet Hendricks		A1			
...etc.					
FOUNDATIONS:			PROSPECTS BY PRIORITY		
PROSPECT		RATING		RATING	PROSPECTS
The Davis Foundation		D1		A1	Myron Evans Foundation
Myron Evans Foundation		A1		B1	
Community Foundation		A5		C1	
Edith Smithson Foundation		B2		A2	
Michael Fremont Memorial Foundation		C1		B2	Edith Smithson Foundation
...etc.				C2	
CORPORATIONS:			PROSPECTS BY PRIORITY		
PROSPECT		RATING		RATING	PROSPECTS
Wright Incorporated		B3		A1	Smithson Brothers, Inc
Adelson and Co.		D2		B1	
Smithson Brothers, Inc.		A1		C1	
Coventry Group		C2		A2	
Mayfield and Co.		B5		B2	
...etc.				C2	Coventry Group
DATE OF RATING:					
¹ Separate charts may need to be developed for other types of giving, e.g., Deferred Gifts, Capital Gifts, etc.					

Using this model, prospects rated A-1 would be of the highest potential value. You will want to concentrate your cultivation efforts on those with high potential but low propensity. Conversely, consider those with low potential but high propensity “low-hanging fruit” to be collected with minimal effort (but always mindful that all those listed are important members of your nonprofit’s family).

We have seen this rating system work well in all types and sizes of nonprofits. Of course, modifications can and should be made in the designations — the letters and numbers — to adapt to your nonprofit’s particular needs and conditions.

We cannot stress too strongly that screening and evaluation meetings need to adhere to strict rules of confidentiality, given the personal and sensitive nature of the discussions.

DETERMINING THE MOST LIKELY PROSPECTS FOR GIFTS

The list of prospects of the highest potential value makes it possible for you to align each prospect and his or her known interests with corresponding goals and objectives established in your strategic program and financial plans.

Identifying potential sources of support for different components of the strategic program and financial plans is helpful as not all donors will necessarily be interested in everything your nonprofit does, but may be especially interested in one or more components of its work. For example, some donors will support both ongoing operations and capital needs, while others may prefer one or the other.

When aligning prospects with needs, we recommend you list each prospect by funding sources, i.e., individuals, foundations, corporations, and other (e.g., service nonprofits such as Rotary, religious nonprofits, etc.). The following worksheet illustrates how to use this technique.

WORKSHEET #5
MOST LIKELY SOURCES OF SUPPORT
FOR STRATEGIC GOALS AND OBJECTIVES

PROSPECTS IN PRIORITY ORDER PER THEIR RATINGS

<u>PRIORITY</u>	<u>INDIVIDUALS</u>	<u>FOUNDATIONS</u>	<u>CORPORATIONS</u>	<u>PUBLIC</u>	<u>OTHER</u>
GOAL/OBJECTIVE A					
1					
2					
3					
4					
5					
GOAL/OBJECTIVE B					
1					
2					
3					
4					
5					
GOAL/OBJECTIVE C					
1					
2					
3					
4					
5					
GOAL/OBJECTIVE D					
1					
2					
3					
4					
5					
GOAL/OBJECTIVE E					
1					
2					
3					
4					
5					

We have found the resulting grid a useful tool for

- suggesting how cultivation and solicitation efforts should be focused where prospects of value exist
- identifying gaps in prospects for different needs, thus suggesting where either prospects of high potential need to be acquired or reexamining the feasibility of being able to secure the needed funds

IDENTIFYING NEW PROSPECTS

An informed fundraising nonprofit will continually and methodically identify new prospective donors to increase its donor pool and to find replacements for donors who have lapsed due to relocation, changes in wealth or priorities, or death. Finding new prospects requires a commitment of board and staff to both suggest names and to support research to locate new prospects.

Generally, there are three sources of prospective donors, in addition to those identified by board members and staff:

1. Individuals who currently benefit (directly or indirectly) from the nonprofit's services or programs are its most likely sources of contributions. In principle, this concept should be universal. However in application, it varies, reflecting the circumstances of different constituencies. For example, a museum's or private school's constituencies differ from a homeless shelter's constituencies.
2. Other friends of the nonprofit should be considered potential prospects. "Friends" are those who have evidenced some level of interest and participation in and/or support for the mission of the nonprofit.

Please note: It is the rare nonprofit that finds sufficient philanthropic support solely from these first two pools. Most nonprofits need to search further to find additional prospects and future donors.

3. A third source, and the most difficult to identify and cultivate, includes individuals, foundations, corporations, and public sources that could become interested in a nonprofit's mission and programs if introduced to it.

We recommend you begin your search for new prospects by (a) reviewing current beneficiaries of programs and services who are noncontributors, (b) identifying donors to other nonprofits with allied missions, and (c) systematically culling lists of newcomers to the your organization's service area. This, however, can be time-consuming and labor-intensive work. Some organizations, therefore, engage dedicated and discrete volunteers to do this research, enabling paid staff to focus their attention on known and highly rated prospects.

After identifying the names of new prospects, you should conduct further research to assess the potential value or benefit of beginning a cultivation process. For example, you should determine whether a donor to a similar nonprofit also supports other nonprofits and, if so, the relative sizes of his or her gifts. Ruling out initial names that prove of uncertain value is as important as ruling in others. The emphasis in this research is on quality of prospects, not quantity. This process can and should feed into the prospect rating system discussed above.

Appendix E1-E3 — Prospect Research Report includes sample forms to use when researching individuals, foundations, and corporations and assessing a prospect's potential value.

Chapter 14 has more information on prospect research.

CONSTRUCTING AND USING A GIFT TABLE

As noted earlier, a gift table is a useful tool in designing and guiding fundraising programs.

Constructing a Gift Table

To construct a gift table, follow these steps, keeping in mind that estimating potential gift sizes is more art than science:

1. Take the results from the prospect ratings of current donors and assign the highest-rated prospects for large gifts at the top layer, the higher-rated prospects for small gifts at the bottom layer, and those prospects for mid-level gifts in intermediate layers of varying sizes.
2. Take the results from the prospect ratings of prospective donors and follow the same procedure as above.

Note: Not all rated prospects should be included in a gift table. We recommend including only those prospects who have already demonstrated at least a modest level of interest, or propensity to give, to your nonprofit. While some unlisted prospects will become donors, some listed prospects may not make a gift. Moreover, experience has taught us that it is preferable to err on the side of caution when making such estimates, in part so that surprises will more likely be positive than not.

3. The number of levels, gift sizes, and layers in the gift table will vary depending on the amount of funds needed. Based on how you will use the layers, which is discussed below, we generally recommend fewer layers.
4. Adjust the allocations of number of names and estimated gift sizes to roughly approximate the Pareto Principle.

In the absence of sufficient data from the results of prospect ratings, Worksheet #6 offers a different methodology for constructing a gift table.

Some nonprofits have attempted to identify new donors through mass appeals. Such appeals have become more attractive with the advent of social media and on-line giving. What success has been achieved has largely been for one-time events or needs, e.g., in response to natural disasters or in support of a particular event. With regard to developing sustained relationships, however, the results to date have yielded two broad conclusions: the payoff in funds received has been both disappointing and nonrecurring, and the costs in ongoing time and effort to maintain connections have been disproportionately large. That said, there may be nonprofits whose circumstances enable it to use such tools effectively (and this is where luck, as discussed earlier, sometimes comes into play, e.g., the ALS Ice Bucket Challenge of Summer 2014).

WORKSHEET #6 CONSTRUCTING A GIFT TABLE

If the prospect ratings are not helpful in constructing a gift table, an alternative approach follows:

- Start with the total of the goal of funds to be raised;
- Show the largest feasible gift at about a fifth of the total;
- Take half the largest gift as the next level down and show two to four gifts at this level;
- Take a quarter of the largest gift as the next level and show two to four gifts at this level;
- Take 5 to 10 percent of the largest gift as the next level and show 10 to 20 gifts at this level;
- About 80 percent of the goal should be expected from 20 percent of the gifts;
- Take the balance of funds needed for the base of the Gift Pyramid and show the balance of expected donors at the lower levels. This should represent 80 percent of the total number of gifts and 20 percent of the goal.
- Rounding the numbers at all levels will almost always be necessary.

Using a Gift Table

Strategically, the gift table will help you determine if achieving the desired total dollars needed is possible or probable. In other words, does the table indicate that your nonprofit has a sufficient number of prospects who can give at the estimated levels to achieve the total needed? If the table suggests that a fundraising effort will exceed the amount needed, perhaps you should enhance the strategic program plan and adjust the financial plan. Alternatively, if the table indicates a likely shortfall, you might want to revisit and adjust your strategic program and financial aspirations and/or step up efforts to identify potential donors of requisite gift potential.

The table also will help guide you in setting priorities, in determining strategies for cultivation and solicitation of categories of donors, and in making assignments for implementing the program. For example, the top prospects warrant personal attention, whereas cultivating and soliciting the smaller donors should be less labor intensive.

Finally, the table serves as a tool for monitoring and reporting on the progress of your fundraising effort.

CHAPTER 8

DEVELOPING AN INFORMED FUNDRAISING PLAN

An informed fundraising plan is the means by which a nonprofit acquires the funds necessary to achieve its strategic program and financial plans.

Too frequently, we have worked with nonprofits whose strategic program plan and fundraising goals and plans are based on aspiration more than reality. The plans were developed with little, if any, regard to the nonprofit's current program and fundraising capabilities and resources. This is not to suggest that program and financial thinking should not be aspirational; indeed, we believe it should be. But we also believe that without carefully assessing current capabilities and resources and meaningful plans for how to get from here to there, nonprofits limit the probability of success.

READINESS ASSESSMENT FOR FUNDRAISING

Accordingly, we almost always recommend that a nonprofit conduct an assessment of its current fundraising capabilities. As with all assessments, there are two key components: knowing what questions to ask, and knowing how to evaluate the answers. A readiness assessment should include the following types of questions:

- What are the reasons for conducting the assessment? To launch efforts to raise money to cover operating costs? for capital needs? for endowment funds?
- What is the inventory of current fundraising capabilities, such as available fundraising expertise and experience, relevant documentation, donor giving, and contact data?
- What is the breadth and depth of the current donor pool and of promising prospects relative to the amount and type of funds needed?

Appendix F — Fundraising Readiness Assessment provides recommended questions, including a sample format for assessing and evaluating the presence, or absence, of capabilities that are requisite tools for informed fundraising.

The assessment includes a scoring system that yields an overall percentage of “yes” and “no” responses. “Yes” confirms the existence of the capability, and “no” indicates its absence. Generally speaking, the higher the percentage of “yes” responses, the stronger the basis for moving forward.

As a rule of thumb,

- a 70 percent or higher percent of “yes” responses indicates that your nonprofit is in a sufficiently strong position for moving forward, if it quickly addresses relevant gaps indicated by “no” responses
- a score below 70 percent indicates that your nonprofit should consider deferring significant new fundraising initiatives until it attends to indicated areas of need
- a score below 50 percent indicates that your nonprofit should step back, reassess its capability to raise the funds needed, and consider other means of attaining its goals, such as cooperative arrangements with other nonprofits for shared efforts, consolidating with other like organizations, internal organizational, or programmatic changes, etc.

The assessment gives a nonprofit a clear understanding of the base on which to begin constructing an informed fundraising plan.

AVAILABILITY OF FUNDRAISING EXPERTISE

As has been discussed, informed fundraising is labor-intensive and uniquely dependent upon the leadership of a nonprofit to have both an understanding of basic concepts and the ability to design and execute informed fundraising programs.

Accordingly, it is imperative to determine as early in the planning process as possible the availability of fundraising expertise among members of your board and staff. The results will identify the current capability for, and limitation of, fundraising efforts that can be conducted until additional expertise becomes available.

The following worksheet illustrates one technique for identifying the existence and absence of fundraising expertise.

It is not uncommon for nonprofits with a low readiness assessment score to revert to short-term appeals for immediate cash infusions. This may be thought a necessary step but, in taking it, the nonprofit should understand that it risks deferring efforts aimed at developing long-term stability through some rebalancing of costs and available funds.

WORKSHEET #7
AVAILABILITY OF FUNDRAISING EXPERTISE

FUNCTION/ACTIVITY	BY NAME					
	TRUSTEES			STAFF		
	A	B	C	A	B	C
I. ADVOCACY						
Advocate for support from potential institutional donors						
Identify potential prospects						
Bring the organization to the attention of personal and professional contacts						
Participate in meetings with prospects						
Host gatherings of potential prospects						
Cultivate potential prospects						
Let prospects know of your own financial support						
II. DIRECT FUND RAISING						
Make one's own personal gift						
Solicit others for gifts:						
Solicit cash gifts from others						
Solicit gifts-in-kind from others						
III. FUND RAISING SUPPORT						
Introduce new people to the mission and work of the organization						
Join in the cultivation of new friends for the organization						
Attend and participate in fund raising events and organizational activities						
Assist with gift acknowledgment and recognition						
Help identify new funding sources						
Participate in planning strategies, events, etc.						
Share ideas and information						
Develop and/or critique fundraising materials						
Share high value materials from other organizations						

After developing your fundraising plan, we recommend that you revisit the results of the expertise assessment to identify the additional expertise that you will need to fully implement your plan. You then should develop a plan and timetable for acquiring the needed expertise, which, in turn, provides a timeframe for when it will be possible to expand your fundraising efforts.

CHOOSING THE TYPES OF FUNDRAISING NEEDED

There are two broad categories of fundraising efforts: (a) annual giving to fund current operations, and (b) major gift and capital giving for long-term assets, such as endowment, physical plant, and equipment. Each has distinguishing characteristics and requirements that nonprofit leaders need to understand to make informed decisions about which to employ and in what balance or blend.

ANNUAL GIFTS

Annual giving is the foundation of many nonprofit fundraising programs, generating revenue to help fund annual operations. Funds received are unrestricted and are to be spent in the fiscal year received.

Annual gifts typically come from the personal discretionary income of individuals and from the annual budgets of corporations, foundations, and governments. In our view, annual gift fundraising is best structured as programs seeking repeat donations from most, if not all, of those sources.

Repeat donations are renewed annually and, hopefully, increase from year to year to keep pace with inflation and to support a healthy nonprofit's growing budget.

Nonprofits use the following techniques to secure annual gifts:

Annual Fund Drive

Annual giving is normally conducted through an annual fund drive and usually focuses on a theme, such as the nonprofit's core mission, a highly promoted dollar goal, and/or one or more participation goals for different categories or levels of donors with specific starting and ending dates.

Many nonprofits "brand" each year's theme by creating a program name, strong graphics, and the use of a unique selling proposition that conveys the particular needs and benefits of the nonprofit. Because it is important to create and maintain a clear, concise message about your nonprofit's mission in the minds of current and prospective donors, the annual theme should not replace or compete with your organization's mission. Rather, it should illustrate how the mission is fulfilled through programs and services.

Participation goals can include a specific number of donors as well as a dollar goal, a number of donors at each giving level, a percent of donors relative to the number of prospects solicited, a goal of x percent of increased donors versus the prior year, or some combination of these or other goals.

Two common examples of donor participation goals are college alumni annual funds (e.g.,

There are various ways of gaining access to needed fundraising expertise, including adding new or different board members or staff, using paid consultants, or enlisting pro bono assistance from volunteers or others. Deciding which resources to draw upon requires balancing various considerations, such as costs, timeliness of availability versus the imperative of the need, level of commitment needed, and the capability of the nonprofit to oversee and work effectively with the resource. While each may require some level of stretch by the nonprofit, the additional effort is an investment that is likely to lead to a greater return.

percentage of a school class making gifts) and church annual stewardship drives (e.g., percentage of registered congregants making pledges). Each nonprofit should adapt participation goals to its own circumstances. For example, a performing arts nonprofit might find percentage of ticket buyers making donations a useful approach.

Most often, annual fund drives are designed to reach the widest pool of donors and potential donors the nonprofit can assemble, typically through annual appeal letters and announcements in available media, followed by personal calling, phonathons, and electronic communications.

Dues vs. Annual Fund Contributions

Because of the way they are structured, many nonprofits ask their members or patrons to do two things: pay annual dues or membership fees to cover the direct cost of participation in their programs and give an annual gift. An example of this is an art museum, which (a) gathers dues to provide admission privileges and other member benefits, and (b) mounts an annual fund drive to build general support.

In these cases, dues or membership drives normally are separate and distinct from the annual fund appeals. However, we have frequently found that nonprofits that use both dues or fees and annual appeals create confusion among many of their constituents, who think that a dues or fee payment is the same as an annual gift. Nonprofits that use both should take special care to help their donors understand the differences and the reasons for separate appeals.

Matching Gifts

Many corporations match employees' giving to recognized charitable nonprofits. These matching gifts most often go to the nonprofits' operating budgets. You may want to communicate information about possible matching gift programs during your annual appeal. Some nonprofits, for example, routinely include lists of matching gift companies in their area with their appeal letters in an attempt to trigger both personal and corporate matches.

Special Events and Projects in Annual Funds

Other popular annual fundraising techniques are special events and projects, which can be recurring (e.g., annual golf tournament, raffle, car wash, or gala dinner) or one-time events (e.g., a special anniversary or an event focused on disaster relief). Special events and projects are often intended, in part, to attract participants who are not current donors to the nonprofit as a strategy to expand the donor base.

We recommend that your organization exercise considerable caution when planning special events primarily for fundraising (versus marketing) purposes. Most special events and projects are extremely labor intensive and, except in rare cases, not a large source of net income after out-of-pocket expenses have been paid (and even less net profit, if any, after factoring in staff time). The primary potential value of special events and projects lies in raising your organization's profile or awareness among targeted populations, acquiring names of new potential donors, and engaging the imaginations and efforts of your volunteers.

Converting the potential value of a special event into actual value requires a sustained effort of cultivating the new potential prospects. Such effort requires further staff time and expense and typically a commitment to holding the events on a recurring, usually annual, basis to establish your organization in the minds of potential donors. We, therefore, recommend that nonprofits carefully consider the opportunity costs of time and effort required by special events and projects versus similar time and effort investment in other fundraising efforts offering a higher probability of favorable net return.

CAPITAL GIFTS

Capital gifts enhance the long-term financial strength of nonprofits and may lead to larger annual gifts. Capital gifts are sought for one or both of the following uses:

- Funds for tangible assets. Capital gifts are frequently sought to add to, replace, or repair tangible assets, such as buildings, facilities, and equipment as identified in the strategic program and financial plan.
- Funds for endowments. By definition, the principal of endowment funds is held in perpetuity and invested with some portion of the total return (capital gains, dividends, or interest) to be used as intended by the donor, e.g., to support current operations or a particular program.

The following are among the characteristics of capital gifts:

- Most often come from individuals and corporations, sometimes from foundations, and rarely from governments
- Are one-time or infrequent large gifts.⁶ They usually follow a number of smaller gifts, many of which come through participation in annual giving. Very few donors' first gift to a nonprofit is a capital or one-time large gift.
- Usually come from a small number of donors, in contrast to the larger numbers in annual giving programs, and are made through single payments, on a multiple-year payment schedule, or through planned or deferred gift arrangements (see the section on planned gifts that follows).

A further distinction is one noted by one of our fundraising mentors: "Annual gifts come from one's annual income, while capital gifts come from one's assets."

Please see the following chapter for a more detailed discussion of the frequency of and preparation needed for capital gift programs.

PLANNED GIFTS

Many nonprofits, as part of their strategy for seeking long-term financial stability, initiate a planned giving program. Planned giving — sometimes referred to as deferred giving — is an umbrella term encompassing an array of mechanisms by which a donor can earmark assets for the benefit of and eventual receipt by a nonprofit.

There are two types of planned gifts: those that are simple, as they are funded at the donor's death (for example a bequest or the payment of a life insurance benefit) and those that are more sophisticated with regard to the timing of the payments to both the nonprofit and the donor and to the eventual value to the nonprofit.

6 Some donors make a number of capital gifts over time.

Our experience compels us to share our view about the need for continuous investment in facilities and equipment. With the importance, indeed urgency, that many nonprofits assign to annual giving, too often continuous attention to attracting a steady flow of capital gifts is put on the back burner or completely shoved aside. The apparent logic is seemingly compelling, "If we don't get current use gifts, we won't be here to use capital funds."

However — whether it is deferred maintenance and repairs on a facility or replacement of outdated, inefficient equipment, technology, or furnishings — postponing capital spending or investments is the equivalent of putting a nonprofit into debt: It builds in increased future costs that the nonprofit will have to pay while incurring the costs and consequences of ineffective, inefficient, and/or unsafe facilities and equipment.

Nonprofits should understand and help donors understand that providing safe facilities and needed equipment and technologies are as necessary for effective and efficient operations as is providing payroll and other current use dollars.

Simple planned gifts, such as bequests and life insurance, require very little specialized skills or knowledge and are relatively easy to solicit and to administer. Accordingly, virtually all nonprofits should give serious thought to encouraging donors to consider such gifts.

Sophisticated planned gifts include arrangements such as charitable gift annuities, pooled life income trusts, charitable remainder unitrusts, and charitable remainder annuity trusts that provide (1) an income stream to the donor or some other beneficiary (e.g., spouse, children, etc.) for a specified period of time and (2) a gift of the principal's remaining value to the nonprofit upon the donor's death. Another kind of sophisticated planned gift is the charitable lead trust which, in contrast, provides the nonprofit the income stream throughout the donor's life with the principal reverting to the donor's estate upon his death. Planned gifts most often provide the donor a tax deduction when the mechanism is established.

Because they are more sophisticated, these types of gifts require specialized expertise to market, establish, and administer, which is costly to provide in-house. Smaller nonprofits may have access to relatively low-cost assistance through community foundations or the national offices in the nonprofit's field, e.g., national offices of different religions.

Experience has proven that the inclusion of a planned giving program complements and can enhance current annual and/or capital giving. For example, the purchase of a life insurance policy with a nonprofit as owner and beneficiary can be an inexpensive way for a younger donor to make a meaningful gift sooner than current life circumstances might permit, and having done so, such donors may be more inclined to enhance their gift-giving later in life.

Because each type of giving is different in nature, each should have its own format for reporting progress toward annual goals. Appendix C1-C4 illustrates ways for tracking and reporting on each type.

Donors of large gifts often are attracted to endowment gift-giving because their donations establish or add to permanent funds benefiting the nonprofit over the long haul. These endowed funds often are named for the donor or the donor's loved ones or in memory of family members. Named endowment funds can be highly visible in the larger community when they cover key salaries (e.g., endowed professorships) and important program areas.

As attractive as endowment funds are to both nonprofits and some donors, nonprofits thinking about this option should conduct certain due diligence efforts to fully understand the initial and ongoing obligations of having and servicing such funds, including their investment, reporting, and other requirements¹.

¹ The investment of endowment funds is a significant responsibility with numerous aspects. Nonprofits giving initial consideration to raising endowment funds should seek qualified counsel on the associated responsibilities and duties. Frequently local community or other foundations are useful resources.

CHAPTER 9

RAISING MAJOR GIFTS, CAPITAL GIFTS, AND CAPITAL CAMPAIGNS

In our experience, almost all nonprofits have a recurring need for funds to repair or replace office equipment and, less often, office furnishings, the costs of which are sometimes large enough to require capital gifts. Nonprofits that own their own facilities have additional needs for capital funds to repair and replace major building parts, systems, and equipment as well as to build new facilities. In our opinion, these are needs that should not be deferred. Providing safe facilities and fully functioning equipment and technologies are as necessary for effective and efficient operations as providing payroll and other current use dollars.

Additionally, most nonprofits need to build reserves and/or endowments for several important reasons: (1) to contribute to long-term stability and to reduce the impact of short-term financial downturns, and (2) to provide an additional source of income — over and above operating income — to balance annual budgets.

Nonprofits with relevant needs conduct capital gift programs in two ways: on an ongoing basis through major gift programs and through capital gift campaigns.

ONGOING MAJOR GIFT PROGRAMS

With rare exceptions, we recommend that a major gift program be conducted on an ongoing basis, concurrent with the annual fund program when applicable, and include

- methodical identification of prospective donors through development research efforts, as discussed in Chapter 7
- careful prioritization of prospects through screening and evaluation leading to prospect ratings, as also discussed in Chapter 7
- a managed cultivation process, usually involving board members, other volunteers, and staff, as discussed further in Chapter 11
- respectful and sensitive asks or solicitation of the major gifts, as discussed in Chapter 12
- regular recognition of and expressions of appreciation to donors, as discussed in Chapter 14

A major gifts program should also use a moves management technique. This is a discipline in which staff and volunteers regularly review top prospects for capital gifts and decide what specific steps should be taken with each prospect, when they should be taken, and by whom. The objective is to advance the prospect through cultivation, leading to an ask and ultimately a realized gift.

See Appendix C2 — Donor & Contribution Tracking for a sample tracking report.

PERIODIC CAPITAL CAMPAIGNS

While we recommend that major gifts should be sought on a regular and recurring basis, for most nonprofits there will be a periodic need to secure more and larger major gifts. Such circumstances typically lead to capital gift campaigns.

Frequently, nonprofits undertake capital campaigns following the development of a new or updated strategic program and financial plan. These campaigns are designed to acquire the funds needed to transform the plan's components into reality.

Other capital campaigns are more targeted, frequently occasioned by a single event, e.g., to repair or replace a roof or to respond to a significant challenge gift to build a new facility, launch a new program, or purchase equipment.

Capital campaigns require a substantial commitment of time and effort, especially on lay and professional leadership (board and top staff), and typically last for approximately three to five years. Furthermore, the larger the campaign in number of components and/or amounts of funds needed, the broader and deeper the effort required of the nonprofit.

As is the case with the annual fund drive, a multiyear capital campaign should have a defined start date and a defined closing date. Regular reporting of progress toward campaign goals is essential, both to the volunteer and staff workers and to the larger public served by the nonprofit. Timeline reports — graphically showing dollar progress toward the goal along the time period allotted — are most helpful.

Again, as with annual fund programs, most effective capital campaigns use marketing or branding techniques in the naming and use of campaign visuals and logos and unique selling propositions. For example, a music conservatory named its capital campaign Sound for the Century.

Successful capital campaign marketing usually uses special promotional, public relations, and advertising tools. Among that arsenal are printed brochures, websites, electronic transmissions, and, perhaps most important, the case statement.

CAMPAIGN CASE STATEMENT

While we recommend that a nonprofit develop and use a case statement for all of its fundraising as a fundamental articulation of why its mission is worthy of support, a campaign case statement plays an important role in the campaign process.

A campaign case statement articulates why campaign funds are being sought, how they will be used, and why they are imperative at this time. It serves as a campaign's primary promotional tool. Depending upon the size of your nonprofit and scope of your fundraising programs, your campaign case statement can be as brief or as expansive as the needs and circumstances warrant.

The worksheet on page 41 is a tool for developing a case statement.

A capital campaign is a nonprofit's highest visibility fundraising program, involving aggressive promotion, publicity, and extraordinary volunteer and professional effort. While capital gift fundraising is often the primary reason for campaigning, occasionally a nonprofit will mount an umbrella or multipurpose campaign in which donors are asked to include multiple-year annual gifts in a campaign pledge/gift as well as the capital gifts to endowment, facilities, or equipment.

WORKSHEET #8
CASE STATEMENT CHECKLIST

- I. The case statement document should contain the following elements:
- A. An overall explanation of the need and importance of the campaign, including
 - 1 The strategic goals and particular objectives, the raison d'être for the campaign
 - 2 The magnitude of the campaign — dollar goals
 - 3 A listing of each goal and objective with dollar goals for each
 - 4 Campaign time period (e.g., 3 years) with closing date, and deadlines for receipt of gifts as may be needed for particular goals or objectives
 - B. Naming opportunities and gift amount requirements
 - C. Recognition opportunities appropriate to gift size and wishes of donors, e.g.,
 - 1 Announcements in media
 - 2 Public acknowledgement at an event
 - 3 Listing in nonprofit literature, hard-copy and on-line
 - 4 Signage
 - D. Acceptable formats for gifts, e.g.,
 - 1 Case and cash pledges
 - 2 Marketable securities
 - 3 Planned gifts
 - 4 Tangible assets (land, art works, etc.)
 - E. Listing of campaign leadership
 - 1 Board members
 - 2 Volunteer chair and committees
 - 3 Staff
 - F. Contact information
 - 1 Phone numbers
 - 2 Website
 - 3 Email addresses
 - 4 Mailing address
- II. Related decisions needed from campaign team
- A. Intended recipients of the case statement, e.g.,
 - 1 Current donors
 - 2 Selected prospective donors
 - 3 Media
 - 4 Relevant other stakeholders, e.g., governmental officials, foundation executives, etc.
 - 5 Distribution guidelines for use by campaign team, board members, and volunteers
 - B. The “marketing elements,” e.g., campaign name, prime selling ideas, logo
 - C. Talking points for use by campaign team, board members and volunteers when discussing the campaign with others
 - D. Production of the case statement
 - 1 Who will be responsible for developing the content?
 - 2 Who will be responsible for final content and production decisions, e.g., format (hard- or soft-copy and/or e-version), graphics, number of copies, etc.)?
 - 3 Who will determine the budget, the maximum funds available for the project?
 - 4 Who will decide the timetable for development and deadline for receipt of the finished product?

PREPARING FOR A CAPITAL GIFT CAMPAIGN

Capital campaigns, by their nature, are all-consuming, commanding considerable time and effort by everyone in your organization.

Successful capital campaigns, those that reach their fundraising goals, have an enormous positive impact on a nonprofit. Unfortunately, unsuccessful campaigns also have an enormous impact — a negative one, both internally and externally. Those within the organization feel inadequate and incompetent and those outside the organization view the organization as a failure.

Therefore, when contemplating a capital campaign, you should proceed with an abundance of caution and commit only after careful planning and analysis.

In preparing for a major campaign, we recommend that a nonprofit should first determine

- the campaign's purpose(s) — How will the funds raised be used?
- the campaign's size — How much money is needed? What will be the dollar goal?
- the campaign's schedule — When will the funds raised be needed in hand?
- the consequences of not going forward with the campaign

The combined answers to the first questions represent the nonprofit's aspirations in terms of programs, services, and infrastructure if the needed funds can be found.

These answers also provide a solid foundation on which the campaign's structure can be built. They establish the campaign's focus and parameters, critical elements that will guide both the nonprofit, including those involved in raising the money (board, staff, and volunteers), and those from whom donations will be sought.

In addition, we believe that how you address and answer these four questions will itself be important and instructive. Who is involved in the process of answering and how easily and how quickly the answers are determined will provide useful insights into both your readiness to undertake a campaign and the likely reception the campaign may receive from those closest to your organization, who also are your most likely prospects for campaign contributions.

For example, in our experience, if the answers seem almost self-evident among important stakeholders, it suggests a shared understanding of your organization's needs and opportunities, and is a promising sign. On the other hand, if there are different answers from different stakeholders, it suggests that it would be premature to begin a campaign without further discussion and agreement about goals and priorities.

Several of the appendices and worksheets can be used to explore these questions. Please take a look at Appendices B — Reviewing a Fundraising Plan, D — Strategic Program and Financial Plans, and F — Fundraising Readiness Assessment, as well as Worksheet #4 — Prospect Rating.

FEASIBILITY STUDIES — ASSESSING THE PROBABILITY OF MEETING CAMPAIGN GOALS

Most capital campaigns entail some degree of risk, as they almost always seek more funds than your nonprofit has raised before. That said, it's important to determine a tolerable level of risk, which requires an informed assessment of your probability of success and what is needed to achieve that success. Before committing to the campaign, you should field test its purpose and financial needs through a feasibility study.

DESCRIPTION

A feasibility study is an objective assessment of a nonprofit's ability to raise specified amounts of money for the stated purpose(s) in a prescribed timeframe. The study's primary function is to answer the questions:

- How much of our financial goal can we realistically expect to raise?
- What we will have to do to raise those funds?

A well-designed feasibility study assesses the

- effectiveness of the appeal for support
- strategies for raising the money
- strengths of the board, staff, and volunteer leadership in conducting the campaign
- current expertise and resources available to the nonprofit
- likelihood of important donors to commit to the effort
- potential competing campaigns
- importance of the endeavor to the community
- other nonprofit-specific factors of relevance

Such reports should also contain recommendations for what the nonprofit could do to strengthen its probability of reaching the desired goals.

Appendix G — Feasibility Study Explained provides a more complete description of the feasibility study process.

To maximize the objectivity of such studies, they are typically performed by an independent third party (e.g., professional fundraising counsel). While you may question the costs of such a study, our experience has demonstrated repeatedly their value and return on investment. Nonprofits that undertake significant campaigns without having done a feasibility study are often disappointed with their campaign results.

INTERPRETATION AND APPLICATION

Not all feasibility studies come back with positive results. If your study has been done by qualified personnel and the results come back negative — that is, showing it unlikely that the campaign's goals can be reached and the reasons why — you are faced with several options:

- Evaluate the reasons and address them, enabling the campaign to go forward.
- Revisit its strategic program and financial plans to bring them more in line with an achievable financial goal.
- Go forward despite the study's results.

We generally recommend some combination of the first two options, along with the consideration of breaking the original strategic plan into two phases: a scaled back plan more achievable within existing capabilities and near-term adjustments that can be made, and a second phase that builds on additional capabilities plus the success, and progress, of the first phase.

In our experience, when nonprofits have chosen to go forward in spite of a study's negative results, the outcomes are disappointing and damaging, internally and externally. In fundraising generally, and particularly with large campaigns, we have found the following truism accurate: Success brings confidence and failure brings doubt.

TRACKING AND REPORTING ON CAMPAIGN PROGRESS

A campaign timeline is a useful tool for tracking the progress of different types of fundraising with specific dollar goals to be raised within a specific time period. Frequently used in capital campaigns, it is a simple concept that focuses board, staff, and volunteers on the progress of the fundraising project over the span of its designated life.

A campaign timeline tracks total funds raised compared to a theoretical and even progression of funds raised, e.g., 25 percent of the dollar goal is shown at 25 percent of the time, 50 percent of the dollar goal in 50 percent of the time, and so forth. This cumulative tracking indicates whether the actual results are trending above or below the theoretical, even progression. The benefits of using this technique for reporting progress are that it easily acknowledges successful efforts as well as stimulates renewed efforts if and when they appear needed.

Displaying progress in this way can — and in our view should — be accompanied by an explanation that describes both the relevance and limitation of using an even progression as the base line.

See Appendix C3 — Campaign Timeline for a sample tracking report.

FREQUENCY OF CAPITAL GIFT CAMPAIGNS

While the frequency of capital gift campaigns is — and should be — largely determined by a nonprofit's needs and circumstances, we recommend that a major campaign be followed by a rest period of at least five to seven years. This provides sufficient time for both the nonprofit and its major supporters to recover before the next extraordinary effort is launched. It also gives a nonprofit's leadership, board, and staff time to focus on effective uses of the newly acquired resources for programs and services, to build on the organization's strengths, and to address its weaknesses.

CHAPTER 10

DETERMINING AN APPROPRIATE BLEND OF FUNDRAISING TYPES

To a nonprofit new to raising money or wanting to significantly step up its efforts, choosing which types of fundraising to engage in can be daunting, and the pressure to choose wisely is significant given a nonprofit's needs.

Unfortunately, many organizations err in one of two ways at this important juncture: Either they head off in too many directions at once — the buckshot approach — or they adopt one or two ideas suggested by a well-intentioned but uninformed party (e.g., “Let’s have a dinner,” “Let’s do a cookbook”) — the rifle-shot approach. What both approaches have in common is that they most often follow the sequence, “fire, aim, ready,” with disappointing results.

Fundraising should follow a “ready, aim, fire” sequence. The decision-makers should be informed about what’s involved in raising money, understand and carefully weigh the options, and choose those that offer the most promising net return.

Most nonprofits cannot, and in our view should not, engage in all types of fundraising concurrently and with equal effort across all types. Indeed, in our experience, the only nonprofits that can do so are very large with a substantial and successful history of raising lots of money. But, for most nonprofits, there is neither the need nor capacity to do so.

We recommend that your organization select a blend of types and techniques for its fundraising within the larger context of building its relationships with current and prospective donors over time and as appropriate for its needs and circumstances.

One purpose of strategic and financial plans is to determine the amount and types of funds needed. While almost all nonprofits need to raise funds for current programs and services, as well as for building financial stability, not all need to raise money for new facilities, equipment, or an endowment. Nor do all nonprofits want or need to stage special events.

Similarly, as discussed earlier, the results of determining the breadth and depth of your most likely sources of support will significantly influence the types of fundraising that offer your organization the most promising opportunities for significant net returns.

Beyond those considerations, the evolution of informed fundraising is progressive and cumulative, with certain types effective after a level of maturation in other types. For example, effective and productive planned giving most frequently follows prior success with annual giving and major gifts. Similarly, raising large amounts from individual donors normally occurs after a period of increasingly large annual gifts.

It is the progressive and cumulative nature of informed fundraising that underscores the emphasis we place on building long-term relationships, rather than on simply seeking short-term cash.

After determining the blend of fundraising types that is appropriate for your organization, you’ll need to put together the various pieces of your program, which is the subject of Chapter 15.

CHAPTER 11

CULTIVATING PROSPECTS

Prospect cultivation — the goal of which is to educate and excite potential donors about your organization’s mission and work — is most effective when it is a structured process.

EDUCATING THE PROSPECT ABOUT THE NONPROFIT

As donors’ gifts are based on their understanding of your nonprofit, it is critically important to help them gain a current and accurate grasp of what it is you do. Donors form their perceptions based on each and every contact they have with or about your nonprofit, either directly or through friends or the media. Even comments overheard while standing in line at the grocery store affect your donors’ understanding.

In practice, this means that donor relations are a part of everyone’s job, including board members, staff, and other volunteers. It means that all forms of contact and communication with the outside world need to be considered in both form and content to help create and maintain an accurate and, if possible, favorable perception.

CULTIVATING EACH PROSPECT’S INTEREST IN, AND ENGAGEMENT WITH, THE NONPROFIT

The cultivation process we recommend for significant annual gifts, as well as for capital gifts, involves planning a series of steps (this process is sometimes referred to as moves management). For example, you might decide that the next step in the cultivation of a promising prospect would be an invitation to dinner with your CEO to discuss your organization’s high-priority needs. We recommend that you create a customized cultivation plan or series of steps for each major gift prospect, on his or her circumstances and the size or range of the gift amount of the eventual ask.

The worksheet on page 48 illustrates how to structure an orderly process for working with a prospect to reach the point when asking for a financial commitment is appropriate. While the sample is a summary form for all prospects currently being cultivated, we also suggest that you maintain a cultivation record for each prospect, tracking all activities that take place prior and subsequent to the current gift being sought.

WORKSHEET #9 PROSPECT CULTIVATION PLAN For period ending XX.XX.XX							
PROSPECT	RATING	CULTIVATOR	PLANNED CULTIVATION MOVES	ON OR BY DATE	RESULT	NEXT STEP	
1			a				
			b				
			c				
2			a				
			b				
			c				
3			a				
			b				
			c				
4			a				
			b				
			c				
5			a				
			b				
			c				
6			a				
			b				
			c				
7			a				
			b				
			c				
8			a				
			b				
			c				

It is imperative that the fundraising team be active listeners, equally attuned to how a prospect is responding to your efforts as to carrying out each planned move. The best moves management plans are works in progress, constantly being updated and revised as the process unfolds.

We have noticed that some organizations focus exclusively on fundraising when cultivating prospective donors, sometimes ignoring their donors' interest in programs and services. Keep in mind that long-term relationships with donors are almost always based on their interest in and commitment to what a nonprofit does and how it does it, which means your donor cultivation plans should be constructed accordingly.

Soliciting gifts, or making the ask, can occur in a variety of ways:

- One-on-one, face-to-face
- Written requests by mail
- Telephone requests
- Direct mail solicitations, broad-based or targeted
- Electronic requests via the Internet, i.e., use of social media and on-line giving

The simple truth is that prospect cultivation and gift solicitation are more art than science. Decisions of when and how to cultivate and solicit are not, and in our view, should not be formula-driven. All such decisions are judgment calls based on a unique mix of information pertaining to each prospect and to the relevant fundraisers. Techniques and tools are only truly effective when applied with care and sensitivity, thus the emphasis on building long-term relationships.

In our opinion, many nonprofits tend to err on the side of seeking significant gifts prematurely, before the prospect has been effectively cultivated. Two common reasons for this include inexperience and a sense of urgency, real or imagined, to get the money.

Those new to fundraising — individuals and nonprofits — may be eager to prove themselves or may view fundraising as more short-term than long-term, with a priority on early results rather than building long-term sustained support. Absent emergency circumstances, we almost always recommend a more deliberate approach to both cultivation and solicitation.

When urgent circumstances are real, as they often are, we recommend that you rely on current donors with demonstrated significant interest in your nonprofit for significant gifts rather than prospects without such a history. The former are generally more receptive to such appeals, and the risks of scaring off someone who is less informed and committed is considerable.

CHAPTER 13

RESULTS OF SOLICITATIONS

The end result of a solicitation is that the donor decides to make or not make a gift. Either way, your organization should respond thoughtfully with an eye on the future.

THE SOLICITATION RESULTS IN A GIFT

In our opinion, many organizations focus too much on getting gifts and too little on what follows. Effective fundraisers should view each gift as an opportunity for developing a deeper relationship with the donor and for receiving a potentially larger gift in the future. Your post-gift cultivation plans therefore need to incorporate steps for continuing cultivation, calibrated for the size and specifics of the recent and potential future gifts. Important steps in such plans include the following:

Gift acknowledgment: All gifts, regardless of size, must be acknowledged promptly and accurately — it's a cardinal fundraising rule. Written confirmation should be en route to a donor within 48 hours of receipt of the gift, and it should be accurate in every detail.

Two certain ways to damage your relationship with a donor is to keep him or her waiting for confirmation of receipt of the gift and/or for the confirmation to be inaccurate in any respect, including the donor's name and how it is spelled.

Choosing who will extend your acknowledgment (e.g., the director of development, chief executive, artistic director, a board member, or the board chair) also is an important consideration as it communicates to the donor how significant his or her gift is considered by your organization.

Donor recognition: Deciding how the gift is recognized is equally important as the accuracy and speed of acknowledgement. Recognition should be responsive and sensitive to the donor's wishes (e.g., level of visibility, if any), appropriate to your organization's mission and culture, and consistent with gifts of comparable size.

The worksheet on page 52 provides a complete list of factors to consider when deciding how to appropriately recognize a gift

Continuing cultivation: Because informed fundraising is not only about receiving gifts but also about building relationships, you should view the gift acknowledgment and recognition process as steps in a continual cultivation process. As a general rule, the greater the degree of personalization in expressing thanks, the better.

WORKSHEET #11 DONOR RECOGNITION FACTORS

Providing appropriate recognition to a donor is an important step in building your relationship with him or her. While the type of recognition should be appropriate to the size of the gift, nonprofits need to be mindful of two basic considerations: Each gift, no matter its size, is important to the donor; and each donation should be thought of as a step toward another, potentially larger gift.

FACTORS TO CONSIDER

- Who the donor is both within the organization and within the community
- The donor's wishes for internal and external recognition or anonymity
- The size of the gift
- The purpose of the gift
- Past gifts by the donor
- Hopes/plans for future giving from the donor (current donors are the best prospects for future gifts)
- How the announcement might be leveraged to the advantage of the organization
- How gifts of comparable size have been recognized

See Chapter 14 for further discussion of donor recognition.

THE SOLICITATION DOES NOT RESULT IN A GIFT

How a nonprofit responds when an individual does not make a gift is significant in the context of both building and/or ending relationships, and should be based on his or her past giving history and potential for giving.

Current Donors

Interruptions in gift flow from donors are common, often reflecting a change in their personal or professional circumstances or in their feelings toward the nonprofit. In our view, it is important to be attentive to lapsed donors for two reasons: (1) within the pool of current non-donors, they represent the best potential source of support for your organization, and (2) they represent a valuable source of feedback about your nonprofit.

In the context of annual fund operations, lapsed donors are people who have given to the organization in the past but have not given in the current fiscal year. In fundraising parlance, they are referred to as “LYBUNTs” (those who made a donation “last year but not this”). They are important because their past giving indicates that they have already been sold on the value of your mission. For this reason, many annual fund programs adopt special LYBUNT strategies, such as personal phone calls and/or notes, in the final month of the annual drive.

You also should periodically review your lists of lapsed donors to determine if it would be helpful to explore the reasons for a particular donor's lapse, and, if so, who should approach him or her and how. Although a donor may be reluctant to talk candidly about the reasons for his or her break in expected gift flow or rejection of a gift solicitation, we recommend that you make a good-faith effort to follow up for two reasons:

- Often a turn-down is caused by factors that once identified can be addressed and reversed, and the donor relationship can be preserved. And, if the factors cannot be addressed and reversed, you have the opportunity to conclude the relationship more satisfactorily.
- Learning as much as possible about the reason(s) for a turn-down can be used to inform and improve your nonprofit's operations and relations with others.

When a nonprofit approaches current or former donors to ask how the organization might improve its fundraising efforts, many donors respond with some level of candor and with constructive suggestions. We have seen many cases when such conversations actually strengthen donor relationships.

As noted earlier, nonprofits need to be as sensitive as possible to their donors' perspectives. Long-term donors, even of relatively modest gifts, often develop a sense of affiliation, attachment, and even entitlement when it comes to the missions they support. By listening to them, you guard against the perception voiced by one donor we know: "They just want my dollars, not my two cents."

Prospects Who Have Never Made a Gift

When someone who has never made a gift turns you down, it is appropriate to ask whether he or she wishes to continue to receive information about your nonprofit. While some prospects will say "yes," at some point you should consider deleting non-donors from your organization's various sollicitation lists. We recommend a three-year limit, i.e., if a prospect is unresponsive after three years, he or she should be deleted unless there is a clear reason for retention.

In the final analysis, deploying limited fundraising time and effort to maximum potential benefit entails making difficult choices of when to continue and when to cease cultivation efforts.

One reason for culling your prospect and other lists is to enable you to focus now and in the future on prospects of greater potential value. We often encounter nonprofits with multiple lists of uncertain accuracy and value. Needless hours are required to identify prospects of potential value. Periodic culling should be conducted by those most likely to make informed decisions about retention or deletion. Deferring such decisions places undue burden on future fundraisers and risks deleting prospects of value.

CHAPTER 14

INFRASTRUCTURE NEEDED FOR INFORMED FUNDRAISING

A frequent handicap for nonprofits beginning or seeking to expand fundraising is the absence of supporting services and tools — infrastructure elements that are needed to raise funds effectively. Most informed fundraising programs have the following elements.

CURRENT AND COMPLETE CORPORATE DOCUMENTS

Every nonprofit is a corporate entity in the state in which it is registered with articles of incorporation and by-laws. Similarly, almost all nonprofits have applied for and been granted tax-exemption by the Internal Revenue Service and issued a Determination Letter.

You should locate and review each of these three documents — articles of incorporation, bylaws, and IRS Determination Letter — to determine

- their existence
- whether their definitions of your organization’s purpose(s) remain accurate and complete, and whether your organization’s activities are consistent with its stated mission and exempt status, thus defining the purposes for which charitable, deductible funds may be solicited and received
- which types of assets your nonprofit may own or is prohibited from owning, thus defining the types of gifts that may be accepted

In addition, most states have empowered specific agencies to oversee nonprofits to ensure receipt of informational tax returns, compliance with state laws, and each nonprofit’s purpose and by-laws, etc.

Also, at last count, 40 states also have empowered agencies to oversee and regulate charitable fundraising within their state. These oversight responsibilities have normally been assigned to the states’ attorneys general. In practice, this means that every nonprofit in those 40 states that intends to raise money in its *home* state must register to do so with the appropriate state authority. In addition, nonprofits that intend to raise funds in any of the *other* 39 states also must register in those states. Nonprofits may wish to check their respective state registries to determine the record of compliance by other nonprofits.

CURRENT AND ACCURATE DATABASE OF DONORS AND PROSPECTS

Relevant, complete, accurate, and accessible information about past, current, and potential funding sources is the foundation on which informed fundraising rests. To establish and build strong relationships, you need to have access to current and accurate information — the importance of which cannot be overstated — and, generally speaking, the more you know about prospects, the greater the likelihood of building and keeping solid relationships. Attention to every detail is important. Few things will annoy a current or prospective donor more than misstating past gifts, being out-of-date or misinformed about prior communications, or misspelling their name or the name of a family member.

Consequently, a data collection and retention system is an essential fundraising resource and should be constructed to capture relevant biographical, personal, and professional information on each prospect. The fundraising system also should integrate easily with other information systems, particularly accounting and marketing/public relations.

Security is especially important due to the confidential and sensitive content relating to past, present, and prospective donors. While this information needs to be available to those cultivating and soliciting donors, it should only be made available on a need-to-know basis. The ability to change such content also needs to be carefully controlled.

THE NEED FOR PROSPECT RESEARCH

While important, the natural donor base of many nonprofits — those who directly benefit from its mission and services — may not be sufficient to satisfy a nonprofit’s need for contributed funds. Most nonprofits need to go beyond their natural base, as discussed earlier in Chapter 7, to expand their potential donor pool. Finding new prospects requires the serious commitment of board and staff to identify prospects and to support prospect research.

The breadth and depth of research your organization needs is indicated by the gap between the magnitude and type of additional resources needed and the current level and type of giving that your nonprofit has been receiving, its fundraising history, and the quantity and quality of its existing donor and prospect pool. For example, a newer or smaller nonprofit with a limited fundraising history is less well positioned to raise the same level of funds than a more mature nonprofit with considerable fundraising experience.

The nature of your nonprofit and the characteristics of its users or clients will help clarify your research requirements. For example, a museum’s users present one donor profile, whereas those of a food kitchen present another. Such considerations are among those that should be taken into account when developing your strategic program and financial plan and the subsequent fundraising plan.

Appendix E1-E3 — Prospect Research Report includes sample forms for collecting relevant data for individuals, foundations, and corporations.

BASIC SUPPORT MATERIALS

To raise funds effectively, you must create many documents, including proposals, descriptions of programs and funding opportunities, presentations and allied materials (e.g., media coverage or endorsements), acknowledgment letters, and financial and program reports regarding the use of funds.

Included among the basic documents needed to raise funds effectively are clear and concise statements that address

- your organization’s mission⁷
- how your nonprofit fulfills its mission
- what makes your nonprofit unique/different from others with similar missions
- how effective your organization is in carrying out its mission

⁷ The mission of a nonprofit is typically articulated either in the original articles of incorporation and/or in the nonprofit’s bylaws. That said, a current, clear, and concise statement of a nonprofit’s basic mission (that answers the question, “Why does this nonprofit exist? What is its purpose?”) is an absolutely essential starting point for informed fundraising. It is a nonprofit’s best chance to make a good first impression.

One of the more frequent weaknesses and real handicaps we have observed in nonprofits is either an incomplete fundraising database and/or one not easily used or updated. Because of the time and effort required to cope with such deficiencies, the opportunity costs that such limitations impose on a nonprofit are immeasurable. Failure to invest the needed resources in establishing and maintaining an informed fundraising database is among the most unwise and costly investment decisions nonprofits make.

- how that effectiveness is determined
- the rationale for why your nonprofit deserves donor support — case statements are of great value both in ongoing fundraising and in campaigns
- the types of gifts needed and how the funds will be used
- why giving to your nonprofit is a good investment, i.e., some indication of the number of people who will be helped or the amount of service that will be provided

Many nonprofits also develop an “elevator speech” (what can be said in the time it takes to ride an elevator several floors) that helps board members and volunteers concisely explain the essence of the nonprofit. For example, “We provide nutritional information to kids to reduce obesity and the medical and social problems that frequently complicate and shorten their lives and burden society with needless costs.” Such text has the added benefit of being a convenient and easily remembered way by which all volunteers, including and, most especially, board members, can describe their nonprofit to others while carrying out their ambassadorial role.

USE OF INTERNET AND SOCIAL MEDIA

The advent of the Internet — websites, e-mail, and social media — has had a profound effect on our lives and the ways we communicate. While these media only account for an estimated one-tenth of fundraising revenues at this time, they undoubtedly will be of increasing importance to nonprofits of all sizes in the future.

Websites. Websites, which can be used to provide donors with an easy-to-use mechanism for giving, are most useful for annual fund drives. They should be structured to capture the names of parties inquiring about your organization, which should be entered into your database.

E-mail. Proactive e-mail communications can serve as a means of soliciting unrestricted annual fund gifts as well as gifts for special restricted projects, including buildings, one-time projects, and sometimes endowment gifts.

Social Media. The use of social media is a relatively new tool for fundraisers. It provides a way to link individuals with similar interests (e.g., your organization’s mission or cause) through the Internet. Through the use of social media, your organization’s fundraisers can connect efficiently and rapidly with potential prospects, engaging them in two-way conversations and influencing them to make gifts.

The mission of a nonprofit is typically articulated either in the original articles of incorporation and/or in the nonprofit’s bylaws. That said, a current, clear, and concise statement of a nonprofit’s basic mission (that answers the question, “Why does this nonprofit exist? What is its purpose?”) is an absolutely essential starting point for informed fundraising. It is a nonprofit’s best chance to make a good first impression.

Boards and staffs should keep abreast of developments in this field and be ready to adopt new electronic media when appropriate.

TRACKING AND REPORTING PROGRESS

Whatever size and type of fundraising you undertake, you must periodically monitor and report on funds raised. It is just as important, however, to assess the level of engagement of those with fundraising roles and responsibilities. Monitoring engagement allows you to identify both those aspects that are functioning well and those that may need assistance to strengthen the overall effort.

Tracking and reporting should include all members of the fundraising team. We understand that engagement tracking, particularly of board members and other key volunteers, followed by open discussions about the results, may be awkward. It may also be uncomfortable to openly discuss weakness in staff efforts with board members and other volunteers present. One technique we have found effective is to invite the board chair or another board member to join the chief executive in both making the assessments and in discussing the results with the fundraising team. A further benefit of this approach is to underscore the team concept that everyone's effort is equally important.

It is customary to report on gifts received on a monthly basis (in part to ensure monthly reconciliations with the accounting system) and no less than quarterly on engagement efforts. The size of your organization and the size and types of your fundraising efforts will help determine the optimum frequency and depth of monitoring and reporting.

Please see Appendix C1 — Sample Donor & Contribution Tracking Report for Annual Giving and Worksheet #3 — Engagement Tracking for additional information.

In addition, for capital and campaign giving programs, please see Worksheet #9 — Sample Prospect Cultivation Plan and Worksheet #10 — Sample Gift Tracking.

ESTABLISHING DONOR RECOGNITION PROGRAMS

Two fundamental considerations are important when developing donor recognition programs:

- Each gift is as important to the donor as to the nonprofit, and sometimes more so. The donor has chosen to give away something of real value and chosen your nonprofit from among many others. However it may appear to the receiving nonprofit, from the donor's perspective the gift represents a selective and intentional decision. That applies to the smallest as well as the largest gift.
- Each donation, no matter the size, should be thought of as a step toward another, potentially larger gift.

There are many ways to acknowledge, or to thank a donor for a gift, in addition to the immediate written acknowledgment of the gift's receipt as was discussed in Chapter 13.

As part of their overall fundraising strategy, many nonprofits annually recognize all donors (excluding those who ask to remain anonymous, of course) in listings in periodic publications (e.g., newsletters, event programs, and annual reports) and during annual recognition events (e.g., receptions and dinners). Some donors may prefer more immediate public acknowledgment than listing in an annual report, however, the options for which include a special announcement to the nonprofit's stakeholders, a press release, or a special luncheon or dinner. Another option used effectively is a recognition event unique to the nonprofit's mission (e.g., a dress rehearsal or a private showing) to which small groups of important donors are invited and recognized. Typically, your mission, the composition of your donor pool, and the nature and size of the gift will suggest an appropriate means of recognition.

To both recognize and to stimulate donors to consider increasing their level of future giving, many organizations establish giving clubs or giving levels (e.g., for those whose gift was up to \$100, between \$100 and \$250, between \$250 and \$500, and so forth). Many nonprofits use designators or names to distinguish certain giving levels, such as gold, silver, bronze, or the names of distinguished persons in the nonprofit's history. These are used for both implicit and explicit encouragement to move up to the next level of giving.

Even a seemingly small gift may represent a large proportion of what the donor is able to give. There are no “small” gifts; only gifts of varying sizes.

Some nonprofits offer a variety of tangible thank-you gifts for donations. Often these gifts feature the nonprofit's name and logo, providing public exposure for the organization and its mission and fostering name recognition. For example, a classical music radio station may send its donors T-shirts, sweatshirts, bumper stickers, and the like. We should point out that there are two schools of thought on giving donors tangible acknowledgement gifts, however. Advocates believe that doing so serves to inculcate pride among donors in their connection with the nonprofit, an overt symbol evidencing their financial commitment to the nonprofit. Detractors believe that spending should be used — and be seen as being used — for direct service, which is why the gift was most likely given.

Some donors want and expect such tokens, while others see such items as a needlessly wasteful. Without taking sides in this debate, it is inescapably true that funds spent on such gifts necessarily reduce funds available for mission-specific programs and services of nonprofits. We recommend that nonprofits weigh carefully the potential risks as well as potential benefits of providing tangible appreciation gifts.

As discussed earlier, many nonprofits recognize a particularly large capital gift by attaching the donor's name, or another name of the donor's choice, to a fixed asset (e.g., The John Smith Building, or the Mary Jones Classroom) or to a lasting program or endowment (e.g., The John Doe Professor of History, The Jane Smith Children's Program). Naming opportunities are effective recognition and marketing tools as the donation is identified and recognized in perpetuity.

Apart from giving them as gifts, some nonprofits sell branded items, such as coffee cups, T-shirts, tote bags, umbrellas, or desk sets to reinforce and increase their brand recognition and to generate revenue to help support their services.

Note: Some nonprofits offer time-limited naming opportunities for smaller amounts, for example a gift of \$100,000 will name a classroom for 10 years and \$50,000 for five years, thus providing a means of creating future naming opportunities.

Worksheet #11, which appeared on page 52 contains a list of factors to consider when determining both individual and classes of donors to be recognized.

While there are many examples where such efforts have proved successful on both objectives, in our experience, these programs meet their objectives only when two criteria are satisfied: the nonprofit (1) has a very large and renewing base of supporters, as in the case of museums, theaters, or educational institutions, and (2) has the ability to sustain the effort over time as it frequently takes several years for sales to grow to a sustainable level.

ASSESSING AND EVALUATING FUNDRAISING

Deciding how fundraising efforts will be assessed and how the results will be evaluated are not only important board functions; they also are important components of the fundraising plan itself.

Making informed choices of assessment and evaluation criteria is important and simply stated, “What you measure affects what you do. If you don’t measure the right thing, you won’t do the right thing.”⁸

We recommend assessing effort and evaluating results. By assessing effort, we answer the question, “What can we learn from what has happened that can inform the future?” When evaluating results, we answer the question, “What has been achieved?” Learning the answers to both questions is essential for informed fundraising.

Because informed fundraising is about building relationships over time and involves diverse but related activities, assessment criteria should be developed with those factors clearly in mind. Worksheet #3 — Engagement Tracking is an illustration of how this can be conducted.

When it comes to evaluating results, an all-too-common practice has been to rely on easily measured calculations of total funds raised (committed and cash received), on the ratio of fundraising costs to funds raised, and on whether annual or campaign goals have been met. While these factors are important, reliance on just these measures carries two dangerous risks:

- Emphasizing and rewarding short-term results, which may or may not be in the best interests of building long-term relationships and support. This is analogous to a corporation focusing on quarterly and annual results while ignoring or under-investing in research and development or other efforts to build long-term value.
- Ignoring or undervaluing aspects of informed fundraising that focus on broadening and deepening the philanthropic base over time.

Two limitations to relying too heavily on fundraising costs is that

- typically only direct out-of-pocket costs are used in the calculation while the dollar and opportunity costs of the time spent by leadership are rarely included
- not all nonprofits count and report costs, or even funds raised, exactly the same way, making comparisons of questionable and limited value

Appendix C1 — Donor & Contribution Tracking is a sample tool for reporting financial results for an annual giving program as well as some aspects of relationship-building.

The significance of thinking carefully about what to monitor, assess, evaluate, and report cannot be overstated, along with the importance of tracking all relevant aspects of the fundraising program and balancing short- and long-term considerations as appropriate to the needs and circumstances of the nonprofit.

Which criteria to assess and evaluate and their relative weighting should reflect the maturity of the fundraising program. For example, when starting or expanding a program, factors reflecting efforts to identify and cultivate new prospects may have greater significance than in a mature program with an established donor base, where movement from current to higher giving levels may be of greater relevance.

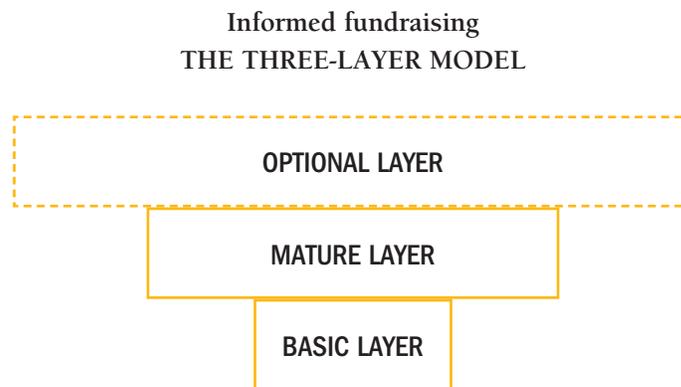
CHAPTER 15

PUTTING TOGETHER THE PIECES: THE THREE-LAYER MODEL

Before concluding this guide, we want to pass along our recommendations for how to put together the pieces to build an informed fundraising program. This process begins with recognizing that informed fundraising is, as we've said throughout the guide, about building relationships. Like building relationships, the effectiveness of fundraising programs are cumulative with each phase building and relying on what has gone before.

With that in mind, we recommend evolving a fundraising program in three phases or layers, beginning with a basic fundraising program. Each layer has distinct fundraising programs, the viability of which is dependent on the strength of the underlying programs.

Below is a depiction of the Three-Layer Model, after which are listed their respective fundraising programs and components.



BASIC FUNDRAISING PROGRAM: THE SMALLEST BUT STRONGEST LAYER

Programs:

- Annual giving, typically for current operations, complete with giving levels and benefits
- Basic major gift program, established after annual giving program has proven effective
- Basic planned giving options, e.g., bequests and life insurance, for funds received by the nonprofit following death of the donor

Components:

- IT capability: hardware and software, preferably linked to accounting
- Accurate and complete donor records, including giving history and interests
- Basic fundraising tools, e.g., current communication capability (social media), branding tools (e.g., logo and style book), ask and acknowledgment letters, and strategy and program for ongoing communications with relevant constituencies, etc.
- Assessment of fundraising resources: fundraising knowledge and skill sets of board, key volunteers, and staff

- Research capability to identify potential funding sources: individuals, foundations, corporations, and public sources (federal, state, county, and local)
- Donor recognition
- Criteria and program for monitoring, assessing, and reporting on program performance

Construction Instruction:

As the foundation of the entire model, this layer needs to be strong and effective.

MATURE FUNDRAISING PROGRAM: A LARGER PERMANENT LAYER

Additional Programs:

- Major gift program resulting in a recurring flow of gifts for ongoing repair and/or replacement of facilities and equipment and/or for continuing additions to an endowment
- Major gift program to support special nonrecurring projects, e.g., large, one-time capital project (such as replacement of HVAC or roof)
- Optional: If a major campaign is anticipated, a fundraising readiness assessment, sometimes including a formal feasibility study of the capability to successfully carry out a major campaign

Components:

- Prospect research and evaluation
- Gift policies and procedures
- Capability to accept and administer advanced deferred gifts, funds transferred to the nonprofit prior to donor death, e.g., charitable trusts
- Expanded gift options and recognition opportunities
- Ongoing marketing programs

Construction Instruction:

This second layer is a permanent addition to the structure and should be constructed accordingly.

OPTIONAL PROGRAMS: THE LARGEST BUT TEMPORARY LAYER

Additional Program:

- Major, time-limited campaign to fund new or expand programs or services, to enlarge an endowment, and/or to replace or add new facilities or equipment that, due to its purpose and size, is expected to take several years and a substantial commitment of time and effort to complete.

Components:

- Campaign case statement with purpose, use, types, and amounts of funds needed
- Naming opportunities and amounts
- Campaign plan, budget, and timetable
- Enhanced communications program
- Training of campaign personnel (board, volunteers, and staff)
- Enhanced prospect and donor cultivation and solicitation

Construction Instruction:

This optional layer and its content need to be flexible and reversible, capable of expanding and contracting as the campaign evolves and is completed.

Our final recommendation is to allow time for each layer to develop its strength and sustainability before adding the next layer. Since the imperatives that drive fundraising frequently include a sense of urgency, there is a danger of seeking short-term gains over long-term benefits. What we have observed is that yielding to such temptations almost invariably compromises a nonprofit's future financial stability.

FINAL THOUGHTS

We have learned over time that there are two individual and organizational traits that truly are essential for informed fundraising: patience and persistence. Given both, the chances for success in achieving your fundraising goals are greatly enhanced. Without both, the potential benefits of an informed fundraising program will be seriously compromised. Starting an informed fundraising program is the relatively easy part; keeping it going takes sustained time and effort.

We also want to reinforce what we have said throughout this guide: The worksheets and appendices are starting points for you to adapt to meet your organization's particular needs and circumstances. To be fully effective, every fundraising program should be purpose-built until it is a good fit for the particular nonprofit.

There is a further and equally important reason for a nonprofit to shape and mold its own fundraising program: Its effective implementation will depend in part on how invested members of the fundraising team are in its success. Team members who have helped design and construct the fundraising program are almost certain to be convinced of its importance and committed to its implementation.

Understanding and planning lay the groundwork. Conviction and commitment are needed for effective implementation.

Those who rely and who may come to rely on programs and services provided by nonprofits deserve no less from us.

APPENDIX A

CODE OF ETHICAL PRINCIPLES AND STANDARDS

ETHICAL PRINCIPLES

Adopted 1964; amended Sept. 2007

The Association of Fundraising Professionals (AFP) exists to foster the development and growth of fundraising professionals and the profession, to promote high ethical behavior in the fundraising profession and to preserve and enhance philanthropy and volunteerism. Members of AFP are motivated by an inner drive to improve the quality of life through the causes they serve. They serve the ideal of philanthropy, are committed to the preservation and enhancement of volunteerism, and hold stewardship of these concepts as the overriding direction of their professional life. They recognize their responsibility to ensure that needed resources are vigorously and ethically sought and that the intent of the donor is honestly fulfilled. To these ends, AFP members, both individual and business, embrace certain values that they strive to uphold in performing their responsibilities for generating philanthropic support. AFP business members strive to promote and protect the work and mission of their client organizations.

AFP members both individual and business aspire to:

- practice their profession with integrity, honesty, truthfulness, and adherence to the absolute obligation to safeguard the public trust
- act according to the highest goals and visions of their organizations, professions, clients, and consciences
- put philanthropic mission above personal gain
- inspire others through their own sense of dedication and high purpose
- improve their professional knowledge and skills, so that their performance will better serve others
- demonstrate concern for the interests and well-being of individuals affected by their actions
- value the privacy, freedom of choice, and interests of all those affected by their actions
- foster cultural diversity and pluralistic values and treat all people with dignity and respect
- affirm, through personal giving, a commitment to philanthropy and its role in society
- adhere to the spirit as well as the letter of all applicable laws and regulations
- advocate within their organizations adherence to all applicable laws and regulations
- avoid even the appearance of any criminal offense or professional misconduct
- bring credit to the fundraising profession by their public demeanor
- encourage colleagues to embrace and practice these ethical principles and standards
- be aware of the codes of ethics promulgated by other professional organizations that serve philanthropy

ETHICAL STANDARDS

Furthermore, while striving to act according to the above values, AFP members, both individual and business, agree to abide (and to ensure, to the best of their ability, that all members of their staff abide) by the AFP standards. Violation of the standards may subject the member to disciplinary sanctions, including expulsion, as provided in the AFP Ethics Enforcement Procedures.

MEMBER OBLIGATIONS

1. Members shall not engage in activities that harm the members' organizations, clients, or profession.
2. Members shall not engage in activities that conflict with their fiduciary, ethical, and legal obligations to their organizations, clients, or profession.
3. Members shall effectively disclose all potential and actual conflicts of interest; such disclosure does not preclude or imply ethical impropriety.
4. Members shall not exploit any relationship with a donor, prospect, volunteer, client, or employee for the benefit of the members or the members' organizations.
5. Members shall comply with all applicable local, state, provincial, and federal civil and criminal laws.
6. Members recognize their individual boundaries of competence and are forthcoming and truthful about their professional experience and qualifications and will represent their achievements accurately and without exaggeration.
7. Members shall present and supply products and/or services honestly and without misrepresentation and will clearly identify the details of those products, such as availability of the products and/or services and other factors that may affect the suitability of the products and/or services for donors, clients, or nonprofit organizations.
8. Members shall establish the nature and purpose of any contractual relationship at the outset and will be responsive and available to organizations and their employing organizations before, during, and after any sale of materials and/or services. Members will comply with all fair and reasonable obligations created by the contract.
9. Members shall refrain from knowingly infringing the intellectual property rights of other parties at all times. Members shall address and rectify any inadvertent infringement that may occur.
10. Members shall protect the confidentiality of all privileged information relating to the provider/client relationships.
11. Members shall refrain from any activity designed to disparage competitors untruthfully.

SOLICITATION AND USE OF PHILANTHROPIC FUNDS

12. Members shall take care to ensure that all solicitation and communication materials are accurate and correctly reflect their organizations' mission and use of solicited funds.
13. Members shall take care to ensure that donors receive informed, accurate, and ethical advice about the value and tax implications of contributions.
14. Members shall take care to ensure that contributions are used in accordance with donors' intentions.
15. Members shall take care to ensure proper stewardship of all revenue sources, including timely reports on the use and management of such funds.
16. Members shall obtain explicit consent by donors before altering the conditions of financial transactions.

PRESENTATION OF INFORMATION

17. Members shall not disclose privileged or confidential information to unauthorized parties.
18. Members shall adhere to the principle that all donor and prospect information created by, or on behalf of, an organization or a client is the property of that organization or client and shall not be transferred or utilized except on behalf of that organization or client.

19. Members shall give donors and clients the opportunity to have their names removed from lists that are sold to, rented to, or exchanged with other organizations.
20. Members shall, when stating fundraising results, use accurate and consistent accounting methods that conform to the appropriate guidelines adopted by the American Institute of Certified Public Accountants (AICPA)* for the type of organization involved. (* In countries outside of the United States, comparable authority should be utilized.)

COMPENSATION AND CONTRACTS

21. Members shall not accept compensation or enter into a contract that is based on a percentage of contributions; nor shall members accept finder's fees or contingent fees. Business members must refrain from receiving compensation from third parties derived from products or services for a client without disclosing that third-party compensation to the client (for example, volume rebates from vendors to business members).
22. Members may accept performance-based compensation, such as bonuses, provided such bonuses are in accord with prevailing practices within the members' own organizations and are not based on a percentage of contributions.
23. Members shall neither offer nor accept payments or special considerations for the purpose of influencing the selection of products or services.
24. Members shall not pay finder's fees, commissions, or percentage compensation based on contributions, and shall take care to discourage their organizations from making such payments.
25. Any member receiving funds on behalf of a donor or client must meet the legal requirements for the disbursement of those funds. Any interest or income earned on the funds should be fully disclosed.

APPENDIX B

REVIEWING A FUNDRAISING PLAN

REVIEWING A FUNDRAISING PLAN COMPONENT CHECKLIST

The component checklist consists of elements normally present in effective fundraising programs that should be considered when developing and/or approving a plan to begin or expand efforts to raise money.

A nonprofit should consider each element in the checklist for its relevance to the nonprofit's needs and circumstances, assuming each is relevant unless there are sound reasons for it being omitted.

		<u>CHECK ONE</u>	
		<u>YES</u>	<u>NO</u>
I.	Basic Plan Objective:		
	A. To strengthen our current fundraising efforts.		
	B. To begin, or to expand current, fundraising efforts.		
	C. Includes an explanation of the plan's objective that is clear and compelling, e.g., "We are undertaking this effort to"		
II.	Funds Needed and Intended Use:		
	A. There is a clear statement of how much money is needed for each type of use, i.e., to support current operations, for a particular project(s), for capital spending and/or endowment.		
	B. Within each type, there is a clear listing of individual needs, functions, and/or uses for which donations will be sought and their amounts, i.e., how donated funds will be used.		
	C. Where relevant, there is a clear statement of the date or schedule by which certain funds will be needed, e.g., to complete a matching grant, by the end of the fiscal year, etc.		
	D. The bases for arriving at the specific amounts are identified, e.g., a bid, an estimate, etc.		
	E. The time period covered by the plan is described and explained, with specific starting and ending dates.		
	F. The plan includes tools for explaining to donors what their investment of funds will generate in terms of return.		
		Subtotal, II	
		Percent	

APPENDIX B (CONTINUED)

REVIEWING A FUNDRAISING PLAN

		CHECK ONE	
		YES	NO
III.	Sources and Amounts of Funds to Be Raised:		
	A. For each type of and need for funds, the plan indicates what the most likely sources of donations are expected to be, i.e., from foundations, corporations, individuals, public funds (federal, state, or local governments), or other.		
	B. Within each source (foundations, corporations, etc.) the plan identifies and ranks by order of priority (from most likely to give to less likely to give) which individual prospects are to be asked.		
	C. The plan estimates the amount of funds to be received from each source.		
	D. The plan includes a description of the roles various fundraising techniques (e.g., annual giving, major gifts, planned giving, special events, etc.) will play.		
	E. The plan includes a gift pyramid, estimating the amount of funds, and numbers of gifts for each level of giving.		
	Subtotal		
	Percent		
IV.	Communication, Cultivation, and Solicitation:		
	A. The plan explains the communications strategy to be used to establish and maintain contact with relevant constituencies.		
	B. The plan explains how prospects will be cultivated, solicited, and acknowledged.		
	Subtotal		
	Percent		
V.	The Fundraising Team:		
	The plan explains the responsibilities, roles, and level of effort each of the following will be expected to commit to the fundraising effort:		
	A. The board and individual board members		
	B. The chief executive		
	C. Other staff		
	D. Other volunteers		
	E. Others (e.g., outside consultants)		
	Subtotal		
	Percent		
VI.	Adequacy of Fundraising Resources:		
	A. The human resources needed to successfully move forward with the plan are sufficient.		
	B. The facilities and equipment needed to go forward are adequate.		
	C. The IT hardware and software needed to support the plan's implementation are satisfactory.		
	D. Information for current and prospective donors is available and accessible.		
	E. The financial resources needed to fund the plan are available.		
	F. The policies and procedures needed for plan implementation exist and are current.		
	Subtotal		
	Percent		

APPENDIX B (CONTINUED)

REVIEWING A FUNDRAISING PLAN

		CHECK ONE	
		YES	NO
VII. The Plan Budget, includes			
A. annual amount of funds to be raised for each year in the plan, and a plan total			
B. cash flow to be expected by year			
C. fundraising costs by year			
D. satisfactory explanatory narrative accompanies the data			
E. projected annual ratio of income to costs			
	Subtotal, II Percent		
VIII. Schedule and Performance Tracking:			
A. The plan includes a schedule, or timetable, for starting and target completion dates for different elements and phases of the plan.			
B. The criteria by which the plan's performance will be assessed are listed including the frequency of assessment, and how and by whom the assessments will be made.			
C. Samples are included of the tracking reports of the plan's progress that will be made available to whom and on what timetable.			
	Subtotal, II Percent		
IX. Additional Considerations:			
A. In addition to increased funds, the plan identifies additional benefits that can be expected as a consequence of undertaking the plan, e.g., more members, higher visibility, etc.			
B. The plan identifies potential hurdles that may limit the plan's success, and includes strategies for surmounting those hurdles.			
C. The plan reflects a consideration of whether and how other nonprofits' activities may impact the plan's implementation and potential success.			
D. The reasons for moving forward at this time with the plan are clearly explained.			
E. The reasons why donors should respond positively to the plan have been identified and are convincingly stated.			
F. The plan reflects not only the needs of the nonprofit, but also its personality and style.			
G. The plan explains the consequences of not moving forward with the plan.			
	Subtotal, II Percent		

APPENDIX B (CONTINUED)

REVIEWING A FUNDRAISING PLAN

CONCLUSION:

YES

NO

- A. All factors taken into account, this plan should be approved as presented.
- B. All factors taken into account, this plan should be revisited and possibly revised.

HOW TO SCORE THE PLAN

Sum the number of "Yes" and "No" responses and determine the percent of "Yes" and "No" responses in each of the categories II - IX. For items marked "No", ask the question, "Why is it not needed?"

Where answers are not convincing, the missing elements should be added to the plan.

The total percent of "Yes" responses indicates the relative level of thoroughness of the plan, how well it has been prepared.

<u>CATEGORIES</u>	<u>NUMBER OF</u>	
	<u>YES</u>	<u>NO</u>
I, C Objective Clearly Explained		
II Funds Needed and Intended Use		
III Sources and Amounts of Funds to Be Raised		
IV Communication, Cultivation, and Solicitation		
V The Fundraising Team		
VI Adequacy of Fundraising Resources		
VII The Plan Budget		
VIII Schedule and Performance Tracking:		
IX. Additional Considerations		

COMPOSITE SCORE

Total number: _____
Percent of total: _____

A composite score of 70% or higher indicates a well-conceived plan ready for implementation, if any missing factors can and will be readily addressed.

A composite score below 70% indicates that a significant number of missing elements should be addressed before the start of plan implementation.

NAME: _____

DATE: _____

POSITION: _____

APPENDIX C1 DONOR AND CONTRIBUTION TRACKING

DONOR & CONTRIBUTION TRACKING
CUMULATIVE YEAR-TO-DATE
For period ending XX.XX.XX
ANNUAL GIFTS¹

	NUMBERS OF DONORS/PROSPECTS					DOLLARS					
	START OF YEAR EXISTING	ANNUAL GOAL NEW	NEW YTD	CULTI-VATED ²	ASKS MADE ³	PLEDGES/GIFTS REC'D	ANNUAL GOAL	VALUE OF PLEDGES	CASH REC'D	CASH % GOAL	VALUE REC'D LAST YEAR
I Past Donors											
Individuals											
Foundations											
Corporations											
Other											
II Past Prospects-Non-Donors											
Individuals											
Foundations											
Corporations											
Other											
III Newly Identified Prospects											
Individuals											
Foundations											
Corporations											
Other											
IV TOTALS											
SIGNIFICANT CHANGES FROM THE PRIOR MONTH:											
OTHER NOTES OF INTEREST:											

¹ Separate but similar report formats would be used for Capital Gifts and for Campaigns, along with an all-in Summary report.

² "Cultivated" means some form of communication with the prospect relating to the organization and his or her interest in it.

³ "Ask" means that a request for a gift has been made, including submissions of proposals and other forms of an "ask."

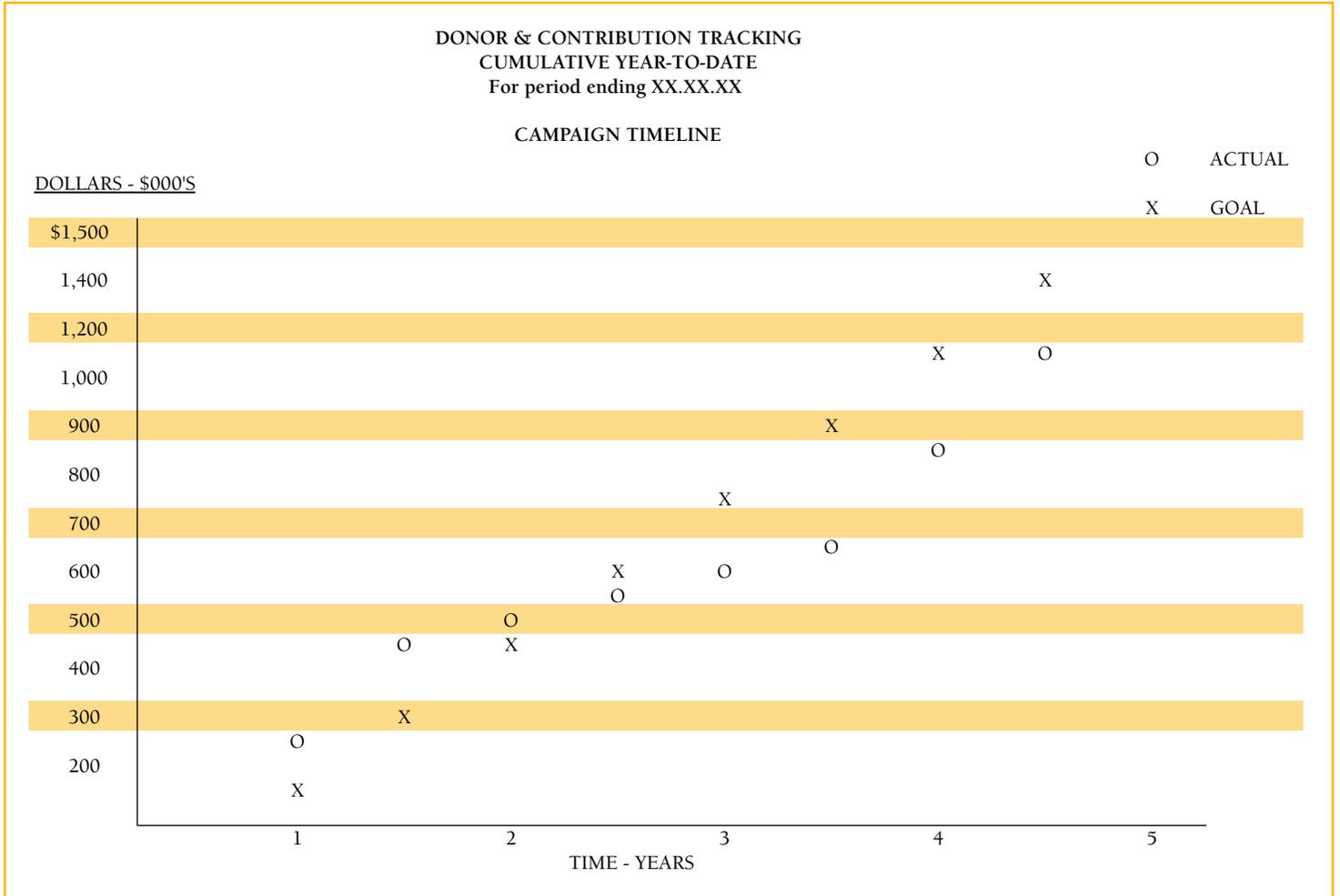
APPENDIX C2 DONOR AND CONTRIBUTION TRACKING

DONOR & CONTRIBUTION TRACKING
CUMULATIVE YEAR-TO-DATE
For period ending XX.XX.XX

CAPITAL GIFTS

	NUMBER OF DONORS/PROSPECTS					DOLLARS				
	ANNUAL GOAL NEW	NEW YTD	CULTIVATED	ASKS MADE	PLEDGES/GIFTS REC'D	ANNUAL GOAL	VALUE OF PLEDGES REC'D	CASH REC'D	TOTAL CASH & PLEDGES	% GOAL
GIFTS FROM:										
I Rated Prospect Donors										
Individuals										
Foundations										
Corporations										
Other										
II Newly Identified Donors										
Individuals										
Foundations										
Corporations										
Other										
III TOTALS										
GIFTS TO BE USED FOR:										
Endowment										
Buildings/Facilities/										
Equipment										
Campaign Credits										
(if applicable)										

APPENDIX C3 DONOR AND CONTRIBUTION TRACKING



APPENDIX C4 PLANNED/DEFERRED GIFTS

DONOR & CONTRIBUTION TRACKING CUMULATIVE YEAR-TO-DATE For period ending XX.XX.XX

PLANNED/DEFERRED GIFTS

Confirmed Gift Expectancies¹ from:

	NUMBER OF DONORS	FULL or FACE VALUE		PRESENT VALUE ³	
		ACTUAL	EST'D	ACTUAL	EST'D
I CURRENT DONORS²,					
Bequests					
Charitable Gift Annuities					
Charitable Remainder Trusts					
Charitable Annuity Trusts					
Charitable Lead Trusts					
Other					
 SUB-TOTAL					
 II NEW DONORS					
Bequests					
Charitable Gift Annuities					
Charitable Remainder Trusts					
Charitable Annuity Trusts					
Charitable Lead Trusts					
Other					
 SUB-TOTAL					
 III ALL SOURCES					
Bequests					
Charitable Gift Annuities					
Charitable Remainder Trusts					
Charitable Annuity Trusts					
Charitable Lead Trusts					
Other					
 TOTAL					

¹ 'Confirmed Gift Expectancies' is defined as a legally binding irrevocable written commitment

² 'Current Donors' defined as a person who has made a gift at some point, not necessarily in the current fiscal year.

³ 'Present value' is the value of an amount of money at some point in the future, based on assumptions of both inflation and rates of investment return as determined by 3rd parties for universal use.

APPENDIX D1 STRATEGIC PROGRAM AND FINANCIAL PLANS

STRATEGIC PROGRAM & FINANCIAL PLANS FUNDS TO BE RAISED Worksheet for Plan Objectives

STRATEGIC GOAL:¹

OBJECTIVES:	PLAN YEAR 1 ²					TOTAL
	OPERATING COSTS			CAPITAL NEEDS ⁵	ENDOW- MENT	
	Current ³	New ⁴	Total			
1						
2						
3						
4						
5						
6						
7						
PLAN TOTAL, Year 1						

¹ For each strategic goal, determine the financial resources that will be required to achieve each objective.

² Complete a separate sheet for each year covered by the plan, plus a plan total summarizing the full cost of plan implementation for the period of the plan.

³ Current costs are those now being incurred that will be part of the costs of implementation.

⁴ New costs are incremental operating (recurring) costs that will be required as part of implementation.

⁵ Capital needs are one-time expenditures for, e.g., IT hardware and software, facilities improvements, etc.

APPENDIX D2 STRATEGIC PROGRAM AND FINANCIAL PLANS

STRATEGIC PROGRAM & FINANCIAL PLANS FUNDS TO BE RAISED PLAN SUMMARY

First Plan Year:

Last Plan Year:

Total Plan Years:

STRATEGIC GOAL:	PLAN TOTAL					
	OPERATING COSTS			CAPITAL NEEDS	ENDOW- MENT	TOTAL
	Current	New	Total			
1						
2						
3						
4						
5						
6						
7						
PLAN TOTAL						

NOTES:

APPENDIX D3 STRATEGIC PROGRAM & FINANCIAL PLANS

STRATEGIC PROGRAM & FINANCIAL PLANS FUNDS TO BE RAISED PLAN SUMMARY CASH FLOW¹

PLAN YEAR	FUNDS NEEDED BY THE END OF EACH PLAN YEAR					
	OPERATING COSTS			CAPITAL NEEDS	ENDOW- MENT	TOTAL
	Current	New	Total			
1 2013-14						
2 2014-15						
3 2015-16						
4 2016-17						
5 2017-18						
PLAN TOTAL						
NOTES:						

¹ How does cash flow differ from plan summary? Depending upon the nature of the costs associated with plan implementation, activity scheduled to take place in Year 2 may require that funds to be on hand by the end of the prior fiscal year, rather than becoming available during the course of and by the end of the activity year. Those planning fundraising programs and responsible for their implementation need to be aware not only of how much money needs to be raised but also when those funds are needed by the organization.

APPENDIX E1

PROSPECT RESEARCH REPORT

INDIVIDUALS

Prospect Name
Prospect Address
Phone Number
Email Address
Prospect Rating
E-mail Address
Spouse
Children
Relations of Note

Business/Profession
Title
Age

Education
 University/College
 Degrees Earned

Past Business/Professional Affiliations

Indications of Wealth
 Income Estimate
 Net Worth Estimate
 Real Estate Holdings
 Known Stock Holdings

Directorships
Awards/Citations

Contributions to the Organization

Other Known Philanthropy

Cultivator/Contact Person

Reason why this individual is a prospect for our organization?

Sources for the information above:

Foundation Center Website
Foundation Directory - hardcover and on-line
IRS 990's
 Grants
 Assets
Guidestar.org

Foundation's Annual Report,
Prospectus
Google
Wikipedia
Chronicle of Philanthropy

APPENDIX E2 PROSPECT RESEARCH REPORT

RESEARCH REPORT FOUNDATIONS

Foundation Name
Foundation Address
Phone Number
E-mail Address
Prospect Rating

Principal Contact

Stated Mission
Principle Areas of Philanthropy

Assets/Endowment
Annual Budget

Officers
 Chair
 CEO

Board Members

Major Recent Grants - Recipients and Amounts

Reason why this foundation is a prospect for our organization?

Sources for the information above:

Foundation Center Website
Foundation Directory – hardcover and on-line
IRS 990's
 Grants
 Assets
Guidestar.org

Foundation's Annual Report
Prospectus
Google
Wikipedia
Chronicle of Philanthropy

APPENDIX E3

PROSPECT RESEARCH REPORT

RESEARCH REPORT CORPORATIONS

Corporate Name
Corporate Address
Phone Number
E-mail Address
Prospect Rating

Principle Contact

Principle Business
Principle Products/Services

Principle Areas of Philanthropy

Assets
Annual Income Statements (P&Ls)

Officers
 Chair
 CEO

Board Members

Major Recent Corporate Gifts - Recipients and Amounts

Reason why this corporation is a prospect for our organization?

Sources for the information above:

Annual Reports	Bloomberg
Balance sheet	
Income Statements	Google
Proxy statements	Wikipedia
Corporate Website	National Center for Charitable Statistics
SEC Edgar data base	Chronicle of Philanthropy
Financial press e.g., Wall Street Journal, Financial Times, Business Week, etc.	

APPENDIX F

FUNDRAISING READINESS ASSESSMENT

HOW TO SCORE AND EVALUATE THE ASSESSMENT:

The "Yes" responses indicate current capabilities, and the "No" responses indicate areas which may need to be strengthened relative to the needs of the nonprofit for additional funds.

Sum the total number of "Yes" and "No" responses and determine the percent of "Yes" and "No" responses in categories II through V.

The total percent of "Yes" responses indicates the relative readiness of a nonprofit to be effective in its fundraising efforts. Ultimate success of course depends on additional factors, including capable, consistent and sustained efforts over time. Starting from a sound base improves the ability to be effective in fundraising efforts and successful in meeting fundraising goals.

	CHECK ALL THAT APPLY	
	YES	NO
I. REASONS FOR CONDUCTING THE ASSESSMENT		
This assessment is being conducted in order to:		
A. Assess the current fundraising efforts as part of periodic due diligence		
B. Prepare for a new initiative in		
1 <u>Starting</u> to raise money for		
Annual giving		
Capital needs		
Endowment		
Other (e.g. to facilitate a merger)		
2 <u>Expanding</u> current efforts in		
Annual giving		
Capital needs		
Endowment		
Other (e.g. to facilitate a merger)		
3 <u>Preparing</u> for a special purpose campaign for		
Capital needs		
Endowment		
Multi-purpose "umbrella" - annual and capital		
Building project (new facility)		
Special (one time) project		
II. INVENTORY OF CURRENT RESOURCES		
A There is a detailed fundraising plan, including staff and volunteer responsibilities, breakdown of the effort among the s (individuals, corporations, foundations, etc.), tables of needed gifts and timetables.		
B Those willing and able to actively engage in raising money include:		
1 Most board members		
2 Executive Director		
3 Chief fundraising officer		
4 Professional fundraising staff		
5 Support staff in fundraising		

APPENDIX F (CONTINUED) FUNDRAISING READINESS ASSESSMENT

	CHECK ALL THAT APPLY	
	YES	NO
C The supporting resources needed include:		
1 Sufficient and appropriate physical space		
2 IT Capabilities		
Hardware		
Software		
For fundraising		
Linked to accounting		
3 Current and prospective donor data		
Current and complete		
Available and accessible		
Research capability		
4 Materials		
Resources		
Staff time		
Systems and procedures for		
5 Proper management of gifts received		
Recording and maintaining donor data		
Gift recognition and thank you protocols		
Effective communication tools and content		
D Nonprofit Articulation		
1 There is a clear, concise and compelling statement of the nonprofit's mission		
2 There is a strategic plan in place which clearly states the nonprofit's goals for the future and explains the strategies for achieving those goals		
3 There is a detailed financial plan, including the level, type and timing of funds needed to sustain and to enhance the nonprofit		
4 Contact information for and communication channels with important constituencies are in place and effective		
5 The awareness and appreciation of the nonprofit by important constituencies is sufficient for the needs		
	Subtotal	
	Percent	
III ASSESSMENT OF FUNDRAISING SKILLS AND EXPERTISE OF MEMBERS OF THE TEAM		
A Governance - Most Board Members		
1 Are informed and experienced fund raisers		
2 Personally engage in fundraising programs		
3 Provide effective guidance and oversight of fundraising efforts		
4 Personally contribute at an appropriate level		
B The Executive Director		
1 Is an informed and experienced fund raiser		
2 Actively supports and engages in current fundraising		
3 Provides effective guidance and oversight of fundraising efforts		

APPENDIX F (CONTINUED) FUNDRAISING READINESS ASSESSMENT

	CHECK ALL THAT APPLY	
	YES	NO
C Professional fundraising staff is/are		
1 Headed by a chief fundraising officer		
2 Informed and experienced fund raisers		
3 Actively support and engage in current fundraising		
4 Provide effective guidance and oversight of fundraising efforts		
D Support fundraising staff		
1 Are knowledgeable about their roles		
2 Have appropriate & sufficient skills and expertise		
3 Are effective and efficient		
E Nonprofit Relationships		
1 Relationships within the nonprofit are mutually supportive and friction-free		
2 Relationships with colleagues in relevant other nonprofits are respectful and supportive		
F Fundraising Volunteers		
1 There is a volunteer fundraising program		
2 The volunteers are trained for their duties		
	Subtotal	
	Percent	
<hr/>		
IV. EXTERNAL CONSTITUENCIES:		
A. Most current donors:		
1 Are aware of the nonprofit		
2 Have a good understanding of what the nonprofit does		
3 Are appreciative for what it does		
4 Are financially supportive consistent with their resources		
5 Enlist others to support the nonprofit		
6 The nonprofit is one of their three top priorities		
<hr/>		
B. Those believed to be potential donors:		
1 Are generally aware of the nonprofit		
2 Have an understanding of what the nonprofit does		
3 Appreciate what it does		
4 Would be willing to provide financial support		
5 Would enlist others to support it		
<hr/>		
C Other important constituents (e.g. public officials, leading citizens, etc.)		
1 Are aware of the nonprofit		
2 Have a good understanding of what the nonprofit does		
3 Appreciate what it does		
4 Are financially supportive		
5 Have enlisted others to support the nonprofit		

APPENDIX F (CONTINUED) FUNDRAISING READINESS ASSESSMENT

		<u>CHECK ALL THAT APPLY</u>	
		<u>YES</u>	<u>NO</u>
D Donor and Potential Donor Base Size and Composition			
Is the donor base size adequate			
Is the composition and mix of donors appropriate, among:			
Individuals			
Corporations			
Foundations			
Government			
Will the current Prospect Rating System enable effective			
, priorities to be assigned to current and prospective donors			
		_____	_____
Subtotal			
Percent			
<hr/>			
V ACCESS TO EXPERTISE AND ADVICE			
If needed to complement existing expertise, additional			
help will be			
A Available from professional colleagues			
B Provided by a consultant if needed			
C Easy to identify			
D. Easy to access			
		_____	_____
Subtotal			
Percent			
		=====	=====
TOTAL			
PERCENT:			

SUMMARY

As briefly as possible, please list:

A. The three strongest strengths about the nonprofit which will contribute the most to successful fundraising:

B. The three biggest hurdles to be overcome in order to be successful:

C. Other comments and suggestions:

Name:

Date:

Position:

APPENDIX G

FEASIBILITY STUDY EXPLAINED¹

Who conducts a feasibility study?

Feasibility studies are almost always conducted by outside experienced fundraising consultants, because of their specialized expertise and their independence. Both are important factors in soliciting candid responses from those who will be interviewed (as described below), in evaluating the organization's external and internal resources (see below), and in formulating candid recommendations. All of this information is critical to helping a nonprofit be as informed as possible when making its campaign planning decisions.

What are the components of a feasibility study?

A study

- assesses how the nonprofit is perceived by relevant stake holders whose understanding of and willingness to support the organization will be critical to a campaign's success
- gauges the relative interest in and commitment to the nonprofit of key stakeholders and those most likely to be donors of significant gifts²
- determines the breadth and depth of commitment, in both time and money, of potential campaign leaders
- evaluates the quantity and quality of an organization's volunteers
- reviews the organization's existing resources³, capabilities, and capacities for effectively conducting the proposed campaign
- determines what other potential competing campaigns are underway in the nonprofit's community and in its field, if relevant

How will a study be conducted?

The study will be conducted through

- confidential in-depth interviews with
 - the organization's top donors and top potential donors
 - other important constituents, such as board members, community leaders, and key volunteer workers
 - the probable leaders of the campaign

¹ A feasibility study is an objective assessment of the organization's ability to raise specified amounts of money for the stated purpose(s) in a prescribed time frame. Its primary function is to answer the question: Can the organization reach its desired campaign financial goal?

² Typically 80 percent of funds contributed to an organization, especially in a capital campaign, will come from 20 percent of its donors, i.e., those capable and motivated to make large gifts. Significant campaigns are rarely successful in the absence of a cadre of such donors.

³ Such resources would include fundraising skills and experience of key management and staff, existing fundraising materials, past giving history, donor lists, research strength, supporting software, and related resources.

- on-line or hard-copy surveys of other relevant stakeholders, or samples thereof (e.g. clients, patients, alumni, ticket holders, volunteers, etc.)
- independent research

What are the outcomes, the deliverables of a feasibility study?

A study should

- present both findings and an interpretation of their significance to the proposed campaign and each of its components
- present general conclusions with specific regard to the proposed campaign
- present recommendations for
 - changes to the proposed campaign (e.g., purposes, size, and/or timing) that would increase its probable success, if any are warranted
 - strategies that would likely be the most effective in raising significant funds
 - other steps that the organization should consider to increase its ability to conduct a successful campaign, e.g., staffing and other resources needed

How should decisions be made?

With the findings and recommendations in hand and after further discussion with the consultant, the nonprofit should be well positioned to review, revise its initial campaign components where deemed appropriate, and craft a final campaign plan with reasonable confidence in its ultimate success.

N.B. Feasibility studies can be expensive. Depending on the magnitude of the endeavor and its complexity (single or multiple purpose, combined annual and capital giving, etc.), feasibility studies can cost as little as a few thousand dollars and as much as \$50,000 or more. Board members and others may ask, “Is it worth it?” The answer is “yes,” as a well-executed feasibility study almost always leads to better results, minimizes chances of failure, and saves precious time by giving focus and direction to the campaign’s implementation. Feasibility studies are a proven investment with a significant beneficial return.

ABOUT THE AUTHORS

RON WORMSER

Ron Wormser's 40-year career was spent working for four different nonprofits — the Harvard Graduate School of Education, the State University of New York at New Paltz, the Institute of International Education, and The Curtis Institute of Music — as a chief finance and/or administrative officer. He frequently was responsible for fundraising programs. Ron also served as primary staff support to these organization's governing boards.

Since retiring and relocating to Carmel, California, in 2007, Ron has been giving back to the nonprofit community by volunteering with the Arts in Crisis program of the Kennedy Center for the Performing Arts and with new and smaller human services nonprofits as a board member, executive coach, and consultant, both independently and as a member of the Stanford Alumni Consulting Team, Monterey Peninsula Chapter.

Ron's experience working with new and smaller community-based nonprofits during the extended financial recession highlighted the imperative for increased fundraising effectiveness. As lead author, Ron conceived this guide as a means of helping nonprofits become better equipped for achieving success in their fundraising efforts for the benefit of those they serve.

JOSIAH STEVENSON IV

With a career that includes working for both for-profit and nonprofit organizations, Joe Stevenson has special experience and skills in finance, fundraising, and general staff operations.

As a product manager, group manager, and general manager at Chesebrough-Pond, now Unilever, Joe directed the marketing of consumer packaged goods products in the U.S. and Asia. Subsequently, he managed fundraising programs as director of development at Dartmouth College and the Boston Symphony Orchestra and as vice president of development at the Curtis Institute of Music in Philadelphia. In these capacities, he led major capital campaigns for each institution, effectively funding new facilities, building endowments, and strengthening annual funds. He also served as chair of an alumni governance committee for Dartmouth College that defined alumni trustee election processes. Joe was president of the Dartmouth Alumni Council and honored as a recipient of the Dartmouth Alumni Award.

Currently living in Pinehurst, North Carolina, he is a board member of the North Carolina Symphony, serving on its development, annual fund, gift planning, and investment committees. He also serves on the board of the Weymouth Center for the Arts and Humanities in Southern Pines, NC. Joe does part-time consulting work for a variety of nonprofits.