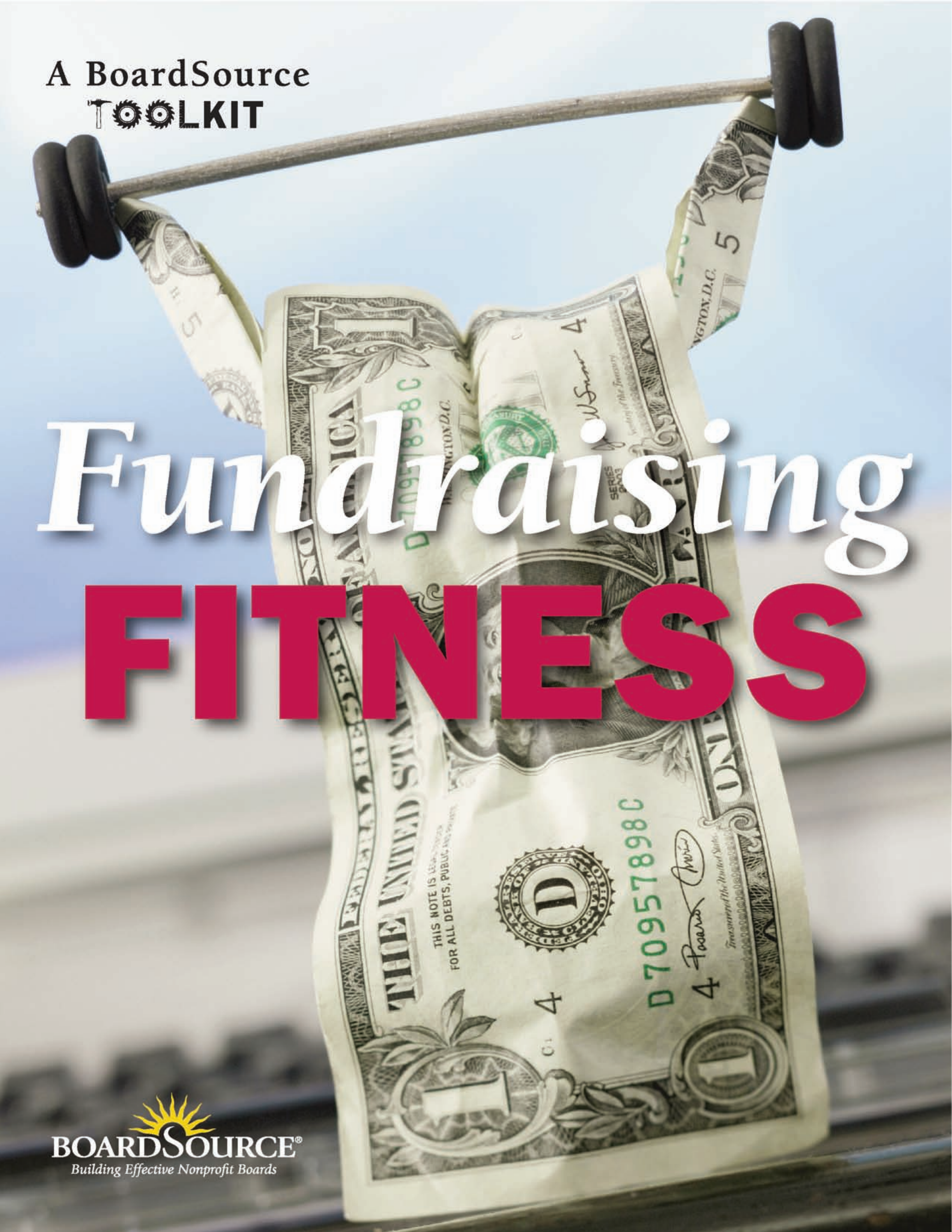
A BoardSource
TOOLKIT

Fundraising FITNESS



BOARDSOURCE®
Building Effective Nonprofit Boards

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WELCOME
TO YOUR BOARDSOURCE TOOLKIT

If you were to ask your board members to identify their least favorite responsibility, chances are they would say fundraising. In fact, in BoardSource's *Nonprofit Governance Index 2007,* survey respondents said fundraising was the area most in need of improvement by board members.

While this may not shock you, it probably does discourage you. A lack of fundraising acumen in board members can limit the activities of nonprofits in normal times. In the midst of economic turmoil around the world and plunging endowments at home, it can be fatal. Board members must develop skills now that will enable them to provide their organizations with a more secure financial future.

The fact that you have purchased this toolkit indicates that you take your board's responsibility to ensure adequate financial resources seriously. After all, an organization can be effective only if it has enough resources to fulfill its mission and meet its goals. And while a board can and should expect the chief executive and senior managers to also secure financial support, it should acknowledge that staff effectiveness in fundraising is linked to board member participation. To put it bluntly: If your organization relies on fundraising to meet annual operating needs and future funding requirements, your board has a responsibility to actively participate in efforts to attract gifts and grants.

This toolkit can help your board get started or improve efforts that are already underway. *Fundraising Fitness: A BoardSource Toolkit* is divided into five parts that will teach you:

- the basics of fundraising and the role of the board
- the importance of having good fundraising policies
- how to prepare board members to raise funds and keep reluctant board members involved
- how to raise funds, even in turbulent economic times
- methods for evaluating your fundraising efforts so you can identify areas for improvement

You'll find proven advice and practical tips, along with questions to stimulate board discussion around important fundraising topics. The 29 tools address these topics and more:

- what's involved in fundraising, from board roles and responsibilities through evaluating your fundraising efforts
- the role of the development committee and how to help it succeed
- how to establish fundraising policies that work for your particular board, including a gift acceptance policy and donor relations policy

- how to assess your board's fundraising culture and readiness to begin
- ways to involve every board member in the process by playing to individual strengths
- role-playing exercises that can help even the most reluctant board member get comfortable playing a part in fundraising
- methods for tracking fundraising costs and overhead and monitoring board member giving

The toolkit is based on resources in BoardSource's vast library of governance, material that has shown hundreds of thousands of nonprofit board members and other leaders how to develop sound governance practices. BoardSource has more than 20 years of unparalleled experience helping nonprofits tackle challenging situations. In addition to our publications and online resources, our consulting team of governance experts is ready to assist your board and may be reached via e-mail (consulting@boardsource.org) or by calling 877-892-6293.

As you work on your board's fundraising fitness, we hope you will continue to look to BoardSource for guidance.

Linda Crompton
President & CEO
BoardSource

PART 1

FUNDRAISING BASICS

fund·raising *v*
the organized activity of soliciting and collecting money

TOOL 1

FUNDRAISING IN THE 21ST CENTURY

There has never been a more exciting time to be involved in philanthropy. The growth of wealth and opportunities for investing that wealth in communities; the emergence of growing global, national, and local issues that inspire donors to give; and the realization by so many that philanthropic giving is one of the finest forms of self-actualization have combined to create an environment for board member participation that is exhilarating and demanding.

The democratization of philanthropy, in which passion, networking, and advocacy cross economic, social, demographic, and other previously identified barriers, has provided a landscape of nearly unending stories about gifts of often surprising size, form, and origin. Even with the softening of the economy, the abundance of American philanthropy continues to lead and inspire the rest of the world.

With the generosity of these self-described "activist philanthropists" have come other demands: rising expectations regarding impact and accountability, the need to have giving opportunities align with a growing focus on social entrepreneurship, and a greater need for involvement. In the mid-1990s, we saw the demise of "checkbook philanthropy" and, in this first decade of the twenty-first century, the ink has dried on the death certificate. Now, donor-investors (or social investors) want information, a relationship, and heightened accountability for program, financial, and board performance.

As a younger generation of board members moves into the chairs their parents and grandparents may have occupied — or into boardrooms their families never entered — we are seeing some changes in boards, as well. The "young and the restless" are coming on boards in increasing numbers. Raised in the high-speed world of technology and itching always to hit the "send" button, traditional board processes may be irritating and alien to them. Their inexperience with the way our sector operates manifests as impatience — and is a lesson for those of us who may tolerate the sometimes numbing discussions on issues that could perhaps be dealt with more swiftly. We cannot let these style differences bifurcate our boards — we must turn instead to educating younger, newer board members to the ways of our sector, exercise tolerance as they ask uncomfortable questions, and offer openness to new ways of governing. Fundraising is not about money, it is about relationships. If we do not embrace these board members, how can we engage them to connect us with the new donors?

ENGAGING BOARD MEMBERS WITH 21ST CENTURY PHILANTHROPY

Whether new, young, or veteran, board members need to know what new donors (including those sitting at the boardroom table) are seeking in the organizations in which they are investing. These include:

- transparency, once a "buzz word" and now the watchword (Everything we do should pass the transparency test.)
- accountability, for program and financial performance and governance
- evidence of results or impact (It is not enough to talk about reach; we need to know and tell the stories of impact.)

- a “return on investment” based on the values that inspired their giving
- appropriate (and donor-driven) involvement — letting them help define how and how much they want to be involved
- a focus on issues (Values are manifested in issues, such as homelessness, poverty, access to the arts, educational opportunities, that transcend your organization.)
- solutions (Do you serve or solve or do both, and how do you convey your progress toward your vision?)

As board members become more actively involved in brokering the relationships that lead to heightened investor participation, there are things we must do to support their efforts:

- Engage them in tasks related to donor development where they have a high level of confidence.
- Brush up your case for support to make sure it is current, highlights your relevance and the urgency of the need you are meeting, and focuses on impact and solutions.
- Help them become better stewards to all donors, not just your major donors (or rising major donors).
- Let them know about the trends in philanthropy and how your development program is responding to those trends in its planning.

While adjusting to the swirl of new ideas, demands, and donors, the board also needs to remember that many of the “Greatest Generation” are still engaged with us as donors and that older Baby Boomers may need more traditional outreach. However, one stunning aspect of the new philanthropy, which is demanding and donor-centric, is that it is not confined to one age group. Many “new” philanthropists are in their 60s, 70s, and 80s — late entries into the world of giving because the transfer of wealth from their elderly parents has just happened — and they are impatient for other reasons: They want to see change in their lifetimes and therefore are just as eager to see results as donors and board members in their 20s and 30s. It is also remarkable that the fastest growing population of Internet users is people over 65 — our Web sites, Web social networking sites, and e-mail communications are also not age confined.

Philanthropy in the twenty-first century presents a remarkable landscape. Though often difficult to navigate, it offers board members and donors a journey that is more satisfying than ever.

SOCIAL ENTREPRENEURSHIP: PHILANTHROPY’S FUTURE

Much has been written about social entrepreneurship. The movement has become a defining aspect of twenty-first century philanthropy, and one that boards and board members need to understand.

Social entrepreneurship generally describes the practices of people who have focused on an issue, created an organization, and are determined to solve or serve a critical human or societal need. While some researchers and scholars have written about social entrepreneurship from the aspect of the creative funder who establishes a foundation and moves forward with generous resources to address issues, there is another side of social entrepreneurship: how we position ourselves as organizations. And this is what concerns some of our newer board members.

We must inspire the transformation to social entrepreneurship on our board and among our donors if we are to realize the potential of this century’s philanthropy. Some of the techniques, which are listed below, are new; others are as old as philanthropy.

- Make sure your vision is about your impact on the community, not about your organization: Look through the windows, not into the mirror.
- Have a mission statement that describes the human or societal need you are meeting followed by a short statement about what you do about that need — it must answer the question "Why?"
- Ensure that your core values are apparent in all that you write, do, and say.
- Remember that people give to our organizations because we meet needs, not because we have needs, and that a gift to us is really a gift through us into the community: We are not the end users of these gifts.
- Engage the board in new ways to work: task forces, mission-focused discussions, mastering your stories of impact, etc.
- Develop relationships with volunteers (including board members) and donors based on who and where they are (it is a donor-centric world).
- Practice stewardship to all donors — not just major donors — based on the return on investment (in values) that you offer.
- Balance your emphasis on the two investment portfolios: financial and social.

We can lift the perception of the sector in our communities, particularly among the new philanthropists and younger board members. We can collaborate, cooperate, and mesh our missions with organizations doing like or similar activities — widening our world of potential investors. We can sacrifice territory and ego and embrace the larger mission of the need we (and others) are meeting in the community. We can work together to strengthen our communities, not just our organizations.

Philanthropy is changing at Internet speed. We cannot stop the tide — we just need better boats and navigation systems to ride it to the best harbors.

Excerpted from "Fundraising in the 21st Century" by Kay Sprinkel Grace. Board Member®, *May/June 2008.*

DELINEATING ROLES & RESPONSIBILITIES

TOOL 2

One of the causes for discord in many nonprofits is confusion over fundraising roles. Who is actually responsible for bringing in grants and donations, and who determines the overall fundraising strategy and policies? What tasks belong to the staff and what duties are carried out by the board? Without a true understanding of fundraising as part of the overall financial plan and without appropriate division of labor, it is difficult to secure a strong fiscal base for the organization. The board and the chief executive need to be on the same page on this issue.

WHERE DOES THE MONEY COME FROM?

Keeping all eggs in one basket — relying on one method of fund development — is not a smart formula for securing financial health. In fact, fundraising is only one of the ways for nonprofits to bring in income. Government grants provide about 30 percent of all revenue in the nonprofit sector. Earned income — fees for services or products and membership dues —is often an excellent way to bring about financial stability. In addition, many organizations engage in entrepreneurial ventures that often produce income through unrelated business activities.

FUNDRAISING ACTIVITIES

A nonprofit has many options for bringing in money in addition to fees for services and contracts with government or other agencies. It may write proposals to foundations. It may solicit funds through direct mail. It can rely on annual campaigns and phone campaigns. Corporate sponsorships may underwrite major events. Small scale special events may be part of the annual calendar. Capital campaigns and planned giving can bring in important funding. Board members make personal contributions. Whatever the type of fundraising an organization decides to engage in, it should make an appropriate choice for its scope and incorporate the activities in the overall fundraising plan.

BOARD

One of the primary responsibilities of the board is to ensure that the organization has adequate financial resources to carry out its mission. The board approves the budget so it must be on top of how the money comes in. The board must agree on the programmatic goals, so it must also agree on how the work gets financed. If one of the ways for the organization to fulfill its obligations is to raise additional funds, then the board must commit to make this happen. Either the board raises the needed funds or it ensures that staff is equipped with the necessary skills and expertise to organize the fundraising effort. In many organizations the two go hand in hand.

The board also drafts the necessary master policies related to fundraising. It ensures that appropriate gift-acceptance guidelines are compatible with the mission of the organization. It clarifies board members' personal responsibility to make a contribution or to participate in fundraising activities.

INDIVIDUAL BOARD MEMBERS

If the organization needs and decides to raise funds, it is natural that individual board members do their share. The board should have policies on what is expected in terms of personal giving or participation in fundraising for board members. The overall coordinator of the fundraising effort should include board members in the action plan to ensure that everything is synchronized. As every board member is not equally skilled in the intricacies of raising funds, a concerted effort for training makes sense. Board members can be great references for potential funders. They can accompany the chief executive on make-the-ask visits. They can sign fundraising letters or be visible attendants at special events. They may recommend or cultivate potential new board members and serve as fundraising guides for less experienced peers.

DEVELOPMENT COMMITTEE

Many boards today look at development as a process whose end result is successful fundraising. This concept allows the organization to take a totally new approach to development committees. Instead of forming a board fundraising committee, it might make sense to form an organizational committee that can be mostly composed of non-board members and that works directly with and reports to development staff. Board members with special skills and contacts would also serve on this committee.

In addition, boards may want to form their own fundraising committees or taskforces as the need arises. As every board is responsible for the overall policy formation, this task force can take the lead in drafting the necessary organizational fund development policies. If the board decides that each board member needs to be individually engaged in fundraising efforts, this task force can serve as a board-level motivator.

CHIEF EXECUTIVE

The chief executive has a key role in fundraising. Working in partnership with the development staff and the board, she acts as the primary representative of the organization. The chief executive tends to spend a significant part of her time on cultivation of major funders and public relations in general. Sometimes the board hires the chief executive mainly to raise funds to let itself off the hook. This is an unfair and unrealistic demand. Fundraising is always a team effort. Division of duties must be clearly defined.

DEVELOPMENT STAFF

When an organization is able to hire professional development staff — development director, grant writers, planned giving experts, or other specialized development consultants — it also has a possibility to diversify its fundraising efforts. The development director usually is the coordinator of the overall fundraising plan. He finds the best way to take advantage of the chief executive's persona, to collaborate with the board to utilize the contacts that board members bring with them, and to hire and supervise the rest of the development staff.

SETTING THE STAGE

Not all nonprofits raise funds. Some are lucky to be self-sufficient and earn adequate income from their products and services. Others have endowments that provide regular operating funds. Only 501(c)(3) organizations (with some exceptions) can receive tax-deductible donations. Other tax-exempt categories therefore are not attractive to donors and funders and must rely on alternate streams of revenue. But if the board of a public charity comes to the conclusion that fundraising is a necessary option, it is imperative that all board members, the chief executive, and the rest of the development staff participate actively in carrying out this responsibility.

BOARD RESPONSIBILITIES	STAFF RESPONSIBILITIES
Approve annual operating budget and fundraising plan that support organization's strategic plan	Prepare fundraising plan with specific goals and objectives that link to the strategic plan and its fiscal imperatives
Approve fundraising policies and procedures, in accordance with an articulated code of professional fundraising ethics	Select and implement fundraising techniques aimed at building and sustaining donors and prospects.
Support staff by identifying potential donors, participating in face-to-face meetings and special events, and fostering communication with donors	Develop a donor cultivation and solicitation plan, including identification and qualification of prospects, recruitment and preparation of solicitation teams, and scheduling of face-to-face meetings
Support organization's fundraising efforts with a personal annual gift and/or a planned gift	Handle all administrative tasks associated with fundraising, including data management, accounting, and donor recognition
Monitor performance of fundraising results compared to approved goals and budget	Prepare regular reports that evaluate fundraising efforts based on gifts received, costs incurred compared to costs budgeted, and other metrics meaningful to the organization
Ensure funds raised are used in accordance with legal and accounting requirements and any donor restrictions	Maintain stewardship of donors and their gifts by maintaining good relations and communications

Excerpted from the BoardSource Topic Paper "Fundraising Roles," and from Fundraising Responsibilities of Nonprofit Boards, Second Edition, *by James M. Greenfield, BoardSource, 2009.*

TOOL 3

You have made a personal commitment to a nonprofit organization by agreeing to serve on its board. In addition to contributing your time and talents, that commitment should include providing financial support appropriate to your means and encouraging others to give as well. According to a survey conducted by BoardSource, more than half of the responding organizations require their board members to identify donors and/or solicit funds, attend fundraising events, and make a personal contribution.

As a board member, be prepared to:

MAKE A PERSONAL GIFT

Potential board members should be made aware of the organization's annual fundraising cycle and the expectation that they contribute. In fact, some organizations not only require specific contributions as a condition of board service but also charge each board member with raising a certain amount from others each year. When board members demonstrate their personal commitment by giving to an annual fund or capital campaign, it becomes easier to encourage others to follow suit.

During the year, the board should receive updates on the total goal set for donations from board members, progress toward that goal, and the percentage of board participation. Although "heavy hitters" are certainly welcome on a board, the amount contributed is less important than the participation rate. Foundations, government agencies, and individual donors will be impressed when your organization can report a 100-percent participation rate for board members.

ESTABLISH POLICIES TO GUIDE FUNDRAISING

Fundraising policies, plans, and goals should be tied closely to mission, and it is up to the board to make sure this happens. Boards should not get carried away with details but provide wise direction for staff.

When creating written policies to guide fundraising activities, consider the following questions:

- How much of the budget, now and in the future, should depend on outside giving?
- What is the maximum percentage of the budget that can be spent on fundraising?
- Should the organization apply for government grants or contracts?
- Are there fundraising strategies the board does not want staff to pursue?
- What ethical standards should be followed?
- Does the gift acceptance policy provide a means for the board to decline a gift that either does not reflect the organization's mission or appears contradictory to it?

SELECT AND ENCOURAGE A DEVELOPMENT-SAVVY CHIEF EXECUTIVE

Most chief executives spend a good deal of time raising money — but they can't do it alone. Board members can pitch in by offering time, advice, and contacts.

They can also encourage a chief executive to pursue education and training in this area. (For example, the Association of Fundraising Professionals offers a Certified Fundraising Executive, or CFRE, designation). The board's affirmation of the chief executive—in fundraising as well as in other areas — sends positive signals to staff and constituents and can often translate into fundraising success.

RECRUIT BOARD MEMBERS WHO ARE WILLING TO RAISE FUNDS

Each member brings to the board a unique network of contacts; tapping into these networks broadens your organization's fundraising base and raises awareness of the work it does. When identifying potential candidates, review the board's current composition and decide whether the organization needs more board members with talents and experience in fundraising or members who are well connected to potential sources of funds. Be straightforward about recruiting prospective members who will be especially effective in this area.

VOLUNTEER TO HELP

All board members have a place in fundraising. If directly asking for contributions isn't your strong suit, volunteer to take on other tasks. You might, for example, host a luncheon, sell tickets to an event, sign or send letters to people you know, and or make thank-you calls to donors. Board members who are not major donors can still support fundraising efforts by attending events and bringing a positive attitude to all donor interactions and initiatives.

EVALUATE YOUR EFFORTS

Staff members can be too close to the fundraising process to evaluate the results objectively; approaches that work well at first may be continued far beyond their effectiveness. Through regular yet informal evaluation, you and other board members can determine the cost-effectiveness of various events or activities. Also, as a contributor yourself, you're in a good position to offer feedback on which fundraising strategies appeal most to a particular segment of the community.

Excerpted from The Nonprofit Board Answer Book, Second Edition, *BoardSource, 2007.*

TOOL 4

Many boards spend considerable time defining the board's role in securing adequate resources for the organization. Personal contribution is an essential part of that discussion. Each board should determine its own personal giving policy. For boards that raise funds, the target should be to reach 100-percent board member participation.

WHY SHOULD BOARD MEMBERS GIVE?

Board member giving is natural and necessary. Here are some rationales:

- Board members of most charitable organizations are expected to participate in fundraising. An appeal is particularly convincing if a board member uses him or herself as an exemplary donor.
- The board is responsible for providing a sound financial basis for the organization. By personally contributing, a board member recognizes this responsibility and demonstrates a commitment.
- Nearly 90 percent of American households contribute to charities. A board member should designate his or her own organization as one of the main recipients of his or her generosity.
- Many foundations only contribute to organizations where every board member is a contributor.

GIVING POLICIES

The board must draft a fundraising and personal giving policy. A strong leader during the decision-making process — a sensitive peer who is in a good position to make the case — can help find a consensus among board members. As the decision affects each board member individually, it is necessary to create a policy that can be enforced. To avoid any misunderstandings and false expectations, every board candidate should be familiar with these policies.

HOW MUCH IS ENOUGH?

It is probably not a good idea to ask each board member to make an equal contribution. Some board candidates might find the amount too high; therefore the policy would eliminate valuable prospects from joining the board. Others may have considered contributing more but a lower suggested amount could change their minds. The policy could set a range, suggest a minimum amount and/or encourage each member to give generously according to his or her means. One set of guidelines may not be appropriate for every board.

ADDITIONAL OPTIONS

Some boards tie fundraising and personal giving closely together. Each board member, for instance, is asked to bring in $5,000. It is up to the individual board member to raise the funds or make a personal contribution. Many performing arts boards, besides setting a base contribution level, want board members to purchase season tickets and bring guests to performances. In other types of organizations, board members could be asked to buy memberships for others, subscribe to the organization's journals, or purchase publications as gifts. Board members could pay their own registration fees for conferences. They could support special events financially by purchasing auction tickets or donating items to an auction or a sale.

HOW TO MAKE BOARD MEMBERS DELIVER

Some boards ask their members to pledge a certain amount for the year or have them sign a letter of intent. The board chair or the chair of the development committee keeps track of the contributions and contacts any member who seems to have forgotten the pledge. Vigilant board chairs share the track records of individual board members with the rest of the board, thus increasing the 'public' pressure. When 100 percent of the board members have fulfilled their promises, the entire board celebrates. As long as there is a policy in place, there must be a method of making it work.

STATISTICS

According to a recent BoardSource survey, 68 percent of nonprofit organizations have a policy requiring board members to make a personal contribution on an annual basis. Boards average 74 percent participation in giving; however, on the average, only 46 percent boards had 100-percent participation. In the arts and cultural organizations, it is more common to find required annual contributions.

Excerpted from the BoardSource Topic Paper "Board Members and Personal Contributions."

TOOL 5

CREATING A DEVELOPMENT COMMITTEE

By creating a development committee as part of your board, you are establishing a deeper level of focus and creativity in plans for raising money and soliciting gifts. Because fundraising is such an important role of governing boards, it is certainly advantageous, if not necessary, to engage a work group of this type.

The development committee typically works with the board chair, the chief executive, the chief development officer, and other development staff to provide valuable input for developing the fundraising plan and engaging the entire board in fundraising. The committee's responsibilities may include the following:

- Involving and motivating other board members and volunteers in cultivation and solicitation of gifts
- Helping to develop policies for board and staff action related to gift solicitation and recognition
- Ensuring that the case for support is strong, current, and based on the organization's mission and goals
- Helping to develop strategies for involvement and cultivation of major gift prospects
- Providing information on environmental factors affecting fundraising among the organization's constituencies
- Helping to evaluate potential prospects for increased contributions
- Helping to develop expectations for financial contributions from the board, and providing leadership by making their own gifts
- Soliciting gifts at levels required for annual, special, and planned giving programs
- Participating actively in special events and providing leadership for capital campaigns
- Developing and signing solicitation and acknowledgement letters

It is not possible to create a task list that applies to all development committees or the same board during all of its lifecycles. The list will need to be altered as the organization grows or develops other revenue sources. Whether there is staff to help coordinate the efforts or whether outside volunteers are engaged in detailed work has an impact on what the committee needs to accomplish. Dividing these responsibilities among other board committees or the entire board can cause neglect of important fundraising tasks, especially those not directly related to solicitation. A board development committee can work with development staff to ensure that the organization's fundraising is based on good information and planning, receives the attention it deserves, and reaches its full potential.

But on a large board or on a board where much is done by standing committees, the development committee can help engage the board in fundraising without detracting from its oversight responsibilities. On a smaller board, the development committee can be a good way to engage other volunteers to advance the mission of the organization and its fundraising process. Each board must assess its need for a separate development committee and clarify its role and relationship with the rest of the board members.

INTERNAL STRUCTURE

Traditionally, we look at development committees as board committees, whose role is to engage the entire board in fundraising. Other structural options for development committees do exist, however. Defining what the organization needs to achieve in terms of fundraising, assessing the quality of resources it already has in place, and analyzing the capacity of the board and staff to reach these goals help organizations develop appropriate structures.

The *traditional board development committee* is a key group in the development process. Its members are active in planning for and conducting fundraising. The group works closely with development staff, and the chair of the committee boosts the participation of the rest of the board. This particular structure for a development committee is the most common in fundraising nonprofits.

Some boards simply decide to act as a *fundraising committee of the whole*. The entire board shares the duties and carries the load. Eliminating a separate development committee of the board is sometimes a deliberate effort to stress the duty for each board member to participate in fundraising and not simply leave it to the development committee members.

An *organizational development committee* works directly with the development staff and may be composed of staff members, community leaders, fundraising specialists, helpful volunteers who want to be involved and who have special skills, and board members who have particular expertise and aptitude in representing the organization to their funders. The size of the committee may be quite substantial, to ensure greater reach, but cannot exceed the staff available to oversee and support the committee's activities.

The size of any type of development committee will depend on the enormity and variety of the activities, the complexity of the fundraising approaches, and the size of the board and volunteer resources available. Naturally, an organizational committee tends to be much larger than a board committee, as there the tasks usually are multifaceted and more hands-on. A larger size allows for better distribution of duties and inclusion of various skills.

Excerpted from Development Committee *by Eugene R. Tempel, BoardSource, 2004.*

TOOL 6

Think of fundraising as a series of steps to engage donors in continuing and increasing their support. During this engagement period, board members will have multiple opportunities to be significantly involved (see Steps to Solicitation below).

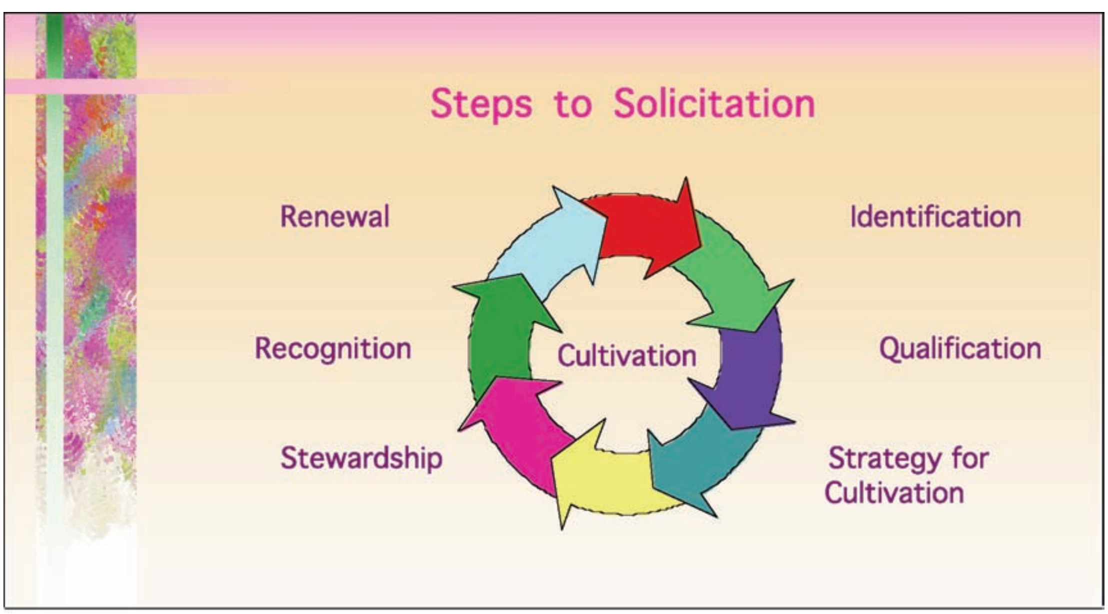
Board members can assist with each step, from identifying prospective donors, assisting with cultivation and solicitation, then stewarding the gift and the donor by reporting how the organization used the donors' contributions to further its mission. In time, with continued contact to maintain the donor's interest, opportunities to renew and upgrade the gift will be possible. Donors deserve nothing less.

For example, staff may generate a list of 30 new prospects that the organization has identified for future support. Board members should review the list to see if they know any of the prospects, can verify a prospect's likely interest in the organization and its mission, could arrange a meeting with a prospect, and might estimate the person's potential gift as well as likely area(s) of interest within the organization. Such information helps staff to qualify prospects to receive personal attention.

For each name a board member indicates knowledge of and a willingness to contact, development staff can prepare a distinctive cultivation strategy. It will include several steps, such as meeting with the donor, informing the donor of the organization's mission and vision, and learning the donor's potential interest and inclination to give.

These cultivation and solicitation steps should lead to the point when the donor has all the information needed to make a decision and is willing to consider an important gift request. Stewardship, which follows each gift, includes both care of the gift and its use and the donor as well as any recognition for the donor associated with the gift. The final step is continued engagement with the donor out of respect and because another gift opportunity likely will arise in the future.

STEPS TO SOLICITATION



CULTIVATION

Successful solicitation begins with cultivation, which follows qualification of prospective donors as valid candidates. Typically, staff prepares an individual cultivation plan with details on how to inform each potential donor of the organization's mission, vision, and values; cite organizational accomplishments; validate the need for the prospect's personal involvement and support; and explain how the donor's funds will be used to benefit the mission or cause.

An invitation to participate cannot be rushed or conducted without attention to these details — you must first build the prospective donor's confidence and trust in the organization and its mission. Remember that the organization's job is to ask and ask well; donors decide what, when, and how they will give. Giving is voluntary, after all.

Board Member Tasks

Board members' involvement can include verifying the potential interest and ability of the prospect, identifying the best team to call on the prospect, arranging an appointment, and more. Board members also can assist development staff by supplying details to the prospect's profile record, such as known special areas of interest, prior gifts and service to other charities, family interests, occupational details, and leadership skills. These are all necessary first steps to take with each new prospect.

Current and past donors require this same level of respect and preparation before being asked for their next gift. All these details, when collected together, are quite sensitive. Therefore, they must be treated in a confidential manner and used only as appropriate to benefit the organization. Because this information has been accumulated from public sources, neither the source nor the data requires security. The overall collection of personal and professional details, however, requires sensitive treatment by all board members, volunteers, and staff. Those who will contact each prospect need only the details essential to their cultivation and solicitation efforts.

Board members can help this cultivation process in a variety of other roles. For example, they can

- host social occasions and invite prospects as their guests to public events that provide a venue for sharing information about the organization's priority needs
- act as spokespersons, publicly addressing the organization's future plans for meeting current needs in the community
- review cultivation and solicitation strategies, suggesting likely areas of support, gift amounts or ranges, sensitive issues that may need to be addressed, key team members required, meeting locations, and more
- understand why these details are highly pertinent to the donor's interest and potential ability and how each step of successful cultivation will lead to an equally successful gift solicitation

It is widely recognized that board members exercise their fiscal duty by aiding cultivation and extending personal invitations to give. It also is widely recognized that current and prospective donors appreciate this level of personal attention. These and other extra efforts establish the positive relationship essential for successful solicitation, leading to a right time for the donor to make an informed decision.

SOLICITATION

Solicitation activities call for board and staff to establish a working partnership built on mutual respect; each partner must be reliable, responsive, and able to keep confidences. Further, the organization should express its appreciation for the board–staff solicitation team's efforts in this delicate work. Success greatly depends upon collaboration, coordination, and communication by all those engaged in the business of seeking gifts, grants, and contributions.

As an organization's investors, donors deserve the same — if not more — attention and service as any financial investor would receive from a for-profit corporation. Donors do not provide money to the organization solely because they were asked; they invest their money and trust in the organization's ability to deliver quality programs and beneficial services.

Given this mindset, the best solicitation requests explain what donors' money can do and how those funds will benefit others. Donors are less interested in appeals that appear to help the organization serve itself. For example, appeals will fail to inspire serious gift decisions if they emphasize internal objectives without demonstrating how the funds would be used to benefit those whom the organization aims to serve through its mission.

The board duties of setting fundraising policy and procedure and approving solicitation activities may not be as simple as you might think. That's why orientation and training of board members must address these details — especially when new board members have limited experience with a nonprofit organization and its fundraising process.

For some board members, being involved in active solicitations may be an entirely new experience. Each charitable organization and its board are legally and ethically responsible for the conduct of all those who solicit on its behalf and should provide complete training for these assigned duties. Guidance on this issue, released by Independent Sector in its "Principles for Good Governance and Ethical Practices: A Guide for Charities and Foundations," reads: "A charitable organization should provide appropriate training and supervision of the people soliciting funds on its behalf to ensure that they understand their responsibilities and applicable federal, state and local laws, and do not employ techniques that are coercive, intimidating, or intended to harass potential donors."

Practice Makes Perfect

Education and training will help, but actual practice is the best teacher. Typically, the staff invites board members to join a veteran team at three to five face-to-face meetings with potential donors. Such personal interaction leaves a positive impression on the donor or prospect.

To prepare for each contact with a prospective donor, board members should review information provided them, such as

- the donor's or prospect's interests and likely inclination to give
- all research data to corroborate the prospect's interest in the project
- a range of potential gift amounts to be offered
- key members on the visiting team (who have rehearsed their roles)
- the time and place of the meeting
- information about the prospect's spouse and/or financial advisors (if they will be at the meeting)
- the donor recognition options

Before each meeting with a prospective donor, the team should rehearse the content of the meeting plan. Decide such fine points as who will start the meeting, who will speak about the project, who will answer questions on specific issues, and who will ask for the gift if the donor seems prepared to make a gift decision.

Cultivation and solicitation teams should rehearse the role of the donor as well as their own function. This allows them to appreciate the conditions each donor is subjected to. Such preparation may seem contrived, but if a meeting is not well planned, it could result all too easily in a "No, thank you" response from the prospect. "No" doesn't always mean "never" — but a negative response makes it challenging to arrange another meeting with this prospect for some time.

One of the most paralyzing feelings can be the fear of rejection. But in *Fearless Fundraising for Nonprofit Boards, Second Edition,* Dave Sternberg puts potential rejection into perspective: "'No' is rarely a personal rejection. It may mean not now, not yet, not for that amount, not for this program, or not until I feel more comfortable. If a person says 'No,' keep the conversation going and try to learn what kind of 'no' it is. This will tell you whether, and when, to try again."

Board members must remember that donors have their own processes for making gift decisions, not unlike other investment deliberations in real estate, bonds, or securities. To succeed, it is necessary to match donors' aspirations to accomplish something meaningful with their money for charitable purposes. This level of conviction requires that an organization present a mission and vision that matches well with each donor's personal interests and charitable aspirations. Without this match, the organization should seek other candidates who believe in its cause and can agree a gift will be the best use of their money.

These solicitation procedures apply to corporations and foundations as well as individuals. In fact, corporations and foundations usually have more formal structures and processes for decision making; they may require months to evaluate, review, and debate before completing their grant-making decision steps.

STEWARDSHIP

The care required to maintain positive relations with donors begins at the board level. Donors value the fact that board members are actively engaged in the work of those nonprofit organizations they support. Any board members involved in the cultivation and solicitation steps leading to a gift should remain involved through continuing contact with these donors. Further, every nonprofit board should adopt an official policy governing its relationships with all its donors.

Board members help foster continued good relations with donors, beginning with their personal thank you letter, telephone call, or e-mail along with occasional notes to keep them informed of the organization's progress and how the donor's funds have made a difference to the organization and to those it supports. While donors may appreciate recognition from the chief executive or a senior executive of the organization, receiving an additional, personal expression of appreciation from a board member can help cement their resolve to continue supporting the organization and perhaps to increase their generosity in the future.

An organization's board can say thank you in many ways. People know how to be nice, and that is all donors really expect. Opportunities to thank donors for their support include greeting them with a simple "Thanks again for your gift" and inviting them to participate in donor-recognition activities such as receptions, building dedications, and the like.

However board members choose to express appreciation, they must be sincere and do more than simply follow a standard list of follow-up activities. In those instances when donors wish to remain anonymous, the organization must respect their wishes regarding public notice. Still, board members and staff should continue to maintain personal contact, report on how their funds were used, issue invitations to public events, send copies of annual reports, and so on.

Reporting the results of the organization's successful programs to the donor, delivering proper recognition for a donor's generosity, and maintaining the relationship offer opportunities for the level of continued contact each donor deserves. Board members can join in any of these steps where they can offer assistance; each also is necessary to realize the next gift.

Because fundraising programs depend upon personal action, board members should evaluate their efforts as a group, using their own governance guidelines. Important criteria include their leadership assignments, service on committees, assisting in prospect identification, participating in cultivation and solicitation activities, and personal expressions of appreciation to donors. And the greatest evidence of personal participation is when an organization can report that 100 percent of board members have made a personal contribution.

Excerpted from Fundraising Responsibilities of Nonprofit Boards, Second Edition, *by James M. Greenfield, BoardSource, 2009.*

TOOL 7

Understanding basic terminology used in fundraising will help board members to establish a firm foundation in the methods and techniques of fundraising as they learn about and carry out these important responsibilities. These concepts are organized within the three primary solicitation areas — annual, major, and planned giving.

ANNUAL GIVING

The first and most important fundraising requirement is to provide sufficient money each year to fund the current operating budget if other sources of revenue do not cover all operating expenses. Donations of this type primarily come from individuals — the nonprofit world's principal source of support.

Annual data from *Giving USA,* a report on philanthropy published by the Giving USA Foundation, reports that individuals gave $229.03 billion in 2007, representing 74.8 percent of total giving that year. Another $23.2 billion also was received from individuals in the form of charitable bequests (5.1 percent of total giving). Together, individuals provided more than $252 billion for nonprofit causes, accounting for 80 percent of total giving. The remaining 20 percent came from other annual gifts and grants from corporations, foundations, associations, and societies, for a grand total of $306.4 billion.

Acquiring, retaining, and upgrading these individual donors are an organization's primary goals each year, and it uses nearly every communication channel to reach the widest and most diverse audience possible. Given the depth and breadth of these efforts, annual giving is the most expensive type of fundraising and largely depends upon staff.

The funds raised are unrestricted, meaning that the organization can channel them to the annual budget areas where they are most needed at the time. Goals assigned to annual fundraising activities typically increase each year as budget needs increase, so fundraising programs continually face the challenge of meeting ever higher levels of financial support.

The most common fundraising methods and techniques used as annual solicitation activities are described briefly below.

Mailings. Mailings are a reliable method to market the organization's programs and services to wide audiences and allow a nonprofit to reach the largest number of potential clients, as well as prospective donors, with its direct appeals for support. While necessarily expensive in the acquisition phase, renewing and upgrading of a prior mail donor's gifts is highly profitable. Three years may pass before the organization achieves a reliable level of profitability or return on investment as a combined acquisition and renewal efficiency rate.

The board should consider this area as an investment strategy. Mailings build an enduring relationship with reliable donors — those who are willing to invest each year in the organization's present and future needs. Some among these donors can do much more, if given adequate personal attention.

Membership Programs. A membership program actively invites donors to join as annual partners with the organization in meeting its mission and vision. Such programs typically use a range of gift levels and offer a variety of benefits and privileges to maintain the member's interest and involvement.

Donor Clubs. By offering higher giving levels, donor clubs identify and qualify major gift prospects as well as potential volunteer leaders. The personal attention accorded these donors will help to cultivate them as quality candidates for future capital campaigns and planned gifts.

Benefits and Special Events. Along with mailings, benefits and special events are the most pervasive forms of public solicitation in current practice and are highly popular with volunteers and attendees. They also provide opportunities for high media visibility for the charity and its cause and are good vehicles for volunteer recruitment and leadership development.

Visibility for the organization, not net proceeds, is a key achievement of special events — but they still should generate income. However, they are the least cost-effective means of raising money and are highly staff intensive. For maximum efficiency and effectiveness, they should be volunteer-led, volunteer-directed, and staff supported rather than assigned to the fundraising staff to do everything.

Telephone Solicitation. Interacting with prospects on the telephone enables the organization to personally communicate and connect with donors and prospects. The telephone proves most beneficial with prior donors, where the discussion ties a variety of annual giving priorities to past giving results. Using the telephone in combination with mailings and/or e-mail has proven effective as well.

Testimonials. Many donors participate in memorial gifts to a charitable organization to honor the life of a relative, friend, or business associate as an expression of sympathy to the family. Another form of testimonial giving is to honor someone, such as a retiring administrator, professional staff member, or board member. While such gifts may not occur each year, organizations should be prepared with memorial and tribute giving options. They offer donors another opportunity to express admiration and respect for another person with a gift made in that person's name.

Web-Based Giving. Web-based giving is the newest fundraising vehicle, and many organizations have designed their Web sites with this solicitation technique in mind. Nonprofits use this medium actively for direct solicitation as a preferred communications channel to request contributions. Its ultimate effectiveness and efficiency is its ability to integrate with other annual solicitation techniques.

Web sites should be interactive, inform visitors about annual priorities needing gift support, and provide a "donate now" icon that offers a secure means to accept contributions via credit card and other forms of electronic funds transfer. Thank-you letters and official receipts can be sent electronically to donors more quickly than by mail. Perhaps the most advantageous use of this technology is its ability to encourage direct communication between donors and their favorite charities. The Internet offers multiple avenues for direct interaction, such as e-mail, special reports, and newsletters. Blogs and other interactive channels allow for networking between volunteers and donors, public commentary with questions and answers, making appointments for service, and even virtual meetings of committees and support groups, charity auctions, and more.

Groups, Guilds, and Associations. These groups combine membership affiliation with a vehicle for volunteers and donors to become personally involved in supporting their favorite nonprofit organization. Examples include college and university alumni associations, guilds that support the arts, and hospital auxiliaries.

Many nonprofit organizations structure these volunteers into semi-autonomous support groups with their own boards of directors and committees, all approved and appointed by the board of the parent charitable entity. Such groups often identify and carry out their own membership recruitment and renewal activities, stage fundraising benefit events, and serve as informed advocates for the parent organization. They also can adopt one or more programs or service areas as "their" project to support each year through fundraising.

Volunteer-Led Personal Solicitation. The most effective and efficient method of fundraising involves personal, face-to-face solicitation. The only downside is the lack of qualified and energetic solicitors, including board members, who are willing to ask their friends for money during the year. To succeed, all volunteer solicitors (including board members) must receive proper training and supervision, focus on larger gifts from the most qualified donors and prospects, and receive adequate recognition for their efforts.

Regardless of its components, the overall annual giving program requires board member participation in several areas that support fundraising. Personal gifts are essential each year, as is visible participation in fundraising activities and events. Board members also should actively participate in thanking donors; there is no higher level of appreciation that can be offered to new and faithful donors. Board members also must take action to ensure that funds raised are used for the purposes that donors intended; regular reports, provided by staff, should explain how these funds were applied for the benefit of the community the organization serves.

MAJOR GIVING

To meet their long-term and major needs, many nonprofits rely on large gifts from individuals, corporations, and foundations, usually solicited through special major giving initiatives. Significant gifts are the result of time and attention given to qualified donors and prospects who resolve to make a sizable gift to meet an urgent and relevant need while simultaneously realizing one or more of their personal aspirations in their decision.

Major gifts result from relationships established and fostered over time by the organization's board and staff, usually through one or more annual giving programs. To maximize these opportunities, board and staff must prepare a separate strategy of appropriate cultivation and solicitation for each prospective donor. Large gifts are quite similar to major investment decisions for donors. Each qualified donor will require complete knowledge of the organization, its leadership competence, and its fiscal strength, as well as its well-prepared plans for how these funds will be used. The processes of identification, qualification, cultivation, and solicitation are presented next for each of the three main sources of major giving decisions.

Individuals. Individuals are the largest source of giving; often their generous contributions come as a direct result of personal conversations with board members on the merits of the organization. Individual motives for giving are varied and increasingly donor directed; in other words, donors want to specify how their money will be used to benefit others.

Thus, donors who specify that their gifts should pay the tuition for students majoring in chemistry will expect chemistry students to benefit from their contributions. Or, if donors agree to pay for a piece of new equipment, they expect that equipment to be purchased, installed, and used as intended. In both instances, the organization has the opportunity to cement its relationship with donors through communication from and meetings with the students and a site visit to view the equipment in operation.

Securing major gifts from individuals requires extensive personal involvement, cultivation, and solicitation. Board members can be highly effective throughout this process. They provide the assurances that the donors' funds will be used as requested, as it is the board's duty to oversee how all funds are spent.

Corporations. Corporations can make both annual and major gifts when the decision fits one or more business objectives, sometimes called a value exchange. Careful work is required to establish the return value for a gift from a company, business or firm. The return usually comes in the form of visibility to one or more corporate customer audiences or target markets for its products. Nonprofit organizations can respond in several ways, generally in the form of visible recognition. As an example, colleges and universities offer corporate giving clubs directly related to their academic units; the value exchange is access to faculty, research, and students.

At a business, corporation, or firm, an internal committee typically makes gift decisions. The corporation may require nonprofits to observe complete adherence to application procedures as a way to identify those applicants that best match its giving criteria. Board members can assist in seeking corporate contributions by identifying candidates and opening doors for staff and volunteers, along with seeking sponsorships and underwriting gifts for benefit events and other activities. Developing long-term relationships with corporations can yield secure annual giving levels along with occasional major gift investments that both parties find advantageous.

Foundations. Foundations exist to give away at least 5 percent of their annual asset value — but only to those that most closely match their well-defined policies and procedures. Competition for these grants is fierce, as hundreds of organizations may apply for every grant decision possible from a foundation's available funds.

Here again, board members can identify candidates and, where appropriate, make contact with foundation board members on behalf of the nonprofit organization. Foundations often request confirmation that board members are supporting the organization financially. Also, they routinely ask for documentation on board governance and accountability as part of grant application procedures. Because of such specialized requirements, grant writing tends to be a labor-intensive and therefore staff-centered activity.

Special-Project Campaigns. By designing a fundraising objective around specific priorities, a nonprofit invites immediate support due to an urgent need linked to a relevant public problem within its mission. Examples include fires, floods, hurricanes, earthquakes, and the like. Special-project campaigns offer a defined goal with a specific project that must proceed as soon as the money can be raised. Other forms may be designed around a unique situation (for example, a retiring chief executive or long-term employee) or an individual contributor, family, alumni class, or group of friends giving a memorial or tribute.

The board's role is to decide on the project and delay its implementation until all the funds required have been received. Board members also should participate visibly in one or more leadership positions in this special campaign as well as support it financially.

Capital Campaigns. Capital campaigns are the most productive, efficient, and cost-effective method for raising large sums of money for the highest priorities in the organization's future plans, usually developed from a thoroughly prepared strategic plan. A capital campaign requires several years in planning and preparation prior to initiating the multi-year campaign itself and is applied only when other revenue sources are insufficient to fully fund the overall plan.

In general, capital campaign objectives include new construction, major renovations, new equipment, and/or building the endowment (if the capital project does not include a separate endowment campaign). In most cases, the strategic plan identifies the most urgent needs for one or more (or all) of these objectives, which is why extensive campaign planning and preparation is required. Campaigns reach the public only after all preparations are complete and the board, staff, employees, and closest friends have made their best gift commitments to the project in advance. It is not unusual for this entire process, from initial planning to conclusion, to take from three to five and even seven to eight years.

Campaigns require a total effort by everyone associated with the organization and are board-led and board-supported throughout. Board members must set a personal example by giving to the best of their ability before inviting others to make their best gifts. Further, successful capital campaign efforts require board members to assist staff with specific tasks such as

- endorsing, supporting, and participating in the preparation of the strategic plan
- identifying specific fundraising objectives along with campaign policies and procedures
- supporting marketplace research surveys, development program audits, and pre-campaign planning or feasibility studies that test the public's response to campaign objectives
- selecting qualified campaign counsel and recruiting qualified and experienced fundraising staff
- supporting funding requirements for campaign budget, staff, space, and systems
- identifying, cultivating, and arranging opportunities to meet with major gift prospects
- resolving the need for other, ongoing fundraising requirements for annual operating support during the campaign period

Without the board's full engagement in the decisions that lead up to the need for a capital campaign strategy, the campaign itself — as well as the plans for the future — are likely to be unrealized.

Endowment Campaigns. Nonprofit organizations are increasingly aware they need an investment strategy to secure their future. The purpose of a permanent endowment is to produce a reliable level of annual income (usually determined to be at 5 percent of annual asset value) to meet annual operational budget needs.

However valid the need to build an endowment, the decision to embark on this strategy must be made with full awareness of its impact on all other fundraising activities. It is possible to conduct a separate fundraising strategy to seek endowment gifts while pursing the full range of routine annual giving methods and techniques, chiefly because the most qualified audience can be identified as individual prior donors interested in or concerned about estate planning, not annual gifts. Some organizations include an endowment goal within their capital campaign's list of objectives, with the intent to add a level of permanent funding to support those programs and services linked to the campaign goals, as well as to provide maintenance funds for the building and equipment into the future.

The chief fundraising method to seek endowment is a planned giving program. This effort requires estate planning technical knowledge, plus investment management experience and expertise. Such programs should proceed only with full information and board-approved policies and procedures for all operating details.

Board members also should consider including the nonprofits they serve in their own estate plans. This decision may take the form of a planned gift commitment during their term of office or for a specific amount listed in their will or living trust, a percentage of their entire estate, or the gift of a specific asset they currently control.

PLANNED GIVING

A secure financial base can be established by donations made through planned giving — future assets that a donor commits to contribute through bequests, charitable trusts, gift annuities, life insurance, or other forms. Current donors may consider increasing their current contributions by adding a planned gift, once its benefits (including tax advantages) are explained clearly.

Planned gifts offer donors, prospects, and friends another means to increase their contributions and leave a legacy gift to their favorite nonprofit organization. Donors should be encouraged to review any proposed planned giving with their own advisors to ensure the proposed gifting arrangement meets their personal needs and long-term financial requirements. There are two areas of planned giving or estate planning:

Current Planned Gifts. With these major contributions, the decision and the gift are made today, with the funds invested and managed by the nonprofit for the donor's lifetime (or other term as described in the contract). The donor derives income by transferring a current financial asset, by contract, to a charity, with the residual principal delivered to the nonprofit organization following the donor's death.

As an example, a donor can establish a charitable remainder trust or charitable gift annuity today, negotiate the income payment schedule (usually between 5 percent and 8 percent of the total gift value), claim an income tax charitable contribution deduction in the year the gift is made, and begin receiving income from the trust or annuity for the balance of the contract or life. Upon the donor's death, the charity receives the remainder value in fulfillment of the contract.

Future Estate Gifts. With these major contributions, the decision is made today but the organization does not receive the funds until after the death of the donor. For example, a donor may decide today to stipulate a specific gift for a favorite charity in a will or living trust. The gift may be in the form of a specified cash amount, specific asset, or percentage of the overall estate, all decided at the time the will or living trust is created — but not transferred to the organization until after the donor's death. Wills and living trust documents can be modified over time, suggesting that continued attention to the donor is needed to limit any unfavorable changes.

The board's fiduciary duty includes managing the organization's planned gift contracts and endowment funds. The board must faithfully observe donors' wishes and be vigilant about investing and managing donors' money. Planned gift contracts require the nonprofit organization to accept full trusteeship responsibility or to place the funds where all such legal obligations will be met faithfully on the donor's behalf (for example, with a local community foundation or bank trust department). Board policies should define whether it will act as trustee for each contractual agreement, and, if so, what professional investment policies and procedures will be in place to ensure the donor's interests are preserved for the life of the contract.

Excerpted from Fundraising Responsibilities of Nonprofit Boards, Second Edition, *by James M. Greenfield, BoardSource, 2009.*

TOOL 8

Every board member has a responsibility to act ethically in serving the organization. There are unique ethical responsibilities related to the work of fundraising. Staff members must inform development committee and board members involved in fundraising about applicable ethical standards. Some key ethical issues that board members involved in fundraising should consider are discussed below.

OBEDIENCE TO THE LAW

Development committee members should understand all the legal aspects of soliciting a gift. This includes the value of a tax deduction for a gift if premiums or other benefits are involved. There may be state laws that regulate the solicitation of a gift even by volunteers. For example, in some states the organization's fundraising costs and audited financial statements must be disclosed at the point of solicitation. The development committee should also be familiar with state laws relating to solicitation and registration.

CONFIDENTIALITY

Members of the development committee must maintain, in confidence, information about donors obtained through the prospect identification and evaluation processes. Information learned through one organization cannot be shared with another organization. Donors should be notified if the organization shares its donor lists with other organizations.

RESPECT FOR DONORS

Members of the development committee understand the mission and goals of the organization and ask for gifts based on the case for support. Development committee and board members must not use relationships of power to obtain gifts. Members must respect the right of a prospect to decide freely whether or not to make a gift and at what level. Each board member should be familiar with the Donor Bill of Rights (see Tool 12) and ensure that organizational policies and practices adhere to its ethical standards.

PREVENT SELF-DEALING AND CONFLICTS OF INTEREST

Section 501(c)(3) of the Internal Revenue Code, which allows for deductibility of gifts to charitable organizations, specifies that no person associated with a nonprofit organization can benefit directly from the resources of the organization. Donors should not expect preferential treatment for organizational business. Further, the board and staff members must avoid even the appearance of impropriety in all transactions. Therefore, it is essential to have an open bid process and to be able to explain to the public any transactions with board members or donors.

PRESENTING INFORMATION TO THE PUBLIC

The development committee members need to be familiar with all fundraising materials the organization is sharing with the public and ensure their accuracy and properness. Committee members should regularly read the brochures they share with potential donors and visit the organization's Web site to make sure the image of the organization is clearly presented. The IRS Form 990 specifies fundraising expenses as a separate category. These figures should reflect reality — we all know that raising funds costs money.

ASSURE THAT FUNDS RAISED ARE BEING USED FOR STATED PURPOSES

The key to earning donors' trust is to show that their funds are used for the intended purpose. In the organization's financial books, according to generally accepted accounting principles, donations must be recorded as permanently restricted, temporarily restricted, and unrestricted net assets. Sharing financial statements with donors, as well as regularly updating them on the evolution of the program or activity that they have funded, is an essential way to keep donors posted on how their funds are used and the outcomes of their generosity.

RELYING ON OUTSIDE CONSULTANTS

If the organization hires outside fundraising consultants, the committee's role is to oversee that guidelines exist for appropriate compensation practices. Percentage-based compensation is not an acceptable method. A fixed-fee schedule helps assure that the motivation of the consultant remains focused on long-term cultivation of prospects, not on immediate maximum personal remuneration. Bonus incentives can be calculated and included based on performance, but a cap on total compensation must be set ahead of time. A competent consultant understands that fundraising is development of committed supporters for the organization, who remain loyal during the future campaigns as well. Cultivation of major donors is continuous. Results may not be evident for several years.

ACCOUNTABILITY OF OUTCOMES

Accountability in soliciting major gifts is not necessarily the responsibility of the committee, but it does have a vested interest; committee members do not own explicit responsibilities in this case, but need to be certain that accountability of outcomes is being handled within the organization. Members of the development committee need to feel comfortable with promises they and others have made and they must continuously review outcomes *against* what is being promised. The development committee must hold oversight for endorsements and where/whom the organization is allowing to use its name. It is important to define from whom you would accept gifts. For example, would it make sense for a health clinic to take donations from a tobacco company? Would your organization want funding from Nike if one of the goals of your mission is to end child labor?

Holding the organization accountable includes developing indicators of success such as "dashboard indicators" in order to measure organizational performance in terms of outputs, outcomes, and impacts. This means presenting information to the public in terms it can understand. Fundraising maintains accountability when the process follows goals set by the board and when the board surveys how dollars raised are supporting various programs. Fundraising activity brings the public into an oversight relationship as constituents are invited to examine the organization to ensure their contributed dollars are being put to good use for their intended purpose. All of these measures help keep an organization and its leadership accountable. Fundraising success is based on this level of accountability.

The chair of the development committee is ultimately responsible for making sure that the board focuses on outcomes. He or she is in the best position to coordinate the oversight of the fundraising plan and to review the reports from the various subcommittees.

One of the challenges in fundraising is that there is so much to do, it is sometimes difficult to know where to begin. Establishing key success factors could help a committee get a sense of what its most critical priorities are, what it should do first, etc. The following list provides critical success factors for fundraising in an organization:

- Strong support from the board, including individual giving
- Existence of a comprehensive fundraising plan
- Solid policies guiding ethical decisions
- Clear understanding of what the organization needs
- Reasonable and challenging fundraising goals
- Meeting of expectations to raise a certain amount
- Continuous communication with funders and donors
- Growth in donor base

Through dialogue between staff and members of the development committee, the ethical issues that the development team will confront in its work remain in the open and serve as a foundation for ethical behavior.

Excerpted from Development Committee *by Eugene R. Tempel, BoardSource, 2004.*

PART 2

ESTABLISHING FUNDRAISING POLICIES

pol·i·cy *n*
a program of actions adopted by a person, group, or government, or the set of principles on which they are based

RECOMMENDED POLICIES

TOOL 9

The intricate relations with donors and volunteers require close coordination between board members and fundraising staff. Written guidelines should clarify the roles of the board, individual board members, the chief executive and development staff, and all those who volunteer to follow board leadership in cultivation and solicitation activities that will benefit the organization.

These board-approved job descriptions and policies should appear in the organization's policy and procedure manual covering all areas related to fundraising operations.

- Development Committee
- Chair of the Development Committee
- Director of Fund Development
- The Role of Volunteers
- The Rights of Donors
- Goals and Objectives for Fund Development
- Fundraising Budget and Results Evaluation
- Public Solicitation Programs
- General Fundraising Guidelines (donor recognition policy, stock gift procedures, etc.)
- Types of Gifts that are Acceptable
- Gift Processing Procedures
- Gift Acknowledgment Procedures
- Accounting and Reporting Gift Revenues
- Investment and Endowment Management
- Donor Honors and Recognition
- Donor Relations and Communication

Excerpted from Fundraising Responsibilities of Nonprofit Boards, Second Edition, *by James M. Greenfield, BoardSource, 2009.*

TOOL 10

BOARD MEMBER POLICIES

Board members have a crucial role to play in raising funds for the organization they serve. They are volunteers dedicated to the mission of the organization and the people served by the organization. And, they have contacts in the community. The expectation of board member involvement in fundraising continues to rise, yet many boards have not created a policy that specifies what that involvement should entail. A board fundraising policy can take the form of a narrative or a specialized agreement or contract in which board members indicate the amount they expect to contribute to the organization in the coming year and how they will participate in the fundraising efforts of the organization.

KEY ELEMENTS

- Personal giving policies state whether a board member is expected to give a certain amount or to give according to his or her means. Funders often ask if 100 percent of board members give.
- Fundraising policies establish expectations for board members to make a personal donation and to participate in solicitation efforts. The policy may list examples of how board members can or should be involved, such as providing names of potential donors, writing or signing fundraising letters, thanking donors personally, accompanying the chief executive on donor and foundation visits, or making the ask themselves.
- Some organizations use a special pledge form that guides board members in thinking about the array of fundraising activities taking place throughout the year and asks them to make an annual fundraising commitment.
- Some nonprofits incorporate board member fundraising expectations into more general job descriptions.
- If the organization has a separate fundraising body (which may be a supporting organization), it is still important to outline the role for board members and how they relate to this body — and vice versa.

PRACTICAL TIPS

- To become a committed fundraiser, a board member must first make a contribution. This requirement is the cornerstone of individual fundraising because it allows a board member to use himself or herself as an example of someone who supports the organization.
- Not every board member will be able to give the same size gift. Some organizations stipulate a minimum gift amount; many do not. The policy should encourage each board member to make the organization a priority in his or her personal giving plan or to make what, for that person, is a substantial financial contribution. The policy should not, however, eliminate capable and valuable individuals from joining the board and contributing other skills and expertise.

- Board members possess different skill levels and aptitudes for solicitation. Give board members training in fundraising and practical tools like checklists, sample elevator speeches, and steps for approaching a potential donor, to help each member gradually assume more responsibility. Providing mentors and coupling inexperienced board members with staff or more seasoned board members is another way to increase everybody's comfort with personal solicitations.
- Some individuals, because of their profession or position (e.g., journalists, judges), may be prohibited from certain kinds of fundraising solicitations (e.g., workplace campaigns). Seek other activities so these board members can still support the organization in a meaningful way.

Excerpted from The Nonprofit Policy Sampler, Second Edition, *by Barbara Lawrence and Outi Flynn, BoardSource, 2006.*

TOOL 11

Nearly all charitable organizations accept, and most actively solicit, financial gifts. However, there are times when the perception of such gifts might compromise the mission of the organization or the gift might have too many conditions imposed by the donor. Having a gift acceptance policy helps the board decide whether to accept controversial gifts. Because nonprofits also receive non-cash contributions, clear gift acceptance policies provide guidance as to whether the organization should accept gifts of real estate, stock, art, or automobiles, and how those gifts will be liquidated or maintained.

KEY ELEMENTS

- A nonprofit organization need not accept a gift simply because it is offered. A gift acceptance policy defines the types of gifts the organization will allow.
- Not every gift is a blessing. Donors and nonprofits don't always share the same values and priorities. Gifts that do not enhance the organization's mission, priorities, and reputation should not be accepted.
- Planned giving vehicles, such as bequests and charitable trusts, require that the organization have the capacity to administer them. They may not be appropriate for every organization.

PRACTICAL TIPS

- The federal law mandates how certain kinds of gifts (e.g., cars, real estate, art) must be documented, valued, and even taxed. Work with lawyers specialized in charitable giving to avoid problems for the organization, and ask that donors do the same.
- To protect the organization's integrity, consider having a policy that requires the immediate sale of gifts of securities. This eliminates ethical concerns about affiliation with certain companies and avoids second guessing the timing of stock sales.
- Remain true to the beliefs and values of the organization and do not allow a major donor to lead you off course or to compromise your objectives.
- Seek ways to encourage donors to make unrestricted gifts that support the general operating budget. Donor restrictions and conditions must be acceptable to the organization and not endanger the tax deductibility of the contribution. Negotiating with generous but demanding donors may be time consuming, but it is important that both parties agree on the terms of the gift and that the gift reflects an investment in programs that advance the mission of the organization.
- Seriously consider whether the nature of the gift or the source of the gift is in conflict with the mission of your organization. For example, should an environmental organization accept funding from a known environmental offender, or should a gun control advocacy organization accept funding from an arms manufacturer?

Excerpted from The Nonprofit Policy Sampler, Second Edition, *by Barbara Lawrence and Outi Flynn, BoardSource, 2006.*

DONOR RELATIONS POLICIES

TOOL 12

Treating donors with respect, gratitude, and consideration not only makes sense but is also the only way a charitable organization will keep donors coming back. A nonprofit organization is accountable to the public and to the donors who support it. Respecting donors' wishes, first and foremost, demonstrates responsible and ethical behavior. If a donor makes an unrestricted contribution, the organization is free to use the money to advance the mission however it deems appropriate. If a donor specifies what the money is to be used for or puts conditions on the contribution, the organization is obligated to follow the donor's wishes if it accepts the gift. Donors have a right to know that their contributions have been put to good use.

KEY ELEMENTS

- Recognizing donors for their gifts is an essential part of responsible fundraising. There are numerous ways this can be done, but it is best managed by clear guidelines that spell out the process and define the levels and methods of recognition.
- A donor relations policy should be clear about proper handling of confidentiality and anonymity desired by some donors. Additional guidelines should state how to treat donor contact information and how the donor prefers to be listed or named in recognition vehicles.
- Federal tax law imposes rules as to written substantiation of contributions above specific amounts and statements as to whether a donor has received anything in return that might lower the deductible portion of the contribution.

PRACTICAL TIPS

- Following rules of accounting on how to record unrestricted, temporarily restricted, and restricted grants and donations is the only way to keep track of the use of donated funds.
- Always keep the donor informed. He or she has the right to know how his or her contribution or grant is being used and what the organization has been able to accomplish with the gift. In the policy, stipulate what information is shared with donors and at what intervals.
- Donor intent must be honored. If conditions change and the donor's intent can no longer be followed, go back to the donor (if possible) and negotiate another use for the balance of the funds. It is best to do this as soon as it becomes clear that the funds will need to be reallocated or the term of the grant extended. It is inadvisable to wait for the formal grant reporting deadline.
- When defining the different levels of recognition, always leave the options open for a major gift. It is desirable to be able to provide a worthy and equitable recognition for the gift.
- Share with all major donors your audited financial statements and annual reports.
- Adopt the Donor Bill of Rights as a way to let donors know that their needs are respected in the organization.

A Donor Bill of Rights

PHILANTHROPY is based on voluntary action for the common good. It is a tradition of giving and sharing that is primary to the quality of life. To assure that philanthropy merits the respect and trust of the general public, and that donors and prospective donors can have full confidence in the not-for-profit organizations and causes they are asked to support, we declare that all donors have these rights:

I.

To be informed of the organization's mission of the way the organization intends to use donated resources and of it's capacity to use donations effectively for their intended purposes

II.

To be informed of the identity of those serving on the organization's governing board, and to expect the board to exercise prudent judgement in its stewardship responsibilities

III.

To have access to the organization's most recent financial statements.

IV.

To be assured their gifts will be used for the purposes for which they were given.

V.

To receive appropriate acknowledgement and recognition.

VI.

To be assured that information about their donations is handled with respect and with confidentiality to the extent provided by law.

VII.

To expect that all relationships with individuals representing organizations of interest to the donor will be professional in nature.

VIII.

To be informed whether those seeking donations are volunteers, employees of the organization or hired solicitors.

IX.

To have the opportunity for their names to be deleted from mailing lists that an organization may intend to share.

X.

To feel free to ask questions when making a donation and to receive prompt, truthful and forthright answers.

DEVELOPED BY

Association of Fundraising Professionals (AFP)
Association of Healthcare Philanthropy (AHP)
Council for Advancement and Support of Education (CASE)
Giving Institute: Leading Consultants to Non-Profits

ENDORSED BY

(In formation)
Independent Sector
National Catholic Development Conference (NCDC)
National Committee on Planned Giving (NCPG)
Council for Resource Development (CRD)
United Way of America

Excerpted from The Nonprofit Policy Sampler, Second Edition, *by Barbara Lawrence and Outi Flynn, BoardSource, 2006, and from* Fundraising Responsibilities of Nonprofit Boards, Second Edition, *by James M. Greenfield, BoardSource, 2009.*

SPONSORSHIP AND ENDORSEMENTS POLICIES

TOOL 13

A corporate sponsorship is a financial relationship between a nonprofit organization and a commercial enterprise that is of mutual benefit. In exchange for money, products, or services, the nonprofit provides the corporation with recognition and, at times, use of its name in corporate marketing. Generally, there are four types of corporate sponsorship:

1. Event Marketing: A company sponsors a specific event. For example, Adidas, Heineken, and Hyundai have been sponsors of past Olympic Games.
2. Partner Sponsorship: A long-term partnership between a nonprofit and a corporation. For example, a local mechanic sponsors a little league baseball team.
3. Cause-Related Marketing: A corporate sponsor promotes a specific cause by donating a percentage of its profits from the purchase of a product or service. For example, American Express gives a percentage of its profits to Share Our Strength.
4. Endorsements: A corporation pays a royalty fee for the use of a charity's name or logo on its products. For example, Nicoderm gives money to the American Lung Association to use the ALA name and logo in commercials and on its packaging.

KEY ELEMENTS

- A sponsorship policy defines the relationship between the nonprofit organization and its corporate sponsors. It should provide guidelines on the types of companies the organization will work with and any potential concerns related to the nonprofit's mission and values.
- Sponsorships, by their very nature, require giving the company prominent recognition. A sponsorship policy should establish guidelines for corporate recognition based on the level or value of the sponsorship and, likewise, boundaries for use of the nonprofit's name and logo.
- The policy should also acknowledge who has authority for making sponsorship decisions. Depending on the scale and scope of the organization or the activity, the board may reserve the right to review and even approve corporate sponsorships.
- The board should establish and approve the organization's sponsorship policies, but staff will often handle operational issues, such as negotiating contracts, coordinating communication efforts, and implementing the activities. The board should establish parameters for sponsorship agreements that address limitations and exclusivity, requirements for entering and terminating contracts, and other basic terms.
- Responsibility for corporate sponsorships can be confusing. In nonprofit organizations, either the development or the marketing department may take charge. In corporations, it is often part of the marketing department, rather than the philanthropic or community affairs department.
- Not every nonprofit organization is suited to corporate sponsorships. Small nonprofit organizations may find sponsorship difficult because they lack the staff and resources required to work with a large company. Other organizations, with strong ideology or controversial missions, will find few companies willing to promote their cause.

PRACTICAL TIPS

- Engage in the necessary due diligence with respect to a corporation. Make sure that the company's activities, affiliations, business practices, and reputation do not compromise the organization's mission or brand. Ensure that the nonprofit's supporters and stakeholders will be comfortable with this relationship.
- Clarify expectations on both sides. What does the organization want out of this relationship? How important is it in the short- and long-term? How does the company want to be recognized? Does it want sole sponsorship?
- Remain true to the values of the organization. Do not allow a donor or a sponsor to steer the organization off of its course or beliefs.
- Beware of IRS regulations. The IRS regulates sponsorship relationships and separates them from taxable business activities, such as advertising. To avoid taxable income, sponsorship payments should not provide a substantial benefit to the company, but recognition is allowed. You can avoid taxable income and still acknowledge sponsors by citing the sponsor's name, logo, phone number, and address; using value-neutral descriptions of products and services; and linking to the sponsor's Web site's home page.

Excerpted from The Nonprofit Policy Sampler, Second Edition, *by Barbara Lawrence and Outi Flynn, BoardSource, 2006.*

PART 3

PREPARING TO RAISE FUNDS

pre·pare *v*
to make someone ready

TOOL 14

ASSESSING THE BOARD'S FUNDRAISING CULTURE

In *Culture of Inquiry: Healthy Debate in the Boardroom,* (BoardSource, 2007), Nancy Axelrod notes that "a board's culture is made up of a combination of formal and informal rules, agreements, and traditions that have developed slowly and unconsciously over time." The questions listed below cover the 13 key elements of a fundraising culture and can help your board identify the rules, agreements, and traditions that govern its approach to fundraising. Use the in-depth comments that follow each question to inform discussion and help your board identify ways in which individuals' perceptions and the larger fundraising culture need to change.

This list can be distributed to board members as a prompt for discussion. If board members answer "no" or "not certain" to six of more of the items on the questionnaire, then there should be serious concern about the organization's fundraising culture and its ability to sustain engagement in fundraising for the long term.

BOARD FUNDRAISING CULTURE ASSESSMENT

1. Are prospective board members made aware of their fundraising responsibilities before they are elected to the board?

_______ yes _______ no _______ sort of / maybe / not certain

2. Are fundraising responsibilities and personal giving included in the board member expectation agreement?

_______ yes _______ no _______ sort of / maybe / not certain

3. Do all or almost all board members make a yearly personal "stretch" gift to the organization's annual fund?

_______ yes _______ no _______ sort of / maybe / not certain

4. Does the board chair personally solicit board members annually to ensure appropriate board giving? Does the board chair take time to personally cultivate and steward appropriate higher level prospects and donors?

_______ yes _______ no _______ sort of / maybe / not certain

5. Does the executive director take time to personally cultivate and steward appropriate higher level prospects and donors?

_______ yes _______ no _______ sort of / maybe / not certain

6. Does the board's fundraising committee organize the board's fundraising rather than actually doing the fundraising itself?

______ yes ______ no ________ sort of / maybe / not certain

7. Is the organization's mission statement clear, concise, and compelling? Can all or almost all board members recite it?

______ yes ______ no ________ sort of / maybe / not certain

8. Beyond just reciting the organization's mission statement, can at least 80 percent of board members convincingly articulate the case for support of the organization?

______ yes ______ no ________ sort of / maybe / not certain

9. Does the director of development (or other staff person) identify appropriate cultivation and stewardship opportunities for board member participation?

______ yes ______ no ________ sort of / maybe / not certain

10. Have the chief executive and director of development presented a clear fundraising strategy to the board and solicited board input?

______ yes ______ no ________ sort of / maybe / not certain

11. Do the chief executive and board chair organize meeting agendas to give clear priority to fundraising?

______ yes ______ no ________ sort of / maybe / not certain

12. Do the chief executive and board chair plan annually for board training opportunities in fundraising?

______ yes ______ no ________ sort of / maybe / not certain

13. Do the chief executive, board chair, and director of development publicly acknowledge and recognize board members who are fulfilling their fundraising responsibilities?

______ yes ______ no ________ sort of / maybe / not certain

Excerpted from Fearless Fundraising for Nonprofit Boards, Second Edition, *by Dave Sternberg, BoardSource, 2008.*

TOOL 15

The financial crisis is having a profound impact on every nonprofit organization's ability to meet its development goals. Many people, however, do not realize that raising funds can be a challenge even in prosperous times. According to the BoardSource *Nonprofit Governance Index 2007,* fundraising ranks dead last among areas of board performance. That now has to change. All hands are needed on deck!

But how can a chief development officer increase his or her board's fundraising performance? A development assessment followed by a board planning retreat is one answer. While expending precious financial resources on these activities may not seem prudent at a time of fiscal uncertainty, your board may decide your organization needs to redouble its fundraising efforts and can use the assessment and retreat to plan how to do so. Consider hiring a consultant to help, however, because the two-pronged approach requires a large investment of time.

CONDUCTING A DEVELOPMENT ASSESSMENT

A development assessment entails scrutinizing and critiquing your organization's development program — its operations, procedures, policies, staffing, and past performance. It has two steps: taking an inventory of the current program and surveying your leadership.

Begin by gathering the following materials:

- organizational charts
- board member names and biographies
- minutes of board meetings and development committee meetings
- financial information including annual reports and development budgets
- organizational strategic plan
- recently conducted studies that relate to development
- materials that relate to past or current fundraising campaigns
- examples of grant proposals and direct mail pieces
- promotional brochures and media clippings
- gift data from the development database for the past three to five years
- currently used cases for support
- development staff job descriptions and resumes

An in-depth review of the above materials will help you and/or your consultant "take the pulse" of your organization and assess its fundraising effectiveness to date.

Consider the following as you conduct the assessment and formulate recommendations:

- *Mission and vision* — Does your development program have mission and vision statements independent of the organization? If not, consider preparing such statements for your board to review and adopt at the planning retreat.
- *Historic analysis of performance* — For greater usefulness, detail this performance by program and by constituency.
- *Constituency analysis* — By assessing your current sources of support and participation levels, you'll be better able to make reasonable growth projections within each of them.
- *Cost/benefit analysis* — This provides you with a good indication of which components of your fundraising program are profitable.
- *Cases for support* — These should be reviewed and updated at least annually.
- *Environmental impact* — What philanthropic, demographic, and economic trends should you consider when formulating fundraising strategies?

You and your consultant also should compare your development program to best practices of other organizations, broken down by key development categories. For example, the gift and grant revenue from your annual fund or grants program and the return on investment of the program can be compared to the results of similar organizations to give you perspective on your fundraising potential. While some professional associations offer benchmarking data, the most effective way to collect data is to contact comparable organizations and ask their development leaders probing questions.

Once you have completed the analysis phase of your development audit, you are ready to conduct a confidential survey of your fundraising leadership — board members, development staff, and senior team members — to explore their opinions and perceptions about your development program's strengths and weaknesses, their expectations, and their interest in helping grow the program. A survey can be sent to each participant and returned to you or your consultant. An alternative is to conduct one-on-one interviews with the participants. This approach often works best when conducted by a consultant to ensure confidentiality and greater objectivity.

BOARD PLANNING RETREAT

Once the assessment is complete, you and/or your consultant should write a report that outlines key observations and recommendations by categories ranging from leadership to development operations to donor constituency strategies. The report can be distilled to a short slide presentation to be delivered at the board retreat.

When planning the retreat's agenda, keep the following objectives in mind:

- Clarify expectations of staff and board.
- Confirm priorities.
- Develop goals.
- Improve methods and procedures to work more effectively as a team.
- Motivate, create buy-in, and build consensus.
- Make plans to move forward.

By laying bare the breadth and complexity of your development program, board members will better appreciate what it takes to raise money for your organization. Use the retreat to speak directly to them regarding their responsibility to the development process. Give examples of how individuals in the room have helped secure large gifts to the organization, while including two or three simple things that each board member can do to contribute to the success of the development program.

The Country School is one organization that has conducted an audit and board planning retreat. And by developing an action plan based on the recommendations that grew out of the process, the school was able to turn development staff goals and objectives into board-level priorities. "Thanks to an objective and intensive audit, a strong development plan, and board training, The Country School raised more money than ever before this year, despite an adverse economy," said Steve Danenberg, headmaster.

The hard work has paid off for The Country School — as it can for your organization during these tough economic times.

Excerpted from "Up the Down Staircase" by Larry G. Raff. Board Member®, *November/December 2008.*

TOOL 16

Every nonprofit that raises money must be able to convince a potential donor why his or her support is necessary and valuable. With a carefully crafted case statement, an organization outlines the need or problem that it is addressing and a proposed plan of action. A compelling case statement can turn a potential donor into a committed partner.

WHAT IS A CASE STATEMENT?

It is probably easier to first define what a case statement is not. It is not an annual report, a grant proposal, a list of the organization's financial needs, or the history of a nonprofit.

A case statement is a document that provides the rationale and justification of a fundraising effort. It can make a case for a specific program or project, or it can advocate for general operating support. Focus on *a dilemma that needs to be fixed and explain the organization's proposed resolution. A majority of women returning to an abusive relationship may not have access to a telephone. Providing cell phones that can be easily hidden but quickly accessed will allow them to call for help.*

Invite a potential donor to get involved by making a monetary gift. *We are counting on you. Your contribution will allow us to purchase needed cell phones.*

Outline the finances needed to fund the action plan and explain how the donor ultimately will benefit from this collaboration. *We need $20,000 to make this program a reality. By making a contribution you are saving lives, breaking the cycle of abuse, and making a statement against domestic violence.*

HOW IS A CASE STATEMENT USED?

A case statement is a tool to educate, inform, and encourage a potential donor to partner with the organization. While answering the questions that a donor might pose, a case statement raises interest in the case and persuades the potential donor to provide financial assistance by making it urgent, personal, and real.

The case statement is a complete and independent document, making it a key tool for the development staff or committee. The nature of this document allows development staff to adapt it for grant proposals, major gift visits, and general solicitations. Internally, it can also be used to recruit volunteer leadership and seek contributions from board members.

WHAT INFORMATION IS INCLUDED?

A case statement should address the following issues:

- What is the problem or societal need that the organization is trying to address?
- What current service exists in the community that addresses this issue? Is there a need for a new service that fits in the mission area of the organization? Why will this organization's service be more effective than a competitor?
- What are the goals and objectives of the organization's plan?
- What are the needs of the staff to accomplish this plan?
- Is it possible to collaborate with other organizations?
- What is the cost to implement this plan?
- What is the role of the prospective donor?
- How will results be evaluated?
- What difference will this make in the community?
- How will the donor benefit?

HOW SHOULD A CASE STATEMENT BE PRESENTED?

A case statement can come in many forms. It can be a fancy brochure or a simple document. The language should address the target audience. Whatever presentation is chosen, it must be appealing, convincing, easy to read, and accurate.

TIPS FOR AN EFFECTIVE CASE STATEMENT

- Use examples to show needs and results.
- Make it easily adaptable for targeted audiences.
- Limit the fundraising jargon and use common terms.
- Mention the dollar figures you are seeking. This allows potential donors to understand the amount of money needed and think about what they need to contribute.
- Use language that gets the donor excited, inspired, and motivated.
- Clearly define what is in this for the donor.
- Convey a sense of urgency.

Excerpted from the BoardSource Topic Paper "Case Statement."

DEVELOPING A STORY

TOOL 17

Is there a more cost effective way to promote your nonprofit than to tell a memorable story about its good works? When you tell a story that others will remember and can't wait to retell, you put the world's oldest form of viral marketing on your side. And you haven't spent a dime.

Over the past ten years, I have led storytelling workshops for nonprofits large and small, and I've heard some unforgettable stories. Without fail, they obey 10 rules.

1. **Stories are always about people.** Even if your organization is devoted to saving flora, toils in the dense thicket of policy change, or helps other nonprofits work more effectively, human beings drive the action. So your protagonist must be a person. And since this person guides the audience through the story, provide some physical description. This helps your listeners form a mental picture — it's hard to follow what you cannot see.
2. **Your protagonist must want something.** A story doesn't truly begin until the audience knows precisely what the protagonist's goal is and has a reason to care whether or not it is attained. Within the first paragraph or two, make it clear what your hero wants to do, to get, or to change. And beware the passive voice —stories are driven by desire!
3. **Fix your story in time and space.** The moment you begin telling your tale, your audience will want to know: Did this happen last week or ten years ago? Are we on a street corner in Boston or a Wal-Mart in Iowa? Help your listeners get their bearings quickly; they will more readily follow you into the deeper meaning within.
4. **Let your characters speak for themselves.** When your characters speak to each other, it lends immediacy and urgency to the piece. Listeners will feel as if they are the proverbial fly-on-the-wall, hearing in real time what each person has to say. Direct quotes also let characters speak in their idiosyncratic voices, lending authenticity to the dialogue.
5. **Surprise the audience.** Right away, you have to make your audience wonder, "What happens next?" or "How is this going to turn out?" As the people in your story pursue their goal, they must run into obstacles, surprises, or something that makes the listeners sit up and take notice. Otherwise, they'll stand up and walk away.
6. **Speak the audience's language.** According to national literacy studies, the average American reads at a sixth-grade level. Plain speaking is the order of the day. Good storytellers also have a keen ear for the colloquialisms and local slang that establish common ground between the teller and listener.
7. **Stir up emotions.** Even when you have mountains of hard evidence on your side, you must make your listeners feel something before they will even glance at your numbers. Stories stir the emotions not to be manipulative or melodramatic but to break through the white noise of information that inundates us and deliver the message, "This is worth your attention."
8. **Stories don't tell: They show.** Intellectually, your audience will understand the sentence, "When the nurse visited the family, she was met with hostility and guardedness." But, if you say instead, "When they all sat down in the living room, the family members wouldn't look her in the eye," your audience will see a picture, feel the hostility, and become more involved with the story.

9. **Include a "moment of truth."** At their essence, the best stories show us something about how we should treat ourselves, other people, or the world around us. We look to stories to be containers of truth, and your audience will instinctively look for this kind of insight.

10. **Stories must have meaning.** When the final line is spoken, your audience should know exactly why it took this journey with you. In the end, this may be the most important rule of all. If your audience cannot answer the question, "What was that story all about?" it won't matter how diligently you followed rules one through nine.

A FOUNDING STORY: HEIFER INTERNATIONAL

The following story illustrates the 10 storytelling rules.

A Midwestern farmer named Dan West was ladling out rations of milk to hungry children [Rule #1] during the Spanish Civil War [Rule #3] when it hit him:

"These children don't need a cup; they need a cow." [Rule #4]

West, who was serving as a Church of the Brethren relief worker, was forced to decide who would receive the limited rations and who wouldn't — literally, who would live and who would die. [Rule # 7] This kind of aid, he knew, would never be enough. [Rule # 5]

So West returned home to form Heifers for Relief, dedicated to ending hunger permanently [Rule #2] by providing families with livestock and training so that they "could be spared the indignity of depending on others to feed their children."

In 1944, the first shipment of 17 bred heifers left York, Pennsylvania, for Puerto Rico, going to families whose malnourished children had never even tasted milk.

Why bred heifers? [Rule #6] These are pregnant young cows that will give birth soon — making them perfect not only for supplying a source of milk, but also for supplying a continued source of support. That's because each family receiving a heifer agrees to "pass on the gift" and donate the female offspring to another family, so that the gift of food is never-ending. [Rule #10]

The simple idea of giving families a source of food rather than short-term relief caught on [Rule #9] and has continued for over 60 years. Since 1944, Heifer has helped 8.5 million people in more than 125 countries. [Rule #10]

Reprinted with the permission of Heifer International.

Excerpted from "Telling Stories" by Andy Goodman. Board Member®, *March/April 2009.*

DEVELOPING A COMMUNICATIONS TOOLKIT

TOOL 18

The purpose of a fundraising communications toolkit for board members is to provide them with the "tools" that they need to effectively raise funds for your organization. As board members are often in a face-to-face situation where they are speaking with potential donors on behalf of the organization, this recommended toolkit focuses on providing key information about the organization to board members, often in a script format or a concise document with easily-digestible bullet points. Information of this kind needs to be provided in *spoken* language, not written language, so that it is easy for board members to use the information in conversation.

Although the development of the toolkit will likely be a staff-driven project, the toolkit will be much more effective if it is developed in collaboration with the board members on the development committee. The development committee can make recommendations for the table of contents, review the content that the development staff prepares, and advocate the use of the toolkit to other board members.

This toolkit should be designed to be an easy-to-use reference tool. A clear and detailed table of contents or index is essential. There should be clear headers within each section, and plenty of white space on each page. Board members may sit down and read the toolkit all at one time, but they may just as likely refer to it only when looking for a particular piece of information. Therefore, some information may be included more than once in the toolkit (for example, a "key selling point" may also show up as a talking point about the need that the organization serves).

Finally, you may want to design and develop your toolkit so that it can be easily customized for particular board members. For example, you may have one board member who is interested in raising funds for a particular program. It would be helpful to have a fact sheet about that program in that particular board member's toolkit, but it would not be necessary to have the program fact sheet in every person's toolkit. You can decide which pieces from the "core" kit to include, and then have optional sections that can be added for particular board members as needed.

HIGHLY RECOMMENDED SECTIONS TO INCLUDE

Talking Points About the Organization (e.g., The Case for Support Written for Conversation)
This section should include talking points about the organization, which will come directly from the case for support. A written case for support is often composed in language that does not feel natural when spoken and can often be quite lengthy. This toolkit should provide board members with a script that they can use to speak concisely and clearly with someone about your organization. Even though the essence of the talking points will come from the case support, it should not be the case for support verbatim.

Possible sections within this area include are listed below:

1. The "elevator" speech: How to describe your organization in two minutes.
2. Why should someone give to your organization? What is the need that you are addressing?
3. What does your organization do? Provide overview of programs and services.
4. Who does your organization work with? Who are its customers and clients?

Key Selling Points of the Organization
This section will include impressive facts about your organization that catch people's attention. Some aspects of the key selling points may have already been included in the talking points section above.

This section could consist of particular authority your organization has ("We provide the seal of approval for 'X.'"); impressive information about who or how many clients you serve ("We serve over 1,000,000 people annually."); any impressive awards your organization has received ("We received the 'X' award from the state."); impressive statistics about how your organization is run ("We only have five paid staff but more than 500 volunteers who make all of our services possible."); or the uniqueness/indispensability of the service you provide ("We are the only shelter for battered women in the five-county region," or "We are the only museum solely devoted to children's literature in the country.").

Outcomes, Evaluation, and Effectiveness
More and more, funders are asking nonprofit leaders the following question: "How do you know that you have been successful?" Board members must be able to answer this question confidently. Items that could be included in this section include the following:

1. Outcomes achieved by your organization, preferably in quantifiably measurable terms and as they relate to goals
2. Information about the evaluation efforts undertaken by your organization, and the results
3. Data about demand for your services
4. Data about efficiencies in your organization's operations

Stories and Testimonials
Recounting a personal story from a client is often the best and easiest way for a board member to talk about what your organization does. Also, board members often find testimonials personally motivating, which builds their confidence when fundraising. This section should include three or so of the best or most inspiring stories that are easy for a board member to relate. Be sure that no stories encroach upon a confidentiality agreement that the client may have with your organization.

How Your Organization is Financed
More and more potential donors want to know how your organization is financed. This section should include information about the sources of income for your organization, such as earned income sources, government grants, foundation or corporate grants, and individual donations. It is also helpful to include some numerical data, such as

- earned income versus donations as a percentage of budget
- administrative/overhead costs as a percentage of budget
- fundraising costs as a percentage of budget
- unrelated business income as a percentage of budget

OTHER POSSIBLE SECTIONS TO INCLUDE IN THE TOOLKIT

Your organization may find it useful to include other sections in order to guide your committee members in solicitation and communication. The following list provides further possibilities, always leaving an open door for whatever works best for you:

- Fact sheets on primary programs and services
- Sponsorship opportunities
- Synopsis of a current strategic plan
- List of all funders
- History of the organization

Excerpted from Development Committee *by Eugene R. Tempel, BoardSource, 2004.*

TOOL 19 ROLE-PLAYING EXERCISES

These exercises will help you as a board member develop confidence and enthusiasm for the fundraising process. They can be facilitated by the chief executive, the board chair, or an external party such as a consultant. The exercises should be done with the entire board, not just the fundraising or development committee.

These role plays are designed to give you a sense of the different aspects of the fundraising process: cultivation, solicitation, and stewardship. Remember that only solicitation is asking for a gift. A personal visit can have numerous outcomes, such as a return visit for more conversation, a request for a site visit, or an invitation for a prospect or donor to join a task force.

GENERAL INSTRUCTIONS

- Read all of the material presented below, including the scenarios and the instructions for the facilitator, before you begin. Doing so will give you an overview of the exercises and will help you get a sense of what the exercises are trying to teach.
- Divide into groups of three. Each person in a group should select a role:

  #1: Team Member 1

  #2: Team Member 2

  #3: Prospective Donor
- Read through the entire scenario (provided later in this appendix) that the facilitator has given your group. Assume that there is a personal connection between the #2 and the #3 and therefore this will not be a "cold call."
- #3 should leave the room while #1 and #2 prepare their solicitation. #2 will be the one to ask for the gift. Use the following guidelines to help yourselves prepare.

GUIDELINES FOR APPROACHING A PROSPECT

1. Start with small talk to establish warmth and rapport.
2. Introduce the subject
   - State purpose of your visit: We are here to…
   - Describe the major opportunity/need.
   - State what is needed to address the opportunity/need.
   - Explore the prospect's relationship to the opportunity/need with questions: What do you think are our biggest challenges? How do you feel about them? How might you address them?
   - Summarize your understanding of the prospect's perspective and ask, "Is this correct?"
   - After concurrence, ask, "Would you like to hear how our (program service, activities) will meet this need?" This leads into the presentation by creating interest and desire.

3. Get to the point
    - Address the prospect by name.
    - Explain your own involvement.
        - If soliciting: "Let me tell you why I have made a gift..."
        - If cultivating: "Let me tell you why I feel so strongly about…"
        - If stewarding: "Let me share with you the outcomes from…"
    - If cultivating or soliciting, invite the prospect to join you.
4. Be prepared to explain
    - The case/services of the major emphasis
    - Why the prospect would be interested
    - The values exchange or benefit to the prospect
    - The relationship between the prospect and your organization
5. Make the close (if soliciting)
    - Ask your prospect, "Do you think our programs and plans will solve the problem(s)?"
    - Prepare to handle objections and provide reassurances.
    - State the benefits of meeting the need and ask the prospect to join or become a part of the organization and its campaign.
    - Re-establish areas of agreement.
    - Find areas of disagreement and convert them to agreement.
    - Suggest something different, such as "Before you make your final decision, may we suggest…."
    - Continue the process as long as rapport has been maintained and you have something new to add.
6. Things to remember
    - Give reassurance regarding the project and its benefits.
    - Plan what to say if you receive a "no." Often "no" is an invitation to offer further details or answer concerns. Fleeing from a "no" is costly and can prevent furthering potentially positive relationships.
    - Plan what you will do if you find yourself in a position to negotiate a gift amount or another meeting date. You have decided to invest time in this prospect so make the most of it.
    - Don't overstay your welcome. Keep within the time limits you promised when you made the appointment.

INSTRUCTIONS FOR THE FACILITATOR

- Assign a different scenario to each group of three.
- Make certain that you give the #1 and #2 sufficient time to answer the questions necessary to approach the prospect (15-20 minutes).
- Ask the prospect (#3) to leave the room as the pair prepares. When the pair is ready, have them ask the prospect to join them. Give the group about 45 minutes to run through its scenario.
- Once all of the groups have completed the role-playing exercise, lead a debriefing period.
  - Ask each prospect to answer the following: Did the team listen well? What advice would you give them moving forward?
  - Ask each board and staff team if they would do things differently now that they have had a chance to practice.
  - Ask the entire group what they have learned. Listen for important feedback about the process and the experience.

SCENARIO 1 — TWO VOLUNTEERS: A CULTIVATION VISIT

Board Member

- You have the responsibility of assisting in the fundraising activities of the organization.
- You serve on the development committee.
- You have a working knowledge of the programs and services of the organization and occasionally work closely with program delivery staff.

Board Chair

- You are serving your second year in this position and have been on the board for five years.
- You are a successful professional and long time community resident. You exert much influence and are active and well known in the community.
- You are an interested board member and are planning on giving $2,500 this year.
- Your income is about $100,000 and some of this is from investments.
- You are a large annual donor to a local nonprofit that is considered prestigious in the community.
- You personally know the prospect.

Prospect

- You are a peer of the board chair because of your social and economic position in the community.
- You are president and owner of a business with estimated gross revenue of $30 million a year.
- You have approximately 150 employees.
- You have inquired about this organization, but other than the board chair you have only limited knowledge about its programs/services.

SCENARIO 2 — STAFF AND BOARD TEAM SOLICITATION

Chief Executive

- You have the responsibility of managing the organization.
- You have a working knowledge of the programs and services of the organization.
- You have been on staff for three years.
- The organization has determined that this prospect is ready to be asked for an annual gift

Board Member

- You are serving your first year on the board, but have experience from other boards.
- You are retired and earn enough money from your investments to live comfortably.
- You know the prospect because he/she worked in your firm.
- You have a summer home in Florida.
- You are a widow(er) and have two grown children and three grandchildren.
- You are very passionate and wish you could give more than you do annually to many charities.

Prospect

- You are involved in your community and serve on another nonprofit board.
- You have a wife/husband and have two young children.
- You and your spouse earn $175,000 a year.
- As a baby boomer, you need to feel as though every dollar you contribute goes to programming.
- Planning for your children's future is a big priority for you.

SCENARIO 3 —EXPLORING OPTIONS THROUGH STEWARDSHIP

Chief Executive

- You have the responsibility of managing the organization.
- You have a working knowledge of the programs and services of the organization.
- You have been on staff for three years.
- The organization has determined that this prospect needs to be visited to receive a thank you in person and to discuss if planned giving is something worth exploring moving forward.

Board Member

- You are an annual donor and have made a significant planned gift.
- You are active on the board and enjoy speaking publicly about the organization.
- You know the prospect from a service club/organization.

Prospect

- You are the president of a major company and planning for retirement in the next two years.
- Currently you earn over $500,000 plus incentives and hold over $10 million in stock options.
- You are married and have no children.
- Your spouse is extremely involved in a number of civic organizations to which you both contribute.
- You are a donor to the organization and are active as a volunteer.

Excerpted from Fearless Fundraising for Nonprofit Boards, Second Edition, *by Dave Sternberg, BoardSource, 2008.*

TOOL 20

"Silent prospecting" is one way in which the development committee can identify and evaluate potential prospects for major gifts. By asking committee members to make notes on paper without speaking, the organization accomplishes two things at once. First, it protects confidentiality of prospect information. Second, it enhances the quality of the information about prospective donors through independent evaluation. Some suggested ground rules for silent prospecting are listed below:

1. The development committee (or prospect evaluation subcommittee) meets for prospect evaluation. Approximately 15 minutes are needed.
2. Staff provides lists of prospective new donors or current donors who might be asked to give at higher levels. Lists contain no previous gift amounts and no personal information. The purpose of the process is to test committee members' personal knowledge.
3. No one talks during the evaluation process.
4. Committee members record:
   a. Gift capability, using scale such as A for the highest amount, for example: A=$100,000+, B=$50,000+, C=$25,000+, D=$10,000+, E=$1,000+, F=$100+ (members record only the appropriate letter).
   b. The probability that the prospective donor might make a gift (using a scale such as 1 for highest and 5 for lowest) is also recorded.
5. Members sign their lists. No lists leave the room. All information recorded is left with staff and compiled in a composite report for each prospect.
6. Development staff follows up privately with members of the committee to learn more about identified prospective donors.

Excerpted from Development Committee *by Eugene R. Tempel, BoardSource, 2004.*

TOOL 21

COMMITTING TO A LEVEL OF INVOLVEMENT

This inventory offers several benefits. First, it expands the notion of fundraising to include many activities other than asking for donations. It also solicits concrete information from individual board members about which tasks they are willing to complete. Finally, it provides a snapshot of the board's self-confidence and capacity, allowing the staff to provide customized support materials.

How many are YOU willing to consider and undertake?

Mark each: Y = yes N = no M = maybe (no more than 10 maybes)

Be honest. Be realistic. Be willing to try something new.

LEVEL ONE: PLANNING AND BUILDING

______ 1. **Commit** to the organization's vision and mission. Be willing to learn more about how to give and get contributed resources.

_____ 2. **Provide** informed input into a market-oriented planning process (help decide which goals deserve priority given organizational capabilities, resources, depth of volunteer commitment, and implementation strategies).

_____ 3. **Aid** in the creation of the fund development plan. Understand the plan's implication. Be willing to help execute it. If you cannot, state why this is and be willing to work toward consensus on some revisions.

_____ 4. **Assist** in drafting the fundraising case statement — a comprehensive justification for charitable support — and be able to explain this rationale persuasively.

_____ 5. **Decide** realistic budget allocations for the organization's fundraising program. (Be patient about how fast new income will be received, but ask questions, offer suggestions, and operate by agreed-upon procedures and assignments.)

_____ 6. **Review, critique, and monitor** the action strategy — a policy and procedure outline of how and when the program is to be implemented. (This could be about types of fundraising on which to concentrate, methods of approach, ways to identify target markets, or how gifts are to be sought, allocated, reported, acknowledged, and then leveraged for more along with specific benchmarks to measure outcomes.)

_____ 7. **Understand** the organization's financial situation and probable future funding position. Resist quick fixes and short-range decisions. Probe until you become convinced money is wisely used and staff is accountable.

_____ 8. **Evaluate** progress by asking friendly but searching questions. (Are we doing what we agreed to do? If not, why not? Are we getting improved results as time goes on? What specifically? If not, why not? What reasonable changes might be explored? What do we require that is not available currently? Expertise? Staff time? Volunteers? Commitment level?)

_____ 9. **Join and get active** on at least one board committee and be alert for how its work can strengthen current fundraising endeavors. (Almost every aspect of the operation has some impact on development, directly or indirectly.)

_____ 10. **Approve** the creation of revision of a board member statement of responsibilities that include clearly defined expectations for their personal giving and involvement in fundraising.

LEVEL TWO: "FRIEND RAISING"

_____ 11. **Provide** the names and addresses of donor prospects for the development mailing list. Share pertinent information about your contacts: individual preferences, interest level, any misgivings about the cause, and their inclination to donate money.

_____ 12. **Research** phone numbers or secure exact addresses for campaign mailings.

_____ 13. **Attend** training workshop(s) to discover how better to carry out your role and to augment the overall development process.

_____ 14. **Prepare** useful and informative training materials for board members and other volunteers about how to raise funds.

_____ 15. **Recruit** volunteers and prospective helpers and suggest ways to interest and to involve persons with whom you or your friends are acquainted.

_____ 16. **Advocate** for the organization or case and serve as an enthusiastic community relations representative. (Understand the organization's mission and programs and be prepared to answer common questions. Prompt others in the community to begin participating in the work of the organization.)

_____ 17. **Acquire** mailing lists from a variety of sources in the community to augment the organization's database.

_____ 18. **Facilitate** introductions and access to individuals or groups where you have credibility and influence. Nurture prospects and donors on a regular basis.

_____ 19. **Distribute** (hand deliver) invitations or promotional material to targeted markets: individuals, business, churches, temples, community groups, or clubs.

_____ 20. **Cultivate** more varied media contacts for wider publicity and promotion. Link your organization with regional councils, societies, or associations. Seek out wider sponsorship for events, programs, or educational sessions.

_____ 21. **Join** the speakers bureau or agree to be a spokesperson for your organization at some specific occasion or event.

______ 22. **Spearhead** the formation of a business and professional advisory group and encourage on of your own professional advisors (such as CPA or an attorney) to become involved.

_____ 23. **Find and relate** one or more human-interest stories to illustrate why gifts are needed and how they are used to provide, enhance, or expand your organization's outreach and impact.

_____ 24. **Brainstorm** innovative ways to thank and to recognize donors. For instance, arrange a special "thank-a-thon" in which board members phone donors to express gratitude for their contributions, with no solicitation included in the conversation.

_____ 25. **Research** individual prospects, foundations, and corporate funding sources through public information sources. Locate promotional partners or establish a join venture. Summarize your findings for staff or committee use.

_____ 26. **Write** a personal testimonial or letter of support for public use or agree to be quoted as to why you support the organization.

_____ 27. **Hand-deliver** thank-yous, acknowledgements, or special awards to volunteers, contributors, or support groups.

_____ 28. **Participate** in an evaluation session, during which you help campaign leaders gather the information they need about giving patterns and capacity of identified prospects.

_____ 29. **Assist** in fundraising special events, such as auctions, fairs, bazaars, open houses, tours, or tournaments. Enlist others to help in ways that they perceive are useful and fun, so they will want to do it again. Welcome newcomers; circulate and mingle to spread a friendly spirit, learn names, and discover common interests.

_____ 30. **Sell** produce, tickets, or premiums where proceeds directly benefit your organization.

_____ 31. *Visit* a community leader to explain needs to be met and accomplishments of the organization. Initiate follow-up visits to sustain and increase interest.

_____ 32. **Host —** in your home or at a restaurant **—** a small group volunteers or donor prospects to better acquaint them with the value of your organization's priorities: educational programs, advancement of a cause, or effective human-services delivery.

_____ 33. **Establish** a planned giving program by finding ways to underline the importance of a remember-us-in-your-will emphasis.

LEVEL THREE: SOLICITATION

_____ 34. **Contact** local businesses and vendor suppliers to seek an in-kind donation, such as supplies, equipment, technical assistance, or personnel (interns, release time, loaned executives, etc.).

_____ 35. **Personalize** the annual direct mail program or other endorsed campaign by using at least two of the following techniques:

- Hand address envelopes for use with top donors.
- Add a personal P.S. or thank-you on the prepared acknowledgement.
- Compose and send your note of appreciation for a gift.
- Phone to thank some of those who responded.

_____ 36. **Increase** your donation each year to help reach the goal and assist in setting the place for others, so that you will become a credible solicitor.

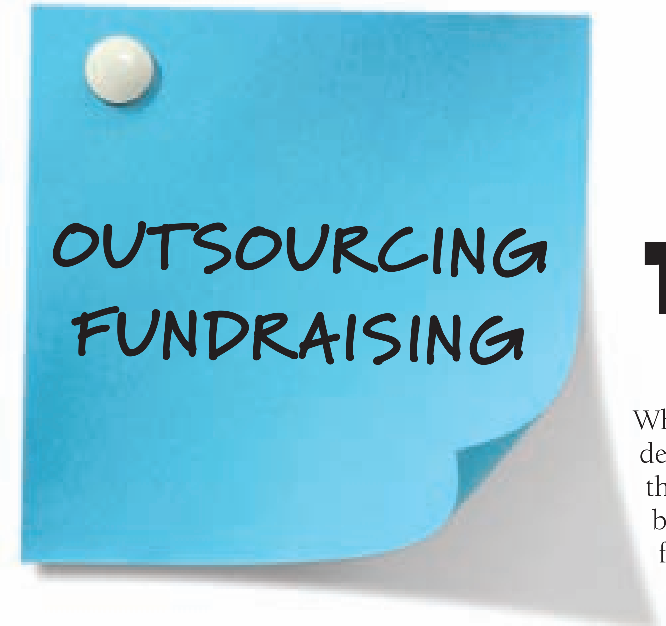
_____ 37. **Request** a pledge or a contribution from designated prospects or lapsed donors.

_____ 38. **Solicit** a cash contribution from a service club, civic group, or church or temple, or request a gift for a particular promotion or publication.

_____ 39. **Accept** a leadership role to recognize solicitation teams or a specific campaign.

_____ 40. **Ask** selected individuals for a specific gift or a multiyear pledge. Visit them personally, accompanied by a staff member or another volunteer.

Excerpted from Fearless Fundraising for Nonprofit Boards, Second Edition, *by Dave Sternberg, BoardSource, 2008.*



TOOL 22

When nonprofit organizations (especially those lacking development staff) have fundraising challenges, experts suggest they look first to their board of directors. But where can the board turn for assistance and advice? Many turn to external fundraising consultants.

As board members, how can you decide on the right course of action? What criteria are most important when considering a fundraising consultant? What can you ask this expert to do? What are the advantages and disadvantages of working with a consultant?

KNOWING WHEN YOU NEED HELP

Is your board comfortable (and successful) in its fundraising role? Does it have time for this labor intensive work? If not, consider engaging a skilled consultant to assist with overall strategy or special needs. Answering these questions first will help you get started:

- Can everyone on our board give a concise and consistent description of our mission and our work?
- Do we understand and command our position in the competitive marketplace?
- Does our organization have the time and talent to devote to ongoing donor communications, cultivation, and stewardship?
- Do we have a high-performing development committee or task forces equipped to carry out the necessary fundraising activities?
- Have we crafted a compelling case statement that will draw new constituencies to our cause?
- Are we equipped with appropriate prospect research that identifies individuals of wealth, foundations, corporations, and government funding sources?

These are the necessary prerequisites for successful fundraising. If you cannot answer all of these questions with an assured "yes," you may wish to engage expert assistance.

KNOWING WHAT HELP YOU NEED

Boards are often confused about what can and can't be outsourced. I tell my clients to use these four simple premises as a guide:

1. **Just about everything that is not operations is friend-raising and fundraising.**
   I believe that the following tasks can be done efficiently and effectively by an external consultant, leaving your board free to concentrate on other board matters:
   - branding and positioning
   - creating a strategic fundraising plan
   - organizing and managing fundraising efforts
   - determining campaign feasibility

- researching competitors, prospects, and donors
- communicating internally and externally about campaigns
- crafting compelling proposals
- training the board to make major gift requests
- managing donor stewardship and recognition

2. **Everything that is fundraising requires business planning, management, and specialized skills.**
   Identifying and implementing the right strategic approach will help you leverage your resources and get better returns on your investments. Savvy consultants bring breadth and depth of knowledge and professional knowhow to the organization. They help you get and stay organized by crafting a plan with milestones and deadlines. They support you in your fundraising efforts by assigning responsibilities, training and coaching the board and staff, and offering tools and tips to bring in the gifts.

3. **Invest in your core; outsource the rest.**
   Your board remains responsible for policies, political connections, and program integrity. A good consultant who supports your fundraising initiatives can save you time and anguish by providing new ideas, giving you an "outside-in" perspective, and helping you build in-house capacity in a cost-effective way.

4. **Know what not to outsource.**
   Your board must retain responsibility for setting priorities, approving fundraising plans, making major donor requests, serving as ambassadors for your organization, and overseeing the financial well-being of your organization. Your consultant can support you in these efforts but cannot be a substitute for you. In the end, gifts and donors must be linked to the organization and its leaders.

TEN TIPS FOR CHOOSING A FUNDRAISING CONSULTANT

If you think your board is ready to get outside help, make sure the consultants you interview:

1. think strategically and guide you to do the same
2. do their homework to learn about your organization, your vision, your definition of success, your landmines, and your breakthrough opportunities
3. command a depth of fundraising knowledge and breadth of organizational experience
4. can demonstrate fundraising success serving organizations with challenges similar to yours
5. have impeccable references from highly credible sources
6. are natural problem-solvers who can help you work through the inevitable frictions, factions, dysfunctions, and idiosyncrasies of your board
7. demonstrate a "do-whatever-it-takes" partnership spirit
8. bring the art of persuasion (the gift of seeing you — or helping you see yourselves — in a new light) and can write like the dickens
9. expect fair compensation, not a commission
10. hold you to high standards and expect you to do the same

ADVANTAGES AND DISADVANTAGES OF HIRING A CONSULTANT

Ultimately fundraising is the art of developing and cultivating relationships, mobilizing leaders, and creating a vision and causing people to invest in that vision. Fundraising requires the persistence of Job, the Teflon coating of Superman, a sense of humor, and a sense of perspective. And, always, an eye trained on the goal.

Even the best consultants will require your time and attention, and certainly the best consultants will hold your feet to the fire. If you're looking for a way to offload your responsibilities, pass the buck, or spread the blame, you're hiring a consultant for the wrong reasons. A good consultant will recognize that and steer clear. But if you hire a consultant, and you select wisely, you will have a committed, experienced, professional partner to help your organization grow.

Excerpted from "Outsourcing Fundraising" by Janet Reingold. Board Member®, *September/October2006.*

PART 4

RAISING FUNDS

raise *v*
to increase something in size, amount, value, or scope

RUNNING A CAPITAL CAMPAIGN

TOOL 23

Launching a capital campaign is a major decision for any nonprofit. Capital campaigns are not for all organizations. Those who decide to start one must ensure that they have articulated a clear purpose, that this is the right time for the campaign, and that the internal and external elements are in place to make it successful. Capital campaigns require considerable financial and human resources, demand an extended time commitment from the leaders of the organization, and necessitate thorough planning to turn the campaign into a victory.

DEFINE THE NEED

Capital campaigns are multi-year fundraising operations to raise funds for a building, reconstruction, remodeling, crucial capital improvements, major overhaul of machinery or other important purchases that cannot be financed through the normal budget process. Examples include a venue for a symphony orchestra, a new roof for a church, an added wing to a homeless shelter, or an updated radiology department for a hospital. Endowment campaigns are also capital campaigns with special characteristics and elements.

BOARD BUY-IN

More than any other fundraising engagement, capital campaigns are dependent on the board's commitment. Without the board's approval and active involvement it is not wise to launch this plan. The board must fully support the idea, be ready to commit the time and effort, participate in events, and materialize the major part of the lead gifts, the top gifts that justify the continuation of the campaign. The board orders the feasibility study and, depending on the results, gives the green or red light for the kickoff.

FEASIBILITY STUDY

A feasibility study is an essential first step. Its purpose is to measure the organizational readiness and assess the external factors that need to be in place for a successful capital campaign. It tests the general sentiment about the organization in the community and provides feedback whether the time is ripe for a capital campaign. It identifies potential donors and the size of their gifts. It lays the foundation for the campaign.

PLANNING

The ultimate key to success is thorough planning. So much is at stake that without detailed preparation the organization takes a risk of losing more than just time and initial expenses. A plan for success includes the following:

- Set the goal. The campaign must be clear about its financial target.
- Set start and end dates. The feasibility study should help determine the right moment and the needed time to reach the target in the most cost-effective manner.
- Prepare support documents. Capital campaigns usually need their own case statement, brochures, letters, and pledge cards that reflect the competent approach and the professional stature of the organization.
- Plan the budget. Include the cost of running the campaign and the cost of the feasibility study in the budget. Sometimes a special grant might cover the feasibility study.
- Calculate the hierarchy of gifts. Relying on the feasibility study, determine how many lead gifts and in what denominations you need.
- Divide the tasks. Appoint your campaign chair and chairs for special activities. Assign duties to staff, board members, and volunteers. Hire an outside consultant if necessary. Hold people accountable.
- Develop contingency plans. Be prepared for unplanned challenges. Practice what-if situations. Make sure all bases are covered.

KEYS TO SUCCESS

Besides careful planning, there are other ingredients of a successful campaign.

- Keep good records. Categorize your donors and how they paid. Track any restrictions to the donations. Keep a list of acknowledgements sent. These data will help you with your future fundraising activities.
- Grow with the task. Learn to ask for major gifts if you usually deal with smaller contributions. Seek advice and support from board members or fundraisers who are experienced in asking for contributions.
- Be quick to send out thank-you notes. Your immediate response shows the donor that his or her gift really mattered. Keep thanking your volunteers. Recognize the staff's and board members' efforts.
- Be creative with naming opportunities. Capital campaigns are legendary for providing long-term or permanent options for recognition. Have a hierarchy of options available so that an unexpected major donor will get appropriate recognition.
- Incorporate fun. Capital campaigns last a long time and are tedious. Celebrations lift spirits and boost energy.
- Keep the momentum going. If enthusiasm continues, aim higher.
- Evaluate the results and the process. There is something to learn from every campaign.

COMMON MISTAKES

- Don't start a campaign just because you need money. Everybody needs money.
- Stop action if the feasibility study does not give you a green light.
- Be flexible if circumstances require change.
- Don't set the goal too low or miscalculate the timing.
- Don't ask the wrong people the wrong amounts. Research your donors carefully.
- Don't go public until you have secured the lead gifts.

REENERGIZING A SLOW CAMPAIGN

You may need to invigorate the campaign and extend your deadlines if the goals are not met as planned. This may mean that you go back to the donors and ask for challenge gifts. You may extend the pledge period and send out new reminders. You can increase your public relations activity to bring the campaign back to the front pages. But you must also know when to cut losses and stop short.

Excerpted from the BoardSource Topic Paper "Capital Campaigns."

TOOL 24

HELPING TO WIN GRANTS

Nonprofit organizations need an edge to win foundation and corporate grants. Outreach by individual board members to friends on a corporate or foundation board, when it's appropriate, can make the difference between a yes or a no and between a large gift or a small one. Here's what you can do to help.

Know who you know on the boards of foundations and corporations. Think carefully about the people you know and how their foundation or corporation can help your nonprofit. Share these names willingly with the staff of your organization.

Ask to see some research on the source. Before you suggest to the staff that they move forward with a contact, be certain there is a fit between your nonprofit and the potential grantmaker's interests.

Insist that your organization's staff take the initiative. They should call and introduce your nonprofit to the grantmaker. Staff should move the relationship along. Only after a proposal has been submitted do you want to call your contact at the potential grantmaker.

Be certain grantmaker staff members are aware of your outreach to one of their board members.

Don't procrastinate. Once a request is in place, it is your turn to act. Do it quickly. Reach out with enthusiasm to your contact at the potential grantmaker. Understand the work of the organization and what has been proposed to the grantmaker. Speak with authority and conviction. Don't air any dirty laundry, but be honest in your responses to questions. Be persistent but not pushy. Ask if you can stay in touch on this project. Determine when you may call back.

Don't take no for an answer. If there is a turn-down, follow up with your board contact but do it sensitively. Help find out why the request was denied and what the next step is. Celebrate the joint success of staff and board when a grant comes in. Follow up with an appropriate acknowledgment.

Be sure proper reporting takes place. Know when reports are due to the donor. Be sure the reporting takes place. Reports are critical to the donor repeating the gift.

Lead the charge to go back and ask for more money when the current grant is completed and reports have been filed. Encourage and push staff to go back. The best donor is the one who has given and is pleased with the relationship.

Excerpted from the BoardSource Topic Paper "How Board Members Can Participate in Foundation and Corporate Fundraising."

INVOLVING RELUCTANT BOARD MEMBERS

TOOL 25

"I'll do anything but ask for money!" Almost every board chair, chief executive, and development director has heard these words from a board member. Why? Because board members, like most people, fear rejection.

Coaxing board members to help with fundraising activities can be quite a challenge for chief executives and development directors. Yet there are ways to plug every single board member into your fundraising program — happily and enthusiastically.

Begin by taking responsibility for your board members' inactivity in fundraising — and doing something about it. Instead of passively bemoaning their lack of help, start thinking of ways to involve them, such as those listed below.

Shift the emphasis away from asking for money. Your board members — especially your new ones — may not realize that nonprofit organizations spend much more time and energy identifying, cultivating, and thanking donors than they do actually soliciting them. Soliciting is only one small moment in the fundraising process — and it is this one moment that scares your well-meaning yet reluctant board members away. If you can remove the specter of soliciting, you will find your board members more willing to help with fundraising.

Put board members to work identifying, cultivating, and thanking donors. You will find their enthusiasm perking up if they are launched into your community not to raise money, but to make friends for your organization. Here are some easy ways for board members to identify and cultivate new gift prospects for your organization.

- **Host small socials.** Board members can host a luncheon, dinner, or cocktail party, inviting their friends to hear about your organization's good work. Ask the guests to fill out a card to indicate how they might want to become involved with your organization. Then, have the hosts call their friends the next day to follow up personally. Consider making small socials part of the board's job responsibilities by requiring each member to host one each year.
- **Host "meet our organization" tours.** Well-planned, properly promoted tours can bring in many new friends and donors. Host the tours at the same time every week, for example, Wednesday at 11:30 am. Ask each board member to commit to a day to bring their friends and contacts. After the tours, board members can contact their guests to discuss their experiences and determine how to involve them in your organization.
- **Make thank-you phone calls to donors.** Studies have shown that when board members phone to say thank you within 48 hours of a gift's receipt, not only do gifts from those donors increase, but 2 percent to 4 percent of the donors called make gifts of $1000 or more within a year.

Ask board members to support solicitations. Even when board members don't want to solicit directly, they can help "warm up" or "follow up" a major solicitation.

The Ask Warm Up. Here's an example of how a board member can help warm up a prospect for a solicitation:

It's Saturday morning and Craig, a board member, has a standing date to play golf with the chair of a local foundation that your organization is planning to solicit. Between holes, Craig can say to his friend, "I know XX Organization has an appointment with you next week. As a board member, I want to let you know that we could really use your support." He then can comment about why he cares so much about the organization's mission and ask an open-ended question such as "What are your impressions of our organization?" to generate valuable information that will help prepare those making the actual "ask."

The Ask Follow Up. The time period between the "ask" and the donor's decision is fraught with opportunity. Here's how a smart board member can play a role in following up a solicitation by taking advantage of an opportunity to tip the decision in her organization's favor.

Susanna, a board member, knows that a friend, the president of a local bank where she does business, has just been solicited by your organization. While making a transaction at the bank, Susanna stops to say hello to the president. As she is about to leave, she says, "By the way, I'm a board member of XX Organization, and we certainly would appreciate your support to do our good work." She then gives a brief personal testimonial, "I care about this organization because. . . ," and finally, asks the all-important reconnaissance question: "What were your impressions of the visit and the proposal?"

Putting board members to work in these types of jobs — identifying and cultivating donors, preparing and following up the "ask," and thanking donors so that they will connect to the organization and keep on giving — lets them shine, while enhancing your fundraising at every level. It's a win-win situation for everyone.

THE ADVICE VISIT

Another great way for a board member to contribute to your fundraising program is to seek advice, rather than a donation. By scheduling a private one-on-one "advice visit" with a prospective donor, a board member can promote your organization's cause and cultivate that prospect in a direct, personal way. And donors often are complimented by the request for their counsel.

Ask your board members to follow these advice visit rules:

Make sure the conversation is interesting. Watch carefully for the prospective donor's reactions to the conversation. If the prospect is not interested, either change the subject or leave. Your organization may not be welcome back if you are perceived as boring.

Ask for a short appointment and leave at the end of that time. When taking the time of a busy person, nothing is worse than a visitor who stays forever. If you are interesting and depart promptly, then prospective donors are more likely to accept appointments with your organization again.

Make sure the prospect does as much talking as possible. Share your personal passion for your organization's mission, but seek the potential donors' advice by asking questions, such as

- What do you think about our organization?
- Do you think there is a real need for our service or program?
- What do you think our best strategy is for lining up support?

Listen, listen, listen. Then report back to the organization.

Excerpted from "Don't Ask" by Gail Perry. Board Member®, *September/October 2007.*

RAISING FUNDS IN TURBULENT TIMES

TOOL 26

It's been called the "perfect storm" by some economists. Others compare it to the Great Depression. Whichever description of the current economic crisis reverberates in your mind, both are frightening if you are responsible for ensuring that your nonprofit has the means to fulfill its mission in the near future. What impact, you wonder and worry, will the recession have on charitable giving? Will your donors abandon ship? Will you be able to stay afloat?

One thing is sure — all hands will be needed on deck to meet your fundraising challenges. And that includes board members! There is good news, however. While the going promises to be tough, historical trends indicate that donors continue to give during recessions and that nonprofits continue to raise funds.

Here, then, are ten strategies for raising funds in turbulent times.

1. **Fear not**

   During the height of the Great Depression, Franklin D. Roosevelt said, the "only thing we have to fear is fear itself." The same can be said today.

   In difficult times, people are attracted to leaders and organizations that appear confident and optimistic. Fortunately, there is more reason to be optimistic than you might think. A 40-year (1967 to 2007) study of charitable giving patterns conducted at Indiana University's Center on Philanthropy found that in years with eight or more months of recession

   - total giving fell an average of only 2.7 percent
   - individual giving (80 percent of total giving) declined an average of only 3.9 percent
   - foundation giving (about 10 percent of total giving) dropped an average of only 0.1 percent
   - corporate giving (5 percent of total giving) fell an average of only 1.6 percent

   These numbers, rather than exaggerated news reports, should guide your planning.

2. **Develop a clear and compelling case for support.**

   According to the Giving Institute, "The most important step a charitable organization can take to raise funds during a recession or downturn is to ask people for contributions in a clear and focused manner." This requires knowing exactly what it is you are raising funds for and determining what makes your organization and your programs different from others — in short, building a case for support that explains why potential donors should support your organization rather than another and why they should do so now. If you have strong numbers to share about the percentages of resources spent directly on programs and the results you've achieved, include them.

3. **Teach your board how to raise funds.**

   No one gets to sit back and watch this storm run its course. Every single board member must give —100 percent participation in annual giving should go unsaid — and get. If your board has not been good at fundraising in the past, invest in board education and training. Now is the time to help your board members get over any discomfort with making the ask.

4. **Diversify your fundraising streams.**

   Just like your investment portfolio, your contributed income should be diverse. Relying too much on one foundation or one donor could be fatal if that donor jumps ship. Nonprofits need a mix of major donor, foundation, corporation, and event income. If any one funder, donor, or event is responsible for more than 20 percent of your philanthropic support, you are at risk. Your fundraising strategy should include a mix of benefactors and fundraising methods.

5. **Keep your top donors very close.**

   Fundraising has always mirrored the old 80/20 rule — 80 percent of your income comes from 20 percent of your donors. Can your board name your organization's top 20 percent? How do you engage your top 20 percent? Do they feel properly stewarded? Now is the time to keep the top 20 percent very, very close.

   Board members and staff must work together to make highly personalized requests to individuals and grantmakers. This includes visits, telephone calls, and handwritten correspondence. Thank them for their past contributions, let them know of the accomplishments they have made possible, tell them what you are doing to deal with the crisis, and explain why the case for giving remains compelling.

6. **Don't forget your small donors.**

   Build the wealth of your organization through small donors. Though the unemployment rates continue to increase, most Americans are employed and have the same income they did a year ago. They are in a position to give. Make personal contact with as many of your small donors as possible. They are not used to the attention; they'll appreciate it and, if asked, may increase the size of their gifts.

7. **Revisit your planned giving program.**

   Very few nonprofits have an aggressive bequest program. More than 80 percent of planned gifts are bequests. Many large donors are short on cash flow now but they have assets, which they give away at death. Colleges and universities get 60 percent of million-dollar and above bequests. Why? Because they ask. Start asking!

8. **Reintroduce yourself to your lapsed donors.**

   Most nonprofits have a large number of lapsed donors. It is infinitely easier to get a lapsed donor to reinvest than to find a new donor. Many donors lapse because you don't steward them properly or they fall between the cracks when staff turn over. Have your board, staff, and key volunteers carefully examine your lapsed donor file and develop a strategy to reach out and reengage them.

9. **Increase your online presence.**

   If there is a lesson to be learned from the 2008 presidential election, it is this: It's time to take the Internet seriously when it comes to fundraising. It is the future of philanthropy. Make sure your Web site is lively, interactive, and includes a "Donate Now" button. And if you haven't already, start conversations and develop relationships with people interested in your cause through venues such as Facebook, Twitter, and LinkedIn.

10. Spread the word.

If you ever needed your board members to be out in the community spreading the word about the meaningful work your organization does, it's now. Turn them into storytellers. The more your community members know about your organization and see your name, the more likely they are to contribute to your cause. And don't be afraid to acknowledge the ways in which the economy is affecting your ability to fulfill your mission.

While painful, the current economic crisis presents an opportunity to do things differently and better when it comes to fundraising. Seize the day!

MORE FUNDRAISING TIPS...

…from Reynold Levy, president, Lincoln Center for the Performing Arts

- **Advice and Money: The Relationship**

  If what you want is advice, ask for money. If what you want is money, ask for advice. The best fundraisers do not choose between such alternatives.

- **The School of Hard Knocks**

  Fundraising is a learning process. In a first-class development operation, mistakes occur every day, and strikeouts are inevitable. Critical to improvement are structured opportunities to diagnose error, to engage in postmortems, to improve over time. Doing so also requires two qualities: an eagerness to learn and a very thick skin.

- **Donors Crave Recognition**

  No matter what they tell you, most donors yearn for recognition and identity… Rare is a donor interested only in doing good. Figuring out how best to acknowledge benefactors is no small challenge for able fundraisers.

Sidebar excerpted from Yours for the Asking *by Reynold Levy. John Wiley & Sons, Inc., 2008.*

Excerpted from "Raising Funds in Turbulent Times." Board Member®, *March/April 2009.*

PART 5

EVALUATING YOUR EFFORTS

e-val-u-ate *v*
to consider or examine something in order to judge its value

MONITORING BOARD MEMBER GIVING

TOOL 27

In the hope of engaging our board more fully, we began using a point system six years ago to track development efforts. Staff monitored each trustee's activities and recorded points; the results were shared with the full board at every monthly meeting. This "nudge" inspired some trustees to do more before the next meeting, while some others simply disengaged from the process.

Last spring, during the board's annual self-assessment, trustees were asked whether the point system was an effective tool. The response was split: Half said it needed to be improved and expanded to include more than development and fundraising activities and half said it should be eliminated because it didn't inspire individual participation and was too prescriptive.

A committee proposed improvements, and a modified point system was approved by a slim margin. Even with the expanded categories offering trustees a variety of ways to support the organization, many of them felt genuine discomfort in being evaluated in this way. Although a diverse, cross-section of the board was opposed, the revised system was nonetheless adopted. Responsibility for tracking and reporting the results shifted from the staff to the board chair.

We're committed to testing this for a year and observing what happens — individually and collectively. It is a new opportunity for the chair to get engaged more directly and to get to know the interests and priorities of each trustee. We opened Pandora's Box, no doubt, and surprised ourselves, shaking up our intentions and commitments in the process. Not a bad thing to do once in a while.

Excerpted from "A Board Member Speaks Out" by Benita Duran. Board Member®, *January/February 2007.*

TOOL 28

Because most donors want to ensure that their gifts are well spent, many are concerned about the level of expenditures on overhead and fund-raising. In other words, how much money is spent providing programs and services, and how much is spent on renting an office, paying staff, and sending out fund-raising appeals?

The question is obvious and important; the answer is far from simple, for several reasons: First, there is no universal formula for calculating overhead. The chief executive's salary is a good example. Many people would consider it overhead; others would argue that since the chief executive deals primarily with program-related issues and is essential to the success of the organization, the executive's salary is a program expense. Second, there are no generally accepted standards for what levels are acceptable. Many organizations boast that they spend only five or six percent of their funds on overhead; other well-known and effective nonprofits spend 25 or 30 percent on overhead.

Cost-effectiveness is an important consideration for all nonprofits. Here are some additional factors to consider when evaluating overhead and fund-raising expenditures:

What is the mission of the nonprofit? Some activities, such as employment counseling or collecting and distributing blood, are labor-intensive and require a high level of staffing. It's not necessarily more efficient to use volunteers to provide such services, since volunteers require management and supervision. When evaluating effectiveness, it's important to understand the organization's nature and purpose. An operating foundation, for example, may look hopelessly inefficient at first glance, until you realize that it exists to carry out programs, not to give away money.

What environment does the organization operate in? Two organizations with identical missions might have very different cost structures if one operates downtown and the other serves a distant suburb. Does the organization's level of overhead expenses seem reasonable given its location, the number of people it's serving, and the manner in which it's providing services?

How does the organization raise money? Some methods of fund-raising are simply more expensive than others. An organization that raises most of its money through direct mail or special events may have higher fund-raising costs than a nonprofit that relies primarily on large grants. In evaluating fund-raising effectiveness, keep in mind that some activities are important for their educational value and their ability to involve greater numbers of people with the organization-intangible benefits that won't show up on a balance sheet.

Excerpted from the BoardSource Q & A "How much should be spent on overhead and fundraising costs?"

FUNDRAISING RATIOS

TOOL 29

The fundraising ratio's purpose is to provide a quick, easy, and understandable view of the percentage of revenue dollars being spent to raise a nonprofit's contributions and grant revenue. In addition to being viewed by board members and those inside a nonprofit, fundraising ratios are observed by many donors and outside groups.

If the percentage is high, then the board should look into the possibility that fundraising activities are "inefficient" (i.e., too much of each donation is being spent to obtain it) — and whether the dollars raised are really being used to benefit its clientele and achieve its programmatic mission. If the percentage is low, donors, outsiders, and the board may be more assured that contributions and grants are being put to their intended use on program activities. Analysis should be ongoing.

It should be noted that in 2002 the IRS started to send out "educational" letters to those nonprofit organizations that had contribution revenue but little or no (or proportionately low) fundraising expenses. These letters advised the organizations to give this area another look and indicated that the IRS would continue to monitor these numbers.

The fundraising ratio is expressed in the following equation:

$$\frac{\text{Fundraising Expenses}}{\text{Contribution Revenue + Grant Revenue}}$$

(For example: $710/$9,000 + $3,400 = 5.73% fundraising ratio)

A fundraising ratio that exceeds 20 to 30 percent should alert the board that it needs to discuss the reasons for this with management and auditors — and be prepared to explain publicly the reasons for it. There may, in fact, be many legitimate reasons for a high fundraising ratio. For example, a newly founded nonprofit may need to spend proportionately more than other established groups to raise donations and grants in early years, and this may result in a high ratio in the first years of operation. In any case, the board should understand the real costs and be prepared to justify and explain a high ratio to any inquirers.

Excerpted from Understanding Nonprofit Financial Statements, Third Edition, *by Steven Berger, CPA. BoardSource, 2008.*

PART 6

RECOMMENDED READING ON FUNDRAISING TOPICS

rec·om·mend(ed) *vt*
to suggest something as worthy of being accepted, used, or done

Development Committee by Eugene R. Tempel. BoardSource, 2004.

Fearless Fundraising for Nonprofit Boards, Second Edition, by Dave Sternberg. BoardSource, 2008.

Fundraising Responsibilities of Nonprofit Boards, Second Edition, by James M Greenfield. BoardSource, 2009.

The Nonprofit Board Answer Book: A Practical Guide for Board Members and Chief Executives, Second Edition, by BoardSource. BoardSource and Jossey-Bass, 2007.

The Nonprofit Policy Sampler, Second Edition, by Barbara Lawrence and Outi Flynn. BoardSource, 2006.

Understanding Nonprofit Financial Statements, Third Edition, by Steven Berger, CPA. BoardSource, 2008.

BoardSource is dedicated to advancing the public good
by building exceptional nonprofit boards and inspiring board service.

BoardSource was established in 1988 by the Association of Governing Boards of Universities and Colleges (AGB) and Independent Sector (IS). Prior to this, in the early 1980s, the two organizations had conducted a survey and found that although 30 percent of respondents believed they were doing a good job of board education and training, the rest of the respondents reported little, if any, activity in strengthening governance. As a result, AGB and IS proposed the creation of a new organization whose mission would be to increase the effectiveness of nonprofit boards.

With a lead grant from the Kellogg Foundation and funding from five other donors, BoardSource opened its doors in 1988 as the National Center for Nonprofit Boards with a staff of three and an operating budget of $385,000. On January 1, 2002, BoardSource took on its new name and identity. These changes were the culmination of an extensive process of understanding how we were perceived, what our audiences wanted, and how we could best meet the needs of nonprofit organizations.

Today BoardSource is the premier voice of nonprofit governance. Its highly acclaimed products, programs, and services mobilize boards so that organizations fulfill their missions, achieve their goals, increase their impact, and extend their influence. BoardSource is a 501(c)(3) organization.

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- resources to nonprofit leaders through workshops, training, and an extensive Web site (www.boardsource.org)
- governance consultants who work directly with nonprofit leaders to design specialized solutions to meet an organization's needs
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- an annual conference that brings together approximately 900 governance experts, board members, and chief executives and senior staff from around the world

For more information, please visit our Web site at www.boardsource.org, e-mail us at mail@boardsource.org, or call us at 800-883-6262.

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1. *Ten Basic Responsibilities of Nonprofit Boards, Second Edition*
2. *Legal Responsibilities of Nonprofit Boards, Second Edition*
3. *Financial Responsibilities of Nonprofit Boards, Second Edition*
4. *Fundraising Responsibilities of Nonprofit Boards, Second Edition*
5. *The Nonprofit Board's Role in Mission, Planning, and Evaluation, Second Edition*
6. *Structures and Practices of Nonprofit Boards, Second Edition*

Books and e-Products

The Nonprofit Chief Executive's Ten Basic Responsibilities

Chief Executive Transitions: How to Hire and Support a Nonprofit CEO

Chief Executive Succession Planning: Essential Guidance for Boards and CEOs, Second Edition

Assessment of the Chief Executive (online tool)

The Board Chair Handbook, Second Edition

Getting the Best from Your Board: An Executive's Guide to a Successful Partnership

Moving Beyond Founder's Syndrome to Nonprofit Success

The Source: Twelve Principles of Governance That Power Exceptional Boards

Exceptional Board Practices: The Source in Action

Fearless Fundraising for Nonprofit Boards, Second Edition

Navigating the Organizational Lifecycle: A Capacity-Building Guide for Nonprofit Leaders

Managing Conflicts of Interest: A Primer for Nonprofit Boards, Second Edition

Nonprofit Executive Compensation: Planning, Performance, and Pay, Second Edition

Who's Minding the Money? An Investment Guide for Nonprofit Board Members, Second Edition

Generating Buzz: Strategic Communications for Nonprofit Boards

Meeting, and Exceeding Expectations: A Guide to Successful Nonprofit Board Meetings, Second Edition

The Nonprofit Policy Sampler, Second Edition

The Nonprofit Board Answer Book: A Practical Guide for Board Members and Chief Executives, Second Edition

The Nonprofit Legal Landscape

Board Self-Assessment (online tool)

Understanding Nonprofit Financial Statements, Third Edition

The Nonprofit Board's Guide to Bylaws

Transforming Board Structure: Strategies for Committees and Task Forces

The Board Building Cycle: Nine Steps to Finding, Recruiting, and Engaging Nonprofit Board Members, Second Edition

Culture of Inquiry: Healthy Debate in the Boardroom

DVDs

Meeting the Challenge: An Orientation to Nonprofit Board Service

Speaking of Money: A Guide to Fundraising for Nonprofit Board Members

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