

**Office of the Secretary of State
Corporations and Charities Division**

Fundraising Fundamentals for Charities and Nonprofits

**Presented by Stuart R. Grover
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OUTLINE

I. The right way to think about fundraising

Some thoughts about ethics—adopted from a presentation by Marianne Jennings, professor at University of Arizona

- Thought number 1—they seem to be disappearing—more than 70% think it’s okay to “do what feels right to me”
- Thought number 2—they still matter (Red Cross, United Way, Boeing)
- Thought number 3—breaches invariably get caught—people pay attention and the violators pay the price
- Thought number 4—doing the right thing pays off—people respect you for obeying the rules even when it hurts

Three ethical tests in case you’re in an ethical dilemma

- The newspaper headline test
- The grandchild’s legacy test
- The judgment day test

The quickest paths to unethical behavior

- “It’s the easiest decision”
- “We’ll make money if we do this”
- “Other organizations do this and they never get caught”
- “Who will ever find out?”

The solution to almost every ethical dilemma:

- Do not do unto others as you would not have them do unto you—almost every religion, nation, and culture has its own version of the Golden Rule, and it applies to all of us

II. How this relates to charities

Why philanthropy is better than transactions

- The concept of **philanthropy** exists in most religions and cultures—it means literally “love of humanity”
- In Latin, the word is ‘caritas’ or caring, which of course becomes our modern word **charity**
- In Judaism the concept is ‘**tzedakah**’—the redressing of injustice in the world
- In all cases, it means giving help to people on the basis of their need and your desire to help them.
- Transactional gifts mean that you are getting something tangible in return, rather than giving for the sake of giving. The most obvious forms of transactional giving include auctions and events, raffles, premiums, and other transactions where the major reason to give is that you receive something in return.
- The IRS differentiates between the motivation for giving. You get a deduction for 100% of philanthropic gifts, but only for the amount above fair market value for transactional gifts—and nothing for raffle tickets, bingo, or pull tabs.
- When people give, it’s for the organization’s mission, not for a tangible reward—tax break is sixth in causes, recognition fifth.
- But asking for money for something intangible seems harder than asking someone to buy something. Why is it better?

Fundraising is good and necessary

- What happens when you raise money—imagine the outcomes
- What happens when you don’t raise money—imagine the consequences
- Board responsibilities, what is expected of you from a legal point of view, and why it relates to the practical task of keeping your organization solvent—fiduciaries, advocates, connection to the community
- No money no mission
- Almost all large gifts are philanthropic in origin
- Transactional gifts lead to unethical behavior because they’re divorced from your mission

Fundraising is ethical

Ethics covers many different issues and aspects of fundraising

- AFP Donor Bill of Rights (<http://www.afpnet.org>)
- Better Business Bureau rules(<http://www.bbb.org/us/Charity-Standards/>)
- Giving Institute rules www.givinginstitute.org/code/index.cfm?pg=Standards_of.

Three general rules that cover most of everything else:

- Donor centered
- Transparent
- Accountable --Explain and questions

Ethics start when you found the organization

- Must be for community, not personal benefit
- Must have a board that is community based (however you define community)
- Must have a clear mission
- Must spend its money on mission-related activities
- Must not have a political agenda or support lobbying for political causes
- Preferably non-discriminatory

Some fundraising dos and don'ts

- Do have a 501 © 3 status established or well along
- Do have articles of incorporation and bylaws registered with State
- Do have your 990s up to date if required
- Do have financial controls in place—don't trust anyone!
- Do have the following completed:
 - Vision statement (break for exercise)
 - Mission statement
 - Strategic plan
 - Business plan
 - Annual budget
 - Development (fundraising) plan
 - Case statement that is consistent and fully aligned with all of the above
 - A dog and pony show
 - A '30-second spiel' (another exercise)
- Don't hire someone to raise the money for you
 - You want to have your donors know you
 - You'll probably be engaging in unethical behavior (either percentage or spec fundraising)
 - You probably won't reach your goal
- Don't hire a firm that keeps a disproportionate percentage of funds for phone solicitation
- Don't "follow the money," rather follow your mission
 - If you use the phrase "Well, money is exchangeable" in your discussion, you're on a slippery slope—use money for the purpose you request it
 - Don't expect to raise money through PR, ads, raffles, or other 'easy' ways
 - Don't assume that anyone 'owes' you a gift
 - Don't equate fundraising with sales
 - Don't rely on a 'quid pro quo'

III. The Fundraising Pyramid—Philanthropy vs. Transactions

Legacy gifts—bequests, trusts
Capital and special project gifts
Major supporting (operational) gifts
Individual
Institutional, often referred to as grants (and why institutions are really individuals)
Annual gifts
Memberships or subscriptions
Special event attendance
Response to direct mail
Gift of car or used clothing
Purchase of raffle ticket
Bingo, punch cards, or other gambling based investment

IV. Developing donor loyalty

- It's a lot cheaper to keep existing donors than to get new ones
- The average person gives to 12-15 charities a year—their first gift is a 'test'
- Donors say they want to know how their money is used
- They want to feel appreciated
- They want to feel involved
- This is where Internet and social media come in
 - Face book
 - Twitter
 - YouTube
 - Eblasts
 - Newsletter and/or briefs
 - SurveyMonkey, Zoomerang and others
 - Web and cloud based intranet to share information, videos, testimonials, links, etc.
- But nothing beats relationships and personal touches—this is where the Board comes in—and remember this applies to foundations and corporations as well as to individuals
 - Thank you notes from board members or non-fundraising staff
 - Calls from board and/or staff
 - Invitations to special events
 - Invitations to see programs in action
 - Personal updates on your programs
 - Focus groups when you need help
 - Travel opportunities when appropriate
 - Feasibility studies before major initiatives
 - Service on committees
 - Volunteer opportunities

- Stewardship = cultivation of your current supporters
 - As important as getting new gifts
 - Continues the theme of your organization as transparent and accountable
 - Avoids churn and wasting your resources
 - The source of major gifts, bequests, and other lifetime gifts

V. **Good fundraising vs. bad fundraising**

- Good fundraising begins with a compelling external vision
- Bad fundraising begins with a pressing internal need

- Good fundraising focuses on what the community needs
- Bad fundraising focuses on what the organization needs

- Good fundraising focuses on outcomes
- Bad fundraising focuses on money

- Good fundraising focuses on relationships
- Bad fundraising focuses on solicitation

- Good fundraising allows you to fulfill your mission
- Bad fundraising adds activities without enhancing your ability to reach your goals

Some Ethical Dilemmas

1. You are on the board of a youth service bureau. If you don't raise at least \$40,000 very quickly, you will be forced to lay off your drug and alcohol abuse counselor. You are holding a testimonial dinner in honor of your long-time executive director, that you think will raise about \$10,000. A local beer distributor offers to be the named sponsor for the event and is willing to contribute \$25,000 to your organization for that privilege. Would you accept the gift?

2. You are the director of a museum that publishes a quarterly history magazine. A wealthy patron has been the long-time editor of the magazine, but was replaced after she insisted on including a racist reference in an article published in the magazine. A qualified historian has been hired to replace her. She has offered to make a \$1 million gift to endow the magazine in perpetuity if she is reinstated and the current editor is fired. What would you do?

3. You are the pastor of a struggling congregation and a check for \$300,000 arrives from a private foundation. The letter accompanying the check is from an accountant, saying that the church should retain \$50,000 for its needs, but that the remaining money should be deposited in the personal bank account of the man who gave the money to the foundation in the first place. The accountant's letter assures you that this is an appropriate thing to do, and also states that your \$50,000 is contingent on following these instructions. What would you do?

4. You are the board president of a faith-based nursing home that cares for medically-fragile children. You discover that your CFO, a former nun, has embezzled almost \$400,000 and given it to her husband to cover his gambling debts. She has been part of the organization for more than 25 years and is much beloved. While she was a nun, she worked without salary for almost 20 years. How would you proceed?

VI. Vision Statements

Vision statements focus on what will occur if your organization succeeds in carrying out its mission. It is **not a restatement of what you do everyday**. It focuses on outcomes.

- Some samples
 - The Fred Hutchinson Cancer Research Center seeks to eliminate cancer as a cause of human suffering and death
 - The YWCA wants every woman to have a safe place to sleep every night
 - The community college wants every resident in its district to have access to excellent education to insure a well-trained and prosperous population

- Whom do you serve?
- What is the extent of your reach (neighborhood, local, county-wide, statewide?)
- How will you change people's lives?
- What do you do that no other organization does?
- How will things be different if you succeed in your activities?
- Now—write down your vision statement in no more than 35 words.

VII. Your 30-second Spiel:

Here's the scenario:

You're at the Y or your health club or getting ready for yoga. Or you're in an elevator or other situation that offers you a captive audience for a short time. A friend asks, "What are you up to these days? Anything special?"

Your first response is to tell him or her about your organization. You have no more than 30 seconds to tell them something that will get their interest and attention. What will you say?

Here are some questions you should consider:

What is unique about your organization?

What is the most exciting project the organization is working on?

What is your personal connection to the organization and why are you involved?

Is there an event, demonstration, or other opportunity to share your organization with your friend?

Has your organization received any award or special recognition lately?

Some examples:

“I’m spending a lot of time on the board of the Group Health Foundation. We’ve committed ourselves to reversing the trend of Washington having the worst record of childhood immunizations in the country, and we’re backing efforts to support local clinics in changing that. We’ve committed to raising and spending \$1 million over the coming three years on changing this trend. And we’re also supporting other innovations that national leaders in health care see as paving the way for lowering health care costs.”

“I’m on the board of the Tacoma Art Museum and we’ve been getting a ton of publicity about the huge Chihuly exhibit we have on now. And, even closer to my heart, we’re expanding our endowment to make sure anybody under the age of 18 can attend the museum for free—and we’d like to raise enough money so that everyone can have free admission. Art changed my life and kept me away from being a juvenile delinquent and at a time when the government is cutting back on art education, this is a great way to give others the same chance I had.”

“You know, even in this awful economy, the unemployment rate for college graduates is about 4%. For kids who don’t graduate from high school, it’s about 25%. I’m on the College Success Foundation and we raise money to send kids to college—and to find help to make sure they can stay there. Over the last five years, we’ve put almost 1500 kids into college and what I’m most proud of is that 85% of them have either graduated or are still working on their degree. I couldn’t have gone to college without help—this is my way of giving back.”