

FUNDRAISING

Getting Started the Right Way for Charities and Nonprofits

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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, University researchers)
- Thought number 3—breaches invariably get caught—people pay attention and the violators pay the price (professors and insider trading)
- Thought number 4—doing the right thing pays off—people respect you for obeying the rules even when it hurts

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?”

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 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 motivations 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 among motivations, 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

Three general rules that cover most of everything else:

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

And two others define your role as board members

- The board is legally responsible
- Without money, you can't achieve 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 .

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
- No self-dealing

Some concrete steps to take when you consider fundraising

- Regard yourself as an IPO—all the info your investors need
- Do have a 501(c)3 status established or well along
- Register with the Secretary of State's office
- Register with the city or county if required
- Do have articles of incorporation filed with State
- Have certain disclosure statements on all solicitations (see example)
- Do have your IRS filings (990s) up to date if required to file them
- 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 (USP)
 - 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)

Avoid common pitfalls

- Make certain your donors will want to give again—don't engage in unethical or deceptive behavior
- Be as cost-effective as possible so that your donors know their money is going to mission
- 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'
 - No spec or percentage

III. The Fundraising Pyramid—Philanthropy vs. Transactions (Best, most cost-effect first)

Legacy gifts—bequests, trusts from individuals
 Capital and special project gifts from all sources
 Major supporting (operational) gifts from individuals
 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

- I. The concept of ethical fundraising falls into two categories
- Ensuring that your organization is donor-centered, transparent and accountable, with a laser focus on connecting fundraising to your mission
 - Striving to make your fundraising as efficient and cost-effective as possible, ensuring that the maximum portion of every gift goes toward achieving your mission rather than toward fundraising costs or overhead. In general, you should aim for a total cost of about 20 cents for every dollar raised, with no segment exceeding 35 cents for every dollar raised, unless you are focused only on donor acquisition.
 - With these two ethical elements in mind, the bottom four items should never be the primary means by which you raise funds.

II. **Events – The good, the bad, and the in-between.**

How many of you have annual fundraising events—breakfasts, lunches, galas? How many of you run golf tournaments? How many of you hold more than one event annually? More than two? Anyone hold four?

Let’s admit some specific truths about events:

- Labor intensive, both from a staff and volunteer perspective
- Uncertain return on investment. The average event costs about 30-60% of gross, more if you factor in volunteer time. This includes sponsorships as both revenue and expense
- Attendee and donor fatigue, since you are asking the same sponsors and attendees to support multiple organizations through events
- Diminishing returns as novelty wears off for most
- Little personal attention to individual donors and other participants, resulting in little or no growth in gift size.
- Sense by most attendees that they attend because of social obligation, not philanthropic or mission-based reasons

Enough already with the down side.

If events are so bad, why do we do them?

- “Our board members like them, take ownership, and won’t engage in other types of fundraising”
- “Even if net is only 50% of total income, it’s more than we’d raise otherwise”
- “It’s a tradition and it’s the only time each year we see many of our donors”
- “Everyone does one. We’d look lame if we stopped, and people might forget about us”
- “It’s so much easier to ask someone to a party than to ask them for a cash gift”

OK—so you’re not going to go cold turkey on events. ***Following are four ways to yield more from events and use them to support a true major gift/annual giving program.***

But first, a word from our sponsor — annual major individual giving resulting from face-to-face requests for specific amounts of money is the most cost-efficient method of fundraising. This is my message and my mantra—this is how to increase your fundraising and raise the community’s sights, helping everyone.

Major gifts will cure what ails you, replace what fails you, free what jails you, defeat what nails you, shake what tails you. They’ll reduce agitation, palpitation, excessive cogitation, embarrassing perspiration, chronic constipation. They’ll end chest congestion, upset digestion, ease ingestion, answer every question. But most of all, major gifts will please your honey, make you sunny, spare the bunny—and raise more money!

The most efficient, effective and ethical type of fundraising is when a volunteer asks a donor he or she knows for a specific gift face to face.

Such gifts are totally philanthropic, cost the organization almost nothing and result in permanent, strong relationships between you and your donors when done correctly. More on this later, but now back to our program.

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So—how do you use your events to bolster individual and corporate major giving.

- 1) Shift your paradigm. Define events as entry into your organization, rather than as the only gift people will make. Events allow you to focus on the people you want to involve in your organization. They’re much more remunerative than direct mail or even social media. And they expose people to your mission. Regard the event as a donor acquisition tactic. Treat people as potential major donors rather than as a group of partygoers. If a guest has spent \$250 a year for two years, consider taking them out to lunch the third year and asking them to make a \$500 gift for a specific program. If after that they no longer attend the event, you’ve won them as annual donors and you get to use almost the entire gift on your programs rather than for event expenses. And it means you have to continue finding new people to attend the event, moving them through the cycle from a transactional giver to a philanthropic giver. Transactional givers expect something in return for their gift—dinner, auction items, premiums, etc. They are focused on having a good time or receiving something in return for their gift, only a portion of which is tax-deductible. A philanthropic donor focuses on your mission and gives to reflect personal values. Philanthropic gifts are general fully tax-deductible and offer no tangible rewards to the donor, except greater happiness and longer life.
- 2) Use the event as an excuse to request a major individual gift. Once you establish who among your attendees would be a good prospect for a significant gift, use the event as a time to announce it. (Key Bank for TCC, Benaroya for JDF, etc)

- 3) Transform your event into a public manifestation of your annual giving campaign by nailing down gifts to 'raise the paddle' before the event and using the event to recognize their generosity. This combines a party with true face-to-face fundraising in which people are asked for a specific amount. (TAM, Global Partnerships, Group Health). It is sometimes called 'salting' and can involve challenge and/or matching gifts
- 4) Transition out of your major event (or at least trade up to major gifts) by using your attendees as the source of funding for a major project or capital campaign. (Parry Center, FHCRC).

What are ways you could improve your events, make them more profitable and more mission focused?

Ethical solicitation—Why fundraising through social media is not necessarily the best answer

- Especially for younger donors, it's becoming helpful and almost necessary
- Great communication tool
 - Facebook
 - Twitter
 - LinkedIn
 - Plain old email
 - E-Blasts
 - Instagram
- Have to be able to enroll people, which means links from Web site, advertising, and everything else
- It isn't free
- You must have a profile in community to make it work
- Crowd sourcing is becoming more popular
 - www.power2give.org/pugetsound has worked for large and small organizations
 - Kickstarter has been effective for some projects, but mostly for individuals and businesses
 - You must drive people to the web site
 - It helps to have matches/challenges
 - Project-based; must be compelling
 - Have to be careful not to cannibalize
 - It is not free money and won't work for everyone
- Ice bucket challenge probably won't work for you

Most effective, cost-effective, ethical solicitation occurs face to face

- Avoid manipulative sales tactics
- Make certain you're starting a long-term relationship, not a single gift
- Think of how you'd want to be treated as a donor

Setting up a face-to-face meeting with high ethical standards

- No mystery meetings—be proud of the fact that you’re asking for a gift
- No sneaking up on people
- Include **all** the decision makers—spouses, children, financial advisors
- Remember that face-to-face meetings show respect
- Letting them see you increases their attention
- Allows you to express thanks in person
- Make a specific request and let them respond
- When possible, frame their gift within the entire campaign
- Never ask with a sense of entitlement
- Don’t use the “Italian leather couch” approach in your request—avoid buyer’s remorse
- Thank people profusely, whether they give or not, whether they give what you request
- If appropriate, have them sign a pledge card then

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 may come in—many innovative and inexpensive uses

- 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
 - Individuate your donors
 - 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 gift

Good fundraising vs. bad fundraising

- 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 relation ships
- 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. In addition, the news will disappoint your donors, some of whom will never trust you with their gifts again. How would you proceed?
5. You are on the board of a faith-based organization. You walk into the CEO's office unexpectedly and discover him in a compromising position with one of your fellow board members. You are in the midst of a campaign and the CEO is well-liked and an effective fundraiser. In their overheated state, they have not noticed you. What do you do?
6. You are a board member for an arts organization. The development officer has been very attentive and kind while cultivating you for a major gift. On your birthday, she gives you a lovely watercolor by a local artist that you know is worth several thousand dollars. You like the artist very much and the work would look wonderful in your house. There are no strings attached and no one would ever know how you acquired the painting, since you have purchased many works over the years. What should you do?
7. You are the female CEO for a social service organization and you've been spending much time cultivating a gift from an elderly man whom you genuinely like and whose company you enjoy. You often lunch together and discuss current books. At Christmas time, he gives you a \$100 gift card from a local book store. Can you accept it?

V. Vision Statements

Vision statements result from two separate needs. The first is your vision of what will occur if your organization succeeds in carrying out its ongoing mission. It is **not a restatement of what you do every day**. It focuses on outcomes. The second results from your decision to embark on a major campaign to raise your organization to a higher level, through a capital, endowment or comprehensive campaign.

- Some samples related to ongoing activities
 - 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
- Some examples related to special campaigns
 - Our new music studio will open the doors to lucrative careers for aspiring young musicians through King County
 - A \$20 million endowment will increase Seattle Colleges' graduation rate for our students by 30% by providing them in perpetuity with student services to support their efforts and counteract their challenges
- 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.

VI. 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 heavily involved with the Tacoma Art Museum and we just got an incredible gift of one of the country's best collections of Western art and the money to build a new wing to house it—plus money for an endowment for the new collection. We're in the process of raising more money to transform the entire streetscape in the Museum's neighborhood, plus an endowment to ensure every kid under 18 can get free admission to the Museum."

"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."

NOTES