Fundraising Techniques for Non-for-Profits

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By
Jenny Justis
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Student Name: Jenny Justis

Faculty Supervisor: Dr. Rick Ridnour

Faculty Approval Signature: [Signature]

Department of: Marketing

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HONORS THESIS ABSTRACT

This binder contains a wealth of information for non-for-profit organizations on what fundraising techniques are used and what works. The purpose of this project was to provide an overview of what non-for-profits use to gain funding. This was accomplished through reviewing and summarizing current published academic and trade literature on the matter as well as using first hand interviews of those in the DeKalb/Sycamore Community. The emphasis is on two major findings: the first being that relationships are what drive funding and the second that to better understand what works industry specific research needs to be done. This binder is a great start for anyone either first starting to fundraise for non-for-profits or a non-for-profit organization looking to make changes in their current fundraising methods. The project was finished by providing an Executive Summary with recommendations and highlights. Following the Executive Summary is eight sections of articles and their summaries to provide further detail on those specific functions. The last section highlights three local non-for-profits and the fundraising techniques they use as well as advice the interviewees had to offer.
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Non-For-Profit Fundraising

Upon reviewing several secondary and primary sources, I offer the following recommendations:

- Have several annual fundraisers, the precise number depends on size of the organization
- Develop an endowment fund
- Use consistent techniques, either a true model or a system you have developed
- Have an effective and passionate Board of Directors
- Use direct mail, grants, and the internet, but do not rely solely on these avenues; utilize your target market
- Relationships are what allow an organization to thrive

Details:

- It is important to have a consistent source of funds, and this is what annual fundraisers provide. However, keep in mind that these fundraisers need to grow in size each year. The type of annual fundraisers depends on the organization; the best method is to research what has worked for your type of organization and what others in your area are doing. It is important to distinguish your organization and your events from others in the area. One idea that I like for any size and type of organization is a social fundraiser, such as a dinner or food or beverage tasting (Vapnar, 1993). This is a great method for building enduring relationships with those in the community. Providing a range of events including social, professional, service, and charitable, is a great way to grab a variety of potential donors’ interests. For many organizations, the national office can provide a list of ideas that have worked for other offices, so it is just a matter of reviewing the materials provided and figuring out what will work best for your community (O’Flanagan and Taliento, 2004).
Another important element is promotional items; this is best organized through a strategic partnership(s) with companies in your area. I also like the idea of linking this to front- and back-end premiums; this is where the donor receives half of the promotion initially, followed by the remainder (if the donor chooses) after a donation is received (Estell, 2002). In order to assist with event planning, ties with companies in your area should be established so that it is easier to obtain donations and support.

Another key here is target marketing: know the demographics of your area. Certain aspects work best with certain demographics; this is a good way to reduce the costs of fundraising.

The most important aspect of annual fundraisers is the ability to generate funds without high expenses or risks. Annual giving is necessary for operations (generated from current income) and capital giving allows growth (generated through long term assets) (Oliver, 1993). At first glance you might consider it a good idea to try every possible fundraiser. If something works, stick with it; if not, try something else. However, this is not necessarily a good idea. It is important to stick to your plan, and always make sure that the funds you are likely to generate are worth the cost, time, and effort. It does not make sense to spend three weeks on an event that generates only $1,000; it is a waste of time and energy that could better be used elsewhere to sponsor a program with the potential to generate more funding. Having a budget, and operating within that budget, is the best way to maintain an effective fundraising program.
Another important component is to stay current and educated regarding fundraising techniques, what is going on in your area, and just everything you can get your hands on that is relevant to your type of organization.

Another great idea is to rank your donors in order of interest. If someone seems very interested in your organization, you need to express more interest in him or her and initiate one-on-one contact (Worden, 2004). If a prospect shows no interest, do not waste money pursuing him or her. If potential donors are on the border, do not push them, but provide them with the necessary information to make the right choice.

Another source of consistent funding is the endowment fund. Endowment funds are an excellent way to make sure that year-to-year operational expenses are covered and to protect your organization during troubled times (Wyszomirski, 2002). The method of establishing this fund and choosing who will manage it are personal choices; however, I believe this to be an exceptional idea worth the time, effort, and initial costs to establish. This process is not something to be taken lightly; extensive research should be done to determine the best way to establish this fund for your organization. In order for this to work, you need to establish a planned giving system for your organization. It is also important to develop marketing materials that specifically focus on planned giving (Howland and Jones, 2004). This method of contribution is complicated; detailed knowledge of the tax code and of financial instruments is needed, so do the research (Oliver, 1993). Planned giving can be beneficial to both parties, since it provides the donor with a tax benefit (Howland and Jones, 2004).
• Fundraising for non-for-profits is passion driven; it is belief in the organization and love for your cause that makes it work. However, I do believe that some system must be in place in order to be effective and to send a consistent message to the community (Howland and Jones, 2004). One model that was reviewed is the Raising More Money Model. It is my belief that this is an excellent model to follow. However, after my analysis over the span of this project, I do not believe that this specific model is essential for non-for-profits to be successful. I do believe that some type of system or model is necessary, but it does not have to be one that is purchased; it can be one that your organization has developed on its own. The key here is to have a plan and follow it to make sure that everyone in the organization is on board and assists with the plan, and to allow the plan to grow over time.

• It is my belief that, too often, the Board of Directors is seen as a supporting factor, rather than the driving force of the organization. It is important when establishing your Board to have committed members, not members who are there only because their companies require it. It is also important to have an established job description so that members understand their required level of commitment financially, managerially, and in supporting the group’s initiatives (Farquharson, 1994). Board members are the vital link between staff and volunteers; therefore, it is important to evaluate the Board as time goes on, to make sure it is not only meeting expectations, but enhancing the organization’s position as well (Minnesota Council of Nonprofits, 2005).

The Board is also a key element of the public’s perception of your organization; therefore, its’ position in your organization is not something to take lightly (Minnesota Council of
Nonprofits, 2005). It is important that the members of your Board are connected throughout the community. These connections allow you to sense what is important to your potential donors, and also provides a contact base. It is important, if you are asking a company for a donation, that you know someone within the company.

- Although direct mail is not a strong fundraiser, I believe it is an important method of staying fresh in your donors’ minds. To make this method effective it is important to stay within your target market by profiling your donors’ age, income, family makeup, donating type, and other contributing factors to ensure that your costs do not exceed the funds you generate (Werner, 1992). Again, using front- and back-end marketing is a very important feature. This can also be supported through various software systems. Other important elements include integrating all departments, giving the donors options, utilizing referral marketing, using good marketing design, and branding.

Another aspect of fundraising that should not be your main source of funds, but a supporting one, is grants. The grants for which an organization is eligible depends on the type of work it does. The key here is to research effective grant writing or have someone specifically in charge of grants. I did not do any specific research on grants because I believe they are industry specific; so my recommendation is to research the grants which you are eligible and apply for them. If you have a large organization, putting a staff member(s) specifically in charge of grant writing might be necessary. Although the application process is simple, knowing what grants your organization is eligible for requires more work.
The internet is a necessary tool that cannot be circumvented. However, it should not replace traditional fundraising, but instead transform it. Websites should be established that communicate, educate, build relationships, and advocate your cause. They should allow for donations to be made, event registration and management, members to join, volunteers to sign up, and most importantly, facilitate relationships and advocacy (Hart, 2003). Establishing a website for your organization can be a great link to the community. It is important to make sure that online and offline processes are interlinked, that the technology being used is engaging, and that it has the ability to gather contact information (Hart, 2003). Some believe that the internet can be used to cut marketing costs. I believe this is a possibility, but it is important to know what works for you. For some of your members, an electronic newsletter is best; others prefer the tangible one, so make sure you are able to adapt to your donors’ needs (Quash, 2003).

The last, but most important part of fundraising for non-for-profits is building strong relationships with your Board, your donors, and the community. This concept is consistently highlighted in every article, every interview, and it just makes sense. However, it is not an easy process. It is important to realize that adding a personal touch goes a long way. This means you must make sure you do not get stuck in the rut of doing the same thing over and over; add a personal touch to each of your prospects. How personalized you get depends on how much of a donation you are seeking; the CEO will not be making calls for $10 donations, but he will for $10,000 donations (Keller, 2000). However, just adding the person’s name at the top of a direct mailing does help; a lot of
people will not even open a letter if it is not specifically addressed to them (Farquharson, 1994). A personal connection with someone can create a lifelong donor.

One tip that I believe to be vital in building strong relationships is becoming involved with the community (Littlefield, September 28, 2005). This sounds simple, and it is, but it does require some extra work and time. Join organizations in your town-- one great one is the Chamber of Commerce. This is a great way to gain contacts, inform others about your organization, and show the community that you care. Find out what other organizations, Boards of Directors you can become a member of and join as many as you can, but be careful not to overextend yourself. Another great source for contacts/donors is your current supporters; simply asking them for referrals (Oliver, 1993).

Fundraising is not solely about hosting events that generate funds it is about obtaining lifelong donors. In order to achieve this, relationships must be built in the community the organization operates in. This may even mean conducting events that do not generate funds, for example TAILS’ Dog Wash. By showing the community that the organization cares and provides desirable services people will want to show their support through donations. This is not something that can be done over night, relationships take time to build. Once a relationship is established it must also be maintained and appreciated; without building strong relationships a non-for-profit organization cannot sustain.
The following are key learnings I gained from this project:

- If it is possible to develop a federation, a “network of local affiliates,” this tool can greatly assist your organization (O’Flanagan and Taliento, 2004). One aspect of the federation is the sharing of ideas to cut back on the development time. Additionally, resources can be shared between offices to better utilize funds and time. A good federation has four key focuses: brand management, performance measurement, shared services, and coordinated fundraising (O’Flanagan and Taliento, 2004). One of the most important aspects of this tool is who belongs to the federation, because members can either greatly assist or hinder your organization (O’Flanagan and Taliento, 2004).

- Although corporate gifts are important, they are not a large portion of the funds you will bring in. One of the main reasons for this is that the market is highly saturated; everyone is going after the same dollar. Companies are constantly asked for donations, and they are limited as to what they can give, how they give, and who they can give to (Oliver, 1993).

- Fundraising is the main function of the organization. Everything that an organization does affects its bottom line.

- It is important to reward your donors, so they feel that they are appreciated and desired. The key here is to make sure the reward matches the gift; people want receive greater rewards if they are giving you a substantial amount (Renda, 2004).

- Many organizations have list serves for people to share their ideas and insights. This is another great source of information, and an easy one to institute (Rusin, October 12, 2005).
• It is important to stay updated on laws that affect non-for-profits. In this way you can benefit from the ones that are good for non-for-profits, and not be damaged by the ones that restrict non-for-profit organizations. This is especially important if you plan to sponsor prize promotions (Jacobs, 2004).

• Software can be a helpful tool in assisting your organization with raising funds. However, it is important to make your selection a wise one. You want a system that can grow with you, but not one that forces you to pay for tools that you do not need. Prior to purchasing a system, make sure you compose a checklist of the features you want (Hope, 1992) and rank them according to must haves, wants, and do not needs. The best way to go about this is find out what different systems can do, get referrals, and “test drive” the software before purchasing it (Hope, 1992).

• This project was intended to provide an overview of fundraising techniques utilized by non-for-profits. After completing this study, it is my belief that to best serve your organization’s fundraising needs, researching fundraising for your specific industry is best. Although non-for-profits alone are a sector, so much of what affects fundraising is specifically tied to the type of service you provide. This study was a great start for what works and what does not work, but to understand what works best one needs to research the specific type of organization represented.
The following are significant data sighted:

- Household income and education are positively correlated with the percentage of income donated (Van Slyke and Brooks, 2005).
- Religious involvement is also strongly and positively correlated with giving.
- Women tend to donate more than men (Van Slyke and Brooks, 2005).
- Marital status is not significant; however, married people are more likely to give for tax reasons (Van Slyke and Brooks, 2005).
- African Americans are a segment often overlooked (Van Slyke and Brooks, 2005).
- Those with low trust in government (more conservative) are more likely to donate (Van Slyke and Brooks, 2005).
- "Motive variables" include "belief in the cause, joy of living, liking to be asked, altruism, sympathy, pride, obligation, reciprocity, nostalgia, ad commemoration" (Van Slyke and Brooks, 2005).
- A 10% increase in income equates to a 9.3% increase in giving (Van Slyke and Brooks, 2005).
- One good tip is to make sure that costs do not exceed 35 percent of what the funds projected to be raised (Estell, 2002).
- 79% of donors give to support what they see as a worthy cause, and only 11% do so for tax benefits (Howland and Jones, 2004).
- Someone who has an unpleasant experience with an organization is likely to tell three times as many people about that experience as someone who has a pleasant experience (Johnson and Laviano, 1991, p.35).
- Site visits are the single most important sales strategy, followed by connections (Micklem, 1993).
- Grants do not reflect the cost of living (Farquharson, 1994).
- Some states require registration in order to solicit contributions (Jacobs, 2004).
- There are specific laws governing raffles (Jacobs, 2004).
- 70% of all households give an average 2% of their income (Van Slyke and Brooks, 2005).
- 84% of donators make in-kind donations (Van Slyke and Brooks, 2005).
• 80% purchase goods or services to raise money (Van Slyke and Brooks, 2005).
• 79% contribute cash (Van Slyke and Brooks, 2005).
• Over 70% of agency directors plan strategically for the needs of the clients (Rogers and Ghosh, 2004).
• 20% believe they have more diverse funding than others (Rogers and Ghosh, 2004).
• 50% do not believe they have adequate funding (Rogers and Ghosh, 2004).
• 60% reported funding decreases (Rogers and Ghosh, 2004).
• Close to 60% say they do not have the staff to provide the proper programs and services, and they have difficulty fulfilling accountability requirements (Rogers and Ghosh, 2004).
• People between the ages of 34 and 64 donate the most (Gorcyca, 1994).
• College education, annual income over $50,000, marriage, high stake in the community, and professional occupation are the most important elements in fundraising (Gorcyca, 1994).
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This first section highlights the key to fundraising for non-for-profits. It is filled with inspirational articles on how to generate revenue in a variety of ways as well as good marketing techniques.
**MARKETING/REVENUE**

**Finding Fundraising Focus**

This article gives several ideas about how nonprofits can generate more revenue. The article starts by stating that in the mid-1990s the internet became a fundraising tool, and although it did not take off as many had hoped, it became a stable source for donations.

Other pieces of advice included taking the organization’s assets and turning them into revenue; forming corporate ties; selling products (ex. MADD produced ties with its logos); marketing the organization’s knowledge; or starting a for-profit company.

The article concludes with a section on Major Gifts and Planned Giving (donations that entail planning to apply and administer once received). First, it is important to understand planned giving and the tax benefit it can provide. In addition, not only cash but other assets can be donated. However, the US Trust Corporation found that 79% of donors give to support a worthy cause, and only 11% do so for tax benefits. Gifts can originate through wills, bequests, life insurance, real estate donation, charitable remainder trusts, charitable gift annuities, pooled income funds, or wealth replacement trusts. Second, managing these planned gifts can be complicated and may need to be outsourced, such as by using the National Committee on Planned Giving (www.ncpg.org).

The article also offers some general advice; Don’t try just any idea; stick to the organization’s mission and take on only projects that seem worthy. It is also important to have a clear mission and a viable strategic plan that can be conveyed to the donors. Having a solid ‘slogan’ can be key to the campaign along with powerful volunteers and staff, good research, and proper time and effort. Finally, target major donors, keep your prospect list dynamic, create marketing materials specifically for planned giving, and recognize the donors.
Sweet Charity

This article highlights four key ways to grab people’s attention and encourage them to donate. It also cites Louisiana State University and Glenrich Business Studies stating that nonprofits are the third largest purchaser of promotional goods, and fifth as far as growth in the promotions market. They call promotional items “what fuel the fundraising engine.” The article states that raising brand awareness is the key to raising money. This is partially due to the fact the nonprofit sector has tripled in size over the last 20 years resulting in more competition for the same dollar. One good tip is to make sure that costs do not exceed 35 percent of what the funds projected to be raised.

The four techniques highlighted by the article are front- and back-end premiums, cause-related promotions, and event marketing. Front-end promotions involve giving a free gift when sending out mailings, such as return address stickers, to say please donate. Back-end premiums are gifts to say thank you after the donation has been made, such as a stuffed animal with a logo on it. Cause marketing is low-cost; it is based on good will and the fact that 83% of people look more positively on companies that support a cause, and 65% will pay more for a product if it supports a cause. Finally, event marketing entails hosting a large event where registration fees alone can bring in good money; donations in addition to the registration provide even more support, i.e. races, walks, etc.

New Approaches to Funding Not-for-Profit Organizations

The article begins by talking about grants (money given away, short-term, project-based, low engagement, focused outputs), then talks about why it can be hard for non-for-profits to obtain loans (unsecured, no personal financial stake). The article also defines social investment as provisions to loans for not-for-profit organizations. Patient capital is financing for an extended period of time at below market rates.

Avoid Disaster When Asking for Large Gifts

- Face-to-face contact is always necessary.
- The CEO must be involved; have him/her make thank-you calls.
• Use the telephone.
• Utilize the maxims connection, concern, and capacity.
• Use longevity, frequency of donations, size of donations, volunteer work, leadership, and demographics to rate donors.
• The four levels of prospect qualifications are as follows:
  o Use 800 number, definitely interested;
  o Mail response, second highest level;
  o Request brochure, send it and third level unless asked for more;
  o No response, not worth the time.
• The five levels of estate giving qualifications are these:
  o Use 800 number, top of list;
  o Already in will/trust, send certificate, call, make them happy;
  o Consider including, send newsletter and note;
  o Request brochure, send it and stop there if no further contract;
  o No response, not worth the time.

Effective Fund-raising for Non-Profit Camps

This article emphasises the fact that there are several methods for raising money, and no stone should be left unturned. It then offers the following advice: target your efforts, partner with other organizations, maximize your time, involve all your staff, raise funds with quality, work with your donors, recognition is vital, and stay educated.

Assessment of Nonprofit Public Relations Efforts

The article references a very important quote: “Marketing research has shown that someone who has an unpleasant experience with an organization is likely to tell three times as many people about that experience as someone who has a pleasant experience” (Johnson and Laviano, 1991, p.35). It also quotes Howe as saying that if boards are “to fulfill their fund-raising responsibility, boards must oversee the decisions and activities of chief executives and their staffs without themselves preempting staff responsibilities or doing the work that staff should do.” Board members are a vital link between staff and
volunteers. According to this academic research, people between ages 55 and 64 are the most (50 to 64 constitutes the largest portion of this). College education, an annual income over $50,000, marriage, a higher stake in the community, and professional occupation are also important factors. The article says that telemarketing is the trend for better fundraising, but cause-related fundraising is becoming a better substitute. Two main aspects of cause-related fundraising are a corporation that wants to be seen more positively, and one that wishes to advertise its products (business marketing).

The article offers the following advice: do not have telemarketers claim to be members of the organization if they are not; do not mislead consumers to believe they are giving if they are buying; watch the control of the company--it might try to modify the program.

**The Fun and Profit In Fundraising**

This article offers fundraising ideas for sports organizations. It begins by stating that fundraising is not an exact science. It follows with examples of what different states have done, including the following:

- In-house: money for hours worked;
- Magazines, candy, scratch cards, discount cards, car washes, and fantasy sports cards;
- eMagNet: fill out a form online and it send personalized emails to all those who entered;
- eFundrasiing Scratch Cards: donor scratches off a dollar amount; they then donate that amount and receive valuable coupons ($2.50-$100);
- Golf tournament: companies buy holes for $50-$500 and charge an entry fee; see article for websites that can help.

The article states that the profit margin is the most important consideration. Car washes are 100% profit; magazines are 50-60%, and candy is 40-50%. However, it is also important to consider total dollars raised.
Keeping the Lights On

Development 101: A Few Basics

The following fundraising tactics are used (in order of cost): face-to-face, telephone, direct mail, direct response advertising, and special events (cost varies). The key here is to make sure that the costs are worth the prospective benefit.

Another form of financing is annual funds. Annual funds require a long-term commitment and some time before they begin to pay off. It is important to first identify if you have a target audience and the low-cost ways to reach them. Next, ask your current supporters for names of those who also may be interested.

Planned giving can comprise of all assets that one has gained over the years. This method is complicated; intense knowledge of the tax code and of financial instruments is needed.

Foundations can also be used, since they are required to donate a portion of their assets each year.

Corporate gifts are contributions from a corporation’s profits. It is important to note each corporations requirements regarding donations. In addition, some companies have matching gift policies, and these are important to know as well. Corporations also give gifts in kind, which can include property, materials, equipment, people (volunteer hours), and much more.

Other important key facts include:

- Annual giving is needed to operate (generated from current income) and capital giving allows growth (generated through long term assets).
- Capital campaigns exist for several years and ask for donations for several years
- The Board is a critical element
- “Treat your database like a long-term asset.”
Stewardship is important; be timely on thank-you notes.

*Special Events Fundraising: A Common Sense Approach*

The Not-for-profit manager needs to possess the following qualities:

- Knows what is needed, how much, and when;
- People-oriented, with communication and valuation skills;
- Good time management;
- High-quality development and implementation of plans;
- Creative, energetic, responsible;
- Recognizes importance of image, credibility, and accountability.

The article references three categories of fundraising: grants, individual donations, and special events. It also offers several suggestions, including examine your budget, look at your fundraising year (plan events strategically), and list resources. The article also provides some suggestions for events, such as an annual dinner that requires little planning and offers the opportunity to build relationships. Profit will not be realized solely from tickets. It is also important to try to tie your organization to an event that you do not initiate, but from which you are the recipient of funds; also try to increase the number of events each year. The article offers these final suggestions:

- A good product will sell;
- Expand existing projects (have parts donated, i.e. advertising).

*Charging Fees for Services*

This article suggests that charging a fee for services that your organization provides can fill in the gap between other incoming fund streams.

*The United Way of Chicago: An Invitation*

Changing demographics means more work.
Obtaining Public Funding for Programs to Strengthen Families

- Obtain public funding through initiatives solely for your sector.
- Go after target grants, even if not specifically for your cause.
- Form strategic partnerships.
- Family support services can look at federal and state funding, so be sure to stay current and active with what is happening.
- The biggest challenge is to stay current with possible funding.
- The administrator must create and apply a successful strategy.

A Halloween Fundraiser Benefits the New Orleans Parenting Center

Special events are short-term answers. It is important to assess any event to see what worked, what didn’t, and where to make improvements.

Resource Directory

This article provides several sources to contact for information; however, most contact information is outdated.

Keeping Tabs at the Ronald McDonald House in Omaha: How a Nonprofit Garnered Press Attention

This article mentions that most non-for-profits have little or no marketing budget. Lance Armstrong’s Foundation has the yellow bracelets to market, and Ronald McDonald House has pop can tabs. In Omaha they started the “Thanks a Million Club,” which provides those who collect a million tabs with framed certificates and their names on a plaque. By doing this they raised awareness, tab collection, membership, and funds.

Fundraising Gets Rough

This article highlights the aftereffects of September 11th on fundraising for nonprofits. According to the Association of Fundraising Professionals, 60% of charities actually raised more funds in 2001 than 2000; however those nonprofits that support the arts,
humanities, or environment suffered a hard hit. In addition to the overall influence of the suffering economy, marketing costs also rose for nonprofits, thus reducing their bottom line. This article offers the following advice: be tied to the community, provide measurable results, try new methods, and use mailings.

**Collegiate Chapters Receive Funding to Aid Nonprofits**

This article references various chapters of the American Marketing Association (AMA) and how they provide funding and support to help local nonprofits with their marketing efforts. The article gives specific examples of a number of schools/chapters.

**Fundraising BRIC by BRIC**

Valero raises $857,000 In “Miracle Balloon” Campaign

**National Scrip Center**
FUNDRAISING

BY MICHAEL R. HOWLAND, CAE, AND WELLS B. JONES, CAE
Online giving takes hold

The concept of garnering donations via the Internet sparked fervor among philanthropic organizations (including those that receive or distribute funds established for humanitarian purposes) in the mid-1990s, as the Internet became a must-have tool for fundraisers. New companies emerged overnight: the most notable of these was Silicon Valley-based Charitableway, which aimed to bring charities to prospective donor desktops while making money for investors. Conferences abounded to teach charities the intricacies of establishing “give” buttons on their Web sites and to share trends in a fledgling pursuit.

Most charities saw their conference-inflated optimism for windfalls fade as they netted a trickle of gifts, generally around the holidays. However, that is not to suggest that there were no charities that cashed in on their early investments.

Those that did, such as the American Red Cross and World Vision International, a Christian relief and child sponsorship organization, generally had two things going for them: 1) they capitalized on the appeal of a highly publicized disaster, and 2) they drove donors to their Web sites through television spots and other forms of media.

The September 11 tragedy represents a major milestone in terms of Internet giving, with the American Red Cross alone pulling in more than $63 million in the wake of the terrorist attacks. And despite various criticisms of the way in which some organizations collected and distributed their respective funds, “there is no doubt that September 11 heightened awareness of the ability to give online,” says Paulette V. Machara, CAE, president and CEO, the Association of Fundraising Professionals, Alexandria, Virginia. In fact, AFP created the Award for Outstanding Achievement in Internet Fundraising and gave that honor to the American Red Cross in 2002.

Since that time, donors have not looked back and neither have charities. While online giving is not the panacea that many dreamed, it now represents a steady stream of revenue for a broad spectrum of philanthropic organizations, ranging from colleges to health charities to faith-based organizations. Even workplace giving has found its way to the Web, with companies looking to reduce paperwork, address privacy concerns, and respond to general

faced by enrollees trying to halt their donations.

Regardless of whether face-to-face fundraising hits the United States, philanthropic organizations can expect to see continued growth in the online giving market. “Online giving still represents a relatively small piece of the overall giving pie—approximately 5 percent of the $400 billion raised in 2002—and disaster relief organizations retain a big piece of the market,” notes Machara. “But there can be no doubt that the Internet will continue to grow as a marketing, awareness, and fundraising tool.”

All of this comes too late for Charitableway, forced to declare bankruptcy in 2001 despite a venture capital injection of more than $40 million. Charitableway may have been ahead of its time in terms of online giving, but donors increasingly seek to interact directly with their charity of choice. Sensitivity to Internet donors will mandate that charities continue to raise the bar on their Web content and the responsiveness of their online communication. At the same time, charitable organizations must integrate technological ease into the online giving process. Those that make it a challenge to donate run the risk of losing prospective donations and undermining confidence in the management of the organization. A commitment to a strong technology plan is the first step in building support for an online giving function.

New revenue ventures take many forms

A growing contingent of philanthropic organizations is supplementing its traditional fundraising by converting organizational assets into new revenue streams. The advantage of creating new wealth, rather than competing with other charities for the support of a limited pool of community resources, becomes glaringly obvious as competition increases and the economy contin-
ues to slow monies donated through traditional giving.

New wealth might be derived from corporate collaborations, the sale of a product, marketing of organizational expertise, or even the birth of a for-profit enterprise. None of these ventures should be undertaken without an assessment of organizational capacity to facilitate such a paradigm shift, and the legal and tax consequences warrant significant research.

Here are a few examples of effective programs for generating additional revenue:

Corporate collaboration. Mothers Against Drunk Driving (MADD), Austin, Texas, was unfamiliar with the concept of cause-related marketing (by which companies gain the image of being socially responsible and nonprofit organizations benefit from marketing efforts that put them—and their missions—into the limelight) when Ston.Minute, Ltd., New York City, contacted them in 1992. The idea: Establish a line of neckwear featuring various alcohols under a microscope. The result: MADD’s name and message hit department store racks, along with the colorful ties, bringing MADD more than $650,000 and launching a new revenue stream. “It could have been even bigger,” laments MADD Director of Marketing and Development Robert Heard, “had business casual not come in vogue.”

Through this foray into cause-related marketing, MADD recognized that it had valuable assets in its name and mission, and the organization made a strategic decision to pursue other cause-related marketing relationships. Of course MADD’s leadership has been cautious not to accept just any deal that walks through the door, and has declined those propositions that fail to meet mission or dollar thresholds. “As we’ve grown in our sophistication,” says Heard, “we’ve realized the importance of learning the marketing objectives of the corporation we’re approaching and of demonstrating how a partnership with MADD is going to help the company attain its goals.” Recent collaborations have included EVA Natural Spring Water and Budget Rent A Car System, Inc.

When it comes to corporate marketing objectives, Catherine A. Brown, CAE, executive director, Children Affected by AIDS Foundation, Los Angeles, sees a lot of attention being paid to the branding of corporate dona-

A growing contingent of philanthropic organizations is supplementing its traditional fundraising by converting organizational assets into new revenue streams.

Organizational assets and products. Perhaps one of the biggest lessons to take from this article is that organizations don’t have to have the national visibility of MADD or Share Our Strength to get started. All organizations have assets to market. For example, the Guide Dog Foundation for the Blind, Smithtown, New York, has negotiated cause-related marketing agreements with Novartis Animal Health and Giba Vision. In the case of Novartis, the foundation approached the com-

For-profit subsidiaries. Similarly, visionary Bill Shore, founder, Share Our Strength, Washington, D.C., an organization targeting hunger and poverty, brought cause-related marketing into the spotlight with the well-publicized “Charge Against Hunger” campaign supported by American Express. Now Shore has taken this several steps farther by spinning off Community Wealth Ventures, Inc., a for-profit consultancy that helps other philanthropic organizations capitalize on their assets. Community Wealth Ventures has chronicled the paradigm shift in philanthropic sustainability with a primer and potpourri of case studies in its report “Powering Social Change: Lessons on Community Wealth Generation for Nonprofit Sustainability.”

“New social enterprises are being created too quickly in too many places to even count, and in a field that remains embryonic there are still as many failures as successes,” explains Shore. “But in the fragile economic climate in which we find ourselves, when nonprofits are most vulnerable and when the uninterrupted delivery of their services is most at risk, the diversified revenues that these enterprises generate are essential if nonprofits are to protect themselves from changes in foundation fortunes and the fickle winds of philanthropic trends,” adds Shore, who continues to serve as executive director of Share Our Strength, as well as chairman of Community Wealth Ventures.

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pany and negotiated an in-kind donation of pharmaceuticals for its puppies, along with a cash donation. And Ciba Vision approached the foundation with an offer to donate a percentage of sales of contact-lens solution in a “Solutions for Sight” campaign.

Noble of Indiana, in Indianapolis, on the other hand, is focusing on a different set of assets—its person-centered planning tools and expertise in the development of plans for people with developmental disabilities. Our leadership recognized that it had an expertise sought by other organizations and individuals serving people with developmental disabilities. So we contacted the state of Indiana with a plan to train others. The result: A two-day training session now required for state certification as a person-centered planning facilitator. More than 400 people invested in the training during the first six months, helping Noble offset cuts in state-funded programs.

Planned giving gets a boost

Soliciting major gifts is essential to securing the future for many organizations, and planned giving programs that attract the kinds of donor gifts that require planning to implement and management once they are received, provide an important tool in these major giving efforts.

To understand the possibilities of planned-giving programs, consider this: In 1999, researchers Paul Schervish, director of the Social Welfare Institute, Boston College, and John Havens, associate director of SWI, predicted that from 1998 to 2052 the transfer of wealth will amount to a minimum of $41 trillion and perhaps as much as three times that amount. In the report of their research findings, “Millionaires and the Millennium: New Estimates of the Forthcoming Wealth Transfer and the Prospects for a Golden Age of Philanthropy,” they also predicted that a minimum of $6 trillion will be transferred as bequests to charity in the 1998–2052 time frame. Despite the economic downturn, the researchers reaffirmed their estimates in 2002. Given their findings, organizations would be wise to develop plans to attract a share of this bounty. Here are some ways to start doing that.

1. Understand the concept of planned giving.

Planned gifts can provide tax benefits or lifelong income for the donor or other beneficiaries, while providing major support to a charity. A gift can be of cash or other assets, such as real estate, artwork, or business shares.

Following is a list of the more popular planned gifts. Organizations can encourage these types of donations by understanding the available options and the benefits of each.

- Will and bequests. Specifying in a will or bequest that funds be directed to charitable organizations is the easiest and most effective means to distribute assets as the donor wishes. In addition, bequests are deductible for estate-tax purposes, and the donor may specify how the gift should be used.

- Life insurance. By transferring ownership of a life insurance policy to a charitable organization, the donor receives a tax deduction for the value of the policy and removes it from the value of his or her estate. The policy may also be written to include the charitable organization as a beneficiary of the policy to reduce an individual's taxable estate.

- Real estate. By making an outright gift of property, the donor receives an immediate tax deduction of the property's full value. A donor can also give the property today but continue to occupy it for the remainder of his or her lifetime, though the deduction will be partially reduced.

- Charitable remainder trusts. By deciding to establish a trust with the charitable organization as beneficiary, the donor receives immediate tax deductions based on the age of the income beneficiary and the amount of the trust. The income beneficiary receives regular payments of the income earned by the assets in the trust for the remainder of his or her life.

- Charitable gift annuities. Sometimes known as a "generation-skipping trust," this vehicle is established during a donor's lifetime or at death. A charitable organization receives the income for a predetermined number of years, after which the trust assets pass to the designated beneficiaries. While complex, this type of trust can allow assets to pass to a beneficiary at today's value, limiting the tax liabilities to the owner.

2. Maximize the management of planned gifts. This mutual-fund approach to a gift annuity combines the gifts of many donors for investment purposes. The net earnings of the funds are shared proportionately to provide income for the benefiting organization, while providing a current income tax deduction to the donors.

Wealth replacement trust. This option allows a donor to make a sizable contribution to a charitable organization today while replacing the donated assets through life insurance. Tax savings may then pay for the premiums, and the trust (or beneficiaries) would own the policy, removing them from the donor's estate.

- Leasing the management of planned gifts can be complex and may require hiring outside professionals. As you can see from the list of planned gifts just described, the technical aspects of planned giving are numerous and complex. Fortunately, many resources are available to assist you. While CEOs and development officers should have a working familiarity with planned giving tools, they should not hesitate to rely on financial professionals to craft a plan to meet the donor's charitable and financial goals.
Advance preparation is imperative

Regardless of what types of major gifts your organization elects to focus on, the resulting fundraising campaign requires careful preparation and comprehensive marketing materials. Don't rush into it. Instead, make certain that you have set the stage for a successful campaign or program. Key steps:

1. Create a clear and compelling mission and strategic plan and communicate it well to prospective donors. Planned donors, more than annual-giving donors, tend to be more concerned about the long-term health and vision of the organization.

2. Develop a strong case statement that will be the centerpiece of any planned-giving campaign. The case statement should make it clear why a donor might consider investing in your organization. Why your need is important, and how his or her gift will make a difference.

3. Develop a cadre of influential volunteer and staff leaders to begin the campaign.

4. Target prospective major donors. Make a list of the prospects, including those who currently donate at a lower level, and answer the following questions:

   - Who can best reach the prospects?
   - What are their charitable interests?

5. Remember that your prospect list is dynamic. You will constantly be adding and deleting names, revising information, and noting progress on individual prospective donors.

6. Create specific marketing materials for your planned-giving campaign. And once you have created these materials, include them as a part of every solicitation. In addition, include articles on planned-giving topics in your newsletters and magazines.

7. Recognize your donors. Recognition of people who donate major gifts or respond to planned-giving campaigns can take many forms. For example, try offering naming opportunities for facilities or programs or visibly displaying placards listing the donors who meet certain criteria for annual or lifetime giving.

   Whether facilitating online giving, securing corporate sponsorships, starring for-profit ventures, or developing escalating levels of bequests, organizations embarking on new strategies for donations and revenues should be prepared to do three things: 1) conduct sufficient research prior to developing a plan and investing in it; 2) ensure the competency of staff in key positions critical to the new venture, especially in marketing; and 3) commit sufficient time to implementation so that you can work through the challenges and give the initiative an adequate trial.

Michael R. Howland, CAE, is CEO, Noble of Indiana, Indianapolis, and the 2003-2004 chairman of ASAE's Key Philanthropic Organizations Committee. E-mail: michael.howland@noblesofindiana.org. Wells B. Jones, CAE, is CEO, Guide Dog Foundation for the Blind, Smithtown, New York, and a certified fundraising executive. E-mail: wells@guidedog.org.
As children we are raised to believe it is better to give than to receive. But, really, isn’t it better to do both? When it comes to fundraising, charities and nonprofit organizations certainly seem to think so. Nonprofit agencies are the third largest purchasers of promotional products and rank among the top five growth markets for these items, according to a 2000 study by Louisiana State University and Glenrich Business Studies. Whether they’re used to woo and recognize donors or build awareness for the cause and name recognition for the charity, premiums and promotional products are what fuel the fundraising engine.

For charities, raising money is dependent on raising brand awareness among potential donors. The U.S. nonprofit sector has tripled in the last 20 years to include more than 1.5 million organizations. With greater numbers comes greater competition for funding and, as a result, an increased need for promotional products and premiums to help link worthy causes with open wallets. “Because of the forces of competition and opportunity that have driven the sector for the last few years, you’re finding agencies much more interested in marketing themselves,” says Peggy Outon, executive director of the Bayer Center for Nonprofit Management at Robert Morris University in Pittsburgh, Pa. “Not-for-profits are seeing they need stuff to promote themselves and compete with the other organizations that already have it.”

If you’ve heard of the Make-A-Wish Foundation, a Scottsdale-based organization that fulfills wishes for terminally ill children, it’s probably due to promotional products. The 80 Make-A-Wish chapters nationwide hand out magnetic frames to employees at local hospitals to help keep the organization top-of-mind. And when the charity fulfills a travel wish, say a trip to Disney World, they outfit the family with logoed gear. According to Laura Hopkins, account executive at Make-A-Wish, it all comes back to fundraising. “We want to make sure that people know the foundation and our mission when they’re thinking of making a donation,” she says.

The products charities distribute are as varied as their causes, but there is one thing that all premiums have in common: They must cost very little. Not only do charities have limited budgets, but general guidelines for nonprofit organizations require that fundraising costs not exceed 35 percent of related contributions, and that
total fundraising and administration costs not exceed 50 percent of total income.

That sounds restrictive, but most organizations spent far less than that and were still able to raise $203 billion in 2001, 80 percent of which came from individual Americans. Fundraising tactics can be broken down into four general categories: front- and back-end premiums, cause-related promotions and event marketing.

Mail-slot onslaught

Anyone who's ever received a set of personalized return address labels in a direct-mail solicitation knows firsthand the power of the front-end premium, which offers a gift in hopes that you will do the same. Whether you read and responded to the solicitation or tossed it straight in the trash, you probably kept that sheet of address labels. And either way, you probably felt at least a little guilty about it.

"It's a choice. There are a lot of reasons why people give, and guilt is one of them, but that guilt doesn't have to be associated with the incentive," says Paulette Maehara, president and CEO of the Association of Fundraising Professionals in Alexandria, Va. "Premiums on the front end aren't bad. In fact, they seem to work quite well."

Front-end premiums, and address labels in particular, work exceedingly well for the Cleveland-based Disabled American Veterans (DAV). Tests indicate that labels generate a 25 percent response rate versus 15 percent with a letter alone. The 10-point increase the DAV gets from sending 20-cent sheets of mailing labels generates a 66 percent increase in the overall response rate, which translates to an additional $16 million in net income for the organization. "Without premiums our service programs to disabled veterans would be a shadow of what they are now," says Max Hart, assistant to the executive director at the DAV. "We couldn't operate without them."

But are DAV donors responding out of guilt? Maybe. "We try to put out the best premium we can to express appreciation to people for donating and to make them feel like they're receiving something of value," Hart says. "Are we guilting them into a contribution? That may be an apt description, but I hope they're not doing it just for the premium."

Guilt is a sign of an effective direct-mail premium. "The premium is used to grab the donor or potential donor's attention," says Ray Grace, president of Creative Direct Response, the Crofton, Md.-based direct-mail house that specializes in nonprofit organizations such as Mothers Against Drunk Driving (MADD). "While they're looking at the premium, they're learning about the organization, and that's why they work so well. Whether it's for profit or nonprofit, every mailing is intended to motivate people to action."

Giving thanks

Direct-mail premiums are a nice way of saying "please," but many nonprofits prefer to say "thank you" instead. Commonly used to distinguish different pledge and membership levels, backend premiums are an effective way of increasing individual donations.

Take public radio and television, for example. Incentives play a crucial role in the on-air pledge drives these stations conduct several times a year. "Without the thank-you gifts we would just be asking for different levels of money with nothing tied to it," says Theresa Petrault, the annual giving director at WFYI public television and radio in Indianapolis, where 40 percent of the annual operating budget comes from donations. WFYI's pledge incentives include event tickets, CDs, books, videos, T-shirts, two-for-one dining discounts and a package that includes an NPR station directory, road atlas and travel mug. "Premiums are definitely an incentive to get people to pick up the phone and support something they get for free," Petrault says.

The World Wildlife Fund (WWF) uses both front- and back-end premiums, offering higher-end gifts such as plush toys to entice current members to up their donation. "It's important that the premium be very well branded with our logo or a flagship animal," says Bridget Daly, manager of membership cultivation and development for the Washington-based WWF. "They understand that premiums are a marketing tool, but they also want them for their themselves, their grandchildren or other family members."
Just cause

Cause marketing is a simple, low-cost way for nonprofits and charities to tie premiums to a cause. A form of commercial symbiosis, cause marketing allows corporations and charities to come together for mutual gain. Big business gets a boost of goodwill—83 percent of consumers say they have a more positive image of a company that supports a cause they care about, according to a 1999 Cone/Roper survey—while the charity receives a portion of the sales and some free advertising.

Casey Minix, senior associate, corporate sponsorships and cause marketing for the American Red Cross, sees it as a way of "adding value to products that are being passed along to the consumer" at no additional cost to her organization. The Red Cross often runs several cause-related programs at once, ranging from Celestial Seasonings' "Teas for America" to a special collection of "America Bears" from Ty, with proceeds going to the American Red Cross Disaster Relief Fund. "It's more of a mental incentive," Minix says. "Sixty-five percent of consumers say they'll pay more for a product if it supports a cause that they believe in."

When the National Breast Cancer Foundation paired up with Mr. Coffee coffee makers, the charity splashed its logo on the box and included an educational brochure. "Nonprofits like ours are realizing that donors don't just want to give money, they want to get involved," says Janelle Hall, president of the Dallas-based foundation. "We can't reach the entire world, but we can motivate people to get more involved."

The big event

Events such as the Race for the Cure are another popular way for charities to reach out to supporters. Whether they're true believers in the cause or merely sports enthusiasts, runners, walkers and riders contribute thousands of dollars in registration fees and pledges from their friends and family. Naturally, fundraising incentives play a big part in bringing in donations.

Although 15 to 20 percent of event registrants pay only the minimum fee or raise the minimum amount of pledges, statistics show that most participants will raise between $75 and $150. "I think there's an expectation to make their fundraising initiatives feel appreciated," says Peggy Berg, director of event marketing for Easter Seals, the Chicago-based charity for the disabled. "We want people to know we appreciate their hard work and fundraising efforts."

Incentives for "Walk With Me," an event Easter Seals will launch in 12 markets this year, include a folding chair, a combination water bottle and fanny pack, apparel, and for anyone who raises $5,000 or more, a trip for four to Disney World. "We found that regardless of what the incentives are, people want to know where the money goes," Berg says. "They want to feel that the funds they raise are really going to help the organization."

In addition to pairing each team with an Easter Seals client to act as an "honorary team captain," the Walk With Me event is taking extra steps to build a relationship with participants. As an incentive to register online for a Walk With Me event, walkers receive a "Virtual Goodie Bag" with $200 worth of coupons that can be redeemed online at retailers such as FTD and Starbucks. "Most organizations aren't creating a relationship until the day of the event, but can cultivate our fundraisers a thousand times better online, and do so more cheaply than through traditional mail," Berg says.

Virtual incentives are one example of how the nonprofit sector is opening up to innovative incentives. Creativity costs very little but can translate to a huge competitive advantage, helping one cause to outshine another. "Nonprofits that are just ordering the same old premiums to give away are wasting money," says Robin Daas, chief idea officer at Ideology, a cause-related marketing agency in New York. "It's survival of the fittest, and nonprofits that take responsibility for their fundraising and use premiums well are the ones who will survive."

PHOTO (COLOR): Nonprofits use logoed apparel to build relationships with current donors while building brand awareness among potential contributors.
PHOTO (COLOR): Premiums add value to cause- and event-marketing campaigns.

By Libby Estell

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New approaches to funding not-for-profit organisations

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ABSTRACT

This paper seeks to record and to explain the enormous growth in interest over the last few years in the provision of loans and other investment to not-for-profit organisations. It argues that this funding development fills a gap in the market. It describes the following new approaches: social investment, the provision of 'patient capital', and an 'investment' or 'venture philanthropy' approach to grant making. The factors driving the growth in use of these approaches are examined and their relevance to fundraising charities considered. Finally, the paper discusses how key stakeholders including the government and charitable trusts are adapting to this new environment.

INTRODUCTION

The many not-for-profit organisations that do not enjoy a significant voluntary income from fundraising activities often find it difficult to raise funds to invest in their growth and development. This is for a number of reasons.

The funding method most familiar to charities is grant aid. Most grants meet the recurrent costs of time-limited projects or one-off capital projects in some particular subsectors (eg the arts and education). They tend not to be readily or widely available for:

- asset purchase
- core costs
- projects aimed at developing the human capital of the organisation.
Many grant makers are also reluctant to fund the initial costs of projects aimed at generating funds to support the applicant organisation in the future. These projects may be regarded as too risky and/or too 'commercial' for grant aid.

Some for-profit companies, during their start up phase, benefit from enterprise grants. Their capital development, however, is generally financed either by equity (the subscription for shares in the company) or other risk capital investments. Charities cannot provide equity and therefore cannot access this form of finance. Some non-charitable, not-for-profit organisations have shareholders. For example, mutual organisations including cooperatives and credit unions operate on the basis that members have a stake in the organisation but there are limits on individual share holdings. And, with investment in such organisations, the normal equity upside (ie growth in capital value) is not available to the equity investor.

In theory, not-for-profits should be able to access loan finance from commercial providers like the banks. They often find this difficult, however. High street banks have been unwilling to lend to small or new not-for-profits because they are unfamiliar with:

- the organisational structures and status of not-for-profits (eg company limited by guarantee, cooperative, benefit to the community society, credit union and charity)

- lending to organisations or individuals without assets against which capital can be secured

- lending to individuals who, in contrast with for-profit companies, do not have the same personal financial stake in the enterprise

- not-for-profit financing, for example contracting for the provision of public services.1

For these reasons, there is a financing gap which has led some to consider whether approaches distinct from traditional grant aid and based on commercial models might be used to support the sector. This paper seeks to describe these approaches and covers:

- social investment: providing loans to charities or providing loans to or taking a share in other not-for-profits

- the provision of 'patient capital': which implies a return well below market rates and could include deferring payment of interest
on loans or not taking a full return on an equity investment

- an 'investment' or 'venture philanthropy' approach to grant making which aims to build the core capacity of funded organisations.

The title of the paper identifies these as new approaches but this is not, strictly speaking, the case. Social investment for example, has a long history.2 The Edwardian settlements were adept at issuing public bonds. Rather than invention there appears to have been a rediscovery of such approaches.

Evolving definitions

There is a continuum of funding activity. At one end are outright gifts or grants and at the other are loans or other investments made on a purely commercial basis. Social investment, the provision of 'patient capital' and an 'investment' approach to grant making form part of this continuum. This is a market place in which definitions are still evolving, however, the authors' definitions of the approaches described in this paper follow.

Social investment

The term 'social investment' is generally used to describe the provision of loans to, or subscription for shares in, not-for-profit organisations. The investment is 'social' because it is made to achieve social purposes. Social investment generally means less funder involvement than in the venture philanthropy model.

Patient capital

'Patient capital' is an important subset of social investment. The terms on which social investment is offered determine whether or not it is 'patient capital'. Patient capital is finance provided over an extended period and below market rates. For example, a loan might be given with a ten-year capital repayment holiday. A subset of patient capital is when terms are not set until there is some certainty about the prospects for the venture. So, for example, the terms of a loan would not be set until after the loan is disbursed.

An 'investment' approach to grant making3

Grant makers using an investment approach may concentrate on pre-application support, support during the applications process and/or support during the life of the project. Venture philanthropy provides all three. It is characterised by 'hands on' management assistance to
charities and other not-for-profits to help them grow and develop. It is also characterised by a concern to demonstrate how investment affects outcomes.

A RANGE OF DIFFERENT APPROACHES

Social investment

As mentioned above, the term 'social investment' is generally used to describe the provision of loans to, or subscription for shares in, not-for-profit organisations. The investment is 'social' because it is made to achieve social purposes (see Introduction for more detail). There is a wide spectrum of social investment activity and a growing range of providers, but they all have core characteristics in common.

There is some financial return

Social investment is distinct from grant aid. Grant aid is money given away, but a financial return, however small, is expected on a social investment. This means that social investment decisions are based on a judgment not only about the social return from, but also the financial viability of, the project.

Some social investors need to recycle funds relatively quickly, and charge rates close to market rates, in order to remain sustainable. Others provide what is termed 'patient capital'. They offer finance over an extended period and at discounted or sub-market rates (see also Introduction).

Some may require repayment of a loan only if the social enterprise can afford it and some offer grants alongside loans. This latter activity, however, because no return is required, falls outside the definition of social investment used in this paper.

A need for a social return

Social investors support not-for-profit organisations that contribute to achieving particular social or environmental aims. Providers with charitable status, like Venturesome, are bound by charity law to support only those projects that contribute to achieving their charitable purposes (see below for more information about charities and social or programmerlated investment).

Social investment and charities

Charitable funds may be used for social investment (sometimes
known as programme-related investment). In other words charities may pursue their purposes through the provision of loans, loan guarantees or the subscription or purchase of shares in a range of organisations. The key issue is that such investments have to further the purposes of the charity. Charities may therefore provide loans to non-charitable organisations including other not-for-profits and make loans to and purchase shares in private companies provided that it helps to achieve their purposes.

Loans and loan guarantees may provide a significant new source of finance for not-for-profit organisations. Some large charitable foundations and operating charities hold significant assets and may be willing to use them for social investment purposes. There are already a number of pioneers in this field including the Peabody Trust wh9, no. 2 (May 2004): p. 112-121ich has deposited £500,000 with the Charity Bank. The Charity Bank uses these funds to lend to London-based charities; thereby ensuring that the investment helps achieve Peabody's purpose 'to help the poor of London'.

Social investment provides not-for-profit organisations with a wider range of financing options.

A wider range of financial options

'Social investors' use a variety of financial techniques. They help not-for-profits grow and develop by providing:

- start-up capital: to meet the set-up costs of new income generating projects

- working capital: to cover project costs before contract income comes through

- pre-funding of fundraising income: for example, to enable a building project, for which all the money has not yet been raised, to start before costs escalate.

The support offered takes a variety of forms including:

- loans for projects until finance is found elsewhere (stand-by facilities/underwriting)

- secured and unsecured loans

- a loan which is only repayable by a royalty on future sales of a product or service (quasi-equity)
- the subscription or purchase of shares in a not-for-profit
  (only possible if the organisation is not a charity, even though its
  purposes may be charitable).

An 'investment' approach to grant giving

One of the features distinguishing an 'investment' approach to
grant giving from traditional grant giving is the level of involvement
of the funder (see Figure 1).

At the commercial, low involvement corner of Figure 1 are banks
which assess the applicant's eligibility for loans and then have little
or no contact with the project providing repayments are made. At the
high involvement corner are venture capitalists who take a controlling
stake in the business and engage in 'hands on' management to help make
the company profitable.

At the charitable or philanthropic low involvement corner of
Figure 1 are traditional grant makers. At the high involvement corner
are venture philanthropists. Impetus, for example, has been formed by
individuals with experience in the venture capital industry. It
proposes to invest in a small number of organisations, offering them a
combination of core funding, hands on support and capacity building
over an extended period, to enable a step change in their performance.
It will also provide management support through a network of
'associates' from both the business and charity sectors.

Figure 1 Supply of finance

*Traditional grant aid has so far been characterised in this
  paper as:*

- **short term**
- **project based**
- **low engagement**
- **focused on outputs rather than outcomes and impact.**

However, these distinctions are not absolute. Some
long-established grant makers have a close involvement with some of the
projects that they support; others have begun to adopt an 'investment'
approach to grant making or aspects of an 'investment' approach (see
Introduction). For example, the Community Fund has taken a leading role
in promoting outcomes assessment. Others have also been trailblazers; the Lloyds TSB Foundation has undertaken two impact assessments of the projects that it funds, and the effectiveness of its grant-giving programme. Others such as Alcohol Concern, the London Housing Foundation and BBC Children in Need have also developed work on outcomes including guides on the assessment of outcomes for the projects that they fund.

A RISKY BUSINESS?

Assessing applications from not-for-profits

The perception is that financing not-for-profits is more inherently risky than financing for-profits. The track record of specialist lenders like Charity Bank, however, indicates that this is not the case. Their experience indicates that not-for-profits are less likely to default.

Discussions -with the mainstream banks suggest that a major disincentive is the costs associated with assessing applications from not-for-profits. This is because these applications do not fit the model they are used to. For example, often a not-for-profit will not be able to offer security or it may not have experience of running the type of initiative for which funding is sought. Such factors mean that the application requires more attention and most mainstream banks are unwilling to invest the time needed.

Some credit ratings systems used by the high street banks have disadvantaged charities and other not-for-profits. For example, in some instances they have been penalised because their management does not have a personal financial stake in the business. This shows the banks' failure to recognise that those involved may be motivated by factors other than personal reward. Some social investors have therefore worked with the banks to encourage them to provide loans to social projects. They have demonstrated that such projects are financially viable if properly assessed and not subject to insensitive credit ratings. Some have also helped charities and other not-for-profit organisations put together mixed funding packages. An investment which seemed unattractive to one investor appears viable when others are prepared to put up funds and share the risk associated with the project.

The key factor here is expertise. The important thing is that financial risk is fully recognised, properly assessed and carefully managed by the potential lender (commercial bank or social investor). And this means that it is crucially important that the organisation making the investment has staff, or access to advisers, with the right
mix of skills and that it allows adequate time for the assessment.

Different perspectives on risk

Commercial financial providers tend to focus solely on financial risk. For other providers of finance to not-for-profits, risk assessment will be more complicated.

- Traditional grant makers tend to be most concerned about whether their support is likely to deliver the promised outputs

- Social investors by definition focus on both the likely financial return and the likely social return; however, although financial assessments may be quite sophisticated, the assessment of social return may be based more on instinct than hard evidence

- Grant makers using an investment approach often try to develop methods to assess the social outcomes and wider impact of the projects they support.

Social investment and the 'investment' approach to grant making are a new departure because both are normally concerned with building the capacity of the organisation as a whole. This entails close attention to the management potential of the organisation, analogous to that paid by private investors considering for-profit investment vehicles. It can also mean closer monitoring of financial performance -with defined milestones agreed in advance between the funder and the funded organisation.

Charities as providers of social investment

Charity trustees tend to regard providing loans as much riskier than providing grants. However, loans are funds that can be recycled. They therefore, at least in theory, ensure that limited resources go further and work harder.

Some charities have significant assets and they could be using them in part for social investment. This could provide a very valuable new source of financing for not-for-profits. This is not to argue that there are not particular legal constraints for charities seeking to engage in social investment. For example, trustees may be bound to exit a loan or other investment relationship should an investee change the way it operates so that its contribution to achieving the investor's charitable purposes is reduced (see the section on social investment and charities for context). Sometimes, particularly where the charity holds shares in the enterprise, exit may be difficult. Such risks can
and should be managed, however. For example, the charity might protect its interests by requiring the investee to make provision to buy back its shares. The Charity Commission has issued guidance on social investment.

**THE EXPANSION OF PROVISION**

There has been an expansion in the number of organisations adopting the funding approaches described in this paper. This growth has been driven by a number of factors.

Funding pressures and the drive to be entrepreneurial

In 1994 there was concern that charitable fundraising might stall. The view was that new forms of finance were needed to help the sector meet the demands placed on it. CAF considered loan finance an option but knew that mainstream banks were reluctant to back charities and other social businesses. In 1995, it decided to plug the lending gap by setting up Investors in Society. Charity Bank, launched in 2002, developed from this. Over eight years, £10m has been lent to over 200 charities.

Charitable fundraising did not stall, it has grown over the last ten years. Relatively few charities benefit from large scale public fundraising, however, and small and medium-sized charities report intense competition for grants. This is particularly the case in the current economic climate. Some endowed charitable trusts have seen the value of their endowments decline dramatically over recent years. Small and medium-sized charities are therefore under intense financial pressure and often need to be entrepreneurial to survive.

Individuals acting as a catalyst

Social entrepreneurs and social finance entrepreneurs

A large number of talented individuals have shown the way and have acted as catalysts for the development of both not-for-profits and the organisations that finance them. Many individual social entrepreneurs have shown that business tools can be used very effectively for social ends. Others, including the founders of Impetus and Venturesome have brought venture capital experience to the charitable sector.

The founders of organisations such as ARK and SHINE are investing their own money in these organisations. Many of today's philanthropists want to engage with the organisations they support.
They are concerned to contribute not only money but also knowledge and skills. They want to ensure that the money they invest makes a real difference.

Small-scale investors

The power of small-scale investment by individuals in organisations with social purposes has been demonstrated by a number of recent initiatives including:

- Charity Bank, which provides bank accounts for individuals as well as providing finance to organisations to enable them to pursue charitable purposes - individual account holders can donate their interest back into the fund

- Industrial Common Ownership Finance (ICOF) whose shares were mainly subscribed by individuals - the average shareholder holds around £1,000 worth

- the Traidcraft share subscription, which raised £3m and the Ethical Property Company share subscription, which raised £4m.

Providers stimulate demand

Many charity trustees are reluctant to take out loans. They characterise loans as risky and expensive and are worried about personal liability. Charity trustees do indeed have a special duty of care. Within the constraints of charity law, however, and on the basis of appropriate advice, many could be making use of a wider range of financial tools. A major barrier appears to be lack of awareness of the range available and how they might be used in the best interests of the charity. CAF, through Investors in Society and now Venturesome, is encouraging not-for-profit organisations to make more creative use of the available options.

The market is also developing, or, in other words, knowledge is growing about the needs of different segments of the market. Providers are tending to specialise more as their expertise and confidence grows and therefore gaps can be more easily identified. And new providers are emerging to fill them, sometimes with government support.6

Government efforts to promote social enterprise activity

Government recognises that not-for-profits have significant potential to tackle unemployment and regenerate deprived areas. It also knows that charities and other not-for-profits can contribute greatly
to public service delivery. It has therefore sought to encourage the development of such organisations by promoting social investment.

The Treasury accepted the recommendations of the Social Investment Task Force published in October 2000.7 From April 2003, it provided a tax credit for investments in organisations that finance social and other businesses operating in underinvested areas or which finance groups experiencing discrimination in the labour market.

The Social Investment Task Force report also recommended that the Charity Commission should clarify the circumstances in which charities can provide debt and equity finance. The Commission published 'Guidelines on Programme Related Investment' in May 2001.5 New guidelines called 'Guidelines on Social Investment', with some helpful revisions, were published in October 2002.5

In July 2002 the DTI launched a Strategy for Social Enterprise.8 One of the issues considered was funding and finance for social enterprises. The report proposed that the Bank of England should undertake a review, identifying gaps and barriers to investment in social enterprises. This report was published in May 2003.1 It made a series of recommendations about how to stimulate appropriate provision and demand for it.

The DTI also launched, in April 2003, a consultation on a new legal form for social enterprises, the Community Interest Company. This new form should make it easier for social enterprises to raise the finance they need. It is proposed that these new organisations will, for example, be able to issue preference shares.

RELEVANCE TO FUNDRAISING CHARITIES

Social investment provides an alternative source of funding for the many small and medium-sized charities that are largely or totally reliant on grant funding and/or that do not have a large base of individual donors, -who provide invaluable unrestricted income to cover core costs.

Larger charities with significant assets may use social investment approaches to make the resources they have to pursue their mission go further.10 Many larger charities support local groups delivering services and these can he funded where appropriate using social investment approaches.

Additionally, charities of all sizes that are exploring income generation (other than fundraising) may wish to explore social
investment as a means of financing new initiatives. Trading subsidiaries often find it difficult to secure capital either from commercial sources, or from grant makers. Social investment may assist, particularly if the subsidiary also contributes to achieving the charity's mission and is not simply an income generator.

Also, charities of all sizes may wish to explore with potential donors a variety of mechanisms other than a gift, and may invite social investment as part of a fundraising exercise. For example, Mencap - through Golden Lane Housing - has raised over £2m of long-term debt from private individuals to fund investment in housing for its service users.

THE FUTURE

In the longer term, not-for-profit organisations should be aware of a wider range of sources of finance and should be able to choose those particularly suited to their needs. A range of specialist providers is currently testing different approaches and encouraging not-for-profit organisations to demonstrate greater creativity in the financial tools they use. They are also working to raise awareness of the financial needs and potential of not-for-profit organisations among mainstream providers, such as the clearing banks and major grant-making trusts.

The success of the recent share issues by Ethical Property Company plc and Traidcraft plc should encourage significant fundraising from individual investors by other not-for-profits, and the development of market mechanisms to allow trading in the shares of such companies.

Crucially, government has a growing interest in this area and has committed itself to monitor provision, identify gaps and encourage and support initiatives to fill them. The Bank of England report on the Financing of Social Enterprises1 recommends further development of patient capital building on the experience of recent initiatives including Venturesome (2002) and the pilot Adventure Capital Fund (2002). Indeed, the government's futurebuilders fund, scheduled to be operating in the spring of 2004, may well adopt some of the funding mechanisms described in this paper.11

All this activity means that funders generally, including charitable trusts and government departments, are becoming aware of this rapidly evolving new environment. They are becoming more conscious of the need to provide an individually tailored response to the not-for-profit organisations that approach them for support. They are also beginning to explore a wider range of financial tools including
loans and subscription for shares.

NOTE

This paper is a revised edition of 'New approaches to funding charities and other social enterprises', May 2003 - available on www.venturesome.org.

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REFERENCES


John Kingston and Margaret Bolton

Charities Aid Foundation, Kings Hill, West Mailing ME19 4TA, UK; e-mail: jkingston@cafonline.org

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John Kingston is the founder Director of Venturesome. After 15 years with the 3i Group, Europe's largest venture capital organisation, he joined Save the Children in 1990 as Director of Fundraising. He was chair of the Institute of Fundraising from 1999 to 2003. He joined the Charities Aid Foundation (CAF) in 2001 to explore the potential of a risk capital fund for charities and other nonprofit organisations; Venturesome was launched in early 2002 (www.venturesome.org).

Margaret Bolton is an independent consultant who specialises in voluntary sector policy. Previously Director of Policy and Research at the National Council for Voluntary Organisations (NCVO) she was seconded to the Prime Minister's Strategy Unit to work on a major review of the law and regulation of charities and other not-for-profit organisations before going freelance in 2002. She has produced a number of reports on voluntary sector issues including 'Voluntary Sector Added Value' and a report called 'In the Public Benefit?' about charity law reform for NCVO. The latter prompted the Strategy Unit review.

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Avoid disaster when asking for large gifts

Don't assume that traditional fundraising methods always apply. You may have to gore some sacred cows.

Too much reliance on the tried-and-true can cause a train wreck. At least one staff member at the Disabled American Veterans (DAV) felt as if he'd been hit by a train one afternoon when he phoned a donor to thank him for a $10,000 contribution.

"What the h__ are you calling me for?" the donor demanded. This was in 1995, in the infancy of DAV's planned giving program. The organization was depending on the conventional wisdom that personal contact is essential to donor cultivation. The last thing anyone expected was a nuclear detonation in response to a simple thank-you call.

This angry response isn't typical of what DAV encounters when phoning its donors, but it was a wake-up call. It forced the organization's new Planned Giving Department to recognize the truth: DAV solicits its donors and recruits its members through direct mail. Thus, its relationship with its donors and members is quite different from the personal relationships on which traditional planned giving depends.

DAV's Planned Giving Department did find an escape route—and rather quickly. Along the way, it found itself goring a number of the planned giving profession's most sacred cows.

What If Conventional Wisdom Doesn't Apply?

Let's take a look at what went wrong with each of the conventional wisdoms DAV tried, unsuccessfully, to apply. Then we'll see how the organization resolved the resulting problems.
**Face-to-face cultivation is always necessary.** The first thing DAV's planned giving professionals did was analyze the organization's member and donor lists. They identified people most likely to make significant gifts and pinpointed a few cities in which many of those people lived. Next, staff members visited those cities to discuss DAV's planned giving program with the prospects who lived there. The costs were staggering, and DAV made only $5,000 from this effort. There was simply no way to justify the expense.

Conventional Wisdom #2

Volunteers are essential to successful cultivation. DAV has some wonderful volunteer leadership. There's no shortage of disabled veterans who are ready to help in any way. But, when asked to work on donor cultivation, these volunteers lost patience when they didn't see immediate results. They wanted a quick close, and they just couldn't maintain the continuing focus necessary for long-range cultivation.

Conventional Wisdom #3

It's imperative that volunteers make the asks. If volunteers weren't going to do the cultivation, what was the point in asking them to handle the close?

Conventional Wisdom #4

**The CEO must be involved.** DAV introduced its CEO to the cultivation process by asking him to **make thank-you calls to the organization's 20 best major donors during the Planned Giving Department's first year.** Trying to preclude a bad experience, DAV's planned-giving professionals dropped calls to New York, Washington, Chicago, and Los Angeles-cities where donors are more likely to be blunt in exchanges with the staff of charities. The first year went fine. The second year included calls into Los Angeles County and the suburbs of Washington, D.C. The CEO hasn't made a donor call since. The hesitancy of CEOs to contact donors is a reality many charities have to cope with; the problem is hardly unique to DAV.

Conventional Wisdom #5

Mail plays only a minor role in generating significant gifts. That precept may be true for many organizations, but it just doesn't play in an organization like DAV that's driven, top to bottom, by direct mail.
Is It Possible to Create a New Fundraising Model?

There's another tried-and-true conventional wisdom that applies here, one borrowed from the direct marketing industry: "As acquired, so renewed." DAV acquires its donors with direct mail. It cultivates their long-term support with the same medium. Not surprisingly, when the traditional planned-giving model failed, the organization applied direct-mail techniques to construct a new cultivation model.

Here's how it went. While road trips weren't achieving much at all, DAV's planned-giving professionals were seeing substantial success making phone contact with likely prospects. If DAV could figure out a way to get one step beyond the mail and onto the telephone, that would be the key.

What was needed was prospect qualification, specifically direct-mail qualification. If DAV could qualify its planned-giving and major-gift prospects through direct mail—the medium to which they were accustomed in their relationship with the organization—the planned-giving staff could focus their phone calls on those most likely to yield positive outcomes.

In essence, the organization needed to determine the elementary IAA factors that, according to Henry Rosso, "govern whether someone will make a large donation or planned gift. IAA stands for linkage, interest, and ability. Here's how DAV uses these three factors to qualify its prospects:

Linkage is a problem for DAV at least in comparison to the dooropening, social networks that a symphony, museum, or university might have. Direct-mail charities like DAV are better served by the model developed by Kay Sprinkel Grace. Examining the same motivational factors as Rosso, Grace expounds a model based on three words beginning with C: connection, concern, and capacity. The concept of "connection" works better for DAV than Rosso's notion of "linkage." DAV has a solid understanding of how various constituencies are connected to the organization: Some are donors. Some are disabled veterans who belong to DAV as fraternal members. Some are veterans' families, who are members of DAV Auxiliary. After working through the mail for three-quarters of a century, DAV may not have the social and business networks that Rosso's model envisions, but it does have clear-cut connections.

Interest is easy enough to determine. DAV uses several factors to measure a donor or member's history with the organization. These factors include longevity and frequency of donations, size of past gifts, volunteer activity in DAV's programs, volunteer leadership
positions held, and demographic factors such as marital status and children. Because interest peaks after 60, age is also helpful in spotting potential interest in planning an estate gift.

Ability to give is a critical issue. Here DAV uses standard demographic measurements-including data on age, income, and assets-to determine who among its members and donors have the capacity to make large gifts.

L-I-A: that's how DAV scours its current donor and membership files to build mailing lists for planned-giving campaigns. Now, when the organization mails to these folks, it's not looking for current-that is, immediate-gifts. It's looking for a way to rank supporters as qualified prospects. A couple of examples will show how simple this process can be.

Each DAV mailing includes an 800 number and a response form with some simple questions designed to get the prospect to self-qualify. Selfqualification will happen either on the telephone or on the response form.

Let's say the organization is promoting the charitable gift annuity-a gift that offers a life income to the donor. Here are the four levels of prospect qualification:

1. If donors call the 800 number, they're definitely interested. DAV starts cultivating right away, collecting the data needed to create a gift illustration that shows what kind of income an annuity will provide the donor.

2. When donors mail back a response form asking for a gift illustration and providing the data needed to generate one, they qualify at the second highest level. Planned-giving professionals will call. They'll also send these donors DAVs planned-giving newsletter, even if they don't give. Sometimes these things take time.

3. When donors use the response form just to request a brochure or general information, they place themselves at the third level-basically on the back burner unless the brochure prompts them to request a gift illustration.

4. If they don't respond, they don't have much promise, and DAVs small Planned Giving Department doesn't have the time to do any more.

Now, what if DAV is asking people to make an estate gift-that
is, to remember the organization in their wills or trust instruments? Here, there are five levels of qualification:

1. Once again, a call to DAVs 800 number puts them on the top of the list.

2. If their response form says DAV is already listed in their will or trust, they go straight into DAVs legacy society. DAV sends them a certificate, calls them on the phone, and strokes the dickens out of them.

3. If the form says they're considering including DAV in their estate plans, they'll get a second mailing, very warm and fuzzy. They'll also get DAV's donor newsletter for a while. Perhaps DAV will call.

4. If they simply request a brochure, DAV will send it but won't do more unless the prospect gets in touch.

5. DAV doesn't bother with nonrespondents.

Like most charities, even the largest, DAV has a relatively small staff working in the areas of major gifts and planned giving. These professionals must budget their time. These levels of qualification help DAV do that very effectively.

Is It Working?

The proof is in the pudding, and few charities can match DAV's results. In the first five years of its planned giving initiative, DAV issued $1.2 million in charitable gift annuities—half a million dollars in one year alone. The organization also generated 846 known bequest and trust expectancies, more than many organizations have generated in decades of institutional history. Those expectancies have a present value of $18.1 million.

There are other benefits as well. The new model keeps people out of airports and in their offices. Thus, DAV is able to generate large gifts with relatively little expense. Nearly all of DAV's success comes through telephone contact from the organization's national headquarters in Cincinnati. DAV simply hasn't needed to do all the traveling that so many assume is part of the game in planned gift cultivation.

Yes, they re-invented the wheel at DAV. They had to. But it's working.
These resources are available through the Society for Nonprofit Organizations' Resource Center (608-274-9777).

During a three-decade career, Tom Keller, CFRE, has practiced direct marketing at Disabled American Veterans, University of Cincinnati, and Smith Beers Yunker & Company (8074 Beechmont Avenue, P.O. Box 54556, Cincinnati, Ohio 45254, 513231-9464), where he is currently director of direct-marketing services.

Footnotes

1 This article is based on the experience of the Disabled American Veterans, where the author worked from 1976 to 1999. At DAV, direct mail in an annual fund environment is the principal means of fundraising, accounting for roughly three quarters of total revenues in any given-year.


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Effective fund-raising for non-profit camps

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Fund-raising. Who has the time or energy for it?

The camp director is CEO and CFO, personnel director and operations manager, trainer and motivator, psychologist and troubleshooter, and mediator and planner. Few other professions require a director who has such a broad set of skills. Tirelessly and with a calm smile, you manage the dozens of tasks that camp incorporates. One of those tasks for nonprofit camps is fund-raising.

Think for a moment about what extra money could accomplish at your camp. You could construct a new building, pay for a ropes course, make scholarships available for low-income campers, fund a kitchen expansion, buy program equipment, pay for a specialized staff member for a new activity, or fund outreach activities in the winter. The sky's the limit - if only you had the money.

Imagine the Possibilities

Sit for an hour some quiet morning and make a dream list of what you want for your camp. Post the list somewhere visible and spend some time imagining where your camp would be if all the items were fully funded. You would probably have a higher enrollment if you offered ropes course programming. With another building, you could add another unit of campers. With more winter outreach, you could identify and serve more campers.

Your list of fund-raising goals should include both physical improvements to the property and buildings and activities or programs that can be added or expanded with more equipment or staff. It's an exciting prospect to consider what else your camp could offer - if only you had the money.

Identify Fund-Raising Sources

Once you've listed your dream projects, identify potential donors or sources. You could establish or expand fund-raising events. You could institute an annual fund, or annual appeal, where you ask members, camper families, and other friends of your organization to donate something each year. Other sources could include corporate gifts, foundation grants, and significant individual gifts. You'll want to consider asking for gifts of cash, items you need for camp, and volunteer time to provide you with money-saving services like printing or an annual electrical inspection.

After you've gotten some of the basics, such as an annual fund and several successful special events, in place, you'll want to consider establishing a planned-giving program so that people can leave you gifts of life insurance or give you a portion of their estate in trust.
The task of fund-raising with all the options available can seem daunting. To fund-raise effectively, you need to target your efforts, maximize your time, and raise funds with quality.

Target Your Efforts:

Spend your time pursuing only those funding possibilities that are likely to net you excellent results. For example, instead of spending twelve minutes each to prepare the same fund-raising packet for ten local companies, use 120 minutes to write one individualized and exciting request to a company that you've researched and that you think might really want to help your camp.

Having a contact helps. Check with the members of your board of directors to see what prominent local individuals they might know or what companies they have contacts to. Ask if you can mention the board member’s name in your proposal to the individual or corporation.

Partner with other organizations

Cooperate with other nonprofit organizations and work with them to partner initiatives that will enhance your fund-raising position. If you need another building at camp, find an agency that will help pay for it in exchange for a few weeks of reserved time each year. Sponsor a large fund-raiser with another nonprofit and divide the proceeds.

Maximize Your Time

Do something each day to further the primary mission of your camp. For example, call someone and ask for help, write one additional grant, cultivate a new potential donor, or recognize a recent donor in the hopes they’ll support you again the following year. Maximize your efforts and be sure to set aside time each day to take a significant step in fund-raising.

Invest time in your public relations efforts. Get your camp’s name in the media as often as possible. Name recognition and a positive image in the press will help legitimize your cause to potential donors. Contributors want to jump on a successful bandwagon.

For your fund-raising events, think big! Instead of spending time on a fund-raiser you think might net $1,000 for your camp, spend your time on a fund-raiser that you hope will net $10,000. You’ll be surprised to find that it takes the same amount of time to raise $10,000 as it does to raise $1,000.

InvolVeeve:v everyone affiliated with your camp in fund-raising. It’s a team effort and many hands make lighter work. Your campers can help by getting auction donations or by selling fund-raising products. Parents of campers may have corporation contacts for you. Your board of directors should lead fund-raising efforts with their own donations of money, items, or time.

If no one on your staff has the time to do fund-raising, find a way to add some staff time or a new staff member. A lot of nonprofit organizations are in the cycle of barely surviving financially because there’s not enough money to hire someone to raise funds. Consider writing a grant to get funds to employ a development professional for six months. The results of successful fund-raising will help your entire organization blossom again.

Raise Funds with Quality

Whatever you do for fund-raising, whether writing a grant or planning an event, do it with quality in mind. Proposals should be well written and concise. Your fund-raising request can win or lose a potential donor in the first sentence or two. Your opening needs to be interesting, exciting, and appealing. It needs to affect the reader personally. It needs to lead him to want to know how his organization can take action to help.

Working with donors

Make sure the message about your camp and the projects you want to implement are consistent. State your objectives clearly. What does your camp accomplish for your campers and why should someone donate their money to help you? Tell potential donors succinctly what their donation will do. For example, a certain level of donation will pay for one week of camp for a needy camper or pay for the climbing gear needed for a new team-building or self-esteem-building program.

Whatever project you're fundraising for, develop a strong case for the need you face. A donor may not be overly eager to buy two dozen septic system chambers. But they might get very interested in it when they realize expanding the septic system will mean you can serve fifty more campers each session. It's all in the presentation.

Recognition is vital

Remember to recognize donors for the contributions they make to your camp. Once people support your organization, thank them in a meaningful way. A handwritten thank you card is preferable to a form letter, and a telephone call to thank a leading donor is very meaningful. Publicizing donors in your newsletter (unless they request anonymity) is always a great idea. Positive donor recognition might mean a contributor will support you on an annual basis.

Stay educated

Staffers should attend basic continuing education classes in different topics related to fund-raising. Excellent and inexpensive classes are commonly available in special events planning, grants writing, cultivating major gifts, implementing annual funds, and others. Apply this knowledge to your camp.

Whatever fund-raising efforts you undertake first, whether planning a major special event, writing a capital grant, or getting people affiliated with your camp to support an annual fund, start with enthusiasm for your mission. Then implement the fund-raising with attention to precision, team effort, and reaching a specific goal. You'll find the results to be effective and successful money-makers that will help to ensure the future of your camp.

Author Affiliation:

Paula Larson is executive director of Lions Camp Pride in New Durham, New Hampshire, a residential camp serving children and adults with moderate through profound special needs.
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#Accountability; #Ethics; #Evaluation Methods; #Fund Raising; Higher Education; Media Research; #Nonprofit Organizations; Organizational Communication; #Public Relations

#Media Campaigns; Organizational Culture

Noting that "one-third of all graduates of university public relations programs go to work for non-profit organizations" (Kelly, 1993), this paper focuses on the issues of accountability and assessment faced by nonprofit organizations with corresponding methods of evaluation. First, the paper demonstrates the extent of nonprofit organizations in American society and the impact of nonprofit organizations on public relations. The paper then explores the various publics who hold a nonprofit organization accountable. As these publics unfold, the paper discusses the specificity of goals or objectives, both long- and short-term. The paper also discusses ethical considerations of various fundraising techniques as related to the issue of accountability, and as they relate to the public relations practitioner. Contains 5 notes and 19 references. (RS)
ASSESSMENT OF NONPROFIT PUBLIC RELATIONS EFFORTS

Diane Atkinson Gorcyca
Department of Communication Studies
New Orleans, LA
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Send Correspondence to:
Diane Atkinson Gorcyca, Ph.D.
Dept. of Communication Studies
Missouri Western State College
4525 Downs Drive
St. Joseph, MO 64507
816-271-4504
gorcyca@griffon.mwsc.edu

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ASSESSMENT OF NONPROFIT PUBLIC RELATIONS EFFORTS

Recently, a public supported media operation offered tickets to a Speakers' Series contingent upon member's pledge to a specified dollar amount. This author pledge the amount, and in fact, paid by check within two days of receipt of the pledge statement. There was a limited number of seats available for the events. The station over sold the memberships, because pledges do not guarantee payment, and did not provide the author with tickets because first priority went to members who charged their pledges. Since the seat limit was reached before her check arrived, the author was not given tickets to the Speaker's Series.

The station might have curbed overall resentment if they had sent notification of their predicament. However, the managing board decided against notifying those who had contributed but did not receive tickets. One week prior to the first speaker, the author called concerning the status of the tickets. The station explained the situation, their decision not to issue tickets, and their decision not to notify.

Using knowledge of public relations, the author explained her reactions in terms of organizational accountability. Since that time, the author has worked with the station to develop future guidelines for accountability in fund-raising endeavors, and did receive tickets for the Speaker's Series.

The ending to this situation is analogous to the fairy tale ending of "...and they lived happily ever after." This negative experience resulted in a positive solution because of the author's willingness to practice application of "textbook" fundamentals. Likely, most respondents
would not react in this positive manner. Indeed, others who were denied tickets indicated their unwillingness to the station management to make future membership pledges to the station.

This paper will focus on the issues of accountability and assessment faced by nonprofit organizations with corresponding methods of evaluation. First, the extent of nonprofits in our society and the impact of nonprofits on public relations, will be demonstrated. Secondly, the various publics who hold a nonprofit organization accountable will be explored. As these publics unfold, the specificity of goals or objectives, both long and short-term, will be discussed. Various methods of assessment are available and should be related to these goals. Ethical considerations of various fund raising techniques will be discussed as related to the issue of accountability, and as they relate to the public relations practitioner.

The number of nonprofit organizations is an ever-increasing facet of public and private work. Kelly (1993) estimates that "one-third of all graduates of public relations programs housed in departments or schools of journalism and mass communication go to work for nonprofit organizations" (p. 353). James Joseph, President of the Council on Foundations, emphasized the societal purpose of nonprofits when he contends that encouraging private generosity "...is fundamental to any society that has faith in the essential goodness of the individual...philanthropy is itself an important value...[it] can affirm and advance the connectedness of humanity [and its study] can serve as the social glue of the humanities" (Scala, 1992, p. 47).

The strength of this faith in individuals is supported by the figures on monetary contributions over several previous years which also represents reductions in federal funding that began during the 1980s. In 1991, there were an estimated 800,000 organizations categorized as charities. In 1989, 460,000 organizations qualified for IRS 501(c) status (Keilty, 1991). By 1991,
This number grew to 516,000 (Mixer, 1993). These figures also demonstrate the changeable nature of the nonprofit world. During the years of 1987 and 1989, over 110,000 organizations were added to the list, while over 41,000 were removed (Mixer, 1993). Hilgert and Mahler (1991) estimate that nonprofit organizations are increasing at rates of between 8 to 15% per year.

The contribution figure to nonprofit organizations exceeded $100 billion in 1988, which was an all time record for nonprofits (Kelly, 1991). By 1992, more than 124.3 billion dollars was raised, and an estimated 69 million households provided this benefaction. This dollar amount represents a 6.4 % increase over charitable giving in 1991. Expectations are that the trend will continue. As James Joseph, Council of Foundations states, "Encouraging private generosity is fundamental to any society that has faith in the essential goodness of the individual" (Scala, 1992, p. 47).

The volume of voluntary charitable donations and organizations as beneficiaries of these donations has not seemed to reach an ebb. The question is, therefore, what is the role of the public relations practitioner in nonprofit organizations? Kelly (1991) contends that in regards to fund-raising, the role must be one of communications management. Her definition implies that "...public relations is broader than communication techniques, such as publications, and broader than specialized public relations programs, such as media relations, employee relations, or donor relations" (p. 9). She summarizes the role for the public relations practitioner as

...public relations is a boundary role of charitable organizations, responsible for helping these organizations manage their interdependencies, thereby, reducing

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1 Federal requirements exempt charitable organizations with annual revenues of less than $25,000 from filing IRS Form 990. 327,000 did not file in 1989. Of the 133,600 that did file, approximately 72% can be classified as small, that is, they have annual expenses below $500,000...and receive about 11% of the total public support" (Mixer, 1993, pp. 203-04).
environmental uncertainty and buffering the organization from demands of interpenetrating systems. If interpenetrating systems move in directions other than that of the focal organization, conflict occurs and negotiation and compromise must take place. Such conflict may cause the organization to change; however, even if the change is positive, the organization still must manage the conflict to reduce the risk of losing a high degree of autonomy (p. 319).

This definition of the role of the public relations practitioner in nonprofit organizations should lead to an evaluation/assessment role as well. The difficulties of evaluation of public relations efforts has been well-documented, however, Jacobson (1980) may express it best when he compares measurement of PR efforts to "...trying to measure a bucket of eels...or only slightly easier than measuring a gaseous body with a rubber band" (p. 7). To clarify the issues involved in assessment, this paper will first examine the development of goals or objectives within the nonprofit organization.

Fundamental public relations texts speak to the importance of goal directed programs that assume a level of evaluation and measurement. Hendrix (1995) asserts "Objectives are the single most important element in this public relations process. They represent the practitioner's desired outcomes in communicating with the targeted publics" (p. 19). A primary objective should be developed in terms of the organization itself. As evidenced by the continuous development and discontinuation of nonprofit agencies, the purpose of the organization is the focal point for the fundamental objective. Additionally, the future of the organization must be considered. Speaking to this issue, Mixer (1993) writes:

Planning in general causes organizations and their fundraising activities to look to the future. By selecting the optimum direction for the total organization, strategic planning proposes what should happen and how the organization can create that future rather than simply react to current trends. Strategic planning examines the strengths and weaknesses of the organization and the opportunities and threats it faces in its operating environment. The direction chosen in relation to the
organization's mission, which may be redefined in the planning process, establishes fundraising goals and objectives. These intentions also influence the selection of the fourteen major fundraising methods that are available. Each of these means has strategic requirements that affect the subject organization and anticipated revenues. Selection of methods requires careful consideration of essential criteria drawn from the areas of needs, organization and operation. A prudently drawn development plan is one attuned to internal and external probabilities and poised for accomplishment (p. 244).

Even short-lived organizations should employ this objective consideration. Recently, I attended a developmental board meeting for an organization founded for the express purpose of bringing the Names Quilt (AIDS quilt) to the local area. The board is well developed and extremely well staffed. However, during the meeting, the issue of excess funds, monies raised over the expenses of the quilt display, was discussed. The board indicated an aspiration to raise more funds than necessary, and to use the surplus funds to support various other local organizations that work with HIV-positive individuals and AIDS patients. Preliminary fundraising had already occurred; yet this additional objective was not shared with the contributors. If this secondary objective was accepted by the board as a whole, the public must be made aware of this goal in order for the board to fully establish accountability.

Therefore, decisions regarding organizational objectives are integral to the effective functioning not only of the organization, but of fundraising efforts. Efforts directed towards fundraising are multidimensional. Too often, fundraising may be viewed as the primary objective of an organization, which results in a lack of concerns for key areas of assessment. Included here are concerns for the various publics involved in any nonprofit operation.

Kelly (1991) identified four types of strategic publics: enabling, functional, normative and diffused. "Using these concepts, donors can be defined as an enabling public that provides
necessary resources for charitable organization, much like stockholders provide revenue for corporations. Fund raising, therefore, can be viewed as managing interdependencies between a charitable organization and its donor publics" (p. 296-7). The present author contends that this identification must extend beyond the domain of monetary considerations; successful connections to key publics by any nonprofit organization applies these divisions.

An enabling public allows the organization to not only successfully raise funds, but also to conduct the business necessary to attain the primary objective. This same public could be classified as functional, normative, and diffused. The domain of a public relations practitioner as an assessment agent includes managing the association between the organization and these various publics. "Marketing research has shown that someone who has an unpleasant experience with an organization is likely to tell three times as many people about that experience as someone who has a pleasant experience" (Johnson and Laviano, 1991, p. 35). Repeatedly, the issue of identification of publics in conjunction with the organization's goals and objectives is crucial to successful public relations management.

Primary attention has been directed towards the monetary donors. Kelly (1991) addressed the issue of donor involvement and organization autonomy:

These fund-raising interdependencies constitute an ongoing exchange process that requires management and negotiation by the charitable organization, especially by those practitioners who manage its fund-raising function. The concept of autonomy is a central issue in the exchange process in that the power of a charitable organization to determine and pursue its own goals is affected by how successful that organization is at managing its interdependencies. Although absolute autonomy is impossible, all charitable organizations in the nonprofit sector face a double-edge sword in relation to interdependencies with donors in their environment. In order to enhance their autonomy, they must seek external funding to support their institutional goals, but in so doing, they risk losing autonomy by accepting gifts that may limit their power to determine goals and the
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means of pursuing them (pp. 292-3).

Repeatedly, one can see the concept of interdependency as a necessary element of a nonprofit organization. However, the claim of increased interdependency for nonprofits may not be totally substantiated. Every organization is faced with the task of autonomy with regards to various strategic publics; for-profit organizations develop the same interdependencies upon consumers, community, local, state and federal government, and their work force. The issue addressed in this paper is that nonprofits have historically ignored the concept of multiple publics in exchange for a dominant focus upon the donor public.

As with any organization, a nonprofit should list multiple publics in their targeted communications. These publics include: the organization itself, the paid staff members, volunteer board members, other volunteers who give in terms of time and work effort, and both large and small monetary donors. Any single individual may be included in a number of these categories.

Evaluation and assessment can, and should occur, within all categories, and should not be limited to the fundraising accomplishment. Each year, Money (Smith, 1993), publishes its annual ratings of Charities in America. In 1993, the magazine rated charities in term of long-term efficiency—the average percentage of income spent on programs over the past three years. The top rated charity for 1993, AmeriCares Foundation, was able to devote 99.1% of this income to program spending.2 While this rating is sought after for public relations propaganda to monetary donors, it does not address the issue of multiple publics.

Almost every basic public relations text includes a chapter on employees as a public. The

2The author is not certain of how they arrived at this figure. As part of the report, Money cites that AmeriCares spends 1.7% of its income on fundraising, and 1.2% of income on administration.
same must be applied to a nonprofit organization. The efficient function of the nonprofit is dependent upon the productive capacity of the paid staff. Many times, the staff must respond to a national organization and a local chapter, and this increases the dependence upon the staff for a successful operation. Assessment of staff in terms of relations with all strategic publics must be undertaken. This staff is responsible not only to the national organization, if one exists, but also to a local board of directors. Howe (1991) posits the role of the board:

...to fulfill their fund-raising responsibility, boards must oversee the decisions and activities of chief executives and their staffs without themselves preempting staff responsibilities or doing the work that staff should do. Because fund raising calls for more direct, personal involvement and participation of trustees than do other aspects of an organization, this line between management and oversight becomes harder to draw. It is essential for board members to understand sufficiently what is involved in staff matters, in order to be able to oversee and participate.

The staff and board are then accountable to the volunteers, which likely result in the accrual of donors. All of these levels must be considered for an accurate and thorough view of assessment and accountability.

Volunteers as a strategic public have largely been ignored in terms of assessment. Wilcox, Ault and Agee (1992) argue that the recruitment and training of volunteers is the fourth objective of a voluntary agency. This author contends that retention should also be included under this objective. Measurement of retention, and satisfaction with the organization, would allow for a more detailed level of assessment.

A corps of volunteer workers is essential to the success of almost every philanthropic enterprise. Far more work needs to be done than a necessarily small professional staff can accomplish. Recruiting and training volunteers, and maintaining their enthusiasm so they will be dependable long-term workers, is an important public relations function. Organizations usually have a chairperson of volunteers, who either answers to the public (often called community relations)
director or depends upon the director for assistance (p. 470).

According to the Bureau of Labor Statistics, 1989, one in five American adults volunteer time, with a median weekly contribution of just over four hours per week. Seitel (1992) predicts that the American public's propensity for volunteering is a catalyst towards nonprofit expansion and proliferation.

In this schemata of strategic publics, monetary donors are listed last, not in line of importance, because the nonprofit cannot exist without the monetary support. Donors are listed last because without successful functioning on the previously detailed levels, the issue of donors may become a mute point. Critical assessment and evaluation of these other publics which provides a positive image for the nonprofit can result in a positive appeal to the monetary donors.

Monetary donors form the outward basis for a nonprofit assessment. As this public is identified, methods of assessment can be formulated. Edmondson (1986) identifies the characteristics strategic to donor identification. People between the ages of 34 and 64 comprise the largest segment of donors, with ages 50 to 64 comprises the largest segment. Other demographic information which tends to identify donors include, "a college education, annual income of $50,000 or more, marriage and a professional occupation." (p. 45). Edmondson also noted that the use of the funds to assist local efforts was a positive element for many donors.

Ledingham (1993) explored the predictor variables related to donors to a local United Way campaign. Those who donated met the profile described by Edmondson. He describes the non-givers as "...a population segment less involve with and less interested in the society that is reality for older, more established persons who have--by virtue of parenthood, probably home
ownership and other factors--a **higher stake in the community**" (p. 380). Further, he concludes that the **non-givers do not perceive a direct relation to personal needs**. "And, their age does not predispose them to think about heart disease, cancer and many of the other concerns that may be in the minds of their older counterparts (p. 380). While there is a clear differentiation between the giver and the non-giver, the actual category of donors as a strategic public should be further delineated between large and small donors. As previously cited, Kelly describes the conflict that may occur between autonomy of an organization and a large donor. But for many organizations, the small donor is the core of the giver population.

When AmeriCares was given the uppermost rating by *Money* (Smith, 1993) magazine, the organization related the large percentage of donors who contributed substantial monetary amounts or corporate donors who underwrote key parcel denotations. On the other hand, the Disabled Veterans Administration (DAV) was ranked low on the list in percentage of program spending, and high on the list regarding income spent on fund-raising efforts. "A spokesman for DAV of Cold Spring, Ky. says the group must spend such a high percentage of its $71 million in income on fund raising because its average donation is small--under $10" (p. 131).\(^3\) Clearly, the donor public identification impacts on the evaluation of fund raising techniques and strategies.

A local chapter of a national health charity offers a clear example of this differentiation necessary for a fully successful fund raising effort. During its annual fund raising event, local individuals are "jailed" by the society. They are "bailed" out by donors they personally have recruited. This past year, all of the large "prisoners", over $5,000 in pledged "bail money", were recruited well in advance of the event. However, the chapter neglected to solicit smaller donors

\(^3\)5.4% of income was spent on fund raising.
during their preparation. The "jail" was in the axis of the local shopping center, and would be the focal point of the fund raising effort. The large donors were small in number, and would only be there for short periods of time. Large numbers of "prisoners" were necessary for solicitation of on-site donations, media coverage, and community responsiveness. One day before the event, staff and a small number of volunteers were frantically calling to request small donors to be "jailed." The end result of this omission was a negative response from staff and volunteers concerning the lack of foresight and planning. This example clearly demonstrated the necessity of differentiation between levels of givers for assessment. The fund raising event was a success in terms of dollars collected; however, the event was not a success in terms of staff and volunteer evaluation. Also, media coverage was largely thwarted by the lack of participation at the event.

Accountability to all strategic publics is therefore the primary area of accountability and assessment within a nonprofit organization. Regarding educational foundations, Kelly (1991) writes:

...charitable organizations strive to stabilize external dependencies on donors through joint ventures, such as industrial-university partnerships, and through cooptation, such as placing major donors on governing boards. Although such strategies do reduce the environmental uncertainty related to the need to continually raise private gifts, they also abdicate some degree of organizational control to external sources of gifts. In addition, such strategies may increase the vulnerability of a charitable organization by encouraging dependence on gift exchanges involving joint partners or coopted donors (p. 293).

Necessity involved in fund raising demands that major donors be a strategic public. But as the list of charitable organizations in Money indicates, all charities will not have the luxury of major donors as the central source of revenue. Again, the explicit objectives of the organization can aid in the development of assessment of donor publics.
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Jacobson (1980) cites the changing focus of nonprofit funding, from the federal to the private level, as introducing a new view of assessment. "In the Age of Accountability, a concern for the consumer and a desire for a bigger bang for the buck heightens the need to prove and improve our activities. Practitioners no longer can depend on time-honored homilies to justify their existence. Guesswork is giving way to design, data and documentation" (p. 7). Yet, it would seem that many nonprofits have not succumbed to this detailed process of "design, data and documentation". Payton (1989) argued that "flexibility and responsiveness are more characteristic" (p. 65) in the nonprofit realm than in the business and government sectors.

Council of Foundations President James Joseph asserts that "...openness and inclusiveness are fundamental principles and practices for effectiveness in philanthropy" (Scala, 1992, p. 47). This trend extends to all levels of nonprofit organizations. Public Education Fund Network President, Wendy Puriefoy stated "...grantmakers and seekers need to evaluate how their efforts are increasing community responsiveness" (Scala, 1992, p. 48).

The concepts of flexibility and responsiveness are most vividly exemplified by the current move toward telemarketing and cause-related marketing by nonprofit organizations. "Every year, hundreds of millions of dollars are raised in the United States through the telemarketing efforts of nonprofit organizations. Some nonprofits carry out their own telemarketing programs, while others rely on professional fundraisers" (Johnson & Laviano, 1991, p. 34). Clearly, the trend is established: telemarketing is a more efficient method of fund raising than many of the alternatives which involve staff, volunteers, and a large number of work hours. Johnson and Laviano point out that the pervasiveness of telemarketing has reached such monumental proportions that the state of North Carolina developed the Charitable Solicitations Act. Essentially, this act
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determined that a fee of up to twenty percent was reasonable. Restrictions were placed for a fee between 20 and 35%, and any fee above 35% was unreasonable. "The Act also required that a professional fundraiser disclose the average percentage of gross receipts turned over to the charity by the fundraiser within the last twelve months" (p. 35). 4

A second alternative to traditional fundraising is the relatively new use of cause-related marketing. Cause-related marketing has two major facets. First, a corporation will become involved with a cause in order to positively increase the public's perception of its product. Coors Brewing Company has committed $40 million to a five-year campaign aimed at decreasing illiteracy. The overall goal of campaigns such as this is to convince the public of the company's sincerity with regard to social issues. For the 1992 Olympics, corporations paid an average of $15 million for the right to link their products with Olympic events; the sponsors had to pay $40 million for the link to the 1994 games at Lillehammer (Levine, 1992, p. 30). This "Good Samaritan" approach to corporate marketing may be the wave of the future (Oldenburg, 1992).

The second facet of cause-related marketing is the proliferation of products advertised as "contributing a portion of the profits to" or "in sponsorship of" a particular nonprofit organization. *Cause-related marketing is business marketing, not marketing of a nonprofit organization.* The controversy is not a question of whether it is sound business but rather,

4This act was eventually declared unconstitutional, but the problem of telemarketing as a substitute for in-house fundraising has not vanished. The Court, in overturning the Act, suggested financial disclosure by the charities involved, and prosecution, under anti-fraud laws, for professional fundraisers who used false pretenses or false statements in the solicitation process.

5The author is doubtful of how this differs from the local organizations from the schools, baseball leagues, etc., which sale products such as candy bars, and cards, as a fundraising effort.
whether it is sound philanthropy" (Howe, 1991, p. 115). Warning of the potential donating
public of the scams, *Redbook* (Khalaf, 1993) cites a too common example. The National
Federation of the Blind in New York State authorized vendors to sell a box of candy with the
charity's name on it. In truth, the charity received $2.00 per box, the profits went to the vendors.
The State of New York has sued the organization and the vendors. The article continues by
warning consumers that *certain telemarketing approaches use false information*, such as
identifying the caller as a member of the sponsoring organization, when in fact they are hired
telemarketers. This source of a popular magazine, while not normally included in a scholarly
paper, highlights the overwhelming need for nonprofit assessment and accountability. In cause-
related marketing, "Consumers responding to such marketing devices may be misled into thinking
they are giving when in fact they are buying" (Howe, 1991, p. 115). The fundraising technique
employed must be *itself subject to assessment*, because as Howe (1991) indicates, the company
sharing the profits might try to place demands upon the nonprofit organization, resulting in
modification of programs.

The impact on the advertising industry on public relations was evaluation of the message
itself. However, these recent trends emphasize the need to determine "...what the publics'
perceptions are of the actions as well as the messages that are being heard about an organization"
(Strenski, 1980, p. 12). These perceptions can function as a basis for future programs employed
by the nonprofit organization. The need for assessment, therefore, involves not only the amount
of contributions, but the method and the messages utilized in the attainment of funds.

The central issue presented in this paper is that assessment is multi-dimensional; there can
be no single determining factor in rating the overall nonprofit program, such as that employed by
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Money. Mixter (1993) comments on the notion of the "culture" of the nonprofit:

An accurate assessment of fundraising in large organizations required a close examination of their cultures, which have developed over many years...an organizational culture consists of the values, attitudes, and precedents that bind the entity together. This culture is sometimes expressed as the "glue" that envelops everyone in an organization...The culture determines attitudes about fundraising and influences its acceptance and success (p. 236-7).

The concept of culture encompasses all the diverse strategic publics established in this paper. Each public brings to the nonprofit a set of attitudes and precedents that may contrast in crucial areas, but also may correspond in others. The coordination of this similarities and differences may be a crucial component for assessment.

In July, 1992, the Council on Foundations' (COF) annual meeting was dominated by the controversy over the National United Way in regards to the Arimony scandal. Reacting to the event, President James Joseph commented "...foundations are responsible to 'stake holders': donors, donees, foundation boards and government...responsible governance and efficient management are all part of the public trust" (Scala, 1992, p. 47).

It is this concept of the public trust that should be expanded and examined in assessing nonprofit organizations. Traditional analysis of the fundraising ability and percentage of income devoted to program spending will not suffice as organizations brace for the changes likely to develop as we approach and enter the twenty-first century. Several concepts essential to effective public relations are applicable to assessment of the nonprofit organization.

Foremost in this assessment must be the development of adequate long and short term objectives. As with any public relations campaign, the evaluation of effectiveness is dependent upon the stated objectives. If the only objective is fund raising, as applicable to AmeriCares, then
the traditional assessment of monetary intake/output can suffice. However, when the complexity of objectives reach beyond this rudimentary status, assessment must also become more multifarious. The classification of various publics upon a strategic continuum is the fundamental tactic in this multi-level assessment. The publics should each be included in identifiable objectives, in order to thoroughly program a procedure for assessment. Various methods are available to assess the staff, board members, volunteers and donors, dependent upon the declared objectives. The public relations practitioner is aware of the concept of mediated message campaigns, that the electronic media has little ability to change attitudes and behaviors:

...the major effort of mediated messages in a campaign environment is to reinforce existing attitudes and predispositions...However, attitudes alone are often insufficient to motivate behavior...Public information campaigns may lead to an increase in knowledge, which may, in turn, affect attitudes and, perhaps, behavior. What this study seems to indicate is that the link between attitudes and behavior is tenuous...But what it also suggests is that a mix of mass media and interpersonal communication can serve as the linkage that turns attitude into action" (Ledingham, 1993, p. 367-384).

As previously mentioned, the board of an organization is an essential link to/and between staff and volunteers. Volunteers are integral to most nonprofit organizations in operationalizing the concept of mediated messages. "Active, satisfied volunteers do more than provide a workforce for an organization. They also form a channel of communication into the community" (Wilcox, Ault, Agee, 1992, p. 473).

One local health services nonprofit organization completely neglected its corps of volunteers. Local volunteers continually made suggestions for improvements and change and chapter development, while the district office (from a larger city 30 miles away) insisted that the chapter focus only upon fund raising attempts. After several near disastrous attempts, the local