



RESPONSIBLE GOVERNANCE & MANAGEMENT

CAPACITY BUILDING WORKSHOP FOR CIVIL SOCIETY ORGANIZATIONS

FUND RAISING

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THE GAME PLAN

- Philanthropy & charity
- Five major fund raising principles
- The case statement
- The fund raising cycle
- Fund raising methods
- Annual fund drive
- Capital campaign
- Planned giving
- Endowments
- Online fund raising

PHILANTHROPY & CHARITY IN THE USA

- Philanthropy comes from the Greek word *Philanthropia*, which means ‘love of mankind’
- “Philanthropy includes voluntary giving, voluntary service, and voluntary association, primarily for the benefit of others” (R.L.Payton)
- Charity comes from the Latin word *Caritas*, which means love (ie. compassion)
- Charity is the religious tradition of altruism (selflessness), compassion and empathy
- Philanthropy and charity have been intertwined throughout the history of the CSOs

FUND RAISING AND PHILANTHROPY

- “Fund raising is an essential part of philanthropy – in turn, philanthropy is essential to democracy” – RL Payton
- Fund raising is more specialized and continuous
- Fund raising is the management of relationship between a CSO and its donor public
- The purpose of fund raising is not to just raise money, but to help CSOs manage their interdependencies with the donors
- Fund raising is both an art and a science
- Fund raisers are skilled communicators who are trained to nurture and manage relationships with strategic donors

FIVE MAJOR FUND RAISING PRINCIPLES

(WEINSTEIN, 2009)

1. People give to people to help people

- Donors do not contribute to institutional need (they contribute to people's need)

2. People give relative to their means

- A pyramid-structured gift strategy produces stronger results

3. Those closest must set the pace

- People closely associated with the cause need to lead by giving

4. The 80/20 rule

- Often 80% of the funds raised come from 20% of the donors targeted

5. The need for balance

- Broad based fund raising strategy is key

5 PRINCIPLES OF FUND RAISING

1. People give to people to help people:
 - The most often quoted fund raising phrase
 - Donors are not in the habit of contributing in response to institutional need (they contribute to people's need)
 - They make their decision based on relationships and the degree of their response to the appeal
 - They also base their decision on the quality of organizational leadership

5 PRINCIPLES OF FUND RAISING

2. People give relative to their means:

- Giving ranges from small donations to large ones (all can be 'generous' based on the giver's means)
- People also give in relations to what others give (especially larger donors)
- 'Average gift' strategy is bound to produce substandard results
- A pyramid structured gift strategy, by creating various levels of gift opportunities, will produce stronger results

5 PRINCIPLES OF FUND RAISING

3. Those closest must set the pace:

- When people who are closely associated with the cause, organizational mission & functions – such as board members, key volunteers, and supporters - lead by giving, others follow
- If those closest to the organization do not believe in project & do not give generously, ‘outsiders’ are not likely contribute
- This pace setting by those closest helps in relationship building with potential donors

5 PRINCIPLES OF FUND RAISING

4. The 80/20 rule:

- Often, 80% of funds raised will come from 20% of the donors
- In major capital campaigns this is even more skewed – to about 90/10
- This propensity is based on Pareto's 80/20 rule (80% of results come from 20% of efforts)
- Accordingly, it is important to focus 'extra' energy on the 20% donors identified to be in the top tier

5 PRINCIPLES OF FUND RAISING

5. The need for balance:

- While the 'priority' focus should be on the peak (20%) of the giving pyramid, the broad-based fund raising strategy should not be ignored
- An organization that only targets the peak of the pyramid, it is in danger of being viewed as 'elitist' by its constituents

MAKING THE CASE FOR SUPPORT

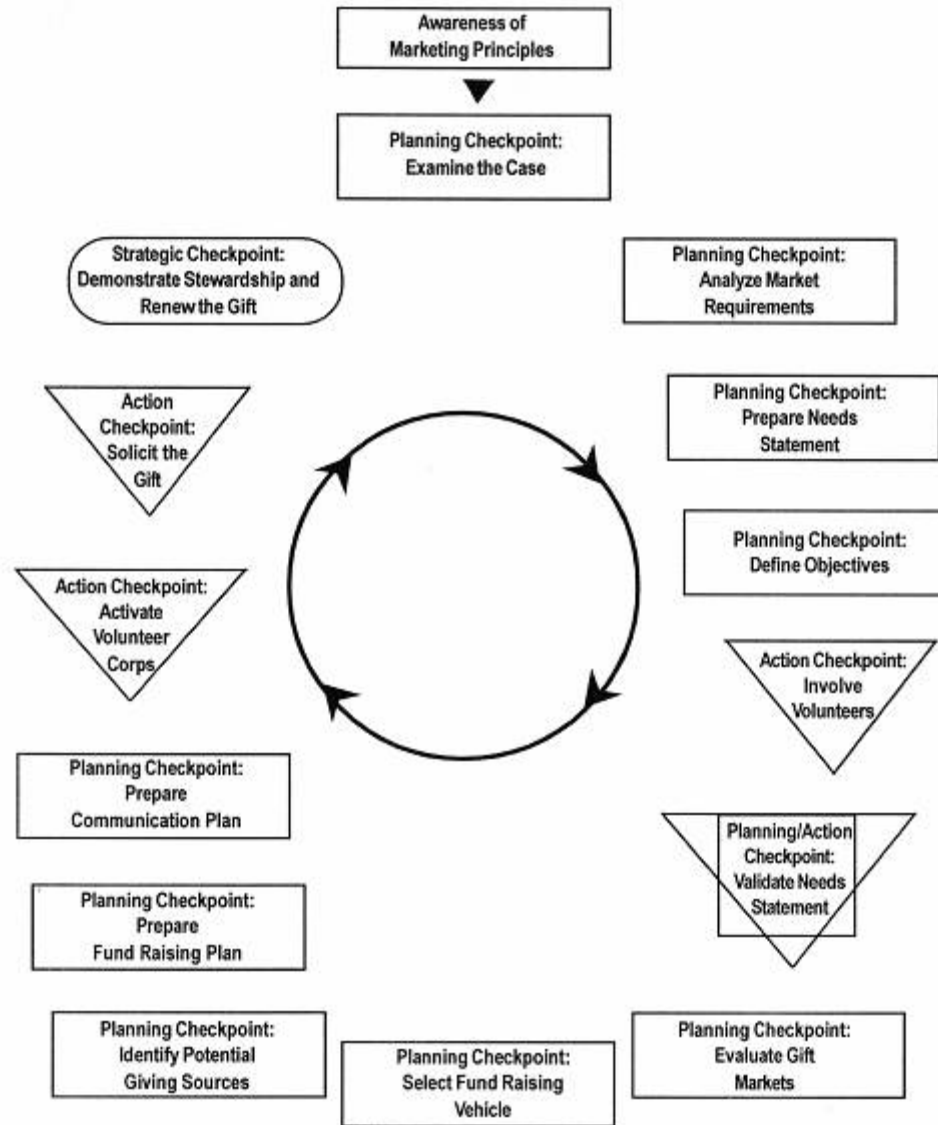
- The fundamental questions for fund raising:
 1. Why does your organization exist? (mission, vision)
 2. What services does the organization provide to meet the needs of its constituents (goals, objectives, outcomes, etc.)
 3. Why should potential donors (individual, foundations, corporations) provide gifts?....what do they get out of them?

THE CASE STATEMENT

- A good fund raising plan starts with a case statement
- A case statement tells the ‘story’ of the nonprofit organization
- Case statement is typically 1 – 3 pages and tells the prospects why the organization should be supported
- It should have the mission statement, a need statement (translated into clients) & a statement on donor’s potential impact to the community

THE FUND RAISING CYCLE

- Effective fund raising depends on effective planning & rigorous execution of the plan
- Premature solicitation leads to token/no gift
- Fund raising process is cyclical
- In the cycle of 14 steps, solicitation is the 13th
- First 12 steps involve planning
- The starting point - before step 1 - is understanding marketing principles that apply to fund raising: needs, perceptions, wants & values of prospective donors



The Fund Raising Cycle

THE FUND RAISING CYCLE

1. Examination of the nonprofit's case (sum of all reasons why anyone should give) for support
 - The case must provide persuasive responses to: why the organization exists? What services/ programs are provided? Why should the donor give?
2. Analyze market requirements
 - The market needs to know (15% reach - 20/80) and understand the need being met
 - Donors give to organizations they care about that addresses the need they care about

THE FUND RAISING CYCLE

3. Preparation of needs statement

- Projection of programs to id annual & long term budget needs, including sources of revenue – this is the justification for fund raising

4. Definition of objectives

- Translation of the mission (why) and goal (what) into ‘how’ by SMART (specific, measurable, achievable, results-oriented & time-bound) objectives
- Objectives provide a visible link for the need

THE FUND RAISING CYCLE

- 5.** Involvement of volunteers
 - Earlier involvement of volunteers make them effective solicitors of peers
- 6.** Validation of need statement by volunteers
- 7.** Evaluation of gift market (individual, foundation, corporate, etc.)
 - Informed judgment about which market to approach and how much to ask for
 - Diverse funding base is important for organizational sustainability

THE FUND RAISING CYCLE

8. Fund raising modes and methods

- Fund raising modes: annual fund, special/major gift, capital campaign & planned giving
- Appropriate strategies among: direct mail, phonathons, special events, benefits, grant seeking, personal solicitation, e-mail, online, etc.

9. Identifying potential gift sources

Distilling market evaluation into list of specific prospective donors (linkage-ability-interest)

THE FUND RAISING CYCLE

10. Preparing the fund raising plan

- Draft plan validated by the board & volunteers
- Spells out how much \$, for what program, in what time frame, using which method(s)

11. Preparation of a communication plan

Not just to disseminate of info, but to stir donors' emotions & intellects

- Two way symmetrical communication

12. Activate volunteers

THE FUND RAISING CYCLE

13. Solicitation of the gift

- Needs to be a dignified process of asking with pride a gift to carryout the cause
- Soliciting and receiving gift are not the end of the cycle – in many ways they begin the relationships

14. Stewardship and renewal of relationship

- Gratitude for and acknowledgement of the gift
- Disclosure of how gift is used and demonstrating highest level of accountability

THE FUND RAISING PROCESS

- Very competitive
- Multi-disciplined process requiring extensive involvement of the board, executive leaders, staff & volunteers in the cycle
- Success depends on the CSO's ability to adopt to changing conditions
- Considerations during solicitations:
 - Cultural awareness
 - The right individual/team and communication
 - Gentle persuasion

FUND RAISING METHODS

- **Sustaining gifts:**
 - Annual fund drive

- **Enabling gifts:**
 - Capital campaign
 - Special projects
 - Planned giving
 - Endowments

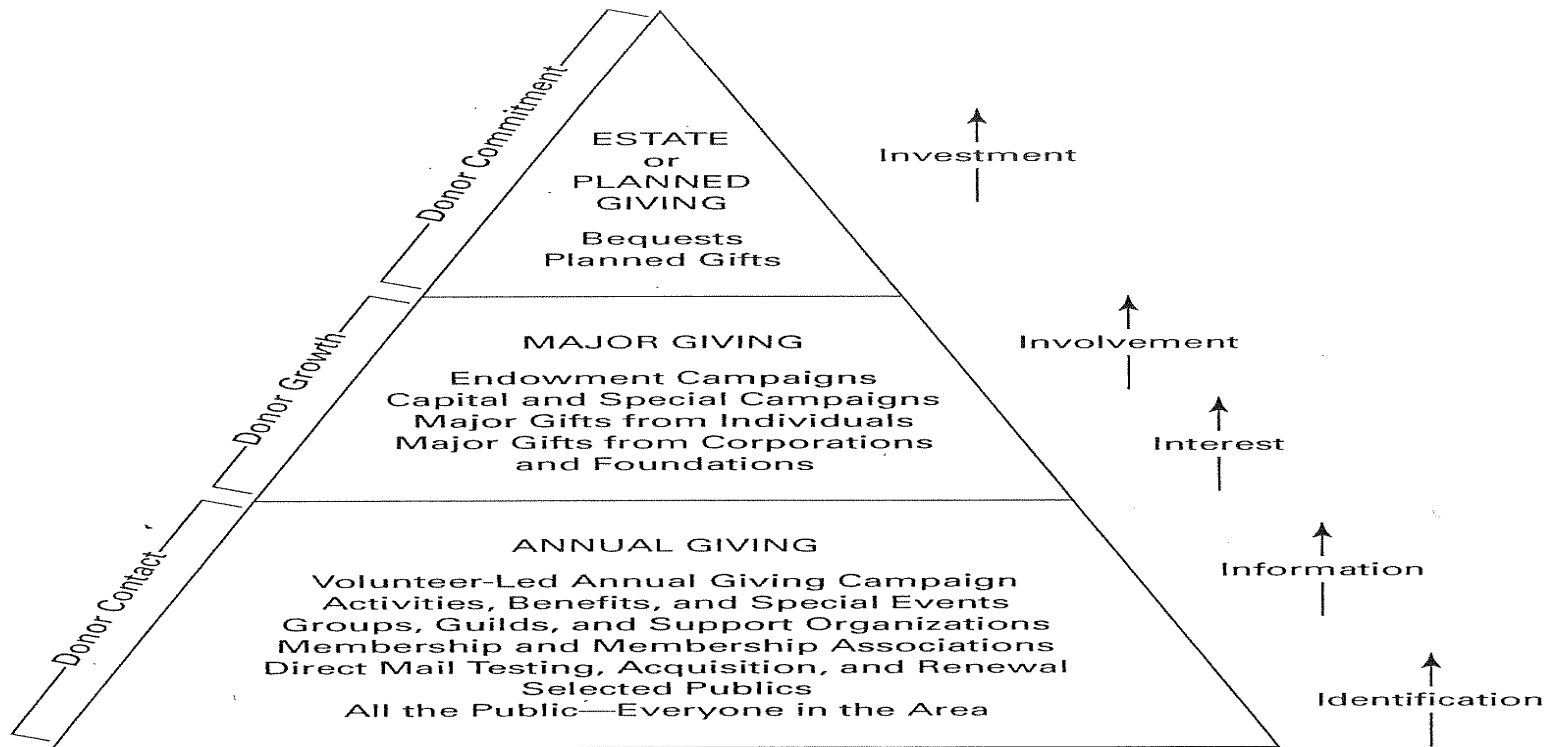
INDIVIDUAL DONORS

Hank Rosso's 5 important concepts

- Nonprofits need to identify their constituents clearly
- Analysis of individual constituent's linkage, ability, and interest determine her/him as a prospective donor
- Nonprofits need to conduct thorough prospect research before the solicitation
- The six 'rights' of fund raising success: the right person, asking the right prospect, for the right amount, for the right project, at the right time, in the right way!
- Ladder of effectiveness (face-to-face, phone call, letter, "in-house" mail, direct mail, etc.)

THE PYRAMID OF FUND RAISING

(GREENFIELD, 2002)



ANOTHER VIEW OF THE PYRAMID



ANNUAL FUND DRIVE

Goal for individual gifts Rs.1000 – 5 K

- Annual fund drive is the foundation of all successful fund raising by the organization
- Annual funds are really operating funds – contributions received are unrestricted
- Strategies are designed to produce broad base support
- Emphasis is on single year (recurring) contributions & pledges (such as pay roll deductions)
- Relies on large number of requests

THE ANNUAL FUND DRIVE

Primary objectives:

- to maintain and build-upon the donor base
- to solicit & secure a new gift, establish habits to repeat the gift, and 'upgrade' the level of gift
- to raise annual unrestricted funds for priority projects
- to inform, involve, and connect all stakeholders to the organization and its mission
- to remain fully accountable to the constituency through annual reports

ARITHMETIC OF ANNUAL FUND DRIVE

- Setting the annual goal (based on organizational budget & projection of programs, etc.)
- Categories of gifts & numbers needed in each category
- Prospects – donors ratio
- Linkage between the ratio and the actual donor base
- Realistic numbers (all of the above)

GIFT RATIO CHART

- The lead gift(s) at least 5%...up to 15% of goal
- Build the chart downwards by cutting the gift size in half (or quarter or in any combo)
- Round the levels up or down
- For each gift, 2 – 5 ‘qualified’ prospects needed (qualified – reasonable expectation that the person would consider a gift at that level)
- Higher the gift, larger the ratio
- Room for prospects who will give at a lower level
- Template:
<https://www.blackbaud.com/company/resources/giftrange/giftcalc.aspx>

GIFT RATIO CHART EXAMPLE

GOAL: RS. 5 LAKHS

Gift Range \$	# of Gifts	Prospect #	Total \$	Cumulative Total \$	Percentage of Goal
100,000	1	5 (5:1)	100,000	100,000	20%
50,000	1	5 (5:1)	50,000	150,000	10%
25,000	2	8 (4:1)	50,000	200,000	10%
10,000	4	16 (4:1)	40,000	240,000	8%
5,000	6	24 (4:1)	30,000	270,000	6%
2,500	12	36 (3:1)	30,000	300,000	6%
					60% of goal
1000	100	300 (3:1)	100,000	400,000	20% of goal
100	1,000	2,000 (2:1)	100,000	500,000	20% of goal

MAJOR GIFTS

- Defined as gifts that constitute 5% (or more) of total annual fund drive goal or a considerable percentage of total capital campaign
- Given by truly wealthy who explore how their wealth can have meaningful impact to society
- Extensive donor research needs to be done to garner major gifts

PROSPECTS RESEARCH

- Prospect = Prospective Donor
- LAI (Linkage – Ability – Interest)
- Prospect research is used by nonprofits for all modes and methods of fund raising
- It is the collection and analysis of information to identify new gift potential from individuals who have either given for similar causes...or are potential contributors for the cause
- It starts with a list of current and potential donors

CAPITAL CAMPAIGN & SPECIAL PROJECTS

Goal for individual gifts Rs. 50 K – 1 lakh

- Emphasis on capital projects, often a building
- Donors encouraged to make multi-year pledges for the duration of the capital project
- Person to person visits and solicitations
- Relationship nurturing activities are integral part of the process
- Special project support focus on seed funds for new projects and enhancement of existing ones

PLANNED GIVING

Goal for individual gifts >1 lakh

- The fastest growing means of giving
- Gifts are made in the present time, but value is realized at a later time (usually after the death of the donor!)
- Most common forms include: wills & bequests, charitable gift annuities, deferred gift annuities, charitable trusts, etc.
- Nonprofits of any size can (and should) establish a planned giving program
- Specific policies and legal considerations

ENDOWMENTS

- An endowment is fund given by a donor and held in perpetuity by the organization
- Gifts to endowments can be in any form (property, securities, deferred payment) but they are converted into cash for investment
- Endowment funds are invested in stocks, bonds and other security vehicles
- The principal can't be touched – returns from the investment used for programs
- Endowment funds are self-sustaining and provide fiscal stability to the organization at present & in the future

STRATEGIES FOR BUILDING ENDOWMENTS

- Endowment building is intense
- Done by establishing an 'open' endowment fund or named endowment fund
- Focuses is on a very small group of donors to generate large gifts over a period of time
- Process should be lead by one person, assisted by a core advisory group
- Extensive research needs to be done
- Assistance/advice from legal & financial experts specializing in endowment procedures advised

ONLINE FUND RAISING

- Helps to reach, inform & engage prospects who may be beyond the reach for other methods
- Fastest growing method of fund raising for small donations
- Strong & appealing websites with 'donate now/here' features
- Important to highlight mission, cause, track records & ratings such as Charity Navigator USA) & Credibility Alliance (India)
- Frequent updates & security features

KNOW THY FOUNDATIONS

- **Four types of nonprofit foundations**
- **Independent foundations**
- **Operating foundations**
- **Community foundations**
- **Corporate foundations**

- **<http://foundationcenter.org>**

KNOW THY FOUNDATIONS

- **Independent foundations:**
- **AKA grant making foundations**
- **established by individuals or families**
- **provide support to other nonprofits thru grants**
- **5% or more give-out**
- **specific areas of interest for funding or specific geographical area for beneficiaries**
- **examples: Ford, W.K.Kellogg & Childrenn's Investment Fund**

CORPORATE GIVING (5%)

- **Corporate foundations:**
- established by corporations to serve as grant making vehicles (and tax write-offs)
- CSR, especially after 2013 Sec. 135 of ICA
- 5% or more give-out
- funding interests often mirror business interests & customer base
- examples: SBI, NLC, etc.

STRATEGIC FUND RAISING FOR CSOS

- Marketing the cause & strong FR Plans
- Highlighting critical nature of the Mission
- Enhanced branding portfolio
- Community engagement & communications (traditional media, website & social media)
- Leveraging the existing/new partnership & networks with other entities
- Expanding fundraising efforts through collaborative partnership with NGOs & INGOs
- Utilizing volunteer & 'alumni' connections for marketing

STRATEGIC FUND RAISING

- CSR!
- Improved roles of the Board (affluence, influence & expertise)
- Diversified funding sources captured in a thorough & systematic FR Plan
- Direct mail FR?
- Special events on designated day across the cities/states?
- Cause marketing?
- Incorporating FR within overall organizational strategic framework