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INFORMED FUNDRAISING

AN INTRODUCTION AND GUIDE

BoardSource®

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BoardSource®

Empowering Boards. Inspiring Leadership.

BoardSource envisions a world where every social sector organization has the leadership it needs to fulfill its mission and advance the public good. Our mission is to inspire and support excellence in nonprofit governance and board and staff leadership.

Established in 1988, BoardSource's work is grounded in the fundamental belief that boards are critical to organizational success. With decades of hands-on experience working with and supporting nonprofit boards, BoardSource is the recognized leader in nonprofit governance and leadership, and a go-to resource for nonprofit board and executive leaders. BoardSource supports a broad and diverse cross-section of social sector organizations with

- leadership initiatives addressing key opportunities and issues within the nonprofit sector
- research and benchmarking of board composition, practices, and performance
- membership and board support programs
- customized diagnostics and performance assessment tools
- a comprehensive library of topic papers, publications, and downloadable infographics, tools, templates and more
- live and virtual education and training
- governance consultants who work directly with nonprofit leaders to design specialized solutions to meet an organization's needs
- a biennial conference that brings together approximately 800 board leaders for two days of learning and sharing

A note to our global readers:

The need for effective board leadership and governance knows no geographic boundaries, and BoardSource is committed to strong social sector board leadership and governance around the globe. While BoardSource uses United States laws and policies as the legal framework for our resources and recommendations, most of our resources do not focus on legal matters but rather on good governance practices, making them relevant to organizations working outside of the United States. We do suggest, however, that you refer to applicable laws in your country regarding financial reporting and other legal and transparency issues.

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

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INTRODUCTION

THE NECESSITY FOR THIS GUIDE

Too many nonprofits¹ are not successful in raising the money they want or need.

Why is that? Based on our years of experience working with nonprofits, we have concluded that many organizations — particularly smaller and/or newer organizations — invest time and effort in unproductive efforts simply because they don't know much about fundraising and what it takes to do it effectively. Lacking a critical mass of fundraising knowledge among their boards and staff, their leaders approve well-intentioned, but uninformed, fundraising plans and goals. Such fundraising programs inevitably yield disappointing results.

A nonprofit handicapped by limited fundraising knowledge and expertise among its leadership carries a major handicap and an avoidable risk. The purpose of this guide is to mitigate that risk and thus remove the handicap. Our intention is to equip board members and chief executives with concepts and tools that will enable them to make informed strategic decisions for informed fundraising.

Among nonprofits, there are many different titles for the top staff position including director, managing director, executive director, chief executive, president or chief executive officer. Absent a common title applicable to all nonprofits, we have chosen to use 'chief executive' as the generic title.

INFORMED FUNDRAISING DEFINED

When discussing “informed fundraising,” it is important to distinguish between the **efforts** that go into raising money and the **results** of those efforts. The reason for drawing this distinction is that while a nonprofit can design and control its efforts to raise money, it can only influence, but not control, the results. This guide focuses on the efforts that go into informed fundraising, which, based on our learning, have three definable components:

1. Clear understanding of what is required to be effective in raising money so that whatever fundraising efforts are authorized are well-conceived.
2. Careful preparation of fundraising plans, strategies, and goals supported by necessary capabilities that reflect the unique needs and circumstances of the nonprofit.
3. Competent and consistent execution of the plan by those qualified for the tasks.

Fundraising efforts that are well-conceived, well-planned, and well-executed maximize the opportunity for reaching fundraising goals, which is why we call it “informed fundraising.”

While informed fundraising consists of the three components identified above, what we label “luck” also comes into play. Luck encompasses all the potential factors that can, and will, influence the results of your fundraising efforts but, unfortunately, are outside the control and, in many cases, even the influence of your organization. Favorable examples include a large gift from a previously unknown donor or a donor whose past gifts have been of modest size or a shift in a foundation's or corporation's giving priorities to now include your nonprofit. Of course, unfavorable developments also may arise, such as a sudden downturn in financial markets and

¹ This guide is addressed to charitable nonprofits popularly known as 501(C)3 organizations. Other types of nonprofits, such as educational retirement plans, fraternal organizations, and social clubs, have different sources of revenues and different financial challenges.

the economy, the appearance of or increase in the fundraising efforts of another nonprofit with a similar mission, the death of a key prospective donor or organizational leader, significant adverse publicity about or relating to your nonprofit, or a local disaster. Unfortunately, it has been our experience that adverse surprises tend to outnumber favorable ones.

INFORMED FUNDRAISING IS LIKE BUILDING A HOUSE

To describe how informed fundraising works, consider what it takes to build a house:

- Folks who understand construction theory and practice, housing codes, land-use regulations, and the reasoning behind why some designs and techniques work better than others in different circumstances.
- Folks who can prepare detailed architectural and construction plans that meet the buyer's needs and reflect approved design and construction techniques.
- Skilled workers who can correctly and effectively implement the construction plans.

Informed fundraising, like construction, rests and relies on a solid foundation of understanding.

In fundraising as in building a house, if the foundation is solid, everything else is possible; if it isn't solid, everything else will be compromised.

The purpose of this guide is to help you, a nonprofit decision-maker, build a solid foundation of understanding and be thoughtful, purposeful, and informed in your fundraising planning and execution.

ORGANIZATION OF THE GUIDE

We have organized the guide to reflect the three components of informed fundraising discussed above.

In the Understanding section, we discuss the foundational concepts and components on which informed fundraising programs should be constructed.

In the section on Preparation, we discuss the need for a policy and procedure framework, the components of an informed fundraising program, how to establish fundraising goals that reflect the programmatic aspirations of your nonprofit, and how to put together the pieces of an informed fundraising plan.

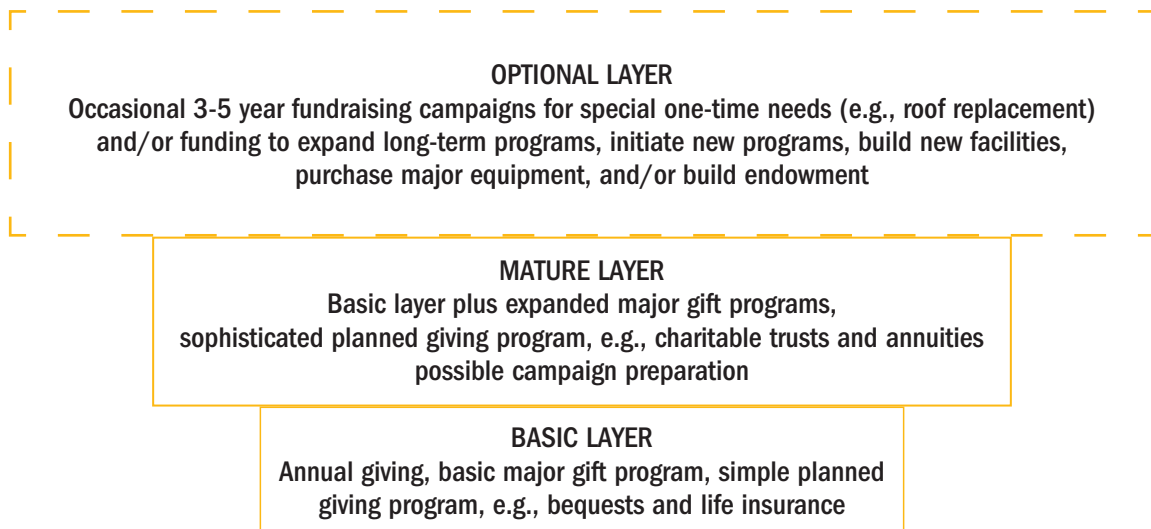
In the Execution section, we discuss the components and processes for cultivating and soliciting donor prospects, how a nonprofit should respond when a gift is received and when it isn't, the infrastructure needed to support an informed fundraising program, and how to monitor and assess progress as your program unfolds. We close this section with a chapter — Putting Together the Pieces: The Three Layer Model — describing how a fundraising program should be constructed and evolved over time. Visually, such a program would look like this:

Nonprofits have two significant sources of revenue:

1. **Earned income** — funds paid by or for receipt of services (e.g., fees paid by those using the programs or services or by a third party such as the state) or reimbursements from third parties such as insurers.
2. **Unearned income**, which includes contributions — usually the largest source — as well as rental and investment interest.

Earned income alone rarely covers all costs of charitable nonprofits. Because the beneficiaries of charitable programs are not expected to bear the full cost of the services they use, subsidies in the form of contributions from government agencies, foundations, or other donors are an important part of most nonprofits' revenue streams.

This means that raising money is critical to enabling nonprofits to serve their clients and to maintain programmatic and financial integrity in the short- and long-term.



Throughout the guide, we provide sample worksheets or direct you to appendices that illustrate the ideas and concepts being discussed. Please note that they are meant to be starting points and guides, not gospel to be automatically applied in your and every other nonprofit. They serve as models that can and should be modified to fit the needs and circumstances of your nonprofit.

WHO WE ARE AND WHY WE WROTE THE GUIDE

After retiring from careers as nonprofit executives, we became volunteers, serving on charitable boards and providing pro bono consulting services to nonprofits in higher education, science and medicine, arts and culture, and human services. Reflecting our expertise and experience, our work has focused on fundraising, governance, strategic planning, marketing, finance, and administrative operations — and now, with this book, on equipping decision makers with the information they need to make sound strategic fundraising decisions. If we succeed, more nonprofits will become financially stable and sustainable, and thus able to better serve those who rely on their programs and services, which is our ultimate objective.