DAVE STERNBERG

FEARLESS FUNDRAISING
FOR NONPROFIT BOARDS

SECOND EDITION

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.

BoardSource is a 501(c)(3) organization.

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

Nonprofit boards across the United States are discussing ways of ensuring sufficient financial resources for their organizations to function. Recognizing their fiscal responsibility, board members are critiquing fundraising plans, reviewing job descriptions, and amending budgets, all in the hope of making the organization better able to sustain itself over the long term.

Often these activities are influenced by the perception that the pool of donors is shrinking. This perception has led nonprofit organizations to streamline expenses and to become more flexible, agile, and creative than ever before — all positive outcomes. However, in too many cases it has also led to rationalizations, such as those listed below, about limits on the board's ability to raise funds for the organization.

> "The economy is in recession."

> "There have been multiple natural disasters."

> "Donors are suffering from fatigue."

All of these are common explanations that nonprofit organizations use when faced with fundraising shortfalls. However, research tells a different story.

According to *Giving USA*, the annual publication of the Giving USA Foundation (http://www.givingusa.org), philanthropic giving in the United States has grown in gross dollars yearly since 1955. In 2006, philanthropic giving totaled $295 billion, or 2.1 percent of the Gross Domestic Product. Table 1 shows the sources of philanthropic giving and distribution of funds in calendar year 2006.

As Table 1 shows, donors are far from fatigued — particularly individual donors. In fact, when you combine individual contributions with bequests, individual donors accounted for almost 85 percent of total giving in the United States in 2006.

In addition, giving by individuals has increased over time. According to Giving USA, giving by individuals rose 6.4 percent (2.9 percent adjusted for inflation) between 2004 and 2005; only half of that increase reflected giving in response to major natural disasters such as Hurricane Katrina and the Indian Ocean tsunami. Between 2005 and 2006, charitable giving by individuals rose another 4.4 percent (1.2 percent adjusted for inflation).

Donors come from all income levels; "mega-gifts" from extremely wealthy donors accounted for only 1.3 percent of total individual giving in 2006. The Giving USA Foundation reports that about 65 percent of households with annual incomes under $100,000 gave to charity in 2006, and these findings are reflected in recent Center on Philanthropy at Indiana University Panel Study research.

All of this means that fundraising opportunities are increasing, rather than shrinking, particularly with respect to individual donors. Individuals are more capable of sustaining giving over time than foundations and corporations. Corporations can experience an immediate change in their charitable giving during a weak economic period, while foundations can see a decline in their investments that results in a

TABLE 1. REPORT OF PHILANTHROPIC GIVING FOR 2006

	Dollar Amount	Percent of Total
Total (in billions of inflation-adjusted dollars)	$295.02	100
Giving by Source		
Individuals	222.89	75.6
Bequests	22.91	7.8
Foundations	36.50	12.4
Corporations	12.72	4.3
Contributions Received by Type of Organization		
Religion	96.82	32.8
Education	40.98	13.9
Health	20.22	6.9
Human Services	29.56	10.0
Arts / Culture	12.51	4.2
Public Society	21.41	7.3
Environment	6.60	2.2
International Affairs	11.34	3.8
Gifts to Foundations	29.50	10.0
Unallocated	26.08	8.8

Source: *Giving USA 2007*, a publication of the Giving USA Foundation™ researched and written by the Center on Philanthropy at Indiana University.

Note: *Giving USA* uses the Consumer Price Index to adjust for inflation. All figures are rounded. Source for foundation giving: The Foundation Center. *Giving USA* changed its rounding procedure this year. All estimates are rounded to two places, then operations are performed. In the past, operations were performed first and the results were rounded.

decrease in their grantmaking capability. Individuals, on the other hand, tend to maintain their giving because they feel a personal connection with the organizations they support. As Table 1 shows, in 2006 religious and educational organizations received nearly 50 percent of philanthropic gifts; this is because they rely heavily on gifts from individuals who have an identified and personal connection with the organization. Most nonprofit organizations that are sustainable on a yearly basis have a solid individual giving program that provides a steady income base.

However, in spite of the potential for success that fundraising with individual donors presents, fundraising is often a nonprofit board's greatest area of weakness and the greatest source of anxiety for many of its members. Some are intimidated by the thought of asking for money; others are surprised that they are expected to partici-pate in fundraising at all. Responses to the notion that board members are expected to raise funds come in many forms:

> "No one told me I would have to raise money."

> "Isn't that a staff responsibility?"

> "I serve on the board's public relations and governance committees;
> I can't do fundraising too."

In addition, prospective board members may decline the opportunity to serve because they are not comfortable with asking others for money or giving it them-selves. According BoardSource's *Nonprofit Governance Index 2007*, only 46 percent of charities have 100 percent participation in board giving, and 33 percent of board members say they are somewhat or very uncomfortable asking for money directly.

This book addresses the concerns that many board members have about fundraising. By presenting information about the fundraising process and exercises that have been used effectively by numerous consultants and trainers, it supports the development of an active fundraising culture in which board members embrace their responsibility for the fiscal health of the organization and willingly participate in raising the funds that will ensure it.

This book covers fundraising from foundations and corporations, but its primary focus is the source of the greatest potential fundraising success: individual donors. Chapter 1 provides guidance on assessing the culture of fundraising that exists in an organization and making that culture a more positive and proactive one. Chapter 2 provides an individual development plan that allows every board member to become involved in fundraising, regardless of skill or comfort level. Chapter 3 explores donor motivations and helps board members connect with those motivations in their fundraising efforts. Chapter 4 defines board and staff roles in fundraising, defines different types of fundraising activities, and describes their implementation and expected outcomes.

The included CD-ROM, *Presenting: Fundraising*, contains a Microsoft® PowerPoint® presentation on fundraising practices that can be used at board meetings to improve fundraising skills. A description of the contents of the CD-ROM is found in Appendix 1.

Many thanks to Worth George, the author of the previous edition of *Fearless Fundraising*, as well as to Edward Schumacher and Grant Thornton LLP, authors of *Capital Campaigns* and *Planned Giving*, respectively, for their contributions to this book.

It is possible through education and training to create a comfort level and role for all board members that will result in a high level of fundraising engagement. This book's goal is to enable nonprofit boards to create cultures of encouragement and sensitivity, so that all board members are motivated to participate in fundraising without fear.