



second edition

fundraising responsibilities of nonprofit boards

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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

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A note to our global readers:

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ABOUT THE BOARDSOURCE GOVERNANCE SERIES

As BoardSource celebrated its 20th anniversary in 2008, we introduced updated editions of the books in the Governance Series, BoardSource's flagship series created to help nonprofit board members understand their primary roles and responsibilities. BoardSource believes that board members and chief executives who know and understand their mutual responsibilities are better equipped to advance their organizations' missions and, in turn, strengthen their communities.

WHY IS A STRONG BOARD IMPORTANT?

There's no denying that the 1.6 million nonprofit organizations in the United States play a vital role in society, from assisting victims of natural disasters to beautifying our neighborhoods, from educating our children to healing the sick. To ensure that their organizations have the resources, leadership, and oversight necessary to carry out these and other vital activities, nonprofit boards must understand and fulfill their governance responsibilities.

Although there have been headline-worthy scandals by a few nonprofits and their boards, the vast majority try hard every day to be worthy of the public's trust. Nevertheless, BoardSource frequently hears from nonprofit board members and chief executives who say that they are not always sure what the basic components of good governance are or how to educate every board member in them so they can serve their organizations and the public in the best possible manner. The revised Governance Series helps bridge this gap in knowledge.

Within the board's broad roles of setting the organization's direction, ensuring necessary resources, and providing oversight,

board members wear many hats. They are guardians of the mission; they ensure compliance with legal and financial requirements; and they enforce ethical guidelines for their organization. They are policy makers, fundraisers, ambassadors, partners with the chief executive, and strategic thinkers. They monitor progress, evaluate the performance of the organization and the chief executive, and demonstrate integrity in everything they do on behalf of the organization. Because of their many roles, board members need more than enthusiasm for a cause, passion for a mission, or just “good intentions.” They need to understand all of their stewardship responsibilities and perform all of their duties.

WHAT WILL BOARD MEMBERS FIND IN THE BOOKS?

The six books address all of the fundamental elements of service common to most boards, including board member responsibilities, how to structure the board in the most efficient manner, and how to accomplish governance work in the spirit of the mission of the organization.

1. *Ten Basic Responsibilities of Nonprofit Boards, Second Edition* (Book 1) by Richard T. Ingram describes the 10 core areas of board responsibility.
2. *Legal Responsibilities of Nonprofit Boards, Second Edition* (Book 2) by Bruce R. Hopkins, JD, LLM, elaborates on the board's legal responsibilities, liabilities, and the oversight it should provide to protect the organization.
3. *Financial Responsibilities of Nonprofit Boards, Second Edition* (Book 3) by Andrew S. Lang, CPA, explains board fiduciary responsibilities in the areas of financial oversight and risk management.
4. *Fundraising Responsibilities of Nonprofit Boards, Second Edition* (Book 4) by James M. Greenfield, ACFRE, FAHP, helps board members understand why they should be actively engaged in ensuring adequate resources for the organization — and how to get involved in fundraising.

5. *The Nonprofit Board's Role in Mission, Planning, and Evaluation, Second Edition* (Book 5) by Kay Sprinkel Grace, MA, Amy McClellan, MNO, and John A. Yankey, PhD, shows how to define and communicate the organization's mission and link strategic planning and evaluation to achieve organizational success.
6. *Structures and Practices of Nonprofit Boards, Second Edition* (Book 6) by Charles F. Dambach, MBA, Melissa Davis, and Robert L. Gale offers guidance on how to build and structure the board (size, committees, term limits) and enhance leadership roles and the partnership between the chair and the chief executive.

Each book focuses on one topic, breaking information into manageable amounts that are easy to digest. Readers will find real-world examples that provide insight from effective boards, statistics from the BoardSource *Nonprofit Governance Index 2007* survey of nonprofit organizations, tips and pitfalls, lists of the most important things to remember, end-of-chapter questions, glossaries, and resource lists for further reading. The authors of the books are subject matter experts with years of experience in the nonprofit sector.

WHO SHOULD READ THE BOOKS?

Board members and senior staff, especially chief executives, in nonprofits of all types and sizes will find the information contained in the Governance Series relevant. They can use it to set standards, to develop their own approaches to board work and interacting with board members, and to modify practices as the organization evolves.

There's something in the Governance Series for everyone associated with the board. A board chair, for example, might share Book 5 (*The Nonprofit Board's Role in Mission, Planning, and Evaluation*) with board members before starting a strategic planning process or give this book to the development committee. Chief executives will find it beneficial to give Book 3 (*Financial Responsibilities of Nonprofit Boards*) to the board treasurer and to review Book 1 (*Ten Basic Responsibilities of Nonprofit Boards*) and give it, along with Book 6 (*Structures and*

Practices of Nonprofit Boards), to senior staff and the board chair to clarify board–chief executive roles and strengthen the partnership with the board. All board members will want to read Book 2 (*Legal Responsibilities of Nonprofit Boards*) so they understand how to protect themselves and the organization. The chair of the governance committee might give new board members all six books. This sharing helps ensure that everyone associated with the board is “on the same page” and has a common understanding of the board’s responsibilities, expectations, and activities.

Board service entails serious obligations, to be sure, but it can also deliver immense satisfaction. A board that knows what is expected of it and performs at the highest level is a strategic resource for its organization and chief executive. And ultimately, this commitment by dedicated board members translates into mission impact in our communities.

The Governance Series was made possible in part through the support of MetLife Foundation.

INTRODUCTION

A PERSONAL COMMITMENT TO FUNDRAISING

“Members of the governing board bear the responsibility of approving all financial transactions and, as a consequence, they should also bear the duty of determining how financial resources can be secured and how they themselves can be involved in the process...trustees should be part of the action to acquire the resources...they should be willing to play a major role in fund raising.” — Henry J. Rosso, Rosso on Fund Raising

Nonprofit organizations — particularly public charities — depend on several revenue sources to sustain or increase their annual operating budget. These sources may include fees for services, reimbursement from third parties, interest and investment earnings, membership dues, unrelated business income, and in-kind gifts, as well as grants and contributions from individuals, corporations, foundations, and others. The mix of these revenue sources differs for each organization. One may depend primarily on dues and unrelated business income to fund its operations, for example, while another may rely more heavily on grants and individual and corporate contributions.

The board is responsible for ensuring that the organization has adequate resources. When other revenue does not provide adequate income, fundraising often becomes one part of that duty. In fact, the board’s fundraising responsibilities are directly linked to the organization’s mission, vision, and values.

Boards, however, may carry out their fiduciary duties and tasks in different ways. Nonprofit organizations are unlike one another in mission, vision, and values in addition to age, complexity, geography, history of service, size, sophistication, staffing, and

more. Newer and smaller organizations usually cannot afford to hire staff with expertise in the areas of nonprofit accounting and finance, for example, and must rely more heavily on one or more board members to provide professional advice and counsel in these areas. In these instances, board members may need to take an active role in the cultivation and solicitation of gifts, grants, and contributions to meet annual budget needs. When organizations have achieved a more mature status, board members can rely upon employees for these professional skills while retaining their oversight duties over all financial affairs.

Success in fundraising begins with leadership, both from the board and the chief executive. By identifying and clarifying the vision, they define the agenda for the organization's future and justify a greater effort by the board. Vision is the foundation for strategic plans that contain specific goals and objectives to be accomplished over a fixed period of time. Included is the multi-year fiscal plan with defined revenue amounts required from each funding source, including gifts, grants, and contributions. The board, in formally adopting these plans, makes the commitment to take the action necessary to fulfill all its own fiscal initiatives, including personal engagement in fundraising.

In any situation where an organization finds fundraising necessary, board members should actively participate by contributing time and effort, as well as money, to emphasize their personal commitment. Strong, direct evidence of the board's support — whether through personal contacts, public appearances or appeals, recognition activities, and/or monetary contributions — builds the case for others to join in supporting the organization's mission and fulfilling its vision. When the board demonstrates its convictions, the public becomes more likely to join in the effort.

SUPPORTING THE PRIORITIES

Most nonprofit organizations face the challenge of meeting ever-increasing demands for their services, often determined through periodic community needs assessments, internal audits, and strategic planning initiatives led by the board and top management. Rarely does the status quo remain static for long.

Altered and uneven funding levels from government and other grant-making sources often call for replacing and expanding other fiscal resources to fulfill annual operating requirements. In most nonprofit organizations, a continuous flexibility characterizes the board's fiscal strategy.

Annual operating expenses — for staff salaries, programs, and services — are among the first areas that need full fiscal support. Additional funding also may be needed for new programs and services, construction or renovation projects, new or replacement equipment, staff education, basic and applied research, endowment building, and more. When such categories of funds are required, board members must not only resolve the priority of these needs and their validity but also participate in providing them.

The Independent Sector's Panel on the Nonprofit Sector notes in the following its "Principles for Good Governance and Ethical Practice": "A charitable organization should spend a significant percentage of its annual budget on programs that pursue its mission. The budget should also provide sufficient resources for effective administration of the organization, and, if it solicits contributions, for appropriate fundraising activities."

While the fiscal process calls for a careful review of current budgets and expenses, it also requires the search for additional revenue sources. The outcome will be a new multiyear program plan and fiscal strategy that validates the urgent need for increased public support — through new and larger gifts, grants, and contributions — to achieve defined goals and objectives. Why? To deliver benefits back to the community, as directed in the organization's mission statement.

AN ACTIVE ROLE

Most public charities rely on fundraising to meet both annual operating needs and future funding requirements. When an organization depends on fundraising for a significant level of its annual revenue, board members are likely to be directly involved in one or more of the several fundraising tactics, from prospect identification and qualification to the steps involved in

cultivation, solicitation, and renewal. In larger organizations with multiple revenue sources, some board members will need to be involved actively in fundraising while others will indirectly provide their time and expertise.

Fundraising is one of many board responsibilities, yet some board members are either unaware of this requirement, unsure how to proceed, lacking in specific fundraising skills, or just unwilling to participate. BoardSource's *Nonprofit Governance Index 2007* found that more than four out of five respondents felt comfortable sending letters to prospective donors (92 percent) and providing donor leads (86 percent). These board members, however, were not as comfortable meeting face to face with donors (81 percent), calling prospects (71 percent), and asking for money directly (67 percent).

Besides explaining why fundraising can be an important part of the board's duty to ensure adequate resources, this book also puts any and all fears to rest. It is written to encourage board members to take an active role in supporting the organization's fundraising staff, if applicable, and its development efforts in general. It explains fundraising strategies, offers guidelines for evaluating the results of fundraising efforts, and recommends helpful ways that board members can be involved every step of the way.

Specifically, Chapter 1 describes board fundraising roles and responsibilities, followed by descriptions of fundraising methods and techniques in Chapter 2. Chapter 3 offers a short course on the basics of fundraising, while Chapter 4 covers the three main strategies of fundraising: cultivation, solicitation, and stewardship. Results analysis and performance evaluation are discussed in Chapter 5, along with sample gift reports for presentation at board meetings so board members can monitor results. Chapter 6 recommends procedures for selecting and evaluating potential board candidates for fundraising duties, and the Conclusion summarizes key messages related to fundraising.

Throughout the book, the board member's role in fundraising is illustrated through the experience of Rudy Sanchez, a new board member recruited for a specific fundraising assignment. (The fictitious Mr. Sanchez is offered for illustrative purposes only,

not as an example of the standard for board service.) Discussion questions, designed to prompt board dialogue, appear at the end of each chapter. These questions can be used during a board retreat or at regular times set aside on the board meeting agenda.

Appendix I offers a sample worksheet to help board members gauge their participation in fundraising activities; Appendix II provides a sample job description for board members to clarify their fundraising responsibilities; and Appendix III presents the Donor Bill of Rights that many nonprofit organizations subscribe to and board members approve for internal guidance and direction. Finally, the Suggested Resources section describes other publications that members of nonprofit boards may find useful as they fulfill their myriad responsibilities.