UNDERSTANDING & EVALUATING YOUR FUNDRAISING STRATEGY

A Toolkit & Conversation Guide for Boards and Leadership Teams

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Most nonprofit organizations rely on fundraising as a way to support their organization's work. According to the National Center for Charitable Statistics, charitable donations underwrite a quarter (23 percent) of all nonprofit expenses. That percentage increases to 51 percent when you include only those organizations with budgets of $10 million or less. As these numbers demonstrate, even those organizations that have business models that include earned or fee-for-service revenues often raise funds to underwrite those programs or services that cannot be fully funded through earned revenue or fees.

As a nonprofit board or staff leader, you know firsthand how much your organization depends on fundraising to support its work. You know how much effort it takes to build a strong and successful fundraising program — and what happens when you don't.

You also know how much attention is paid to how nonprofits raise the dollars that they need to support their missions. One doesn't have to look far to find news stories and other advisories about organizations that are being accused of spending too much on fundraising. Sometimes these criticisms are well founded, and help draw attention to fraud, negligence, or ineffectiveness. In other cases, they are unfair criticisms, flowing from a fundamental lack of understanding about the role that fundraising plays in most organizations.

Similar to the phenomenon outlined as a part of "The Overhead Myth" campaign, there's a widespread sense that dollars spent on fundraising are being diverted — or in a way "stolen" — from the organization's mission. There's a belief that responsible organizations spend as little as possible on fundraising. And there's an obsession with using a measure often referred to as the "cost of fundraising" to compare organizations based on how much they spend on fundraising, as though it somehow serves as a proxy for organizational impact, which it most certainly does not.

This orientation to fundraising and fundraising expenses fails to acknowledge how critically important it is that nonprofits invest in strong strategic fundraising efforts. It encourages organizations to starve their fundraising programs into stagnation and invites criticism of those organizations that don't. And it disregards what we believe is a fundamental truth: Investments in effective fundraising strategies should be made not despite our need to fund our missions and work, but because of it.

Investments in effective fundraising strategies should be made not *despite* our need to fund our missions and work, but *because* of it.

That's why BoardSource, along with our colleagues at GuideStar, BBB Wise Giving Alliance, and the Association of Fundraising Professionals, have developed a new framework for evaluating fundraising effectiveness — one that provides a balanced approach that emphasizes how important it is to invest in strong and sustainable fundraising programs as well as ensures that the organization is being smart and strategic about the return on investment that it is getting from those investments. It is grounded in the following principles:

1

We believe in the work of nonprofit organizations and know that the most important measure of our effectiveness is the impact that we are having in our communities and our society as a whole.

2

We know that charitable support from donors and funders is what makes that impact possible, which means fundraising is absolutely mission critical.

3

We believe that it's reasonable to expect nonprofits to care about efficiency and return on investment in their fundraising efforts, but that it is not the only — or even the most important — way of measuring fundraising effectiveness.

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The framework introduces three critical measures of fundraising effectiveness. These measures provide a more holistic view of an organization's fundraising health, and — we believe — go a long way to breaking down the unhealthy obsession with minimizing fundraising costs. The three measures follow:

- **Total Fundraising Net:** The amount of money available to spend on an organization's mission as a result of its fundraising efforts. This is the bottom-line measure of fundraising success. If it's not enough to fund the organization's work, then the other two measures are irrelevant.

- **Dependency Quotient:** The extent to which an organization is dependent on its top five donors to fund its work. This measures how vulnerable the organization could be in the face of changed priorities among its top five donors or funders.

- **Cost of Fundraising Net:** The average amount that it costs to net one dollar. This measures the overall fundraising efficiency and rate of return on the organization's fundraising efforts.

In support of this new framework, we have developed this toolkit to help nonprofit leaders apply these three important measures to their own organization, and use them as the basis for informed discussion and decision making about the organization's fundraising program. Our hope is that this will give boards and leadership teams the opportunity to have meaningful discussions about what's appropriate and strategic within their organizations, as well as communicate more effectively about their fundraising practices with their donors and the public as whole.

A few notes before we get started:

- **The focus of this guide is measuring fundraising effectiveness.** It will walk you through the three measures of fundraising effectiveness and provide guidance on how to interpret and discuss your organization's measures in an informed way. It is not intended to provide how-to guidance on building your organization's fundraising strategy or its broader business model. As such, it does not include information about fundraising strategy development, earned revenue strategies, or business modeling. For more information on organizations that are doing good work in these areas, please see the sidebar on the next page of this toolkit.

- **There are limitations to every measurement tool.** While we believe that this framework for measuring fundraising effectiveness will be helpful to organizations and their leaders, no measure or set of measures could possibly capture all of the nuances involved in fundraising and fundraising strategy. That's why we have intentionally refrained from developing recommended ranges or guidelines for these measures or positioned them as an endpoint or result. Instead, we have focused on how to use these measures as a tool for deeper conversation and discussion, which is what we believe will be most helpful and instructive.

- **This guide is designed to support board members in their important oversight and strategy roles.** Fundraising is a partnership between the board and the staff, with board members playing three important roles:

    1. *Ensuring accountability and ethical practice.* As a part of the full board's oversight responsibilities, the board must ensure that an organization is acting ethically by creating and enforcing policies to ensure ethical fundraising that respects and upholds the trust of donors and the broader public.

    2. *Engaging in effective strategy and planning.* Whether as a full board or a structured resource development or fundraising committee, the board has a role to play in fundraising strategy and planning. In some organizations — most likely those with large and sophisticated fundraising teams — this is primarily an oversight role, with board members asking questions and challenging assumptions in a way that ensures that the organization's fundraising strategy is sound. In other organizations, the board may be much more involved in the development of the fundraising strategy, helping to identify priorities and plans for the future.

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In both cases, the board has a responsibility to ensure that the organization is able to support and sustain its work, both now and into the future. For organizations that raise funds, this means ensuring that the fundraising strategy and program are strong and built for short- and long-term success.

3. *Helping to raise funds.* Finally, board members play an important role as individual fundraisers, helping to identify and introduce new potential supporters to the organization and communicate thanks and appreciation to those who are giving.

This guide is designed to support boards in their first two roles, helping to answer key questions about the organization's fundraising effectiveness and guide conversations about what this might mean in terms in terms of future strategy and planning. It's also designed to help cultivate a common language about fundraising strategy so that those conversations can be as productive and well informed as possible.

So let's get started.

A Broader Conversation about Nonprofit Finances

The challenges that nonprofits face in supporting and sustaining their missions are not limited to a conversation about fundraising and its effectiveness. We acknowledge and thank our colleagues at Bridgespan, the Nonprofit Finance Fund, the National Council of Nonprofits, and many others who are doing important work to help nonprofits and the public better understand the complexities of nonprofit financing, including the importance of understanding the full cost of delivering programs.

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MEASURING FUNDRAISING EFFECTIVENESS

Three Key Measures

As described above, this new framework relies on three primary measures of fundraising effectiveness. Here's a quick overview of each of the measures and why they are so important:

Total Fundraising Net This is the most important measure of your fundraising effectiveness. It is calculated by subtracting the total amount spent on fundraising efforts from the total amount raised.

Total Amount Raised – Total Fundraising Expenses[1] = Total Fundraising Net

↳ *Example*: If you raised $1,000,000 and you spent $200,000 on staff and other expenses to do it, your total fundraising net is $800,000 ($1,000,000 - $200,000).

Why does it matter? Percentages are irrelevant if you're not raising enough money to fund your mission. Putting this measure front and center ensures that your organization is first and foremost focused on what it will take to raise the money your organization needs.

The Dependency Quotient measures the extent to which an organization is dependent on a small group of donors or funders. The percentage is calculated by adding together the total amount contributed by the top five donors or funders and dividing that sum by the total organizational expenditures for the same period. The higher this percentage is, the more dependent the organization is on those top five sources.

$$\frac{\text{(Sum of Contributions from 5 Largest Donors or Funders)}}{\text{Total Organizational Expenditures}} = \text{Dependency Quotient}$$

↳ *Example*: If your organization's top five donors contributed $250,000 over the past three years, and your total organizational expenditures for the same three-year period were $1,000,000, then your Dependency Quotient is 25 percent ($250,000/$1,000,000), meaning you would have to replace 25 percent of your budget if you lost your top five donors.

Why does it matter? If an organization is highly dependent on a small number of donors or funders for its core operations, there is a risk that changes in donor priorities could threaten the organization's sustainability. So while it's not necessarily bad to be dependent on a small number of funding sources, it is bad to not acknowledge and work to mitigate the risks associated with it. Far too many organizations have faltered or even closed as a result of losing a major source of funding, so it's essential to understand those risks and build a fundraising strategy that is aligned with the organization's approach to mitigating them.

1 Fundraising expenses should include both the costs of the fundraising efforts (event costs, printing, travel, etc.) and the staffing costs associated with those efforts. Note that some organizations code portions of their fundraising expenses to other program areas, a practice known as joint cost allocation, which is an appropriate way to handle some fundraising expenses provided generally accepted accounting principles (GAAP) are followed. If an organization uses joint cost allocation, leaders should take special care to ensure that they understand the full costs associated with each fundraising tactic and overall fundraising efforts when evaluating the effectiveness of those tactics and strategies.

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The Cost of Fundraising measures the return on investment (ROI) of fundraising efforts by calculating the return on each dollar spent on fundraising. It's measured in dollars, and reflects the average cost to net one dollar within your organization.

$$\frac{\text{Total Fundraising Expenses [1]}}{\text{Total Fundraising Net}} = \text{Cost of Fundraising}$$

Example: If your organization spends a total of $50,000 to raise a total amount of $150,000, then your cost of fundraising is 50 percent ($50,000 / ($150,000 - $50,000)). Or, stated in dollars, you spent $0.50 to net $1.00.

Why does it matter? While cost of fundraising isn't the only thing that matters, it's not completely irrelevant. Organizations need to know if they're getting high ROI from their investments in fundraising, and looking at the cost to raise funds is an important piece of the puzzle. This is especially important when looking at fundraising strategies over time, as some types of fundraising programs require significant up-front investments and costs (direct mail is one example), but can become very high ROI over time, lowering the cost of fundraising for both that particular program and the organization overall.

BALANCING RISK & REWARD: THE TENSION BETWEEN DEPENDENCY & COST

In an ideal world, it would be possible to achieve a "good" score on each of the three measures:

- Fundraising net that provides the dollars needed to fund the organization's work and future growth.
- Low levels of dependency on the top five donors or funders as demonstrated by a lower dependency quotient (low risk).
- High ROI on fundraising strategies as demonstrated by a lower cost of fundraising (high reward).

But just like with investment portfolios, the combination of low risk and high reward is virtually impossible to achieve. And that's because the dependency quotient and the cost of fundraising often have an inverse relationship: A low cost of fundraising typically exists alongside a higher dependency quotient, and vice versa.

Why? Because broad-based fundraising efforts — tactics like direct mail campaigns or special events — typically bring in a larger number of low- to mid-level donors and tend to be more expensive because of it (lower dependency quotient/higher cost of fundraising). This compares to strategies like major gifts or foundation fundraising, which tend to bring in a smaller number of large-scale gifts and cost less (higher dependency quotient/lower cost of fundraising).

Given this inverse relationship, it can be very challenging to achieve both a low dependency quotient and a low cost of fundraising. That's why it's so dangerous for us to use cost of fundraising as the primary measure of fundraising effectiveness. It's just one piece of the puzzle, and it discourages investment in broad-based fundraising tactics, which could actually put the organization at risk. Indeed, when we focus on any one of these measures to the exclusion of the others, we're missing the big picture of what a healthy fundraising program is really about:

Enough Money to Fund Programs (Total Fundraising Net) **+** **A Responsible Balance of Risk & Reward** (Dependency Quotient & Cost of Fundraising) **=** **Healthy Fundraising Program**

1 Fundraising expenses should include both the costs of the fundraising efforts (event costs, printing, travel, etc.) and the staffing costs associated with those efforts. Note that some organizations code portions of their fundraising expenses to other program areas, a practice known as joint cost allocation, which is an appropriate way to handle some fundraising expenses provided generally accepted accounting principles (GAAP) are followed. If an organization uses joint cost allocation, leaders should take special care to ensure that they understand the full costs associated with each fundraising tactic and overall fundraising efforts when evaluating the effectiveness of those tactics and strategies.

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EVALUATING YOUR ORGANIZATION'S FUNDRAISING STRATEGY: WHAT BOARD MEMBERS NEED TO KNOW

So, does your organization have a successful fundraising strategy? Well, that's a complicated question, and requires a little more information about fundraising strategy before we dig in. It's important that board members and senior leaders cultivate knowledge and understanding of key concepts and fundamentals of fundraising strategy, so that they can have an informed conversation about what the right fundraising strategy is for your organization.

FUNDRAISING STRATEGY
FACT 1

Fundraising strategy should be informed by the unique characteristics of your organization. Your organization's characteristics should absolutely inform the way that you are raising funds. The following organizational characteristics are some of the biggest factors that could lead you toward — or away from — certain types of fundraising strategies:

- Type of organization: Are you a 501(c)(3)? Are you a 501(c)(4) or PAC? Do you have an endowment or other permanent funds? These factors are important because they can create parameters in terms of the types of support you want — or are allowed — to solicit.

  ↳ *Example:* A political or advocacy organization that is not a 501(c)(3) is unlikely to be able to secure funds from a foundation. Instead, this type of organization will be much more focused on strategies for engaging large numbers — and dollars — from individuals and possibly corporations.

- Mission and "natural audience": Your mission may help establish who your key stakeholders are, which has significant overlap with who you will be reaching out to for support. Your funding is most likely to come from individuals or groups that are directly impacted by your work, or care about those who are directly impacted by your work.

  ↳ *Example:* A religious congregation or organization may focus its fundraising efforts on cultivating giving from members of its faith community, rather than foundations or corporations that may not permit giving to specific religious institutions, or other individuals who are likely less motivated to support a religious cause that is not their own.

- Organizational history: An organization's history of fundraising success (or lack thereof) is an important factor. Smart fundraising strategies work to build on past successes and learn from past challenges or mistakes.

  ↳ *Example:* An organization that has a successful direct mail program that brings in 50 percent of its annual operating budget may want to continue to invest in renewing and acquiring support through mail campaigns.

- Organizational values and policies: Some organizations have strong feelings about what kind of donations they will accept and from whom. These are typically codified as a part of a board-approved gift acceptance policy, and may create bright lines about certain types of donations.

  ↳ *Example:* A health organization may decide not to accept contributions from any corporation whose business is deemed harmful to health. This would not prevent the organization from accepting contributions from other companies, but would certainly impact the overall corporate sponsorship strategy.

- Access to unique tools and resources: Some organizations have access to unique resources that could enable them to be successful with fundraising strategies that would not work for others.

  ↳ *Example:* An organization that has the ability to offer special opportunities such as event tickets, tours, or celebrity meet-and-greets may want to build strategies that leverage those assets, whereas an organization that doesn't have those existing opportunities may be unlikely to be able to cultivate them from scratch.

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FUNDRAISING STRATEGY
FACT 2

Different fundraising tactics are designed to do different things.
Some fundraising tactics are about cultivating a broad base of support, whereas others are about leveraging opportunities for high-dollar commitments. Some tactics are better for bringing brand-new donors into the organization, and others are effective ways to steward and renew existing donors. The following is an overview of some of the most common forms of fundraising and how fundraising strategists tend to view them in terms of the role that each plays in an overall fundraising program.

TACTIC[2]	☑ PROs	☒ CONs
Direct Marketing Broad outreach to donors or potential donors via mail, phone, email, or other broad tactics. Often done in partnership with an outside firm.	• Has the potential to bring in large numbers of new individual donors to the organization and cultivate broad-based support. • Often serves as a feeder program to other individual giving programs.	• Typically takes a long time to build a successful program. • Can be very expensive and sometimes even loses money.
Special Events A wide range of event types that bring donors and potential donors together for an event in support of the organization.	• Enables board members and others to introduce potential donors to the organization. • Raises visibility for the organization and creates stewardship opportunity for current donors. • Can be a vehicle for corporate sponsorship.	• Expensive and can be high risk due to large up-front costs. • Time-intensive for staff and volunteers. • Gifts can be difficult to renew without an intentional cultivation strategy.
Annual Giving Focuses on renewing and increasing support from a large group of donors who give in response to a mail, phone, or email campaign.	• Efficient way of renewing support from established individual donors. • Often an effective way of generating flexible, general operating support.	• Not as effective in bringing in new donors and therefore typically relies on other fundraising tactics to identify and bring in new individual donors (e.g. direct marketing or special events).
Sponsorship Support from corporations and others interested in supporting your organization in a way that creates visibility and recognition for them.	• Can be an effective way to engage corporate supporters. • Typically provides larger-scale, flexible support.	• Requires a high visibility sponsorship vehicle such as an event, product, or other significant branding opportunity. • Requires a willingness to associate your brand with those of your sponsors.
Grants Support from a foundation, corporation, or public entity to fully or partially underwrite a specific program or the organization as a whole.	• Can create opportunities for large-scale support. • Often enables the organization to research funding opportunities through stated funding guidelines or requests for proposals.	• Requires staff expertise in researching grant opportunities and writing and reporting on grants. • Can create operational burdens due to incomplete funding or onerous reporting requirements. • Often restricted — versus general operating support.

2 Since this guide focuses specifically on measuring fundraising effectiveness, this summary does not include earned revenue sources, which play an important role in many nonprofit organizations' business models.

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TACTIC[2]	☑ PROs	☒ CONs
Major Gifts Large-scale support from individual donors solicited via personal cultivation and outreach.	• Often the most cost-effective fundraising tactic as costs (typically staff time and travel) are low relative to the high-dollar gifts that are secured. • Typically provides flexible, unrestricted support for the organization.	• Requires a commitment from staff and the board to cultivating and soliciting individual donors, which can be time consuming, as well as intimidating. • Can be challenging to start a program without the existence of a well-developed annual giving program.
Planned Giving Gifts made to an organization as a part of a donor's estate plan.	• A long-term strategy that can have big payoffs, as donors are typically able to make more significant "lifetime" gifts as a part of their estate plan. • Can be a very effective way to build on a strong major gifts and/or annual program.	• Not a good strategy for organizations that don't have robust major gifts or annual giving programs. • Requires at least minimal staff expertise in planned giving. • Short-term costs are not necessarily offset by revenues, which are — by nature — long-term and unpredictable.

As mentioned earlier, the fundraising tactics with the lowest dependency quotient tend to have the highest cost of fundraising — and vice versa. Here's how this often plays out across the most common types of fundraising:

FUNDRAISING STRATEGY
FACT 3

Some tactics have immediate payoff, while others take time to build.
Any successful fundraising program takes time and investment, but there's no question that different fundraising tactics have different time horizons in terms of when they hit their stride. An annual giving program could take years to build, whereas a grants program might yield big results within the first year. A planned giving program is all about the long term, whereas an event can provide a relatively fast way to bring in support from new donors.

This is important for a number of reasons, including the following:

- **Measures of your organization's fundraising effectiveness reflect a moment in time,** and don't always tell the story of how you are investing in tactics to yield long-term results. We recommend looking at a three-year period, but that's still a relatively short window when you're talking about some fundraising tactics. This is especially true

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of efforts to bring new donors into the organization for the first time (acquisition), which tend to be especially resource-intensive at the beginning, but can pay off in a big way when coupled with thoughtful engagement and stewardship of donors over time.

- **Understanding where you're going is as important as understanding where you are.** If your organization is making investments in a program that is known to take years to build, it's important that you acknowledge that and keep it in mind when evaluating success. There's no point in investing in something with a five-year horizon if you're going to terminate the program based on year one results.

- **Results should get better over time.** While it's important to be patient with results on programs that are known to take time to build, it is reasonable to expect that a program will incrementally grow and strengthen over time. If that's not the case — and a fundraising program or tactic is starting to see diminishing returns — that's a reason to take a closer look. It may be that growth is being suppressed by outside factors, such as the economy or changes in the policy environment, but lackluster results could also be flagging a need to change or retire that particular tactic from the overall strategy.

One example of what this could be signaling is a failure to invest in donor engagement and education, which is what creates a mission-centered connection between donors and your organization. Lack of donor engagement can wreak havoc on an annual giving or major gifts program — undermining efforts by failing to retain those donors who you worked so hard to cultivate.

FUNDRAISING STRATEGY
FACT 4

Some fundraising tactics depend on each other to succeed.
Many fundraising tactics rely on successful implementation of other tactics, creating interdependencies and synergies that can be incredibly powerful. For example, a major donor strategy may leverage the stewardship and cultivation opportunities that an event creates, building on the energy and passion in the event to cultivate larger-scale support from participants over time. Another example could be a direct marketing program that is designed to acquire new donors and introduce them to the organization, so that the annual giving and major gifts programs — which likely have much higher ROI — can deepen those relationships and build higher levels of support over time.

Here's what that means:

- **It's dangerous to evaluate your organization's fundraising strategy on the basis of one single tactic.** This is where a lot of journalists get it wrong, reporting on the fundraising results of a single event or of a specific direct mail campaign. Because fundraising strategies are often designed to benefit from interdependencies between different tactics, it's absolutely essential to look at the results across the entire strategy or portfolio.

- **Be careful when changing or eliminating tactics.** If you're considering eliminating a particular fundraising program or tactic, be sure that you understand all of the ways that it is contributing to your overall fundraising strategy. A direct marketing strategy may look like it's underperforming until you realize that it's the foundation for your stellar annual giving program. A fundraising event could look like it's not profitable enough until you realize that it's the linchpin to your entire corporate sponsorship program.

Because fundraising strategies are often designed to benefit from interdependencies between different tactics, it's absolutely essential to look at the results across the entire strategy or portfolio.

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PUTTING IT ALL TOGETHER: A CONVERSATION ABOUT FUNDRAISING EFFECTIVENESS

An informed conversation between the board and senior leaders can help cultivate a stronger understanding of the overall fundraising strategy and position board members to provide more effective oversight. The goal is not for board members to build — or even change — the strategy, but to ask informed questions that help the organization understand opportunities and risks, and to mitigate them accordingly. We recommend doing that as a part of a development committee or small-group meeting that includes the executive, the head of development (if there is one), and several board members.

Here's how to prepare:

Calculate the three measures of your organization's fundraising effectiveness. The Excel spreadsheet included in the toolkit can be used to calculate your organization's measures. Since development staff or the executive are likely best positioned to do this, board members should coordinate with the executive on implementation.

Step 2: Outline questions for discussion. You will want to tee up key questions and observations, based on your three measures. In this toolkit, we have included a slide deck to help guide your conversation, but here are some core questions that may be worth considering:

Question 1: Do we have enough money to fund our work?

1. If yes, how are we ensuring that we're fueling future growth and needs?
2. If no, what are we going to do to build our fundraising program so that our fundraising net increases? Can we afford to make additional investments in our fundraising program? Can we afford not to?

Question 2: Are we comfortable with the balance between our dependency quotient and our cost of fundraising?

If you're not comfortable (or you're not sure), talk through the questions we've outlined below to help get at what your measures could be telling you. It may be important to invest — or divest — from certain strategies to achieve the right overall mix of tactics to ensure that you have the dollars you need to fund your work (fundraising net) and that you achieve the desired balance between risk (dependency quotient) and ROI (cost of fundraising).

If you have a lower dependency quotient and a higher cost of fundraising...
...you are likely investing heavily in fundraising programs that are building up diverse sources of funding, which means that you're not particularly dependent on any particular donor, but your cost of fundraising is higher as a result.
Questions to ask:
- Are we seeing long-term ROI from our broad-based donation programs, such as direct mail or telemarketing?
- Are we fully leveraging opportunities to encourage donors to engage more deeply with us through our major gifts and annual programs?
- Are we missing opportunities to go after large-scale gifts from foundations or corporations?

If you have a higher dependency quotient and a lower cost of fundraising...
...you are likely receiving big donations from a handful of donors, and may not have any other sources of funding.
Questions to ask:
- How confident are we in the year-over-year reliability of our top five donors? Are they committed to us for the long term, or is there a possibility that their support will end? Have we talked with them about that?
- If one or several of those sources went away, what would the impact be on our programs? Do we have a safety net that would enable us to continue to do our work?

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- How many donors are we cultivating that could be big donors in the future? Who are they, and how likely is their support?
- If there's an unlikely future for us with current or future donors, what can we do now to build for greater resilience?

If you have a higher dependency quotient and a higher cost of fundraising...
...you seem to be investing heavily in multiple fundraising strategies, but are still highly dependent on a few sources of funding, which is a potentially troubling combination. Questions to consider:

- Are we strategically investing in fundraising programs that aren't high ROI yet, but that we anticipate being high ROI in the future?
- Are we investing enough in mid-range donor strategies that work to convert lower-dollar donors into higher dollar donors?
- Are we relying heavily on expensive fundraising strategies that aren't performing and aren't likely to perform better in the future?

If you have a lower dependency quotient and a lower cost of fundraising...
...you're likely doing something right, as this is very difficult to achieve! Nonetheless, it's wise to ask questions that could reveal opportunities or vulnerabilities. Questions to consider:

- Is our program on a growth trajectory that will continue to support our organization's needs?
- Are we investing enough in donor engagement and stewardship? Do we have strong renewal rates to prove it?
- Are our staffing levels sustainable and helping us avoid burnout?

STEP 3 **Once you are comfortable with your fundraising effectiveness, start talking about why.**
We won't succeed in helping our donors and the public understand how important their support is to funding our missions until we stop feeding them misleading information about what fundraising effectiveness looks like. Here are some things to consider:

- **Are we promoting the percentage of each gift that goes to program as a part of our fundraising programs?** If we are, we are telling our donors that the cost of fundraising is the most important measure of our fundraising health. Consider eliminating that message and instead talking about what each dollar contributed makes possible for the organization overall.

- **Are we touting results from an individual event or campaign?** Try to find a way to talk about the organization's overall needs and fundraising results as well, so as not to encourage tactic-by-tactic reporting or metrics.

- **Are we spending an inordinate amount of time reallocating and assigning fundraising expenses to program, just to make sure that our cost of fundraising doesn't look too high?** Consider eliminating that practice and instead adding a section on your website that explains how you're investing in fundraising to make sure that your organization has the support that it needs to fuel your mission, and share your overall metrics using this framework. Feel free to include that we encouraged you to do so!

- **Are we preparing our board and senior leaders to speak articulately about our fundraising practices?** Develop talking points that enable you to answer questions from donors about your fundraising effectiveness by talking about how strategic you are, rather than focusing solely on efficiency (cost of fundraising). Here are two samples:

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> *Our mission is critically important, both now and in the future. That's why we invest in making sure that we have the resources we need to fuel our continued work and growth. The need isn't going away, and we are so thankful to our more than [#] donors, who are investing in our mission and our work.*
>
> *We evaluate the effectiveness of our fundraising program on a regular basis, using measures recommended by leaders in the nonprofit sector. We pay attention to how resilient we are to changes in funding as well as the efficiency of our fundraising efforts, but — most importantly — we are working hard to make sure that we have the dollars that we need to do our important work.*

These same points may also be helpful if ever your organization is interviewed by a reporter about your fundraising practices, though those inquiries should be handled by your designated press contact, rather than individual board members.

CONCLUSION

The board plays an absolutely critical role in ensuring that an organization is acting ethically and responsibly in all ways, including with its fundraising. We hope that this framework and toolkit help you and your organization have an informed conversation about your fundraising strategy, and achieve a higher degree of comfort about how you are funding your organization's work, both now and into the future.