Grassroots Development Institute

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Introductions

▶ Name
▶ Organization
▶ What brought you here today?

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Learning Objectives

▶ At the conclusion of this session, you will be able to:
  ▶ Explain proper gift acknowledgment procedures
  ▶ Develop a gift acceptance policy
  ▶ Apply the AFP Code of Ethical Conduct to address ethical dilemmas
  ▶ Create a development plan for your organization
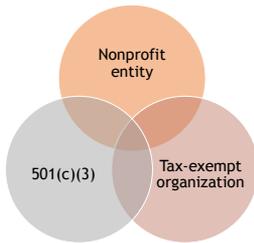 ▶ Identify appropriate fundraising roles for board, volunteers, and staff

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Understanding What's Legal and Ethical

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What is a "Nonprofit"?

Nonprofit entity

501(c)(3)

Tax-exempt organization

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Types of 501(c)(3) Orgs

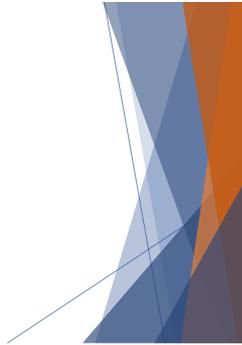| Public Charity	Private Foundation	Supporting Organization
• Broad scope of revenue sources	• Single major source of funding	• Exclusively benefits, performs functions of, or carries out purposes of a public charity

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"Tax Exempt" Doesn't Include

- Unrelated business income tax
- Payroll/employment taxes
- Sales tax

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Ways to Lose Status

- Private inurement
- Operation of a trade or business
- Failure to file IRS Form 990
- Substantial lobbying
- Participating/intervening in any political campaign on behalf of/against any candidate for public office

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Transparency

▶ IRS Form 990
  ▶ Must be filed annually by all nonprofits
  ▶ Penalties for not filing
  ▶ Must be made available to the public
  ▶ Available on www.guidestar.org

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Registration Requirements

▶ Nonprofits must register in states where they solicit
▶ Charleston Principles
▶ Fundraising counsel and solicitors are required to register

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Disclosures

▶ The official registration and financial information of ABC Charity may be obtained from the Pennsylvania Department of State by calling toll free within Pennsylvania, 1-800-732-0999. Registration does not imply endorsement. ABC Charity is a 501(c)(3) nonprofit organization – contributions to which are tax deductible to the fullest extent permitted by law.

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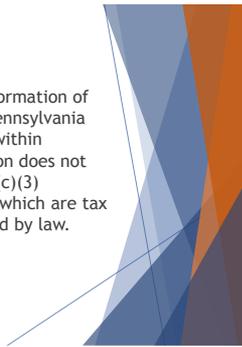
Gift Laws

▶ A donor may be entitled to a charitable income tax deduction for gifts to 501(c)(3) nonprofits
  ▶ Must itemize
▶ Gifts can be more than cash

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Gift Acknowledgement

- Gift of $250 or $75 or more for which the donor received a benefit must be acknowledged in writing
- Must be a contemporaneous acknowledgement
- Any quid pro quo must be specified

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Non-Cash Gifts

- Donors must document the value of non-cash gifts, **NOT** the nonprofit
  - Non-cash gifts claimed for $500 or more require IRS Form 8283 signed by the nonprofit
  - If the gift is claimed for more than $5,000, a qualified appraisal must be documented
  - If the charity disposes of the property within three years of donation, it must file IRS Form 8282

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Donor Intent & Restrictions

- Gifts are to be used for the purpose for which they are given
- What do you do when you can't?

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Accounting for Restricted Gifts

- ▶ Net assets with donor restrictions
- ▶ Net assets without donor restrictions
- ▶ Fund accounting
  - ▶ Specific to nonprofit organizations
  - ▶ A system of accounting in which separate records are kept for restricted donations

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Conflicts of Interest

- ▶ Can your organization do business with a board member or other "insider's" business?

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Conflicts of Interest

- ▪ Board members and others must be transparent about actual or perceived conflicts
- ▪ Annual conflict of interest statement
- ▪ Declaration of conflicts at meetings

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Donor Bill of Rights

▶ Rights include...
  ▶ To be informed about the organization and its use of donations
  ▶ To know who is serving on the board
  ▶ To expect "prudent judgment" in stewardship responsibilities
  ▶ To expect that all relationships with individuals representing organizations of interest to the donor will be professional in nature

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AFP Code of Ethical Conduct

▶ Provides guidelines for personal, professional and organizational behavior that is consistent with ethical practices
▶ Covers:
  ▶ Member obligations
  ▶ Solicitation and use of philanthropic funds
  ▶ Presentation of information
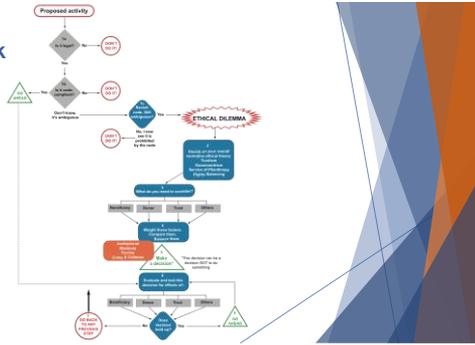 ▶ Compensation and contracts

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Ethics

▶ Refers to standards of behavior that define how humans should behave in a variety of personal and professional settings.
  ▶ Ethics are different from law
  ▶ Ethics do not follow culturally accepted norms
  ▶ Ethics are not about feelings or science

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Rogare Framework

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Considerations

▶ Would you be able to look in the mirror and feel proud?

▶ Could your organization stand tall in front of donors and clients?

▶ Would the solution stand up under critics' scrutiny?

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Common Ethical Issues

▶ **Use & Abuse of Information**

  ▶ Disclosure of confidential information – disclosing personal donor info or revealing an anonymous donor

  ▶ Donor lists – selling donors lists without permission or using donor info from one organization to benefit another

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Common Ethical Issues

▶ **Privacy**
  - ▶ Ownership of donor information – information not staying with the organization
  - ▶ Inappropriate information - Obtaining or retaining non-essential or highly personal information about prospects/donors

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Family Affair

▶ The owners of the local franchise of a regional retailer have established a family foundation. The foundation is staffed by a family member who is paid a salary. While the family has contributed to the foundation financially, more than half of the foundation's revenue each year is from a golf outing. Other revenue comes from store customers being asked for donations at checkout. Sponsors for the golf outing are all the store's vendors who are told by the store's management staff that supporting the golf outing is expected. The foundation supports nonprofits in the community through what it calls "micro-grants," which are actually gift cards to the store. The foundation purchases gift cards from the store at a discount and "grants" them to nonprofits. Last year, $140,000 in gift cards were purchased by the foundation. What are the issues?

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Desperate Times

A small community center receives most of its funding in the form of government contracts and restricted grants. Cash is often tight. One month there was not enough unrestricted cash to make payroll. The executive director transferred money from a restricted fund to general operating to cover payroll. She plans to transfer money back when unrestricted funds come in from a fundraising event. What are the issues?
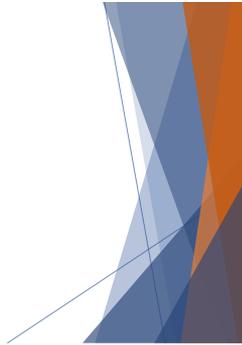
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Policies and Procedures

- ▶ Gift acceptance
- ▶ Donor recognition
- ▶ Gift acknowledgement
- ▶ Gift processing
- ▶ Document retention
- ▶ Conflict of interest

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Fundraising Technology

- ▶ How do you track donations?
- ▶ How can you accept donations?
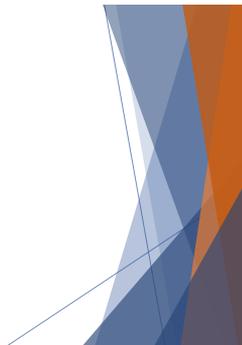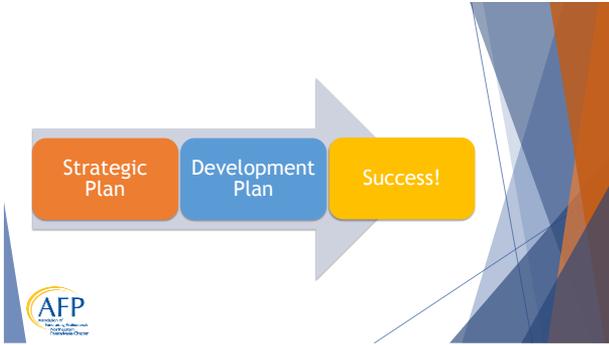- ▶ What would you like to do that you cannot with your current technology?

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Development Planning

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| Strategic Plan | Development Plan | Success! |

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Benefits of a Plan

▶ Allows you to evaluate progress and assess the effectiveness of different fundraising channels
▶ Great excuse to say "no" to bad suggestions
▶ Helps development office justify its budget
▶ Way to measure individual staff success objectively

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Three Basic Questions

▶ How much money do you need to raise?
▶ From whom will you raise it?
▶ How much money can you spend to raise what you need?

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Development Plan Basics

- Is unique to your organization
  - Your own needs, goals, strengths, and priorities
- A dynamic, not a static document
- Varies depending on your organization's development life stage

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The Process

- Assess your internal and external environments
- Assess your current and potential donors
- Outline your goals
- Identify your objectives
- Identify your tactics (who, what, when, where, how)
- Identify your budget and resources

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Why Budget?

- Enhances the likelihood a nonprofit will be financially successful
- Stipulates performance goals
- Process forces organization to look at itself, set priorities, and narrow its choices
- Facilitates inter-departmental cooperation and coordination
- Comparison to actuals allows for a quick response when needed

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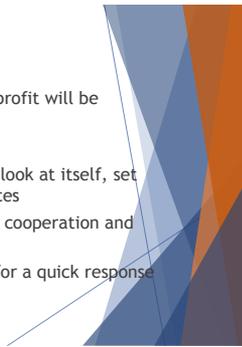
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Action Plan

- Tells what, when, and by whom
- Very specific

Action Step	Responsible Party	Due Date
1. Recruit committee	Development director, committee chair	November 15, 2019
2. Establish event timeline	Development director, committee chair	January 30, 2020

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Calendar

- ▶ In the development plan or as an addendum
- ▶ Include:
  - ▶ Content/design/mailing dates for appeals, invitations, newsletters, etc.
  - ▶ Event timelines and dates
  - ▶ Proposal deadlines

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Visual Plan

Key Activities	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun
Acquisition mailing				x						x		
Board campaign							x	x				
E-newsletter	x	x		x		x	x		x	x		
E-appeal		x						x		x		x
Renewal/upgrade mailing	x			x	x	x	x		x			
Grants	x	x	x	x	x	x	x	x	x	x	x	x
Mail newsletter			x		x			x			x	
Planned giving seminar			x					x			x	
Special events			x						x			x
Volunteer phonathon			x							x		
Donor recognition events			x						x			

Adapted from *The Complete Guide to Fundraising Management*, 4th edition (2017) by Stanley Weinstein & Pamela Barden

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Plan Characteristics & Format

- Specific
- As short as possible
- Easy to read
- Word, Excel, your choice
- Need to be able to include goals, objectives, measurements, assignments, and time tables

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Example #1

- Goal: Expand constituency base
  - Objectives:
    - Identify new prospective donors
    - Retain existing donors
  - Tactics:
    - Implement cultivation strategies for existing events
    - Revise welcome packet
    - Train board in June on finding and cultivating new donors
  - Target Outcomes:
    - Expand donor pool 5% in year one
    - Retain 60% of existing donors
    - Convert 25 client families to donors

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Example #2

- **Goals:**
  - $85,000 raised from board
  - Complete $150,000 general operating campaign
  - Each board member recruiting three new members
  - Each board member completing one legacy society solicitation

Project	Staff	Audience	Timetable	Objectives
Provide board members with tools for $150k campaign	DOD, Dev. Comm. Chair	Board	April 5 meeting	Provide case for support, prospects, and admin. Support
Trustee legacy solicitations	DOD, Dev. Comm. Chair	Planned giving prospects	Fall 2019	Provide materials, prospects, and tools for each board member to complete ask by EOY 2019

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Setting Development Goals

- ▶ Realistic goals are not:
  - ▶ Other revenue minus expenses
  - ▶ Prior year results plus "random" percentage increase
  - ▶ An arbitrary multiple of fundraising staff salaries
- ▶ Take into consideration:
  - ▶ Size and responsiveness of donor base
  - ▶ Staff and volunteer time and capabilities
  - ▶ Un-renewable prior year gifts

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Evaluation

- ▶ What can you measure?
  - ▶ Funds raised
  - ▶ Year-over-year comparisons
  - ▶ Acquisition, retention, upgrades
  - ▶ Average gift sizes
  - ▶ Cost to raise a dollar
  - ▶ Number of prospects identified
  - ▶ Number of donor appointments and proposals

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Fundraising Effectiveness Project

- ▶ www.afpfep.org
- ▶ Measure and compare your fundraising gain and loss ratios to the industry
- ▶ Make better-informed, growth-oriented budget decisions to boost revenue
- ▶ Fundraising Fitness Test measures fundraising programs against 100+ performance indicators
- ▶ Includes seven Growth in Giving reports

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An Overview of Fundraising Basics

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The Donor Pyramid

Planned Gift

Major Gift

Annual Gift

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Effectiveness of Fundraising Methods

► Cost per dollar raised:
  ► Events
  ► Annual giving
  ► Major gifts

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Effectiveness of Fundraising Methods

▶ Cost per dollar raised:
  ▶ Events – $0.50
  ▶ Annual giving – $0.25-0.30
  ▶ Major gifts – $0.05-.10

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Annual Giving

■ Any organized effort by a gift-supported organization to obtain gifts on a yearly basis, usually to support operations.
  ■ Individual giving programs
  ■ Grantseeking
  ■ Events
■ Not once a year, but every year!

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Major Gifts

■ Raised through more personal contact
■ What counts depends on each organization

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Planned Giving

- The integration of sound personal, financial and estate planning concepts with the individual donor's plans for lifetime testamentary giving
- Common vehicles:
  - Bequests
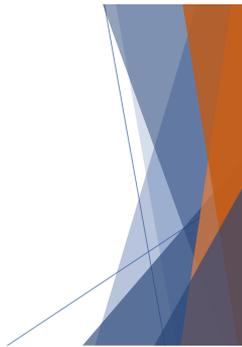 - Beneficiary designations
  - Charitable gift annuities

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Two Ways to Raise More Money

- ▶ Acquire new donors
- ▶ Upgrade existing donors

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Fundraising Roles & Responsibilities

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The Board's Role in Fundraising

▶ Ensure development plan and monitor progress
▶ Create fundraising and donor recognition policies
▶ Ensure fundraising methods adhere to ethical standards
▶ Participate in fundraising
▶ Monitor progress and evaluate outcomes

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Board Members' Roles in Fundraising

▶ Make a meaningful contribution
▶ Identify, evaluate, and cultivate prospects
▶ Make introductions
▶ Organize and attend special events
▶ Attend face-to-face solicitations
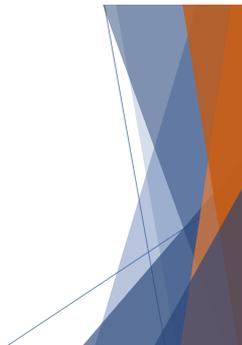▶ Write or sign appeal letters
▶ Thank donors

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Volunteer Roles in Fundraising

▶ Service on the development committee
▶ Service on an event committee
▶ Assisting with development operations

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Fundraising Staff's Role

- ▶ Coordinate overall fundraising efforts
- ▶ Take the initiative and generate ideas
- ▶ Keep files, records, mailing lists, and acknowledgements
- ▶ Conduct research and share pertinent data
- ▶ Prepare correspondence and write proposals
- ▶ Support the board and other volunteers

 behind the scenes

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Program/Admin Staff Roles

- ▶ Provide good customer service to donors and prospects
- ▶ Pay attention and report back
  - ▶ Indicators of wealth
  - ▶ Notable incidents
  - ▶ Likes/dislikes/preferences
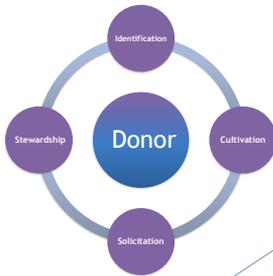- ▶ Provide timely information about programs and outcomes

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Ways Everyone Can Help

- ▶ Gather intel
- ▶ Review prospects
- ▶ Act as ambassadors
- ▶ Make introductions

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Identification
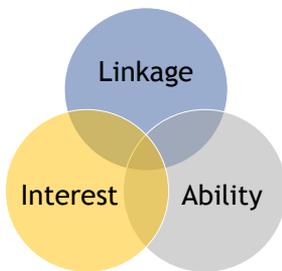
Stewardship

Donor

Cultivation

Solicitation
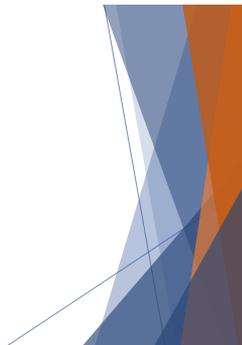
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Identifying, Researching, and Reviewing Prospects

▶ Look in your database first

▶ Free and paid research resources

▶ Gather intel from those who know the prospective donor

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LAI Principle

Linkage

Interest

Ability

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10/2/2019

Cultivation

▶ Building relationships with prospects
▶ Generating interest in the organization
▶ Showing prospects what the organization is all about – history, programs, finances, etc.
▶ Sometimes called "friend-raising"

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Cultivation Strategies

▶ Make personal contact with prospects
▶ Lead tours/host events
▶ Attend and invite others to events
▶ Share enthusiasm for organization by talking about it
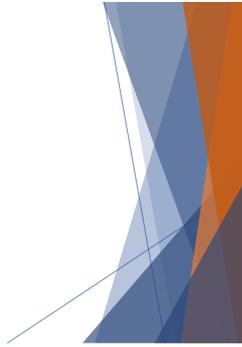
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Stewardship Tactics

▶ Write notes/letters of appreciation
▶ Personalize invitations
▶ Make thank you calls
▶ Visit in person with updates

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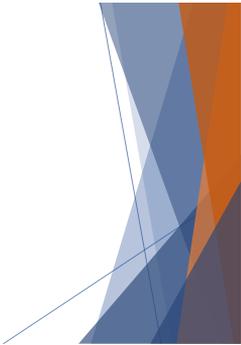
Final Thoughts

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What a Development Director Needs

▶ To report directly to the executive director
▶ To be included as part of executive management
▶ Access to the board of directors
▶ Authority to coordinate all fundraising efforts
▶ A good relationship with the CFO
▶ Open and regular communication with and access to the executive director

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Conditions for Fundraising Success

▶ Well-managed organization
▶ Board and executive director committed to fundraising
▶ Everyone in the organization must be able to explain why funding is needed
▶ Coordinated communications plan
▶ Adequate human, financial, and technology resources
▶ Time for fundraising to succeed
▶ Sufficient budget

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After Today…

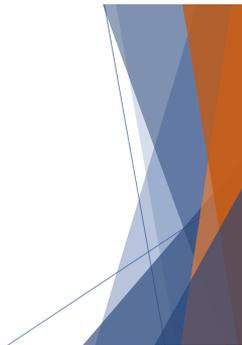▶ What is one thing you will do differently or begin doing when you return to your office?

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Questions?

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Keep in Touch

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