

FUNDRAISING TOOLS

There are many activities that can support the funding needs of an organization. The diversity of funding sources can be essential to an organization's funding stability. The following activities can be used for most nonprofit groups, but each group needs to evaluate the appropriateness of the tool to its particular circumstances. Ultimately, groups can define all the appropriate fundraising tools and how they will be implemented within their organization's fundraising plan. Some of the fundraising options available to nonprofits include:

Individual Giving

- ◆ *Direct Mail* – contributions solicited and received through the mail
- ◆ *Phone Solicitation* – contributions solicited through phone calls
- ◆ *Personal Solicitation* – contributions solicited in personal face-to-face meetings
- ◆ *Web-based Contribution* – contributions solicited through web pages and email
- ◆ *Payroll Deductions* – contributions deducted directly from a paycheck that are managed by an employer

Grants

- ◆ *Foundation Grants* – grants made from private, nonprofit foundations
- ◆ *Corporate Grants* – grants made from corporations' charitable budgets

Special Events

- ◆ *Friendraising Events* – events that build relationships that can help support other fundraising activities
- ◆ *Fundraising Events* – events that generate net revenue to support other activities
- ◆ *Program Events* – events that deliver programs that also generate revenue to cover some or all of the costs of the program

Fees and Earned Income

- ◆ *Sponsorships* – contributions from corporations and public agencies that provide public relations benefits to the sponsor in exchange for the financial contribution to the organization
- ◆ *Fee-for-Service* – activities that draw on the capabilities of the organization to provide paid services to core constituencies or other willing buyers
- ◆ *Interest Income and Returns on Investment* – income returns from endowments and other investments
- ◆ *Sales* – sales of promotional items and other products

FUNDRAISING TOOLS (CONTINUED)

INDIVIDUAL GIVING

- ◆ **Direct Mail** is a very common fundraising tool because it allows an organization to contact a very large number of people for a relatively small cost. Many organizations use direct mail as a membership development tools, including *acquisition* mailings (asking people for initial support), *appeals* (asking for an additional contribution) and *renewals* (asking people to renew their support).

When to Use:

- Building a base of support from individuals
- Maintaining and renewing support from smaller contributors
- Educating and motivating contributors about organizational issues and opportunities

Considerations for Success:

- Direct mail requires an organizational infrastructure to track and manage information about members and people contacted. The limitations of the database often limit the potential of the mail effort.
- Direct mail is efficient, but not particularly effective. For some situation, a return of one percent is considered an excellent return.
- The elements of a successful mail package are very specific and sometime counter-intuitive. Special attention must be paid to such elements as the source of the list, length of the letter, simplicity of the reply devise and the look of the outside envelope.
- Personalizing small batches of mail – including notes from the board and staff – can help encourage the consideration and response to the appeal.

FUNDRAISING TOOLS (CONTINUED)

- ◆ *Phone Solicitation* is another means to contact a larger number of people at a relatively small cost. Groups can do the contacting using volunteers at a borrowed phone bank, or can use a professional group to coordinate and manage the calls. Phone solicitation can be used for all facets of membership development, including acquisition, appeals and renewals.

When to Use:

- Building a base of support from individuals
- Maintaining and renewing support from smaller contributors
- Educating and motivating contributors about organizational issues and opportunities

Considerations for Success:

- There is considerable resistance from many to receive phone solicitations. This often translates into a reluctance to engage in such a program.
- Careful recruiting and training for the phone solicitors is especially important. The success of the effort is often hinged to the communication skills of the people doing the calling.
- Even if not used for soliciting contributions, the phone can be a welcomed – and very effective – tool for thanking people.

FUNDRAISING TOOLS (CONTINUED)

- ◆ *Personal Solicitation* is the most effective means for soliciting support, reinforcing the fundraising maxim that "people follow people." Personal solicitation is more effective, but also considerably more time-intensive. Therefore, it is usually reserved for contact with the individuals with the greatest potential for support. These are often organized in campaigns. These can be useful for annual giving, capital campaigns, planned giving programs and other larger funding goals.

When to Use:

- Asking for investment from donors with the greatest potential for significant support.
- Encouraging individuals to move to a greater level of support.
- Sharing information about the organization with key supporters that is sensitive or controversial.

Considerations for Success:

- Success in personal solicitation is often based on the credibility and sincerity of the person making the ask. Relationship building is an essential component.
- The limitations for personal solicitation are often less about the number of prospects and more about the number of solicitors.
- Good supportive materials can be informative to the potential donor and very helpful to the solicitor.
- Campaigns usually need to be time-specific. Extending a campaign over too long a period is often a mistake.

FUNDRAISING TOOLS (CONTINUED)

- ◆ *Web-based Contributions* are an increasingly valuable tool to support fundraising program. Groups often include a place within their webpage that encourages website visitors to make a contribution directly. “E-philanthropy,” as it is sometimes known, is particularly effective to draw support from those who use the internet as a shopping and contributing forum.

When to Use:

- As a component of the organization’s ongoing communications and fundraising effort.
- As a targeted fundraising tool for the more tech-savvy constituents.

Considerations for Success:

- E-philanthropy requires considerable understanding of both technology and marketing. Critical marketing concepts of branding, targeting specific audiences, message focusing and mission-orientation are essential to success.
- Effective web-tools need regularly updating and refreshing to keep people returning and valuing the organization.
- Like all fundraising, e-philanthropy requires patience and relationship building.

FUNDRAISING TOOLS (CONTINUED)

- ◆ *Payroll Deduction Programs* allow supporters to give through their employer's payroll system directly to the organization. Usually these programs are organized through some centralized fundraising program such as Black United Fund, United Way or Earth Share. These programs often work well in government agencies and large corporations, but rarely tap employees in smaller businesses. Sometimes larger corporations will match employee contributions with company contributions. One limitation of this approach is that the organization receiving the funding does not always receive the details personal information about the contributor that might be useful for relationship building and upgrading.

When to Use:

- Soliciting individual support from individuals working for larger businesses and government agencies
- Leveraging corporate support from a committed group of individual supporters

Considerations for Success:

- Groups participating in these campaigns benefit commensurate with their public recognition. Groups rarely get to make a pitch or state their case directly to the person making the decision.
- Participation in these campaigns usually requires a contribution of volunteer time in organizing and coordinating the campaign.
- Relatively little internal infrastructure is needed to support these programs.

FUNDRAISING TOOLS (CONTINUED)

GRANT PROPOSALS

- ◆ **Foundations** are nonprofit organizations in the business of distributing resources to charitable causes. While extremely visible, these sources represent a relatively small sector of the entire spectrum of philanthropy. The amount given by foundations is often connected to the general economy as foundation assets are typically invested in economy-connected portfolios. Groups funded by foundations are usually selected based on a proposal submitted by the group seeking funding, based on a set of funding criteria defined by the foundation. A selection committee (typically the board of directors) makes the final funding decision.

When to Use:

- To support specific projects and significant organizational initiatives.
- For start-up and initiation of programs with potential funding beyond the duration of the grant.

Considerations for Success:

- Foundations typically like to be start-up or catalyst funding rather than ongoing support. Groups need to find ongoing funding to pick up costs for programs and projects that extend beyond the grant period.
- Foundations almost always have very specific criteria and guidelines for their application process. Groups that fail to follow those guidelines are rarely considered for support.
- Writing the proposal is usually much less important than having an organization with credibility and a plan with integrity to give the foundation confidence in the success of their investment.
- Foundations often have limitations in the duration of their support. Rarely do foundations provide funding to an organization for more than three years.

FUNDRAISING TOOLS (CONTINUED)

- ◆ *Corporations* with corporate contributions programs sometimes have their own programs for providing grant support to nonprofit groups. These funds are typically segregated from the marketing funds that can be used for sponsorships (see below). Sometimes the giving comes from a corporate foundation separate from but connected to the funding corporation.

When to Use:

- To support specific projects and significant organizational initiatives.
- For start-up and initiation of programs with potential funding beyond the duration of the grant.

Considerations for Success:

- Corporate contributions are becoming more scarce as businesses look for marketing value as part of their charitable activities.
- Having an employee who is already a supporter of the organization to serve as an advocate often is a requirement for corporate consideration.
- Most of the considerations for foundation grants are also a consideration of corporate grants.

FUNDRAISING TOOLS (CONTINUED)

SPECIAL EVENTS

- ◆ *Friendraising Events* include any activities that help people make a personal connection to the organization. Organized in conjunction with other fundraising activities, these can be very important “fertilizer” that ensures people feel compelled to provide support.

When to Use:

- To build support and connections among potential and current donors
- As an adjunct to other fundraising activities

Considerations for Success:

- Larger events are often very time-intensive. Having a strong cadre of committed volunteers can be essential.
- Smaller, more intimate “house-parties” can both build connections to the organization and raise money. They are also easier projects to manage.
- Friendraising events need to be defined and implemented first and foremost as relationship builders and not revenue generators.
- The value of a friendraising event is often limited by the effectiveness of follow-up fundraising activities, such as personal solicitations.

FUNDRAISING TOOLS (CONTINUED)

- ◆ *Fundraising Events* focus more specifically on drawing financial support from individuals through their participation in some event. The more connected the event is to the mission of the organization, the more leveraged the benefit of the event. Events are usually very time intensive, and face considerable competition from other groups likewise trying to establish their event in the minds of their donors and supporters. Events include such activities as auctions, formal dinners, races, “something”-a-thons.

When to Use:

- To build support and connections among potential and current donors
- As a means of drawing support from people who might not otherwise give
- As an additional opportunity for supporters to give without feeling like they are “digging deeper”

Considerations for Success:

- Larger events are often very time-intensive. Having a strong cadre of committed volunteers can be essential to these activities.
- Name recognition and organizational loyalty can be essential to compete in a community that already has considerable fundraising activity.
- Creativity can give an event an edge in the competition for donor participation.
- Events that have significant community support can often leverage corporate sponsorships as additional revenue.

FUNDRAISING TOOLS (CONTINUED)

- ◆ *Program Events* are activities that are designed to fulfill the mission of the organization, but whose structure can generate revenue. These become potentially valuable funding tools to the degree that the events offer value to the participants that is market-competitive. Conferences, training programs and other activities can generate significant excess revenue if organized efficiently and if they can charge fees that exceed the cost of producing the event.

When to Use:

- As a means to draw extra revenue into the organization while delivering programs central to the mission of the organization
- As a credibility tool to show value to key constituents

Considerations for Success:

- By definition, these activities need to serve a program need more fundamentally than to produce revenue.
- Organizational credibility is often a key consideration for participation.
- Setting price for involvement is often based on the relative benefits and price compared to other programmatic options available to participants.

FUNDRAISING TOOLS (CONTINUED)

FEES AND EARNED INCOME

- ◆ *Sponsorships* link businesses and corporations to an organization to underwrite some or all of the costs of some nonprofit activity. These events usually draw from the marketing budget of the business to provide some public relations benefit in return for the contribution to the organization. Corporate decisions to participate in sponsorships are often more business-oriented than charitably oriented.

When to Use:

- To underwrite a special event or high-profile project as a means of drawing in corporate support
- As an approach to tap the more significant resources of a corporation's marketing budget rather than the often smaller charitable budget

Considerations for Success:

- Organizations need to demonstrate true public relations benefits to businesses if they want to sell a sponsorship as a "benefit" to the business. Demonstrating the number of people who will connect to the organization as part of an event, for example, helps clarify the scope of PR benefit.
- The reputation of the organization is often the primary value to the business sponsor. Likewise, the reputation of the business sponsor is often the most important concern of the organization seeking sponsorship. The mutual association must be positive for the partnership to have value.
- Multiple sponsors may be viable for a single event; likewise, having sponsors for more than one event is possible as well. There is, however, always some limit to the PR benefit that can be "sold."
- Sponsorships can be alternatives to "advertising," which carries with it unrelated business income tax consequences.

FUNDRAISING TOOLS (CONTINUED)

- ◆ *Fees-for-Service* are activities that generate income for the organization through services provided based on organizational strengths and capabilities that others are willing to hire. This can be as simple as charging fees for programs and activities that a group already delivers. These can include consulting services, training programs, and other activities that dedicate a portion of the organizational resources to the needs and benefits of other groups where those activities can, but don't necessarily, serve the mission of the organization.

When to Use:

- As a means to draw extra revenue into the organization while delivering programs central to the mission of the organization
- As a means of capturing revenue while delivering services and programs of value to the community

Considerations for Success:

- Services that address the core mission of the organization while capture revenue have the double benefit of program delivery and capacity building.
- Services provided that don't serve the core mission need to be generating sufficient income to justify the diversion from the mission.
- Some activities outside the core mission can be "unrelated business," thereby subject to unrelated business income tax by the IRS.

FUNDRAISING TOOLS (CONTINUED)

- ◆ *Interest Income* or other returns on investments can provide stable revenue to groups without the need for ongoing fundraising efforts. Endowments that invest larger amounts of capital to provide a steady stream of revenue can be built into capital and capacity-building campaigns.

When to Use:

- As a source of stable revenue to cover ongoing responsibilities such as facilities management or land stewardship
- As part of a campaign to raise money for acquisition or “bricks-and-mortar” improvements.

Considerations for Success:

- Building an endowment element into larger campaigns can be a demonstration of long-term commitment and responsibility, thereby strengthening the “case” for the campaign.
- Endowments can be a tougher “sell” to some people who would rather manage their own capital and contributions, rather than give it to the organization. Effective financial management is key.
- Endowment-building programs work very well as part of a planned giving effort.

FUNDRAISING TOOLS (CONTINUED)

- ◆ *Sales* of merchandise and promotional items can be a source of revenue, but it is usually small and nets little income. As with fee-for-service income, sales of items that fit within the mission of the organization help to build capacity and support the mission.

When to Use:

- To deliver merchandise or other items that constituents value while at the same time reinforcing some aspect of capacity or mission accomplishment
- Very common as a public relations effort to build awareness of the organization

Considerations for Success:

- Calculating the true cost of sales is important to understanding its value. Too many groups don't figure staff time into the equation, for example, and therefore don't realize that some activities net a loss.
- Sales of products outside the core mission can be "unrelated business," thereby subject to unrelated business income tax by the IRS.