A Fundraising Resource Kit

For

Developing a Fundraising Plan

JULY 2003

FOR WIDE PUBLIC DISSEMINATION

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INTRODUCTION TO OUR DOCUMENT

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This was one element of our broader fundraising research. Research and compilation for this project was completed by the FLA Group (620-265 Carling Avenue, Ottawa, Ontario, K1S 2E1). FLA is a leading consulting company who design tailor made fundraising solutions.

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The intent of publishing this document is to help smaller to mid-size organizations to understand basic principles of fundraising in a clear and concise manner. As well as strategies, we have provided model policies for your organization to consider. This is not intended to be an exhaustive “study” and is, essentially, a stock document to assist your organization in getting started and pointed in the right direction.

Your feedback is always important. If you have questions, or would like to provide comments, please contact Greg Pyc at (604) 473-9363 or toll free at 1-877-673-4636. You can also e-mail Greg at gregp@neilsquire.ca (Please put in the subject line: Towards Financial Independence Document).

We trust you will find this document useful and wish you success in your fundraising endeavors.

The Neil Squire Foundation, July 2003.

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I. Introduction to Developing a Fundraising Plan

In order to develop a fundraising plan you need to determine:

- How your fundraising program could work in your environment, and
- How a program could be developed in the future.

We hope this resource kit will enable your Board and senior staff to see fundraising programs in a new light and increase their understanding of how fundraising works in today's very competitive charitable marketplace.

The finished product should be a written report that substantively covers the following areas:

- **A case statement.** Your case statement is an overview of why you exist, what you do, who benefits from what you do, how they benefit, why you need funds, why it's important to become and remain a donor to your organization. Your case statement is the 'communications spine' of all your fundraising work and it ensures continuity and consistency throughout your program. If you don't have one you need to draft your case statement. You will vet it internally for feedback and comments. You will then re-draft the case after receiving input from your internal stakeholders. (This is further defined on Page 13 of this document)

- **Identification of fundraising prospects.** One of the first critical steps is to determine who your most likely donors are. You will need to identify your 'best bets' and to prioritize your potential markets. These markets could include corporations, and foundations as well as specific demographic or geographic areas.

- **Identify the fundraising tactics** (or methods) that best suit the chosen prospects. You will want to write a tactical plan a tactical plan that describes what fundraising methods you recommend for your organization. These tactics can include foundation proposals, corporate sponsorships, major, and planned gifts.

- **Identify revenue targets**. You will want to develop a spreadsheet that outlines specific revenue targets for each of the chosen fundraising methods and what your organization can expect to raise over a five-year timeframe. It's important to base these revenue targets on market realities – and not unrealistic wishes of people internal to your organization.

- **Budget.** Create and have your board approve a budget for the first year that includes revenue targets and projected expenditures. Please be aware that your organization may have to invest in the program in its first and second year, resulting in a revenue loss in that period.

- **Calendar.** Create timelines to guide you in key tasks and sets deadlines throughout your first year of operation. This is an important tool that will ensure smooth implementation and that priority areas receive the Board and staff time needed to be completed successfully.

- **Staffing.** Depending on your chosen fundraising methods you will need to determine what types of staff people you'll need and at what salary levels.

- **Information management.** You will need to assess your existing software to determine if it will effectively and efficiently manage your database of donors and prospects.

- **Policies and procedures.** You will want to assess your policies and procedures to determine if they that will allow your fundraising program to run as efficiently and effectively as possible. These include donor acknowledgement, donor recognition, accountability and stewardship.

II. Strategy and Tactics

Strategy comes before tactics. Strategy is where you want to get to as an organization and why you want to get there. Once strategy is set you make a tactical plan. In other words tactics are the tools you'll employ to get to your strategic destination.

Also strategy should be heavily influenced by an honest acknowledgement of your strengths and weaknesses.

Start with an assessment of what you believe your organization's primary marketing strengths and weaknesses are.

Part One: Fundraising Strategy

1. Assessment of Strengths and Weaknesses

(Following are several headings with sample questions you can ask yourself and make comment—one or two short sentences will suffice.)

History: Are you a new organization or do you have a long record of service to your client base/community?

Research: Do you have credibility based on a record of sound research into policy issues, technological developments, products?

Programs: Do you have one or more programs that have been developed with your current constituency in mind? Are they valued by the client, family, community, government?

Flexibility: Is access to your programs strictly regulated or can you tailor your programs to an individual client/family/ community needs?

Collaboration: Do you work in concert with other like organizations, community groups or governments to meet the needs of your constituents or do you pretty much go it a alone?

Web Site: Do you have one and is it kept current? Do your donors have the ability to donate on line? Can a donor or client get relevant, up to date information through your web-site or links posted on it?

Timing: Are you new to fundraising or do you have a well-established program well anchored in the public mind?

Competition: Who is your target donor audience? Does any other group have the same or a similar Vision and Mission as your organization? If “yes”, do they have a well-established mature fundraising program in place? Is your cause one that touches many people’s lives?

Is your target audience smaller, more specific? Will a minority or a majority of Canadians likely to be receptive to your cause and appeal?

Infrastructure: Can your organizational infrastructure support the activities that need to be undertaken in order to fund raise effectively? Are there standardized policies, staff assignments, procedures, systems, and methods to support your fundraising initiatives?

Constituency: Is yours a constituency suited to major charitable giving?

Program: Are your programs attractive to donors?

Image: Is there knowledge and/or appreciation amongst Canadians about the value of supporting your constituents through donations? Does the Canadian taxpayer believe that the population you provide support to are 'being taken care of' by Government?

National Image: Are you a national organization? Do you have a presence in provinces across the country? Are your services and board situated locally? Are you seen as a primarily local to the region/community organization?

Fundraising Culture: Has your organization’s staff and board successfully raised resources through fundraising over the past several years? Has board and staff developed and adopted a sustained culture for fundraising?

2. Strategic Options Available to Your Organization

There are five fundamental strategies available to non-profit fundraising programs. They are growth, involvement, visibility, efficiency, and stability. Each has it's own costs and benefits – and is appropriate to a stage in the life of your organization.

Often a not-for-profit will find itself in a position where it is unable to meet the demand for its program or service. In order to meet the demand it will have to expand its donor base and revenues. This is the time for a **growth** strategy. In this situation the organization invests in attracting new donors who will expand revenues in future years.

Other organizations may place an emphasis on delivering their program with volunteers instead of cash. This is an **involvement** strategy. Amnesty International, with its volunteer letter writing campaigns is a classic example of an involvement strategy at work – as is just about any church parish or congregation.

New organizations and movements often choose a **visibility** strategy where their prime objective is to be noticed. They try to achieve visibility in hopes of attracting future supporters and donors. Greenpeace, the AIDS movement, and Mothers Against Drunk Driving are all not-for-profits that have employed visibility strategies successfully.

Once the organization has grown to the point where it can provide sufficient program to meet demand, it usually switches over to an **efficiency** strategy. Stewardship and sound management are the priorities here. The emphasis is usually on maximizing the ratio of revenues to costs. These organizations often communicate messages to donors like "90 cents of your dollar will go to saving the Amazon rainforest". The Canadian Cystic Fibrosis Foundation of Canada is a good example of a current efficiency strategy at work. After doubling their donor base in recent years (growth) it has switched its emphasis to upgrading donors to monthly and planned giving – and increasing the revenue to cost ratio as a result.

Sometimes a mature organization will find itself in a period of crisis. In this case **stability** is the right strategic choice. This is a defensive strategy where the emphasis is on keeping existing donors rather than attracting new ones.

3. Choosing A Strategy

Each organization will want to assess which strategy it will focus on as it begins to establish or grow its fundraising program.

4. Sources of Funds

The four major sources of money for the charitable sector in Canada are

1. Governments
2. Individuals
3. Corporations
4. Foundations

in that order. Governments provide over 50% of the total revenue generated by charities while the other three — the private sources — are responsible for about 12%. (The remaining 40% of charitable revenue come from a variety of sources such as fees, e.g. university tuition and sales of merchandise e.g. crafts or used clothing.)

You will need to decide how best to generate more money from the various sources available to you.

Individuals give about 80% of private money to charities and corporations and foundations each give about 10%. Other sources in the private category such as service clubs, church groups and unions can also be important to certain charities, but give much smaller amounts in aggregate.

The best strategy for most charities is to approximately mirror the above percentages, investing about 80% of their efforts to fundraising from individuals, 10% to corporations, 10% to foundations and minor amounts to the other sources mentioned. That may or may not be the case depending on your specific situation. You must assess the appeal for the individual donor to support your work in a significant way. In some situations the corporate sector and foundations may be more likely sources.

5. Fundraising is a Team Sport

You must be very clear on this point from the outset.

You will only be successful at building a solid program if everyone is involved to some degree. That includes your Board, staff, and volunteers. Many charities make the mistake of hiring a fundraiser – or a consultant - assigning a desk and computer and waiting for results. Nine times out of ten this doesn't work.

You need to expect all of your key people – especially at the Board and senior executive level – to work with you in designing your plan. Ownership must be shared as widely as possible. The more your people are involved in creating the plan, the more likely they will be to help execute it.

6. Your Organization's Revenue Potential

"Begin with the end in mind" Stephen Covey.

You need to be organized and ready to raise money through fundraising efforts. If that is not the case then you must assess if there is potential for your organization to raise money for specific projects in the future.

But How Do We Get There?

7. It All Starts with the Case

A Case Statement defines:

Who you are
Where you've been and where you're headed
What you <u>WANT</u>
How you're going to get it
When you'll get there
How much it's going to cost

A good Case Statement has a compelling, self-evident need, has vision, and is defensible. It needs to be brief, clear, positive, upbeat and an easy read. It needs to answer 6 questions:

What is your business?
Who is your customer?
What does the customer consider value?
What have been your results?
What is your plan?
How much is it going to cost?

If you don't have a case statement your first job is to take the time to write one. Part of that process is to confirm your top priorities for funding and then establish the fundraising goal to achieve those priorities.

The case statement will be the ‘spine’ of your communications plan. Elements of it will be used to write a news release, a brochure, a fact sheet, a PowerPoint presentation….each tailored to the audience for which it is intended.

As importantly it will be the guide to assist all board members and staff to communicate about your organization in a consistent and accurate manner.

It is important to review and revise it <u>regularly</u> to keep it current, accurate and ‘fresh.’

Part Two: Fundraising Tactics

1. Direct Mail

Direct mail has been the base on which many not-for-profits have built very successful fund development programs over the past 30 years. Direct mail is a tactic that has allowed many charitable organizations to build large donor constituencies in a cost-effective manner.

In a well-executed program, many direct mail donors eventually upgrade their levels of support to monthly, major and planned gifts – which are far more lucrative to the charity.

Most successful direct mail programs were begun in the 1970s and 1980s. New donors could be acquired without an initial layout of cash, and those donors would continue to give for years to come.

The 1990s saw significant change in direct mail fundraising. Government cutbacks (at all three levels) to the charitable sector totalled some $15 billion. Charities jumped into the direct mail marketplace to try to replace some of their lost funding. Somewhere in the mid-90s, the direct mail market became saturated.

Competition in direct mail today is fierce. If your organization were to attract new direct mail donors, it would have to take them from other charitable organizations.

You need to assess if you are in a good strategic position to get into direct mail fundraising today for the following reasons:

- Are you a top of mind charitable organization like the Heart & Stroke Foundation of Canada, or the Canadian Cancer Society. It's very hard to introduce yourself and ask for money at the same time.

- Is your cause is simple and attractive. Simple and attractive works in direct mail.

- Setting up the necessary infrastructure to run a direct mail program would costs tens of thousands of dollars. Donor software and hardware – and the processing of donations, address changes, 'don't mail to me again' requests take dollars and staff time. Do you have those kinds of dollars to invest?

- Today a charity with a well established direct mail program invests on average about $30 to acquire a new direct mail donor. You need to determine your donor acquisition cost…it could be twice to three times that amount. Earning a decent return on an investment that big is questionable.

Direct mail fundraising is a lot of work that costs a lot of money. You need to be clear that direct mail fundraising as a good fit with your organization.

2. Special Events

A special event may be defined as an activity that is designed to accomplish a variety of objectives, one of which is to invite possible constituents to become involved and learn more about the organization (Henry A. Rosso).

Properly staged, events can raise significant dollars for your organization while attracting the attention of potential constituents (members, donors, and sponsors).

To be successful you will need to assign a co-ordinator and a team of energetic volunteers that are dedicated to the task at hand. Special events are time consuming, detail-oriented ventures that require an inordinate amount of effort for the return on your investment.

Typically, the cost - to - revenue ratio isn’t as favourable for special events as it is for other forms of fundraising. Industry standards suggest that you can expect to raise $1.50 for every dollar you spend on a special event.

Special events are not the most efficient way to raise money. However, if your organization has opportunities this may be a great way to build awareness for your cause and to strengthen your image locally.

3. Major Gifts

Fundraising works best when the right person asks the right person for the right amount for the right reason at the right time. (Old development maxim)

The rule of thumb is that a donor who gives a dollar through the mail is very capable of giving $5 if asked personally.

The minimum size of a major gift varies from organization to organization. It can be $250,000 or $250. In your case we think gifts of $2,500 and up should be considered major gifts.

Major gift fundraising is very different from mass marketing (e.g., direct mail) in the following ways:

1. It is a personal ask – either face to face, on the phone or an individually written letter.
2. The prospective major gift donor has been carefully researched with respect to giving history, connection to your organization, program interests, and ability to give.
3. The prospect is qualified according to the LAI method:
   - linkage
   - ability
   - interest
4. Volunteers, including members of the board best do the solicitation. Staff may also solicit.
5. The 'ask' is for a very specific amount and may be for a very specific purpose.
6. The gift may be made over a period of three to five years.
7. There is more communication and stewardship following the gift.

Major gifts are usually (but not always) gifts of disposable income while planned gifts (next section) are gifts of assets.

A properly designed major gift program can produce a group of donors willing and able to give a major gift every year. Although a considerable investment of time and effort is needed to develop and maintain the relationship with annual major gift donors, this program can be one of your most cost-effective fundraising methods.

There are several sequential steps to a major gift effort:

1. Prospect identification – who should you ask
2. Prospect qualification – how much should you ask for
3. Establishing purpose(s) for which the gifts will be used
4. Recruit solicitors
5. Train solicitors
6. Match solicitors with prospects
7. Solicit the gifts
8. Confirm gifts in writing
9. Set up administrative system for managing gifts
10. Communicate with donors

Face-to-face asking doesn't come naturally to most of us. We fear asking for money every bit as much as we fear public speaking. This is the challenge to non-profits with major gift potential.

It takes months to overcome this hurdle. It can be overcome, however, by:

- building consensus that you NEED to raise more money
- developing a true understanding that major gifts are the best way to raise it
- talking about fears and uncertainties
- getting proper training and support
- talking to donors first just to thank them
- making the first solicitation visits with an experienced partner.

4. Planned Giving

Planned gifts are the peak of the fundraising pyramid – the ultimate demonstration of support from a donor.

Consider the following:

- $1 trillion will be bequeathed to charities in Canada in the next 20 years. As people of today live longer and their children are already established, they feel they have more choice in their estate plan
- planned gifts are personally solicited from those closest to the non profit
- the average charitable bequest is about $20,000
- while direct mail yields $3 to $5 for every dollar spent, a mature planned giving program yields at least $20 for every dollar spent
- planned gifts are usually gifts of assets – not income.
- while there are many types of planned gifts, bequests still account for 90% of all planned giving revenue
- while planned giving pays the biggest dividends it has the longest period of time for the investment to pay off – 3 to 5 years.

The planned giving syndrome is that while it's perhaps the most important method of fundraising it is never urgent. That makes it easy to forget.

There are several ways to market planned giving:

- produce a planned giving information kit for donors who request more information
- encourage planned gift inquiries on direct mail reply coupons
- encourage planned giving in direct mail thank you letters
- feature planned giving donors in your newsletters
- include planned giving as an option in major gift solicitations
- create a specific planned gift donor recognition program
- encourage donors to let you know when they have made a planned gift (only one in five will do so)
- personally solicit planned gifts from those closest to your organization.

Planned gift fundraising is not difficult. It requires determination, discipline, and patience. Charities that take it seriously will be richly rewarded.

5. Foundation Grants

Individual donors give about 80% of all charitable monies in Canada. Foundations and corporations give about 10% each.

Your organization may have some potential to generate revenues from Foundations.

Having said that securing foundation grants takes time and patience. You should begin talking with – and listening to – targeted foundations at least two years before you expect to receive grants.

- One approach is to begin assembling a 'shopping list' of projects that need funding. You should also be flexible in framing these projects.

If my foundation's funding priority is children's health and your proposal speaks to skill development of the severely disabled, you probably aren't going to get my money. Creativity in tailoring individual proposals to individual foundations is critical.

Foundation funding may not be a major component of your fundraising program. It can, however, provide added diversity to your sources of revenue. Foundations tend to be interested in new and interesting initiatives rather than ongoing projects or core program.

We should mention that persistence is a virtue in foundation fundraising. You may not succeed the first time with any given foundation, but you should keep trying. Most Canadian foundations receive many more applications than they can handle. They might like what you are saying, but have current and forward commitments that take priority. If you keep trying, your request may become their priority next year or the year after that.

You should also not hesitate to seek their advice and counsel about how best to tailor your request to their requirements and interests. If you are turned down by a particular foundation, get back to them by phone, letter or e-mail and ask for their guidance.

6. Corporate Donations & Sponsorships

Tactically, seeking corporate support is very much like seeking foundation funding. You need to cast a broad net and narrow your prospects down to a manageable number.

Developing personal relationships over time is an important element with both corporate and foundation prospects. Patience is also a necessity. It can take years to cultivate a corporate prospect to the point of meaningful financial support.

While both foundation and corporate fundraising have many similarities tactically, they differ in three strategic ways:

- With corporations it is extremely useful to 'know someone on the inside'. Often, board members, or 'friends' of a charity can be very useful in gaining access to corporate decision-makers.

- While foundations give philanthropically, corporations tend to give out of 'enlightened self-interest'. In other words they are going to expect something in return. Most commonly, it's access to or enhancing their profile in a market they covet.

- Giving patterns vary widely from corporation to corporation. Some are philanthropic in their giving, some want direct payoff; some give to national programs; some only in communities where they have a presence; some give to a wide range of programs; others confine their giving to United Way; about 430 corporations in Canada donate at least 1% of pre-tax profits each year (under the IMAGINE Program), many corporations have no donations programs at all.

Another potential source of corporate revenue could be sponsorships of special events. Sponsorships are more formal arrangements in which the corporation receives a marketing benefit in exchange for a transfer of funds from its marketing department (as opposed to donations) budget.

As with foundations, we don't recommend putting too many eggs in the corporate basket - but generating some corporate revenue will add diversification to your revenue portfolio.

Persistence is also a virtue in corporate fundraising. You may not succeed the first time with any given corporation, but you should keep trying, and you should not hesitate to ask them how best to tailor your request to their requirements and interests. If you are turned down by a particular corporation, get in touch with the contact person and ask their advice.

7. Gaming

Gaming – namely bingo, raffles, Nevada tickets, and the like – is a commonplace fundraising tactic. Major national and small local charities as well as major hospitals use it, for example.

Gaming is usually very volunteer intensive and offers one of the lowest returns per dollar spent of all the fundraising tactics available. (For example, the big ‘dream of a lifetime’ hospital lotteries spend the majority of their ticket sales on prizes.) Some non-profits lose major revenue when a venue for ticket sales is lost.

8. GENERAL OBSERVATION FROM THE PRECEDING:

The best way to proceed for long term stability is to invest in building and maintaining a stable constituency of donors who contribute because they support the mission and program of the organization. Experience shows these donors are more loyal and profitable in the long term.

Part Three: Internal Considerations

There are five clear areas that will need to be addressed in planning and executing the strategies geared to your revenue generation over 2-3 years. They are:

1. Role of the Board and senior executive staff
2. Profile as an organization
3. Staffing
4. Training
5. Expenditures

1. Role of Your Organization

Are you an established charity with charitable status with Canda Customs and Revenue Agency (CCRA)?
Do you have bylaws and practices in place? Is there a formalized accountability structure in place? Are roles and responsibilities of board and staff in place and are they clear as to how they relate to fundraising? Do you have the infrastructure in place, including staffing to ensure the success of your fundraising program?

How will you know when your organization is ready to fundraise?

Your organization is ready to fundraise when:

- It has identified specific and urgent needs.
- It has approved a compelling case explaining its fundraising goals.
- The Board representatives understand and embrace the long-term commitment of time and resources required for successful fundraising. The Board recognizes that fundraising is not only their responsibility but a top priority.
- Board members and key volunteers have existing peer relationships with philanthropic leaders and major donors, both corporate and individual, across Canada.

- Your organization communicates often (more than five times a year) with its donors, constituents, and prospects using newsletters and other public relations tools.
- The fundraising budget is as accurate as it can possibly be.
- Articulate, enthusiastic individuals are available to lead and share the vision.
- The staff understands and supports the need for fundraising.
- All funding opportunities have been examined.

2. Expenditures

Revenue growth rarely happens without a financial investment. You must make an investment which means securing and assigning the funds for the next 2-3 years to ensure you have the infrastructure to develop and implement a communications and fundraising program. Here are the principal areas where you can expect to spend assuming you are beginning to develop the infrastructure to fundraise effectively:

- Communications Officer
- Manager of Development
- Administrative Assistant
- Administrative costs
- Fundraising Counsel

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