
**THE ART AND LOGIC OF
FUNDRAISING**

DRAFT

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The Art and Logic of Fundraising

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THE ART AND LOGIC OF FUNDRAISING

Preface

The subject of philanthropy is fascinating! I have spent much of my career encouraging giving to private higher education institutions and other not-for-profits. I am eager to share the experiences, thoughts and suggestions I have gained directly, and also indirectly from other fundraisers, with those engaged – or about to be engaged – in the important, satisfying, and socially essential business of stimulating philanthropy.

Few of us grow up wanting to be, or expecting to be, fundraisers. But many – perhaps most – of us find ourselves thrust or coaxed into not-for-profit environments that are dependent upon philanthropic support. This group certainly includes all executives and board members (trustees or directors) of nonprofits. Encouraging and soliciting that gift support then becomes one of our responsibilities. For both “professionals” (paid fundraisers) and “amateurs” (volunteers), this activity deserves careful thought, preparation, and understanding of the art – and the logic – of fundraising.

The purposes of this book are, then, to enhance understanding; to stimulate creative fundraising thinking; and to help prepare leaders of not-for-profits – volunteers, operating senior executives, trustees/directors, and aspiring and early-career professionals -- for that key responsibility: fundraising.

Let’s acknowledge at the outset that considerable anxiety is induced in many people when they are asked to participate in fundraising. Often the response is as simple and direct as, “I just cannot ask for money!” In fact, almost everyone, with proper preparation and coaching, can “ask” the appropriate person “for money” to support a cause or purpose that both the prospective donor and the fundraiser care heartily about! Tension when asking can be productive; fear is not. Mitigating fear of “asking” is another important purpose of this book.

Stories and examples are key to learning both the art and the logic of fundraising. Accordingly, this book is replete with stories based upon actual experiences. Also included at the end of the book, arranged by book chapter, “caselets” – vignettes, if you will – pose for the student of fundraising (i.e., the reader of this book!), a fundraising situation, related to the chapter, to stimulate his or her thinking. These “caselets” are ideal vehicles for discussion by small groups of aspiring fundraisers.

We begin with two overviews of philanthropy and not-for-profits. Chapter 1 asks and answers the twin key questions: Who Gives? and Why Do They Give? Both the history and the current state of giving in this country are reviewed. The citizens of this country are enormously generous. As fundraisers, we should remember that they must gain satisfaction from the act of giving away their assets. Surely that makes our jobs easier! But what motivates them to give? The ready but insufficient answer is, “because they want to help do good.” What set of values are they seeking to enhance or fulfill by their gifts? Remember that competition for the philanthropic dollar is intense; why might a prospective donor choose not-for-profit A rather than not-for-profit B, assuming they both “do good”?

Chapter 2, “The Context of Fundraising” provides a quick, lay overview of the legal and tax environments in which both not-for-profits and charitable giving flourish in this country.

Gifts arrive at nonprofits in hugely varying amounts, directed at very different projects or purposes, involving different kinds of assets (not just cash), at different times and with different frequencies, subject to many different understandings and relationships (casual and formal), and from donors in a wide variety of circumstances. To guide our discussions for the balance of the book, Chapter 3 provides a Taxonomy of Gifts.

Chapter 4 and 5, respectively, focus on Annual Gifts and Major Gifts, following the useful, if somewhat arbitrary, classification of gifts from individuals presented in Chapter 3. Chapter 6, entitled “Before and

After: Cultivating and Stewarding” describes the important activities pursued before and after the donor makes his or her gift decision.

Chapter 7 focuses on fundraising from foundations and corporations.

Chapter 8 provides some advice for the brand new and still young non-profits, many or most of which may, at this beginning stage, have no professional staff.

Chapter 9 reviews the role that “campaigns” can and do play in a well-oiled fundraising function, as well as the key phases of a successful campaign.

Chapter 10 provides some guidance for those charged with managing the development function within the nonprofit.

The book ends (Chapter 11) with a “Recap”: a short, succinct, pithy and I hope useful list of what I call “Fundraising Truisms” – guidelines, principles, mottos, and reminders of what constitutes “good practice” in the important work of encouraging donors to share their wealth (resources) with the many not-for-profits that assist and educate members of our society, enhance our culture and our lives, and help build and strengthen just and supportive communities.

A Word to Directors/Trustees of Not-For-Profits

Few successful individuals who become trustees and directors of colleges, hospitals, museums, and many other philanthropic organizations fully comprehend at the time of their appointment or election the extent of their fundraising obligations. Fewer still have thought much about how to succeed at fundraising and how their business and management experience can enhance that effort. Many view it as a necessary evil, a dignified form of begging.

Fundraising is not an arcane art or science; it is not hard to grasp the fundamentals. I hope this book will help. For example, Chapter 2 draws some useful parallels between fundraising and marketing in industry and commerce.

Fortunately, volunteers, including trustees and directors, find that, once they are engaged, the process is both challenging and fulfilling.

CHAPTER ONE: Who Gives? Why Do They Give?

*“And so abideth faith, hope, charity, these three:
but the greatest of these is charity.”*

King James Bible, 1 Corinthians 13:13

Who gives and to what causes? What is philanthropy... and what is it not? What groups are most generous in the United States and why are Americans so much more generous than their European counterparts? What motives the largely selfless act of giving away assets – that is, why do people make gifts?

Some of what follows in this chapter is based on hard data, some draws upon the consensus opinions of those who have studied philanthropy over recent decades, and some is conjecture on my part. You’ll readily discern which is which.

Let’s begin with a couple of definitions. The word “philanthropy” draws, unsurprisingly, from Greek and Latin, specifically the word *philanthropia* meaning “love for mankind” and is further defined as “donations of money, property, or work to needy persons or to socially useful purposes.”

Though this book focuses on gifts of money and property, the word “philanthropy” also surely encompasses volunteering time and effort – but data on time and effort given to “socially useful purposes” are hard to come by.

One organization in this country would quarrel with this broad definition. The National Committee for Responsive Philanthropy, founded in 1976, limits its attention to the gifts and volunteer work that are “responsive to people and communities with the least wealth and opportunity”. Accordingly, most gifts to arts organizations and to

education are viewed by NCRP as “serving private interests.” This book ignores the narrowness of that definition, asserting that our communities and lives would be much diminished if we didn’t have, for example, art museums; ballet companies; community senior centers and teen centers; “the Y”; private educational institutions, big and small; non-profit children’s hospitals; and medical research enterprises.

Yet surely there are payments that are categorized as gifts by the Internal Revenue Service and thus are deductible – at least thus far, they are deductible -- even though they involve substantial *quid pro quos*, that is, tangible benefits to the donors. Examples are gifts to college athletic departments that provide access to preferential seating at football and basketball games, or gifts to arts organization that provide similar benefits to opera or ballet devotees. These can reasonably be thought of as part philanthropy and part fee-for-service. This book also ignores that reality; if the payment – or at least a major part of it -- qualifies for a tax deduction, it’s a gift by my definition.

Giving in the USA

Let’s review some aggregated data about current giving in the United States, some of which is drawn from the National Philanthropic Trust. These data are, by the way, from the middle of the 2000’s decade and thus predate the financial hard times that began toward the end of that decade.

To start, there are many more charitable Americans than non-charitable ones. Almost two-thirds of American households make charitable donations of \$25 or more each year. About 10 percent give solely to religious causes, and about twice that percentage give only to secular causes, and the balance, about one-third of households, give to both. On average, their gifts sum to over \$1,700, or about 3.5 percent of household income. Americans are simply startlingly generous!

The donor base is changing. In the past, the image of the donor was that of a person who had inherited wealth and whose giving came from a sense of duty rather than from a strong identification with the mission

of the institution. Today, more donors tend to be self-made. They tend to be quite specific about their likes and dislikes.

Looking to the future, many, many large fortunes – most created in technology and finance – have been and will be transferred in coming decades. Most of this wealth will not be transferred to heirs but instead to charities or to charitable foundations (and thus ultimately to charitable organizations.) This pattern was established about a century ago when the wealth created by the industrial revolution formed the basis of the foundations that now bear these names: Rockefeller, Carnegie, Ford, Mellon and others. Technology and finance luminaries have more recently joined these mega-philanthropists: Gates, Keck, Moore, Hewlett, Thiel, Kravis, and surely more are on their way. Typically, young entrepreneurs and financiers are bent on amassing fortunes until well along in their careers; in time, when their financial futures are secure, they are likely to realize the need to plan carefully for the distribution of those assets. At that point they may add their names to the list of those who have founded and funded huge charitable foundations.

One estimate of the future course of fundraising notes that a massive wealth transfer is well underway and that aggregate giving for the 55 years between 1998 and 2052 will total about \$40 trillion.

The New York Times in late 2010 wrote, “Surely the biggest event in philanthropy this year was the Giving Pledge; a commitment by 40 of the wealthiest Americans to give away at least half of their fortunes.” This pledge, organized by Bill and Melinda Gates and Warren Buffett, was “to stimulate discussion about philanthropy among the ultra-wealthy and unleash a wave of me-tooism among others that would bring about ‘the Second Great Wave of Philanthropy!’” The aggregate wealth of these forty individuals and couples is about \$1.2 trillion. Recruitment of others to the Giving Pledge continues. A danger lurks within the publicity accorded this pledge: those of us with modest means may be discouraged to give the small amounts we can afford, deciding to leave it to the “billionaires.”

Men and women have somewhat different approaches to their philanthropy. Women are particularly drawn to support those organizations where they volunteer. Women are particularly keen to give back to their communities and to set a philanthropic example for young people. Single women (widows?) give more generously than single men.

Total giving in this country aggregates to about \$300 billion per year. On the order of 10 percent of that large amount comes from charitable foundations. Another 7 or 8 percent comes from bequests. Corporations account for only 4 or 5 percent. And, the balance, 75 percent, comes from living individuals. The point is that the vast majority of gifts come right out of the pockets of those of us who are still walking around in this country, in contrast to the widely held perception that corporations and foundations are the biggest source of gifts and grants.

Consider corporate giving for a moment: 4 or 5 percent of the total. Some of that total is made up of “gifts in kind”: products made by the donor (e.g., Apple computers to schools) or obsolete equipment no longer used by the company. Some – for example, gifts to NPR and PBS, or to the local Little League – really amount to “image” advertising. Finally, *quid-pro-quo* returns are promised in exchange for some of these gifts – for example, corporate gifts to the engineering departments at research universities, in return for early exposure to developing technology. Although I certainly don’t disparage corporate giving, only a modest amount of true philanthropy is associated with it.

Professionally-managed foundations (that is, not including small family foundations) account for about 10 to 12 percent of gifts; the dollar total here is dominated by the asset-rich foundations, including (in alphabetical order) Carnegie, Ford, Hewlett, Keck, Koch, Mellon, Moore, Packard, Rockefeller, Sloan and many, many more.

Over the last 50 years charitable contributions have always been between 1.5 and 2.1 percent of gross domestic product (GDP); they averaged about 1.7 percent throughout most of this period, but over 2.0

percent for the past 15 years. In inflation-adjusted dollars, individual giving has nearly tripled during that half century, as population, per-capita economic output, and charitable propensities have increased.

In 2005 there were about 68,000 foundations in this country, with total assets estimated at one-half trillion dollars. This distribution of assets is, of course, highly skewed: only 46 foundations had assets over \$1 billion in 2005. Put another way, 70 percent of the assets were controlled by two percent of the foundations.

To What Causes Do They Give?

About one-third of charitable funds go to religious organizations, and two-thirds to secular activities: education, health, the arts and social services. The breakdown in 2010 of giving by recipient organizations was:

	<u>Percent</u>
Religion	35
Education	14
Gifts to foundations	11 (incl. community)
Human services	9
Public-society benefit	8 (e.g. United Way)
Health	8
Arts, culture, humanities	5
International affairs	5
All others	<u>5</u>
Total	100 percent

Bear in mind that a significant portion of total giving – about 18 percent – was in the form of assets other than cash. Gifts of equity securities (corporate stock) amounted to about 45 percent of that total; I will discuss the tax advantages associated with stock gifts in the next chapter. Gifts of clothing and land represent another 20-25 percent.

There are in excess of 1 million charitable organizations in this country and this number is growing rapidly: about 10 percent growth in the first

decade of this century. And about 10 percent of Americans work for not-for-profit organizations.

Predictors of Individual Generosity

Some surprising data: First, the *working poor* give a larger *percentage* of their income than do middle-class folks. Incidentally, one can bet that most of these working poor carry balances on their credit cards month-to-month; 60 percent of all American families do so. So, these folks are giving while at the same time paying very stiff interest on their credit card balances.

Second, people who have children give more than those who don't. Third, race and ethnicity are not useful predictors of charity.

Unsurprisingly, the rich give more *dollars* than the poor. In fact, families with total wealth – that is wealth, not income -- in excess of \$1 million (that's 7 percent of all families) make about half of all charitable contributions. The inverse of this statistic is, to me, more startling: 50% of gifts come from families with wealth less than \$1 million; that sub-set must exclude just about everyone who owns a house in an upscale urban or suburban neighborhood.

And, in 2008 individual Americans with annual income over \$500,000, while representing less than one percent of all taxpayers, accounted for 18 percent of all income and made one-quarter of all charitable gifts. By contrast, the two-thirds of taxpayers who earn less than \$50,000 accounted for 20 percent of aggregate income and made about 20 percent of aggregate gifts.

Individuals' personal income tax circumstances are not predictors; that is, tax deductibility of gifts is generally irrelevant to their decisions. I pause at this point to acknowledge that I have been called naïve (or stupid or worse) for thinking that tax deductibility is not a factor in philanthropy. But that is not what I said, nor what I believe. I do believe tax deductibility of their gifts is generally irrelevant to their giving decisions; that is, the decision to MAKE a gift is not motivated

by taxes; after all, the donor doesn't GAIN financially by making a gift. He or she gives up real value! Yet, surely the SIZE of gifts is affected by tax considerations, particularly the bypassing of capital gains taxes associated with giving away low-basis assets. (see Chapter 2)

Religion and political leanings are useful predictors. Some students of philanthropy argue that the most generous are those who are both religious and conservative. The least generous are politically liberal, non-religious folks. Apparently conservatives give both MORE money and a higher PERCENTAGE of their income than liberals. So, it is not just that conservatives are richer! Conservative families give more than liberals in every income class, from poor to middle class to rich.

Now, these are aggregated data. Perhaps non-religious liberals are giving dominantly to help the down-trodden, while religious conservatives give dominantly to religious organizations, education and the arts – gifts that the National Committee on Responsive Philanthropy, which I mentioned earlier, would discount as being self-serving. I cannot parse the data to that degree. Moreover, we could spend a long time arguing about motive, with some perhaps asserting that gifts to the down-trodden arise from purer motives than gifts to museums, the opera or ballet, hospitals, and educational institutions.

It is true that, with the explosion in private giving in recent decades, a smaller percentage of those gifts are directed to human service agencies. However, even with population growth, on a per-capita, inflation-adjusted basis, gifts to these human service agencies increased by 15 percent over the past 45 years.

Regional differences are also fascinating, many linked to religious differences. Families in San Francisco and families in South Dakota give the same amount to charity each year, \$1,300, yet San Francisco families earn 78 percent more income. People who pray every day are 30 percentage points more likely to give than those who never pray. Arkansas has two churches per thousand residents and Arkansans give 3.9 percent of their income to charity. Massachusetts has 0.5 churches per thousand – that's one-quarter the church density of Arkansas -- and

those residents give 1.8 percent of their income, less than half the percentage in Arkansas.

I want to be careful not to assert cause-and-effect here. These are simply correlations, not causations. Perhaps charitable instincts cause one to be conservative and religious; or perhaps the conditions and upbringing that influence interest in religion and conservatism also encourage generosity. Or, perhaps the correlation is simply happenstance.

Why Are Americans More Generous than Europeans?

In light of this country's stunning record of generosity, we can speculate as to why Americans are so much more generous than Europeans.

Alexis de Tocqueville, a French political thinker and historian, shed some light on this question. He was a keen observer of this country during the several years he spent in the United States during the 1830s. His most famous book was Democracy in America, published in 1835. The following is a quote from de Tocqueville: "In every case, at the head of any new undertaking, where in France you find the government or in England some territorial magnate, in the United States you are sure to find"...a charitable organization.

There is no doubt that, as de Tocqueville implied 175 years ago, Americans are more prone to charitable giving than are Europeans.

Americans give more than twice as high a percentage of their income to charity as do the Dutch, three times as much as the English and French, five times more than the Germans, and 10 times more than the Italians. Also, Europeans are much less likely to volunteer than are American citizens.

Why might that be so? Definitive figures or survey data are not available, but let's review three conventional wisdoms – widely

accepted but probably false – and then seven reasons that are quite compelling in explaining the difference.

The conventional wisdoms:

First, charitable giving is tax deductible in the U.S. but typically not deductible – or deductible to a lesser extent – in Europe. That statement is true, but in this country changes in tax rates and increases and decreases in tax incentives for charitable giving appear not to correlate at all with charitable giving. Europeans have trouble believing that generous Americans are not somehow achieving undisclosed tax savings or other “strategic” benefits from their giving. However, few people are motivated to give by the deductibility of their gifts, and donors of very large gifts receive very little or no favorable income tax treatment for those gifts. On the other hand, most donors do indeed pay attention to tax efficiency in their giving, as we shall see.

Second, religiosity is more widespread here than in Europe. True, but strip out gifts to religious-based organizations and Americans are much more generous to secular activities than are Europeans.

A third argument one hears is that Americans are inherently or maybe even genetically more disposed to giving than are Europeans. They are just nicer and care more about their fellow citizens. Possibly, but this argument is hard for me to buy!

Now, the plausible reasons seem to me to be the following.

1. “Social safety nets”, as well as the arts and churches, receive much less government funding in this country than in Europe. The same is true of educational institutions. In short, the need for charitable giving is greater in this country because of the lesser role of government.
2. Income distributions are substantially more skewed in this country, with the very wealthy having more assets than they could possibly consume. This condition has little to do with

the percentage of givers but much to do with aggregate gift totals.

3. A cultural predisposition not to pass along large sums of money to children, perhaps because of the American passion for individuals to make their own ways, rather than relying on inheritances. In this country, financial advisors and attorneys routinely urge the very wealthy not to leave too much money to their children. Moreover, most of Europe has what the Economist magazine has called “forced heirship” – that is, it is difficult or illegal to disinherit children.
4. Donors in the U.S. are more willing to display their wealth by publicly associating their names with their gifts. That act is more acceptable in this society and that, in turn, has led to a certain productive competition among large donors. Indeed, as I will emphasize later, professional fundraisers urge donors to associate their names with their gifts – on buildings, in the back of arts programs, on “donor walls”, and so forth. Anonymous giving in this country is the exception.
5. Following the industrial revolution, at the turn of the last century, charitable giving took off in this country and these very generous donors – Carnegie, Rockefeller, Mellon, Ford, Stanford, Huntington -- became role models for subsequent generations of wealthy individuals. Their giving was highly weighted toward education, including the 2,509 libraries that Carnegie built here and abroad. More recently, at least in the west, Allen, Gates, Getty, the Google founders, Hewlett, Keck, Knight, Koch, Packard, Zuckerberg, many venture capitalist, and others have provided role models.
6. In this country, potential donors are more likely to be asked for gifts – both by volunteers and now by the rapidly

growing corps of paid fundraisers. “Asking” started much earlier here and has become a widely accepted practice.

So, who acts on the saying “tis better to give?” Well, religious conservatives more than those who are politically liberal and nonreligious. The vast majority of American citizens, and a much higher percentage of American families than European families. Families at virtually all income levels in this country, not solely the wealthy. Those who are married with children more than single, childless individuals. Religious conservatives more than those who are politically liberal and nonreligious. And, those who are asked for gifts.

Why Do People Give?

We seldom think of prospective donors as customers, but this mind-set can be useful. Subtle motivations influence individual decisions to buy goods and services; motivations – but not necessarily the same ones -- also cause people to give.

In buying a product or service, the customer seeks to satisfy a certain set of values. They generally aren’t interested in the needs of the suppliers, nor the technologies employed in the product’s design, nor the methods by which a service is delivered, nor the supplying corporation’s mission or strategy. Instead, they are interested in satisfying their own needs, typically a set or mix of values. Not all customers seek to fulfill the same set of values, but each customer is seeking some composite of values, what I will call his or her value set.

Marketing directors in the industrial world stress product performance, technical specifications, elegance of design, and many other characteristics that may – or may not – be of importance to the prospective customer. And the features or attributes of the product or service that motivate one customer to buy may be very different from those that will be key to the buying decision of another customer. Sales managers too often dominate a discussion with a customer (or in advertising or product literature) with details about the product, or the

supplying company, or price, or quality – all without paying much attention to what the customers seek to realize from a possible purchase, the value set that he or she is seeking to acquire.

This same myopia plagues development activities of both staff and volunteers. They are eager to “pitch” the prospective donor without first understanding the values the donor seeks to achieve by parting with his or her philanthropic assets. They want to talk, to convince the prospective donor of institutional need; such a focus and preoccupation is both arrogant and self-centered. Fundraisers need to listen, listen, listen to prospective donors to get a grasp of what is important to the prospect, what values (or, if you will, personal needs, not institutional needs) does he or she seek to satisfy by making a gift.

Why do people give? Is it out of a sense of duty and altruism? Certainly, but the donor can be altruistic and duty-bound in a host of different ways, to any of a countless number of charitable organizations. There is plenty of competition available to serve the donor’s altruistic urges. What are the personal values – motivations, if you will – that the donor might better satisfy giving to your organization rather than another?

The many factors that can explain why people give can be categorized into five factors or values. In most cases the prospective donor seeks a mix of these five, and more than one is likely to be “in play” as donors decide whether and how much to give.

1. Value alignment: the donor wants to be certain that the mission and values of the not-for-profit align well with his or her own interests and priorities. Absent this alignment, the donor will almost certainly seek other outlets that better match his, her, or their priorities and values.
2. Impact. Donors want to be certain that their gifts will have “impact”. This is really the flip side of “need”. The reason most of us don’t give money to panhandlers is not because of an absence of “need’ but because we feel our gift will

have no impact in changing behavior. We tend to focus our philanthropy on those charities where we think our participation will have “impact”, make a difference. Not-for-profits and their fundraisers who focus on their own organization’s needs are being very myopic, considering the gift transaction from only their own viewpoint and not that of the prospective donor. The more compelling and critical the gift is to the institution, the more impact the donor’s gift will have. And, that impact is strengthened when the proposals to the donors spell out how they will know if their gifts made a difference, including specific performance metrics.

An endowed curatorship for the museum, more space within the hospital for a promising new treatment, scholarship assistance for a sport at the university, research funding for a particular disease or societal challenge: each can have keen impact appeal to the right prospect.

By the way, women place greater importance on this value than do men and are more optimistic about the effectiveness of nonprofits than are men.

3. Recognition: donors gain pleasure and satisfaction from the recognition they receive for their gift or gifts, the more prominent the better! Names on buildings give donors a kind of immortality. And arts organizations have a series of “giving circles” at increasing dollar amounts for the same reason; membership in these circles is listed in the back of programs for performing arts events. We fundraisers always read such programs from the back forward – and read donor walls of all new buildings we enter – and so do many past and future donors. It is true that some donors abhor this reason for giving; they can, of course, give anonymously. However, many who profess a preference for anonymity can be (and should gently be) talked into permitting the use of their names, not to satisfy the donor’s ego, but because

doing so helps the fundraising efforts of the non-profit. The point: we find donors all along this recognition continuum, and the fundraiser's task is to figure out where each donor – and each individual influencing the donor – stands.

4. **Affiliation or association:** this value dimension is difficult to define, but it is different from formal and visible name recognition. The more prestigious the institution, the more of this value it can bestow on its supporters. Alumni like to be affiliated with their schools: if they give enough to be invited to sit in the press box for football games, or have dinner with the president, people with whom they like being associated will surround them. “Events”, social and cultural, that do not include “asking for money” directly but to which only key donors and volunteers are invited serve to affiliate those individuals with both the institutions and their influential peers. When the organization seeks esteemed and prominent individuals to be lead donors and volunteers, it is positioning itself to deliver more affiliation value to subsequent donors and volunteers.

Bear in mind with respect to both recognition and affiliation that many donors may not really know what they want, and, if they do, may be reluctant to ask for what they want. The fundraising staff thus may have to divine how best to deliver on these two reasons for giving. But also remember that not every donor wish can or should be fulfilled, as some donors offer gifts with “strings attached” that are unacceptable (and occasionally illegal.)

5. **Leverage:** related to impact, leverage is somewhat analogous to price. One might label this the “deal” aspect of a gift. When a matching gift program doubles a donor's gift, the donor is benefiting from leverage. When, by giving half of the cost of a building, the donor is permitted to name it, he or she is benefiting from leverage. Many people like a deal, and some donors love to negotiate. When this value is

important to the prospect, the fundraiser must be responsive. Of course, not-for-profits should have sufficient fundraising discipline to maintain reasonable bounds in the amount of leverage it offers prospective donors – and it must be prepared to decline a gift when negotiation moves too far toward a hurtful, illegal, or unethical “deal.”

Let me return to tax considerations. While they don’t motivate giving, they unquestionably influence most generous benefactors. Tax laws can influence the timing of the gift, the form of the gift (e.g. cash versus appreciated property) and size of gift. For a few people, tax considerations dominate: those people are pleased to spend more than a dollar to avoid paying the Internal Revenue Service a dollar! On the other hand, some who give a lot and others who give a little are indifferent to tax considerations, either because they have used up their charitable deduction opportunities or because they do not itemize deductions on their tax returns. Planned gifts (see Chapter 3) offer attractive tax-planning opportunities as well as other benefits to donors. To ignore tax considerations and planned giving is shortsighted indeed.

Typically, a donor has a set of motivations, not a single motivation, for giving. And he or she does not typically evaluate gift opportunities in these terms. Often the donor cannot articulate the reason or reasons for making a gift, annual or major. These facts make the job of the fundraiser both more complex and more interesting!

The list above may seem to leave out what might be called the “purer” motives. To the contrary, the “purer” motive is what impact is all about. Competition for the philanthropic dollar is intense, and donors generally give where they think their gifts will do the most good – have the greatest impact.

Throughout the remaining chapters we will return often to consider the applicability of these value dimensions to various gift and donor situations.

And, finally, one more reason to give: psychologists have, by experiment, established that *giving* causes us to be both healthier and happier!!

Key sources for this chapter include:

1. The Economist, June 9, 2012, pp 28-31
1. The Giving USA Foundation, statistics compiled by the American Association of Fundraising Counsel.
2. Fleischman, Joel, The Foundation, Public Affairs Books, 2007.
3. Riggs, Henry E., "Fundraising lessons from high-tech marketing", Harvard Business Review, NovemberDecember1986

“Never doubt that a small group of thoughtful, committed citizens can change the world; it is the only thing that ever has.”

Margaret Mead

The business of fundraising is circumscribed and influenced by the context – primarily legal and tax – in which not-for-profits function and by which they are governed and constrained

Legal Basis of Not-for-Profits

Charitable organizations are generally in the corporate form. They differ from the usual commercial and industrial corporations in both mission and purpose: they are “for the public good” and “not for profit”. But, like their industrial and commercial cousin corporations, they are (a) authorized by a state and (b) governed by a board of directors. Since not-for-profits have no shareholders, the governing board (generally referred to as the Board of Directors or Board of Trustees) is self-perpetuating; that is, the directors or trustees, acting as a group, are empowered to fill vacancies on the board as they occur and to dismiss directors/trustees as appropriate. Most boards create a set of committees; at non-profits the set typically includes, at a minimum, committees with responsibility for development (fundraising), finance and budgets, nominating, and personnel. If the non-profit has an endowment fund, an investment committee provides oversight for the managers of the endowment.

Because they are “for the public good”, not-for-profit corporations are appropriately and legally limited from providing excessive salary or other benefits to either the staff of the not-for-profit or the donors to it. In the event that a not-for-profit ceases to function, perhaps because its services are no longer needed or because it becomes financially insolvent, its assets, including endowments, must be transferred to another not-for-profit. The assets may not be given to staff or the governing board members, and any return of recent or pending gifts to their donors negates the tax deductibility of the gifts.

Any suspected misbehavior by the charity – discovered or reported – will be investigated by the Attorney General of the state where it is incorporated. Members of the governing board may be held liable for damages inflicted by the misbehavior. Most not-for-profits do – and all should – hire external auditors to review and certify annually the appropriateness of the corporation’s finances. Governing board members should insist on this independent review to protect both the nonprofit and themselves.

Not-for-profits must seek and receive approval from both the state and the Federal Internal Revenue Service (IRS) for their tax-exempt status. Such corporations are often referred to as 501(c)3 corporations, referring to the relevant section of the Federal tax code. It is this approval that qualifies gifts to these organizations for tax deductibility, subject to various limitations imposed on the donors.

The process of obtaining both state and IRS approval is typically neither onerous nor lengthy, assuming the purposes of the not-for-profit are truly “for the benefit of the public” and its initial governing board is made up dominantly of independent members (that is, non-employees.)

Incidentally, a not-for-profit is not forbidden from making a profit. However, if the not-for-profit enterprise includes a unit that does make a profit (as defined by the tax laws), it will be subject to “unrelated business income tax” on that profit. An example illustrates that no bright line separates non-taxable from taxable activities: while universities are not-for-profit, their bookstores, if operated by the university, may generate unrelated business income, yet any excess of revenue over expenses generated by their intercollegiate athletic activities is currently not considered unrelated business income.

Form 990

All non-profits must file annually with the Federal government a Form 990 that reports, among other data, salaries of the five highest-paid employees, the total fundraising receipts for the year, and the total

expenses incurred by fundraising activities. I find the Form 990 fascinating and useful reading! A few examples:

— In two cases, I found the non-profits I was supporting paid their top executives salaries and benefits that were perhaps legal but, in my view, were exorbitant. I ceased my support of both;

— The Avon Corporation, a cosmetic company, sponsors “walks” in support of breast cancer research, a worthy cause as well as effective public relations. Only one-half of each dollar donated at the request of “walkers” went to cancer research; the other half defrayed the expenses of putting on the event. Some donors may be willing to support cancer research but unwilling to support Avon’s effective public relations efforts.

— The board of a social service agency reports on its Form 990 that fundraising expenses equal 50 percent of funds received. The problems were two: the accounting by the agency and its auditors was sloppy, and fundraising results were, indeed, pitiful.

Bear in mind that the Form 990 is a public document. Most non-profits post the form on their websites and most charitable foundations require that a copy of the Form 990 accompany every grant application. Every charity should pay attention to this reporting, and assure that it is accurate and reflects favorably on the charity.

Mission Statements

A mission statement – or vision, or purpose, or whatever you choose to call it – is an organizational linchpin; it helps to assure that the organization is truly “mission driven.” What the statement includes is key; what it excludes is equally important. The widespread understanding and acceptance of the institution’s mission will insure that messages to prospective donors focus on that mission or purpose and not on the institution itself. Further, the statement helps protect the institution from accepting gifts that are inconsistent with its primary focus. Yes, it is tempting to accept all gifts, but the institution should do its best to avoid what is often called “mission creep”: diluting its primary mission by taking on activities – perhaps because of the urging of an important donor – that muddies the mission statement and dilutes

the attention of staff and board. Mission statements are discussed further in Chapter 10.

Selecting Governing Board Members

The task of identifying qualified and productive new governing board members typically falls to the “nominating committee” of the board. Board members are chosen for the expertise they can bring to the operations of the not-for-profit. But the centrality of fundraising to the success of the not-for-profit generally demands that development considerations be given strong consideration in the selection of board members. While wealth may be one important qualifier, the absence of wealth should not be a dis-qualifier, assuming the individual is qualified along other dimensions. Arguably, an understanding and appreciation of the role of development is one of the key qualifiers, as is also the willingness to participate actively in the process of gathering resources, including identifying and engaging with prospective donors. Many wise non-profits insist that each board member, during a portion of his or her tenure, serve on the board’s development committee. In addition, every member should be expected to give generously to the charity on whose board he or she sits, with generosity measured in the context of the financial capacity of the member. It seems reasonable to ask a prospective board member to agree that, if elected to the board, he or she will assign to this not-for-profit first, second, or third priority in his or her personal charitable giving plans.

Tax Advantages Accorded Gifts

The assertion that “gifts are deductible” deserves both explanation and qualification. Nominally, an individual is taxed by the Federal government (and often by the state) on the basis of his or her (or, for a couple, their) earned income. However, the tax code permits various deductions from adjusted total income when calculating taxable income. The most common exemption is for dependents. Then, the taxpayer has the choice of “itemizing” his, her or their deductions, including gifts to qualified not-for-profits, or taking the so-called “standard charitable deduction” specified by the IRS. If the taxpayers

do not itemize deductions and thus avail themselves of the so-called "standard deduction", then the amount of their giving will not affect their income tax liability.

A taxpayer who "itemizes" and is in a relatively high income-tax bracket finds that the "after-tax cost" to the donor of giving is considerably less than the amount received by the charity. In effect, the tax laws at the Federal and state level are subsidizing the charities to the extent of the foregone tax. It is for this reason that the not-for-profit activities must be "for the benefit of the public." However, the dollar amount of giving that is deductible is subject to a number of limitations. Accordingly, donors of very large amounts and donors with very high current income may receive little or no tax benefit.

Gifts of appreciated property – typically, equity securities or real estate – are accorded special treatment. Suppose a taxpayer owns securities with a market value today of \$100,000, for which he or she paid \$15,000 ten years ago. Selling the securities today will generate an \$85,000 taxable capital gain. However, if the taxpayer gives the securities to a qualified not-for-profit, he or she may deduct the current market value (\$100,000) and will not be subject to capital gains tax on the \$85,000 of appreciation. It is for this reason that so many large gifts involve giving away appreciated property.

Gifts of tangible person property – artwork, antiques, and so forth – are subject to independent appraisal to establish their deductible market value. Marketable securities, of course, have a readily discernable market value.

Bequests – gifts made by will at death – are not subject to inheritance tax, while gifts to individuals above a threshold amount are subject to this tax (sometimes called a "death tax".) This threshold has varied considerably over the years as the Tax laws revisions over the years have changed this threshold considerably.

Remember that, to qualify for the tax deduction, a donor must relinquish all control of the assets given. Such full relinquishment is

also certainly beneficial to the receiving organization: the organization – its board and its executives – must retain both independence and responsibility for the affairs of the non-profit. Donors may state their preferences regarding the use of their gifts, and of course, if the preferences are reasonable, they almost surely will be followed. If the stated preferences are unreasonable or unworkable the development staff should talk the donor out of them or not accept the gift.

Gifts are sometimes “timed” to achieve maximum tax advantage for the donor. For example, if a donor anticipates having an unusually large taxable income in a certain year, he or she may choose that year to make a substantial gift. If a donor believes that personal income tax rates may be reduced next year, he or she may choose to accelerate gifting into this year; the counterpart is, of course, also true.

So-called donor-advised funds can assist donors in timing their gifts. Some donors desire to level out their gift giving over a series of years. A particular donor may have tax reasons for wanting to make a large gift this year but not yet have decided either the intended charities or the specific amounts of the gifts. Such donors can create a sort of “gift bank account” – a donor-advised fund -- at institutions established specifically to facilitate gift timing. The most common such institutions are Community Foundations. (One mutual fund group also provides this service.) The fees charged by the foundation cover the cost of managing the funds and a bit extra that is available at the discretion of the community foundation staff and board to support local (community) charities. The gift is deductible at the time it is given to the fund, not when it is subsequently passed on to an operating not-for-profit, because the gift to the donor-advised funds is irrevocable. Legally, the donor can only “advise” the community foundation as to the charitable destination and amount of the outflows from the funds. Practically speaking, so long as the destination of the gift is a qualified charity, the donor’s “advise” will always be taken!

The Future of the Charitable Deduction

We should not over-emphasize the “tax advantages” of giving. To repeat an earlier admonition: no donor ever “made money” by giving money away. The donor always has fewer assets (and lower net worth) after making the gift than before. Nonetheless, all sophisticated donors give careful attention to maximizing the tax advantages of their giving. And, of course, the larger the gift, the more careful the attention!

Moreover, we should not be too sanguine that the unlimited deductibility of gifts won't be attacked. In 1863, in England, William Gladstone noted that, “If A is let off [from paying taxes due to charitable deductions], B must pay more.” More recently, others argue that philanthropy is another form of personal consumption, quite the equivalent of buying luxury goods: both deliver scarce and valuable benefits to the consumer – in the case of philanthropy, social esteem and status. And ask yourself whether the charitable gift deduction applied to gifts to religious organizations fully comply with the principle in this country of the separation of “church and state.”

While it seems unlikely that in the near future the charitable tax deduction will be eliminated, its importance might be substantially reduced either by limiting the deductible amount for an individual donor or by reducing the tax benefit for gifts directed to purposes, such as athletic programs at universities, that may be of questionable social benefit. A limit might also be placed on charitable deductions from the estate tax.

On the other hand, in recent decades the effective income tax rate for the very wealthy has decreased, and might decrease further; these decreases have increased the after-tax cost of giving. Yet, throughout these decades charitable giving has increased. One possible explanation is that America's “rich” have become substantially wealthier over the last decade or two.

A Culture of Philanthropy

Perhaps the most important “context” for successful fundraising is the pervasiveness throughout the non-profit – donors, board, staff, and

volunteers – of a strong culture of philanthropy. Such a culture seems easier to describe by its absence than its presence.

Many not-for-profit organizations have difficulty accepting the notion that they are “charities”, that they depend upon personal generosity for their existence and effective functioning. Some seem to be somewhat embarrassed by that fact. They are reluctant to make evident to clients (those they serve) the importance of fundraising, particularly if many or most of those clients are socially and economically disadvantaged. The organization apparently feels that these clients might be insulted, offended, or resentful of being considered “charity cases.”

Why should they be? Instead, the clients’ importance and value to society are affirmed by the generosity of donors. And, of course, the importance and value of the non-profit’s activities and services are similarly affirmed by this generosity.

A strong culture overcomes embarrassment and reluctance that staff members and volunteers might otherwise feel when “asking for money.” Not only is such asking essential, but also donors deserve and want to be “asked”, and “askers” should understand that they bring to donors an opportunity, not a chore, not an imposition, and not a demand.

When a robust culture of philanthropy is present, all staff and board members grasp and are proud of their role in encouraging this generosity. Donors are celebrated, as are their gifts. Everyone in the organization, certainly including volunteers, have roles to play in delivering donor satisfaction to donors. Visits by donors and prospects are welcomed and interaction between donors and clients are encouraged. At board meetings the fundraising agenda item comprises much more than a simple report on dollar value of gifts received; storytelling and fundraising strategy are given plenty of “air time” at the meetings. Emphasis is on the generosity of donors, not just the success (or lack thereof) of the development team. The discussion stresses that gifts are “given”, not “raised”, and that the role of development volunteers and staff members is not to extract gifts from

prospective donors or simply to fill the non-profit's coffers, but rather to encourage gifts that will bring pleasure and satisfaction to donors, as well as resources to the institution. The board also should monitor the processes of cultivation and stewardship (discussed in Chapter 6.)

In a strong philanthropic culture, development professionals are accorded the stature they deserve. Theirs is not a simple task of being nice to people and taking them to lunch or breakfast. The work of development is both artistic and logical – as the title of this book suggests. Gifts do not simply arrive out of the sky, despite the assumptions made by too many financial officers, trustees, and others.

Finally, the organization's chief executive (whatever his or her title) embodies, displays, and reinforces this culture at every opportunity. Too often these executives focus solely on smooth running organizations and balanced budgets. Important as these aspects of the chief's job are, his or her deep involvement in fundraising activities, broadly defined, is essential. Like it or not, the chief is the "public face" of the organization and needs to be seen and heard from regularly. Enhancing the understanding and appreciation of the non-profit's activities and effectiveness is one of his or her key responsibilities. In effect, broad public relations efforts are required. Accordingly, chief executives of nonprofits should expect to spend 35 percent or more of their time on these activities.

“Riches: Not...possession of much, but giving much.”
Saint John Chrysostom

As is the case with most human activities, those who do the work of fundraising have devised a unique set of nomenclature. (Indeed, even the term “fundraising” has over the years been replaced by the term “development” and, more recently, that term is yielding to the word “advancement”!)

Some classification of gifts from individuals assists both staff and volunteers in thinking strategically about the process of development. But remember that this classification is – and should be -- irrelevant to donors themselves. To donors, all gifts are “significant”; they don’t care at all about some arbitrary definition within the institution.

Donation: In my opinion, a useful distinction can be drawn between a donation and a gift, although to many they are interchangeable terms. Donations are small amounts that individuals provide more out of guilt or relief than out of conviction for the activity being supported. If you give \$50 to the Heart Fund, March of Dimes, the Police Benevolent Society, or a church you rarely attend, and you do so because your next-door neighbor asked you, you are making a donation, not a gift. You are doing this for your neighbor (and perhaps because you would like to end the conversation with her!) and not for the particular not-for-profit, about which neither you nor your neighbor know very much. While seeking donations is an honorable and perfectly legal activity (assuming the charity qualifies), the process is extremely inefficient (high cost per dollar raised); consumes enormous amounts of volunteer time; provides little or no satisfaction to the giver; does not engage him or her with the charity; and is highly unlikely to lead to larger dollar support in the future. Nonetheless, “donation drives” by the likes of the March of Dimes, the City of Hope, the Jewish Defense League, and others have raised substantial sums.

Gift: Gifts result from a donor's sincere engagement with the cause or the institution he or she is supporting. A gift that is well handled by the receiving organization will help solidify the relationship between the donor and the cause or institution; provide pleasure to the donor; and lead to continuing and often increased support in the years ahead.

In our discussions, then, we focus on soliciting gifts not donations.

Annual Gifts

Virtually all not-for-profits engaged in serious fundraising activities focus considerable attention on annual gifts. Such gifts are typically modest in amount (compared to the wealth of the donor) and are anticipated to recur annually. Here are some key advantages of annual gift programs:

1. They cause the not-for-profit to "touch" (communicate, engage) donors each year, renewing and strengthening the relationship.
2. The donor base thus developed is the "farm team" from which the not-for-profit will develop donors of larger gifts from time to time – see below.
3. Annual giving programs often involve a large cadre of volunteers. That involvement deepens the relationship between volunteer and institution that is likely to lead to more giving, now or later, by the volunteers themselves.
4. Annual gifts are typically not restricted by the donor to a particular purpose and thus provide increased financial flexibility to the receiving organization. (And, if the annual gift is designated in only a very general way, it is almost equivalent to being "unrestricted.") Annual gifts are typically expended in the year they are given, or in the following year.
5. Each annual gift is a vote of confidence in the organization. An impressively long list of annual donors encourages larger donors, including foundations, to support an activity that has such broad support.

Most annual gifts arrive in the form of cash or marketable securities. Donors sometimes make multi-year pledges of their annual gifts.

Major Gifts

Think of major gifts as those gifts that are, typically, larger in amount than annual gifts; are given periodically (not annually); and are usually (but surely not always) donor-designated for specific purposes. Their uses run the gamut: from buildings, to endowments, to the initiation of new programs or projects, and so forth.

The large majority of major gifts are solicited by key volunteers (including directors/trustees), by development staff, and by senior operating managers of the not-for-profit. However, some are “self-solicited”: that is, the donor himself or herself identifies the need or opportunity for the gift and initiates the contact with the institution. Sometimes these self-identified gift opportunities fit well the priorities of the institution – but not always.

Major gifts may be immediately expendable or they may be designated for capital projects (e.g., buildings) or endowment. If designated for endowment, payouts from that endowment may be designated by the donor for general purposes (unrestricted) or for one or more specific purposes (restricted). It is rare that gifts to endowment, other than gifts by bequest, are unrestricted.

A short tutorial about how endowments operate. Endowment gifts are aggregated into a single pool that is invested at the direction of the board, most often employing external money managers (investment advisors.) Gifts to endowment designated for a specific long-term purpose are earmarked in a sub-account within the endowment. Annual payouts from the endowment (including from these sub-accounts) are typically “smoothed” (averaged) over several years so that gyrations of the securities markets do not cause wild swings in endowment payouts supporting the institution. The payout percentage is, broadly speaking, the expected long-term return on the investments less the expected long-term rate of inflation; this formulation is meant to cause the

endowment corpus to grow sufficiently so as to maintain the purchasing power of the payouts. In practice, annual endowment payouts generally run between four and six percent of the current market value of the endowment. Note, thus, that to “endow” a \$25,000 annual scholarship requires a gift of 20 times that amount, \$500,000, if the payout is set at five percent ($0.5 \text{ times } \$500,000 = \$25,000$). See Appendix A to this chapter for additional discussion of endowment.

A middle path between “immediately expendable” and “permanently endowed” is so-called term endowment (sometimes called by the unfortunate name “wasting endowment.”) Term-endowment gifts are “spent out” – that is, the sum of principal and earned interest is reduced to zero -- over the specified number of years, say ten. Such a 10-year term-endowment gift will provide annual support of about 2.6 times that of a perpetual endowment gift of the same amount – but only for ten years. For example, a \$200,000 gift placed in a “true endowment” account provides \$10,000 per year to the nonprofits revenue, if the payout rate is 5 percent, and this annual support will continue in perpetuity (forever!) If the same amount is placed in a 10-year term endowment account, spending from the account will be about \$26,000 per year but only for the next ten years, after which the account will have been spent out to zero.

Chapters 5 and 6 address more thoroughly (a) soliciting major gifts, and (b) stewarding major gifts.

Principal or Transformative Gifts

The number of mega-gifts from individuals – gifts of, say, \$25 million and more – have increased markedly in recent decades. Such gifts are now often referred to as principal or transformative gifts. The cultivation and solicitation of these very large gifts normally require the deep involvement of the senior management and board of the institution, and may also require the participation of the donor’s advisors (e.g., lawyers, tax advisors, and investment managers.) Discussions regarding such gifts are often initiated when plans for a new program, new building, or new initiative are in their formative

stages. This timing permits the donor prospect to have a real or perceived involvement and participation in finalizing the plans. Furthermore, negotiations over specific gift terms may be lengthy and thus the “gestation period” for such gifts may be years, not weeks or months.

Planned Gifts

Planned giving is a broad term that includes gifts of unusual assets and gifts having terms such that the donor or the donor’s designee shares in the benefit. All typically require special legal or tax counsel for both the donor and the receiving institution. Here are four general categories of such gifts.

Gifts of Real Estate and Other Assets

Not infrequently the medium of major and principal gifts involves assets other than cash and marketable securities. Securities of corporations that are “private” and thus not readily or presently marketable are often difficult to value, are volatile in value, and are difficult for the beneficiary institution to liquidate in order to use the proceeds. Real estate has some of these same problems but, in addition, the donor may require the beneficiary institution – or the institution may require the donor -- to maintain the property, pay real estate taxes, and so forth until the real estate is sold. Artwork, antiques, and intellectual property having an uncertain market are other examples.

Life-income Trusts (Unitrusts)

Gifts of sizeable amounts of cash or marketable securities may be placed in a trust (sometimes managed by the institution and sometimes by a third party), with income – at a specified rate -- flowing to the donor (or his or her designee, such as a child or children) during the remaining life of the beneficiary. The so-called remainder interest goes to the institution upon the death of the lifetime beneficiary. In these cases, the donor’s tax deduction is limited to what is called the “present

value” of the remainder interest; the higher the rate of payout to the life beneficiary and the younger the age of the beneficiary, the lower will be the remainder interest and thus the lower the tax deduction at the time the life-income trust is created. These trust-based vehicles can have great advantages when the donor is gifting very low-basis assets, because capital gains taxes are thereby avoided.

Usually the institutional beneficiary that is to receive the remainder interest is involved directly in encouraging the creation of, and setting the terms of, the life-income trust. But, often the payout triggered by the death of the life-beneficiary comes as a surprise to the institution receiving that remainder interest.

These trusts should be carefully drawn so as to assure that the institution does not have unreasonable financial obligations to the lifetime beneficiaries. I spent months unraveling the terms of several trusts that provided for life-tenancy in the homes owned by the initiator (and trustor – creator – of the trusts, by then deceased) and occupied by his friends (lifetime beneficiaries.) The occupants had the understandable, but erroneous, expectation that the not-for-profit would maintain their homes during their lifetimes. Final resolution required court approval, an expensive undertaking for the institution.

Lead Trusts

Lead trusts are the inverse of life-income trusts: funds flow to the charitable organization for a given number of years at a prescribed rate, and the balance of the trust then reverts to the donor or the donor’s designee. Life-income trusts are, in practice, far more common than lead trusts.

Bequest Intentions

Virtually all well established not-for-profits encourage their friends, donors and prospective donors to provide in their wills that a certain dollar amount (or a certain percentage of the estate value) be given to the charity upon the death of the donor: a bequest intention. Donors of

all ages – for example, relatively young college alumni -- tend to find such gifts-by-will quite painless to designate, but of course the institution gets no immediate financial benefit. Nevertheless, over the long-term such bequests can bring substantial resources to the institution.

Both bequests and life-income trusts “mature” (the euphemism used in the development world) upon the death of the grantor – that is, the initiator – of these contracts or their designees.

Moreover, if the initiator of the bequest intention advises the institution that it will benefit from his or her estate, the institution has an added reason to develop and maintain a close relationship with the individual. Typically, institutions establish a “donor club” named something like the Legacy Society in which all individuals who have made bequest intentions are members. As these members age and gain in wealth, they may well decide to make outright gifts while alive in addition to, or instead of, their planned bequests.

Bequest payouts often come as a surprise – in both timing and amount – to the receiving institution. Most surprises are positive! One institution’s staff members regularly visited a loyal and modestly generous spinster: an alumna who taught school for about 50 years. Upon her death, when she was well into her nineties, her bequest to the institution totaled over \$8 million. Another development officer struck up a friendship with a potential donor in response to his request for information. The potential donor had little tangible connection with the institution, but years later, the institution received \$15 million by bequest from this individual.

In still another case, a loyal, wealthy, generous, and elderly trustee was asked at the outset of a fundraising campaign, the gift level at which he might support the campaign. He responded that, by gift or bequest, he would provide \$10 million. A few years later, upon his death, the institution learned that it was indeed the beneficiary of the entire residual estate. Unfortunately, the trustee-donor didn’t fully comprehend or foresee (a) how much of his estate was tied up in life-

income trusts of which the institution was residual beneficiary but which would not mature for many years; and (b) the legal claims against the estate would be forthcoming from taxing authorities and others. In the end, the institution's campaign was benefited to the tune of \$500,000 in cash, not \$10 million.

The lessons from these stories? (1) Maintain in close touch with those who have, or might have, bequest intentions, even when the financial benefit to the institution may be years in the future (perhaps long after the development officer has retired!) and, (2) Don't count your bequests and trusts before they hatch. People do change their minds or don't fully comprehend post-death financial demands on their estates.

A Reminder

This taxonomy, while useful in an organizational sense, is of no interest or relevance to a donor or prospect. He or she may give to various activities within the non-profit (e.g., humanities departments, athletics, and cancer research within a university), by way of annual gifts, periodically a major gift, a unitrust, and a bequest intention. He or she may have one or several significant and growing relationships within the institution. Accordingly, this book, and particularly Chapter 9, stresses the importance of cooperation and co-ordinations across functions and departments within the receiving charitable organization.

APPENDIX A to Chapter 3: Endowments

An endowment held and managed by a non-profit is typically generated from gifts: primarily major, transformative, and planned gifts, including bequests. Most such gifts are designated by the donors for addition to the endowment. But the board of directors (trustees) may also elect to add to the endowment (a) unrestricted bequests, (b) proceeds from the sale of physical assets owned by the non-profit (e.g. a parcel of land no longer useful to the non-profit), and (c) the excess of revenues over expenses for a particular year (what a commercial enterprise would consider profit.) Similarly the Board may elect to draw down the endowment, to the extent that unrestricted funds are available therein, for unusual non-recurring purposes such as (a) expenses exceeding revenues for a particular year, (b) up-front investment in a promising project, and (c) an emergency caused by, say, an act of God, e.g. an earthquake or tornado.

Gifts of endowed funds are generally intended to support the non-profit – or a particular activity within the non-profit – in perpetuity – that is, forever! Nevertheless, some gifts provide funds that are to be spent down to zero in a specified number of years; these gifts are referred to as term endowment. If these funds are invested with the endowment, the funds to be spent will be thereby augmented by earnings during the term.

Suppose a generous donor provides a \$4 million gift to endow the research activities of a particular medical laboratory. The \$4 million, when added to the endowment, will be, in effect, tagged for that sole purpose. The overall endowment will be operated rather like a mutual fund, and the designated laboratory will “own” a share of the total endowment.

The board of directors (trustees) guides the investment of endowed funds. Day-to-day operations – deciding what specific assets to own and when to buy and sell them -- are subcontracted to one or more professional money (investment) managers. The board assures that these investments are broadly diversified across asset classes in order to

balance high risk, high potential return classes with less risky classes. Classes might include domestic equities (common stock of companies resident in the country); international equities; equities with distinct growth opportunities but high price volatility; equities of large companies and small companies; companies that regularly pay dividends and others that don't; limited partnership interests in venture capital firms, private equity firms, and real estate development firms; bonds with long-term maturities; bonds and notes with short-term maturities and thus less price volatility; and even tangible assets such as timber or minerals.

The "support in perpetuity" requirement limits the rate at which earnings on the endowment can be spent. Over-spending in the early years will have to be balanced by lower spending in later years. To assure "intergenerational equity" – future beneficiaries of the endowment neither over-advantaged nor disadvantaged in comparison with current beneficiaries – an annual spending rate, chosen by the governing board, is expected to provide level support "in perpetuity". This optimal spending rate is a function of (a) the anticipated average annual earnings on the endowment's investment assets, and (b) the anticipated rate of inflation.

Why must inflation be taken into account? Suppose the salary and other expenses in our example laboratory is currently \$200,000, and the inflation rate is 2.5 percent per year. If the laboratory's activities remain about the same over many years, a reasonable assumption is that these expenses will increase by the inflation rate. If so, next year the lab will need \$205,000 to support its current activities ($\$200,000 \times 1.025$), and the following year \$210,100 ($\$205,000 \times 1.025$). Accordingly, the supporting endowment must grow at the inflation rate, after withdrawal of funds to support it this year.

Volatility in the market value of the endowment assets is a simple fact of life; it is inescapable. Interest returns on fixed-asset securities fluctuate with changes in demand and supply in the credit markets: when demand for borrowed funds grows without comparable growth in funds to be lent, interest rates increase until equilibrium is achieved.

The prices of equity securities and tangible assets also increase and decrease with changes in demand and supply. However, the need for financial support of the not-for-profit beneficiary does NOT fluctuate with these market forces. The nonprofit finds it difficult to “fluctuate” its budgeted expenditures to match fluctuations in the investment markets. What to do?

This mismatch is typically offset in two ways. First, the governing board reviews the ample and lengthy history of equity and fixed-income returns over many years to select an average annual return that appears to be sustainable into the future. These averages are built into the “spending rate formula”, the derivation of which is illustrated in the next paragraph. Second, most not-for-profits “smooth” by formula the market values of the endowment. Some of these smoothing formulas are quite complex; a simple smoothing method is to average the market value of the endowment over the most recent eight or twelve fiscal quarters. The final draw from endowment in a particular year may be “tweaked” in other ways to minimize disruption to the on-going activities of the non-profit.

So, here is a simple example of how the annual spending rate is typically calculated:

1. Make the simple assumption that 70 percent of the endowment is invested in equities (and equity-like securities) and 30 percent in fixed-income securities.
2. Assume that, on average over many years, the equities will earn nine percent annual return and the fixed-income securities will earn at the rate of four percent per year.
3. The weighted average of these returns is:
$$0.70 \times 9\% = 6.3\%$$
$$0.30 \times 4\% = \underline{1.2\%}$$
$$\text{Aggregate return} = 7.5\%$$
4. If the expected inflation rate is 2.5 percent, one third of the earnings (7.5 minus 2.5) must be reinvested in the endowment to satisfy the “intergenerational equity” requirement.
5. And thus, annual spending of 5 percent of the “smoothed” market value of the endowment is appropriate.

In actual practice, payout rates (rate of annual spending) varies widely among institutions. A wealthy, very conservative (that is, risk-averse) institution may employ a payout rate of only 4 percent; thus a gift to support \$100,000 of annual spending (with upward adjustments for inflation) will require an addition to the endowment of \$2.5 million. A second institution with, say a 7 percent payout rate require an endowment gift of only \$1.43 million to support the same \$100,000 of support in the first year. This second institution is accepting greater risk that poor investment returns in the future will not be able to maintain the year-by-year withdrawal of \$100,000 inflation adjusted.

“From what we get, we make a living; what we give, however, makes a life.”

Attributed to both Winston Churchill & Arthur Ashe

Seldom do gifts – annual gifts or major gifts – fall from the sky, initiated by generous donors unknown to the receiving institution. Donors must be identified, evaluated, and asked for their annual gifts. Don't take annual fund donors for granted. One loyal donor who for 25 years had given four figure annual gifts, suddenly ceased giving. When he was asked why, his answer was simple: “Nobody asked me.”

Certain types of not-for-profits have a built-in constituency for their annual fund drives. Schools, colleges and universities have alumni. Grateful patients of not-for-profit clinics and hospitals, as well as their family members, are obvious prospects for those institutions. Museums have members – indeed, membership dues are, in effect, gifts. Performing arts groups try hard to gain knowledge of their attendees, including season ticket holders. The Y (i.e., the YMCA) has members. Teen centers and senior centers have participants and their families, some of whom probably have both the financial capacity and the inclination to make annual gifts. Other 501(c)3 organizations have to look well beyond their “clients” to round up a critical mass of prospects to solicit for annual gifts.

A particularly valuable source of annual fund prospects is, of course, referrals by volunteers and current donors. And the value of these referrals escalates if the volunteer agrees to assist in introducing the friend and then helping to cultivate his or her interest.

Various databases may also be accessed (often for a fee) to identify individuals with whom the not-for-profit might wish to build a relationship. These databases also help “qualify” prospects as to giving capacity. For example, zip codes correlate reasonably well with wealth. Wealth is necessary but surely not sufficient to qualify an individual for inclusion on the prospect list. One needs to search for reasons,

conditions, or circumstances that suggest that a prospect (at this stage, only a “suspect”) might be interested in the mission of the not-for-profit.

What programmers and statisticians refer to as “analytics” has an increasing role in large annual fund campaigns. As more and more information about donor prospects becomes available on line and is combined with institutional-specific knowledge, annual fund solicitations become more tailored to the personal characteristics, backgrounds, and interests of each donor prospect, or each sub-group of prospects. Of course, donors’ privacy expectations must be carefully respected.

Augmenting the prospect pool must be an on-going, high-priority activity for the development staff and volunteers. Patrons of arts organizations, alumni of educational institutions, and grateful patients of medical centers, for example, all have friends, associates, or merely acquaintances that might become prospects for the not-for-profits.

To some, “fingering” one’s friend or neighbor as a donor prospect feels somewhat unseemly or intrusive. I argue that the contrary is the case. These friends and neighbors will be offered opportunities – not demands – to have an impact with their philanthropic dollars and enjoy involvement with the nonprofit. If the charity is unable to build this relationship with the prospect – to satisfy a real need of the donor -- the prospective donor will and should decline to make a gift. The business of fundraising is just that straightforward – although surely not simple!

The “annual” period of an annual fund is generally linked to the organization’s fiscal year. Yet, most donors keep track of their giving on a calendar year basis. If the not-for-profit has a June 30 fiscal year-end – and a great number do, particularly educational institutions – solicitation efforts may be concentrated in the fall and the spring.

Some organizations seem to feel that splitting their fiscal year across two calendar years provides them an opportunity to take “two shots” per year at their donors. But, a twice-per-year solicitation for an

“annual” campaign runs the risk of antagonizing donors. Remember that soliciting too frequently is unwise; make sure the annual fund donors are contacted, one way or another, between solicitations. If that is not done, the organization is guilty of validating the comment of so many donors: “The only time I hear from you is when you ask me for money.”

An emerging phenomenon is the formation of giving circles of clubs (analogous to investment clubs in the investing world), particularly among women. Pooling their funds give club members added clout with nonprofits; their gifts can have added impact; and their investigation of worthy charities may be more thorough and more sophisticated.

The range in dollar value of annual gifts can be very broad indeed. Opera companies seem able to raise very large annual gifts, often tied to the particular operas that will be performed in the coming season. Also, “opera buffs” tend to be (a) rabid in their enthusiasm for opera, (b) wealthy, and (c) very well connected socially. At the other end of the spectrum are social-service institutions with modest development goals and limited reach beyond their immediate neighborhoods.

Soliciting

The ideal solicitation of any annual gift – indeed, of any gift -- is one-to-one at an in-person meeting between prospect and solicitor. As a practical matter, the time and effort of volunteers and staff is limited (and expensive) and therefore is focused necessarily on (but not limited to) those prospects with the greatest gift capacity.

Accordingly, most prospect pools for annual funds are sorted by probable size of gift, as judged from the pattern of previous gifts and/or probable gift capacity as determined from a host of different sources. Mail solicitation is the default method for those from whom smaller gifts are anticipated. Personalization of mailed solicitations can be enhanced in many ways, most often by a follow-up telephone call from a volunteer who is acquainted with the prospect. Notes (preferably

hand-written) from such volunteers may also accompany the mail solicitation, or be sent as a follow-up.

In some cases, an in-person solicitation is appropriate for every donor prospect, regardless of the size of gift anticipated. This case arises when the meeting has an agenda broader than solely fundraising. For example, religious institutions often insist that the minister (or priest, deacon, or rabbi) or an “elder” of the church have a face-to-face meeting annually with all parishioners.

Volunteers are key to an annual fund’s success, as they leverage the limited staff resources that can be profitably devoted to annual fund drives. Typically “layers” of volunteers are engaged, with each layer recruiting the layer below, until a pyramid is formed. (Note that Avon Products, Inc. employs exactly this method to build a broad and powerful army of sales ladies.)

Of course, volunteers are themselves donor prospects. Therefore, the attention devoted to recruiting, training, and encouraging the volunteers has a dual purpose. The result is generally heightened volunteer awareness of the institution’s programs, successes, and opportunities – and very often increased giving by the volunteers.

“Phonothons” have also proven to be very effective in annual fund campaigns. The key here is to gather together in a single space 10 or 20 volunteers to make phone calls to prospects. The enthusiasm, camaraderie, and good-natured competition that builds in a room full of volunteers sharply reduces callers’ angst and sharply improves the telephonic interchange with the prospects.

By their very nature, annual giving programs are costly to operate, requiring a great deal of paper and postage, large staffs, gathering of volunteers for training and “spirit building”, and so forth. Recall from Chapter 2 that tax exempt organization are required to file annually with the Federal government a so-called Form 990 that requires reporting, among other data, the expenses of the overall development effort and the gift funds realized. If the annual fund is the only

fundraising activity of the organization, the relationship between amount spent and amount raised may appear excessive. An expense-to-receipts ratio greater than about 30 percent may draw unfavorable attention.

To control costs and improve effectiveness, large annual fund programs increasingly turn to donor segmentation (just as commercial firms segment customers.) Donor segmentation may be by age, gender, three-or-four digit zip codes, alumni class, occupation, giving record (amounts, consistency), or a combination of these and other factors. With segmentation, the annual appeal can be more focused and compelling. Of course, inaccurate segmentation can have the opposite effects.

One technique to reduce the cost of operating annual funds is to seek multi-year pledges from prospects. This seems to be particularly effective for alumni of educational institutions. Extra effort is put into soliciting those classes who will celebrate milestone reunions during the current year. The communications about the reunion will spur interest in the institution, even if the alum-prospect doesn't attend the reunion. Some schools ask each alum to make a generous multi-year pledge, an amount to be paid ratably over, say, the next five years. These pledges both help secure future gifts and also reduce administrative costs.

The internet and social media are gaining in popularity, as a way to generate enthusiasm, stay in contact with prospects, and, in time, solicit gifts – all at lower cost. Older generations of prospects probably find this method too impersonal, but younger generations may actually prefer these electronic interactions.

For years not-for-profits eschewed the use of credit cards to convey gifts, primarily because of the associated service charges. Most now find it productive, and perhaps necessary, to accept annual gifts via credit cards.

Giving Levels, Tiers or Clubs

Both to provide recognition to donors and to spur increased giving in subsequent years, most annual fund programs report gifts in tiers by size, for example, \$5000 and above, \$1,000 to \$4,999, \$500 to \$999, \$250 to \$499, \$100 to \$249, and Other Gifts.” These levels should be reviewed periodically and adjusted for changed conditions and/or inflation.

These gift reports are widely read! The presence of a reader’s friend on the list in a higher giving tier can often cause the reader to ratchet up his or her giving, if not this year then next year!

Some of these tiers are “named” in accordance with the work of the not-for-profit, for example, “The President’s Circle”, “The Dean’s List”, etc. for an educational institution. One prominent New England prep school created a “giving level” equal to the year the school was founded, 1778. A certain college has a tier equal to the average scholarship award to financial-aid students.

Take a look at any institutional annual report or the back pages of any performance program: almost surely you will find a report of gifts tiered in this manner.

Such gift reports should be prepared with great care. The failure to include the name of a loyal donor – or misspelling his or her name -- can dissipate that loyalty in a hurry. A gift credited only to one spouse and not the other, or to an ex-spouse and not the current spouse, is both embarrassing and hurtful.

Restricted Gift (Use Designated by Donor) versus Unrestricted Gifts

Every operating executive of a non-profit cherishes gifts that arrive unrestricted as to use. The problem is that such gifts tend to be less satisfying – less appealing – to donors. For that reason development operations tend to offer annual donors gift opportunities that will serve to offset currently budgeted expenses: for example, gifts in support of

salaries, scholarships, art acquisition funds, guest artists, outreach to schools. These “budget-relieving gifts” are as valuable to the institution as unrestricted gifts, but potentially more satisfying and appealing to donors.

Years ago I was asked to outline to a university budget committee comprised of 19 senior administrators what steps our development department would undertake to boost unrestricted giving to the university. Bereft of ideas, my colleagues and I sought instead to demonstrate to this group the foolishness, and perhaps hopelessness, of such an effort to alter donor behavior. Quietly, we examined the annual giving of these senior administrators, many of whom were alumni. Their giving mirrored closely that of the entire population of donors to the annual fund. I reported to the committee that the aggregate unrestricted giving of these nineteen individuals to the annual fund was about the same percentage of their total giving as was the case for the annual fund overall. After thanking them for their support to the university, I suggested that if they, who knew best the value and usefulness of unrestricted gifts, in fact restricted their own giving, then surely attempting to change the giving patterns of thousands of annual fund donors would be a fool’s errand. The president ended the meeting forthwith!

I contend that any gift opportunity that starts with “un” is not going to be very attractive to donors. An alternative: refer to such a gift as “budget-relieving” rather than unrestricted.

Participation

Many, if not most, annual funds have a second objective in addition to raising money: demonstrating a broad basis of support among its constituency, whether that constituency is the community, an alumni group, or patrons. Such a broad base has, of course, several payoffs:

1. Over time it will provide more resources than a narrow base, both via the annual fund and because most major donors

begin their association with the institution as annual fund donors.

2. It provides tangible evidence to major gift donors that the not-for-profit is well regarded and worth supporting. This evidence is particularly important to foundations considering a grant to the institution.
3. It strengthens the opportunity for other donors to achieve affiliation, one of the values that they may be seeking. If 55 percent of your graduating class makes annual gifts to your alma mater – including many whom you know and still more whose names you recognize – you are more inclined to make a gift yourself. Accordingly, annual fund drives at schools and colleges place almost as much emphasis on “participation” (percentage of alumni making gifts) as on total dollars received. A few colleges distinguish themselves by having participation rates above 50 percent.

A broad base of donors has many advantages, but don't be surprised if a small percentage of the donors account for the vast majority of dollars received. It is not unusual for 5 percent of the donors to account for 95 percent of the dollars.

The Gala

Some organizations focus a major part of their annual fundraising on so-called “galas” – elegant parties with high per-person (and per-table) ticket prices, both a silent and live auction, some (but not too much) speech-making, perhaps entertainment, dancing and plenty of time for drinking.

These events certainly heighten a sense of affiliation with the not-for-profit for those who attend. If the auction includes unusual items or experiences that may be bid up to extremes, the auction can be very lucrative.

Nevertheless, bear in mind that:

- a. The proceeds from the gala may be far less than one might anticipate because of the cost of the food, drink, the venue, and so forth.
- b. Some attendees will treat the ticket price as their annual gift, and yet only a small portion of the ticket price will flow to the not-for-profit.
- c. Staging these events is extremely time-consuming. Paid staff members must guard against spending too much time on a gala; the bulk of the work has to be done by volunteers (i.e., those not paid), if the gala is to be a financially efficient way to raise money.

Let me be clear that I am not discouraging social gatherings as an important element of effective fundraising programs. They are a key part of “stewardship” (see chapter 5). I am suggesting that galas for the purpose of generating cash gift receipts may be quite inefficient unless the gala includes a unique “hook” – for example, unusual venue, celebrity guests, unique auction items, etc.-- that will stimulate broad attendance.

A Sobering Statistic

A recent study on the retention of annual donors concludes that a typical non-profit loses 50 percent of its donors between the first and second year and 30 percent year-over-year subsequently. While prospecting for new donors is important, retaining existing donors is an immense, on-going challenge.

Initiating a Charity and its Annual fund

Charitable organizations are created at a blistering pace in this country, typically by a small group of passionate advocates for a cause or perceived societal need. Unfortunately often, the cause or need has a much narrower appeal than the founders anticipated. Understandably, the founders want to initiate an annual fund without delay – that is,

before careful and realistic analysis of the nature and size of the prospective donor pool likely to be supportive.

See Chapter Seven: Fundraising for Young and/or All-Volunteer Non-Profits

Managing Expectations

As an institution initiates an annual fund, it should be certain to set the gift expectations sufficiently high. Of course, it will accept and be grateful for any sized gift. But if the institution over-recognizes and celebrates quite modest gifts, or provides preferential seating at performances, or invitations to elaborate affiliation events in return for modest gifts, it sends a signal as to annual gift expectations. Raising the sights and expectations of annual donors in subsequent years can prove difficult.

“To give away money is an easy matter and within any man’s power. But to decide to whom to give it, and how large, and when, and for what purpose, and how is neither within everyman’s power nor an easy matter.”

Aristotle

As we transition our focus from annual gifts to major gifts, please remember that the suggestions, tips, and anecdotes in BOTH chapters are relevant to BOTH spheres of fundraising activities.

The definition of “major” varies from institution to institution. Some consider any gift – anticipated or realized -- at or above \$5,000 to be major; others consider such relatively small gifts to fall in the annual giving category, with “major” commencing at perhaps \$25,000. One very successful conservancy charity views \$20,000 gifts as top-tier annual gifts and showers attention on those donors to assure recurrence of those gifts!

In larger fundraising offices, major gifts and annual gifts are organized and solicited by two distinct sets of staff members. Annual gifts are generally solicited for “general purposes” (unrestricted or “budget relieving”), while major gifts are typically designated by the donor for a particular purpose or project.

As in all fundraising, matching the donor’s interest to the institutional opportunities and needs is critical. This matching is both the fun and the source of satisfaction to those responsible for major gifts -- staff or volunteers. To resort to an over-used phrase, these are “win-win” situations, satisfying and invigorating for both the donor and the institution.

Obviously, then, listening carefully as a donor prospect describes his or her interests, giving capacity, probable gift timing, past pattern of giving, competing philanthropic interests, family circumstances, the role that others will play in making a gift decision, and so forth, is

essential – more so in preparing to solicit major gifts than annual gifts. Fundraisers should not focus unduly on “pitching” major gift opportunities until they know their donor prospect well enough to be able to evaluate his or her personal and philanthropic interests, values, concerns, goals, and probable gift capacity. They should ask questions of the donor – and then listen carefully. At an initial meeting with a prospective major gift donor – or perhaps the first several meetings -- the prospect should do far more talking – answering questions, for example – than the staff member or volunteer.

Remember, too, that gift opportunities that appeal to men and to women are often quite different. For example, while I lean to support of education, my wife is attracted to that set of activities often labeled “green”. Also, the values (see Chapter One) that the donor seeks to satisfy may be different for men and women: perhaps impact for some, recognition for others

Gift Opportunities

In advance of solicitation, the institution needs to have defined and “priced” a broad, comprehensive set of gift opportunities (or, if you must, institutional needs) that may, in due time, be presented to one or more donor prospects. Identifying and defining these gift opportunities is the joint responsibility of the operating managers and the senior development staff. Operating executives know best how and where major gifts will have the most impact in moving the institution toward its goals, consistent with its mission. The senior development staff should have the greatest feel for what opportunities will appeal to donors, as well as for the optimum pricing.

The gift amount required (i.e., the price) should be established, and, once set, the institution should exercise “price discipline”; that is, stick to it! Reducing the gift requirement for a particular prospective donor or donors is unwise, as the practice is contagious and will spread.

An endowed professorship may require a gift of, say, \$2 million; that amount will yield a \$100,000 annual payment, sufficient to pay a major

portion of the annual salary of some professors at some institutions. Of course, if the institution believes that this gift requirement is simply too high, given the typical financial wealth of its prospect pool, it could then “price” the professorship at \$1.5 million or \$1.0 million, recognizing that the endowment payout will cover less than all of the professor’s salary. If professors to be honored by “endowed chairs” are already on the payroll, a gift that covers half of a salary provides wonderful budget relief to the institution. But, if prospective donors interested in endowing professorships have gift capacities of \$2.5 million to \$5 million, pricing the professorship at \$2 million is foolish.

The not-for-profit needs a range of gift opportunity “prices” to provide the major gift officers – and thus the donors – wide latitude in matching them up with the wealth (and propensity to give) of the prospect. For example, in an educational institution, endowed scholarships will be priced well below professorship and endowed book funds (for the library) may well be the lowest priced naming gift opportunity.

However, don’t be surprised when donor prospects have their own ideas about where their gifts might have the greatest impact and bring them the most satisfaction. Some of these may be eye-opening to the institution and most welcome, while others may be of such low or negative utility that they should be declined.

Because costs are incurred in managing endowed funds and reporting results to the donor (see Chapter 6 for a discussion of stewardship), most not-for-profits set a minimum – say, \$25,000 or \$100,000 – for a named gift to be added to the pooled endowment.

Of course, not all major gifts are destined for the endowment. Many are meant to be expended immediately or in the near future, for example on the construction or renovation of facilities or to cover the start-up costs of a new program or initiative.

We are all aware that new buildings for a not-for-profit typically carry the name of the lead (naming) donor, and then rooms, patios, gathering spaces, conference rooms and other elements of the building carry the

names of donors who have given significant, but lesser, amounts. All of these naming-gift opportunities are typically identified and priced during the planning stages for the facility. Most institutions feel that the naming-gift needs to cover 50 percent or more of the total cost; absent such a large initial gift, the institution is likely to face an insurmountable challenge in attracting enough other gifts to complete the project.

Donors are eager “to make things happen” at institutions to which they make large gifts. Such is the attraction of a naming-gift for a building -- in addition to the personal recognition associated with a named building. In their impatience, institutions are often too eager to commence a project – particularly a construction project – before gathering a major portion of the gift funding required. A partially completed building no longer presents the donor the opportunity to be the “enabler” of the project; thus, a good measure of the “impact” that can attract a large gift has been dissipated by a pre-mature construction start. Further, the opportunity is lost to involve the donor prospect in the planning and thus in the excitement of initiating construction.

One CEO was eager to commence a new initiative that would require about \$12 million in gifts. When he had received the first \$1 million, he asked the board for approval to commence the initiative. Wisely, the board told him in no uncertain terms that permission would not be granted until directed gifts for the initiative totaled at least \$6 million.

Many major gifts come as multi-year pledges – for example, 20 percent to be paid each year for five years. This is particularly true for gifts that the donor plans to fund out of current income rather than from accumulated wealth. The track record of most not-for-profits is that the default rate on multi-year pledges is very low – less than five percent. Because default risk grows as the length of the pledge period increases, most institutions limit pledge periods to five years. Nevertheless, terms of the pledge, as well as other provisions of the gift, are, quite appropriately, subject to negotiation between donor and the not-for-profit.

The not-for-profit is wise to decline the gift if the donor's terms are onerous; set a poor precedent; who cause the organization to stray from its mission; or involve questionable ethics (for example, payment for services disguised as a gift in order that the donor may claim an income tax deduction.) A college president was offered a major gift in exchange for the college providing a full scholarship to the prospective donor's nephew (whose family's finances qualified him for only a partial scholarship.) Obviously, the prospective donor sought to turn the educational support of his nephew into a tax deduction. The president refused the gift, wanting no part in "aiding and abetting" the uncle's proposed tax evasion. Incidentally, the uncle never made a gift to his nephew's college.

"Matching" challenges can leverage major gifts just as they are (more frequently) used to leverage annual gifts. Such challenges can have the desirable effect of focusing prospective donors' attention on those gift opportunities that are of highest priority to the institution.

All pricing decisions, including pricing of gift opportunities, depend on the interaction of demand and supply, not cost. For example, the "cost" of a fully-endowed, college-student scholarship may be \$500,000 or more. However, if the college or university believes it has too few donors able or willing to make gifts at this level, then the institution should consider soliciting endowed "partial" scholarships, perhaps at the level of \$50,000 and up.

Some financial officers have trouble with this disconnect between "cost" and "price". Best to remind them that pricing gift opportunities is a matter of Marketing not Accounting! Endowment for three partial scholarships is a lot more beneficial than zero endowment for full scholarships!

And bear in mind that institutions with convincing missions but precarious financial positions or weak financial management may well receive annual gifts, but will have difficulty attracting major gifts, particularly for endowment. The "asker" needs to be prepared to address concerns about the institution's finances. An example: one

prospect for a seven-figure gift was concerned that the young organization was incurring operating losses. He asked for a five-year financial forecast to test the assertion that the annual deficits would soon cease. He received no response, presumably because a long-term forecast was either unavailable or unconvincing. The seven-figure gift went elsewhere!

The “Ask”

The use of the word “ask” as a noun seems to be peculiar to the fundraising business, so this book will stick with that unfortunate convention! In fundraising circles, much emphasis is placed on “making the ask.” Asking for the gift is essential. It is unwise and inefficient to continue courting donors in hopes that they will in time offer a gift without being asked. Donors of major gifts deserve to be asked: thoughtfully, sincerely, unhesitatingly, by the appropriate person or persons, for a gift purpose that is likely to appeal to them, and for an appropriate (if ambitious!) amount. The institution owes this courtesy to each of its donors.

Bear in mind that the asker is not asking for a gift to the institution, but rather a gift in support of what the institution and the donor seek to accomplish together. As one Harvard fundraiser says, since Harvard has about \$30 billion in endowment, “I am not seeking a gift TO Harvard but rather THROUGH Harvard to accomplish something that Harvard cannot do alone.”

At this point let me remind you that “asking” for the gift should be viewed as only one step – albeit an important one -- in an on-going relationship that, one hopes, continues after the prospect makes his or her decision: to give or not to give at this time. Remember that the best prospect for a future major gift is the donor who previously made one or more major gifts and received satisfaction and pleasure from those gifts. And, looking further into the future, the institution should in time seek to be “remembered” in the prospect’s estate plans.

Now, let's turn to the questions of when, how much, where, and by whom? These questions bring to the fore the "art" of fundraising!

When?

Neither too soon nor too late! Cultivation of the donor prospect needs to have been sufficiently thorough and insightful that the "asker(s)" knows what to ask for – a gift opportunity likely to be appealing to the prospect. The "gestation period" for a major gift – and particularly for a transformational gift – can be weeks, months, or even years. Patience is in order!

Securing by telephone the first exploratory appointment can often be challenging. The thought going through the prospect's mind is, "She's going to ask me for a gift; I better refuse to meet." When the fundraiser – staff or volunteer – encounters that reluctance, he or she might counter it with a rejoinder used by a very successful major gift fundraiser I know, "Don't worry; you can leave your wallet at home!"

If the prospect does not know the purpose of the meeting you requested, and has no idea you will ask for a gift, you probably don't know the prospect well enough; you certainly have not done the necessary cultivation work.

But don't procrastinate! Just as a fellow's girlfriend is not going to wait forever for his marriage proposal, so a prospective donor may lose interest if the "ask" is put off too long. There is always another cultivation step that could be taken; the issue is whether more cultivation steps need to be taken before the donor is asked for a gift.

An "ask" delayed too long may result in the donor self-soliciting: that is, offering a gift without being asked. While occasionally these self-solicited gifts are for amounts greater than the institution had in mind, much more often they are less – often less than the donor is fully prepared to give. When the prospect has a gift offer "on the table", talking him or her into a larger amount can be a real uphill battle. One of my favorite trustees self-solicited for a \$1 million gift for a building

project. He had a good deal more gift capacity (which he evidenced in subsequent generous gifts to the college); clearly I had waited too long to ask.

If the cultivation (see next chapter) has been done properly, the prospective donor knows that “an ask” will be forthcoming. She won’t be surprised by the event – although she may be surprised by the dollar amount of “the ask.”

And, don’t ask too frequently. Make certain that the donor has meaningful interaction with the not-for-profit (and preferably the solicitor as well) between “asks.” Be sure that relationship building is continuing when the organization is not asking for money.

How Much?

The most common error here is to ask for too little! I have been guilty of this error more than once and kicked myself after reaching agreement with the prospect. It is difficult to increase the dollar amount of an outstanding “ask” – much harder and less convincing than the legitimate task of seeking an increase in the initial amount offered by the prospect.

As the prospective “asker’s” anxiety about asking for the gift increases, she may well start lobbying herself or her development colleagues for reducing the amount to be requested. Three points to remember: (1) a donor is likely to be complimented, not antagonized, by an “ask” amount that is beyond his or her capacity or inclination; (2) the high ask may “increase the sights” of the prospect for future gifts; and (3) “askers” almost never lose a friend or a prospect by asking for too much – although they may induce a gasp or a laugh from a prospect. If the prospect makes it clear that he or she cannot consider a gift at the requested level, the subsequent conversation will almost surely provide insight into what the donor’s capacity is now or may be in the future, as well as into the donor’s interest in the mission of the not-for-profit and in the specific gift objective proposed.

That said, donors seldom make a major gift in excess of five percent of their net worths – not impossible, but unlikely. The conundrum is that the development staff typically has difficulty assessing net worths with accuracy. Some prospects could afford a much more lavish life-style than they practice, and others live to the edge of – or beyond – their resources. A donor's dress, car, jewelry, primary residence and other outward manifestations of wealth are often misleading, in both directions! Wealthy rural residents – for example, ranchers – may dress in Levis and boots and drive pick-ups, while successful entrepreneurs may dress in black turtlenecks (Steve Jobs) or T-shirts (Mark Zuckerberg) and follow a somewhat Bohemian or offbeat lifestyle. Others may be frequently featured on the society pages, but drive fancy cars and own elegant homes that are, in truth, burdened with heavy debts. Don't judge a book (donor prospect) (by its cover (his or her appearance or lifestyle.)

By Whom?

Every donor prospect wants to be “asked” by someone he or she respects, a person who is well informed and with whom the donor has developed some relationship. Sometimes “asks” should be made by a development staff member, sometimes by a volunteer, and sometimes jointly by a staff-volunteer team.

There is no “right answer” to the question of who should be present at the “ask” gathering. Sometimes the “ask” is best made one-on-one. In some cases, the presence of an institutional leader -- the board chairman, a key trustee, the current or an emeritus president -- can lend importance to the event and stature to the prospect, even if that leader doesn't “ask” directly. Sometimes persons who will implement, or most benefit from, the gift should accompany the “asker”; such persons can talk most effectively about the impact that the donor's gift could have.

Staff members outside the development department are often reluctant to be involved in the scary (their perception!) business of cultivating or asking for gifts. But, they are almost always willing to describe –

passionately, persuasively, and in detail -- what they do at the not-for-profit and why it is important. College students are dynamite at conveying their enthusiasm for their institution. Faculty, researchers and medical doctors are dynamite at describing what they do and what success they have had – or could have with some specific new resources. Incidentally, a few such experiences can turn reluctant non-fundraisers into surprisingly effective “askers.”

All that said, be careful not to overload the meeting and thus appear to be “ganging up” on the prospect.

Where?

Suggesting that the meeting be at the prospect’s home or office is generally courteous, but, for any of a number of reasons, the prospect may prefer a different venue. And, meeting at the not-for-profit’s offices may facilitate reviewing plans, introducing the prospects to more individuals, and so forth. Of course, many “asks” occur over breakfast, lunch or dinner!

Real advantages accrue from a meeting in the prospect’s home or office. You are likely to find out useful information about the prospect’s family (pictures of spouse, children, and grandchildren), other charitable interests (plaques, honors, or certificates), education (framed diplomas or other recognition), and hobbies. All of these observations are relevant to building a long-term relationship with the prospect.

Next, who among the donor’s family, friends, and advisors should be present at the “ask?” Of course, the donor prospect must provide that answer, but the staff member or volunteer arranging the meeting should ask the question. Most couples make jointly their key philanthropic decisions. Thus, frequently the spouse should be present – but not always! Sometimes a donor welcomes the presence of a key volunteer who is his or her close friend – but not always! If the assets likely to be given or the arrangements surrounding the prospective gift are complicated, perhaps the donor’s lawyer, accountant, investment

manager, or other advisors should be present. Remain aware of who might be “influencers” on the gift decision: spouse, children, attorney, respected close friend, and more.

Incidentally, if lawyers are involved in drafting the gift agreement, the receiving institution should insist that the agreement be reviewed and approved by the donor’s counsel; that is, the donor should not simply rely on the opinion and approval of the institution’s lawyer. Such a step is important to avoid challenges or disputes that may be raised later by the donor or his or her heirs.

In summary, the solicitor should do his or best to make the prospect comfortable. That comfort will be enhanced if the “asker” remains at ease and acts appropriately “business like.”

What Outcome(s) Can or Should Be Anticipated?

The “asker(s)” should have thought carefully about what the various outcomes of the “ask” meeting may be. The best outcome is, of course, a simple and enthusiastic “yes.” The worst outcome is a simple and definitive “no.” As the prospect edges toward a “no” answer, the conversation needs to be broadened to ascertain where the “ask” plans have gone wrong. What questions does the prospect have for which he or she hasn’t received adequate answers or explanations? Has the institution proposed a project that doesn’t ring a bell for the prospect? If so, what might be of greater interest? Is the amount too high? If so, ask for guidance as to a gift amount that would be comfortable for both the prospect and his or her family. Is the timing off? Is there a time in the future (preferably near future!) when the prospect might be in a better position to consider a gift?

I recall a long conversation with a recently widowed woman eager to endow a professorship to honor her husband. However, she expressed some concerns: perhaps ours was not the right institution, as her late husband had not had a long association with us; and would and could we comply with one unusual condition of the pending gift. Rather than pressing for an immediate decision, I suggested that she give us a term-

endowment gift to permit us to move ahead for a period of four or five years; during that time she could re-evaluate whether ours was the proper locale for her professorship and satisfy herself that we could and would honor her unusual condition. She was pleased and delighted with the suggestion; our relationship grew considerably because of our sensitivity to her doubts. She provided the term-endowment; we quickly hired a superb candidate; and at the end of its term, she endowed the professorship in perpetuity.

Another outcome to anticipate is an offer from the prospect for a gift amount that could actually harm the institution. For example, at the very early stages of a fundraising campaign, you are soliciting the wealthiest trustee on your board for a hefty gift that can serve the purpose of raising the sights of his or her fellow trustees. You know that the gift you are requesting is well within the prospect's capacity, but the prospect is reluctant and makes an offer of 20 percent of the requested amount. You may need to explain why her gift will set the pace for the entire fundraising campaign and without her generous participation at the outset, the entire campaign would have to be rethought and possibly abandoned.

Moreover, some donors love to negotiate – bargain – about their gifts. For example, suppose you asked a donor for a gift equal to half the cost of building a new facility; you offer to name the facility for him. He offers you a 30-percent gift. You feel that you will be unable to raise the other 70 percent, particularly once the naming opportunity has been “sold.” What do you do? Don't say OK to his offer! Explain carefully why the terms he has offered would hinder your plans for the institution, and request an opportunity to continue the discussions. The key outcome is to leave the door open for future meetings, at least for continued relationship building, and preferably for a future gift solicitation.

The “askers” should certainly prepare themselves for a “no” answer. They need to accept this answer gracefully and with understanding, not with annoyance and certainly not with anger! Use this opportunity to further the relationship with the donor, not to destroy it. Recently a

major gift prospect turned down my request. Later, he wrote to thank me for asking (yes, thank me, even before I could thank him for considering my request), and then he doubled his non-trivial annual gift. I found no reason to be disappointed with that outcome!

Moreover, the “askers” may need to decline to accept a gift if its terms or conditions would (a) divert too much of the institution’s attention or dilute its mission; (b) involve questionable ethics or legality for the donor or the institution; (c) expose the institution to more risk or cost than it should accept; (d) leave the donor with so much control over the use of the gift as perhaps to disqualify the tax deductibility of the donor’s gift; or (e) because of the size of the gift, leave the donor in precarious financial circumstances. This last reason for saying “no” may surprise you; it shouldn’t. Taking advantage of a donor, particularly an elderly donor, can jeopardize the institution’s entire development program; damning news travels far and fast among present and prospective donors who are close to the institution.

What Follow-up?

After the “ask” meeting, a prompt and thoughtful follow up is essential. If this is a thank-you letter, terrific! The proper follow up to an inconclusive meeting might be a detailed proposal outlining exactly how and when the gift funds, if provided, would be used, when they would be needed, and how the institution will report progress to the donor. But if the prospect’s answer was a conditional or even a flat “no”, the “asker” – and perhaps others – should thank the prospect, probably in writing for taking the time for the meeting, for explaining what his or her philanthropic interests are, and for giving the “ask” thoughtful consideration. And, if the discussion revealed significant participation in other non-profits, consider thanking the prospect for all the other good work that he or she is doing in the world.

Naming Gifts

One has only to wander a college campus, a museum, a performing arts venue, or a hospital to become convinced that the opportunity to name

a building, a part thereof, or a major project or performance can have great appeal to prospective donors. Institutions in recent years have become very imaginative in how and where they can post (show off?) donors' names. Not only are entire buildings named, but conference rooms, auditoria, lunchrooms, plazas, patios, gardens and a host of other components are also named. (One teasing donor to a building project suggested, tongue in cheek, that a particular urinal be named for him. His request was granted in good humor.)

As mentioned above, a frequent rule-of-thumb for naming gifts for buildings is that the amount should cover at least half of the cost of the building. The expectation behind this guideline is that the balance of the funding can be aggregated from a large number of smaller gifts, many of which will also be honored with less prominent naming opportunities. While this fifty-percent guideline continues to be useful, some complex science and medical buildings, for example, are now so expensive that the institution must be content with lower leading- and following- gift amounts (with the shortfall often met by borrowing.)

In-perpetuity endowed gifts are also frequently named: professorships, scholarships, directorships, research positions, deanships, many athletic coaching positions (even in the Ivy League.) The length of the list of possible naming opportunities is limited only by the creativity of the development staff.

I once had the challenge of providing proper name recognition and celebration for a donor providing a seven-figure gift for enhancing the campus landscape. What a wonderful gift! But, how to celebrate it, even though the donors protested they needed no celebration or other gift acknowledgment. We designed a plaque to mount in a prominent campus location. We asked the donor couple to celebrate with champagne at the site of the plaque mid-morning of a football Saturday when they were in town for the game. The couple and my wife and I were the only attendees, I made a solemn (but short) toast to the donors, passer-bys gawked, and the donors laughed heartily at the location for the plaque chosen by the groundskeepers: below eye level and directly over a prominent storm drain. We also gave them a tree sapling from

the campus; it was delivered to them in their private jet following the football game.

Not infrequently, admirers, friends, or family members of a high-profile individual associated with the nonprofit institution suggest that a major endowment fund be established to honor this distinguished individual; the necessary gifts would, in their views, surely be readily forthcoming from the many folks who benefited from association with the prospective honoree. Perhaps surprisingly, these initiatives are almost always unsuccessful, regardless of the prominence of the proposed honoree. If the institution decides to proceed, the institution should probably first obtain verbal commitments for, say, two-thirds of the required amount. After all, the institution does not want to announce such an effort and then fail to achieve the goal – particularly if the honoree and his or her heirs are still alive and close to the institution. This reality underscores the proposition that people will make major gifts to honor their own names but not the names of others!

How should an institution handle the offer of a major naming gift from an individual whose reputation is – or may become – questionable or downright unsavory? We may speculate that such gifts are sometimes offered in an attempt to buy respectability or at least redemption of reputation!

The problem is not so much with prospective donors convicted of – or under indictment or investigation for -- felonies, Ponzi schemes, insider-trading, other securities laws, or extensive drug dealing – that is, transgressions often labeled “white collar” crimes. These gifts can be declined. But suppose an apparently upstanding member of your alumni body provides the naming gift for a prominent building on campus and subsequently becomes indicted and then convicted? Quite understandably, most gift documents don’t specify what action the institution will take should the donor subsequently be imprisoned, deported, or otherwise eliminated (at least temporarily) from society. Removal of the disgraced person’s name from the building is probably the best action for the institution without over-worrying what the consequences may be with the donor or the donor’s family and friends.

Moreover, institutional leaders should probably not look too closely at how the donor or his or her ancestors earned the money that is now being offered as a gift or gifts. Just think of the late 19th century philanthropists, now vilified as robber-barons, monopolists, or worse, who have underwritten universities, libraries, museums and other wonderful educational and cultural organizations. Stanford, Carnegie, Rockefeller, Duke, Huntington, Getty, Guggenheim, and many other such high-profile names continue to grace the facades of many buildings and the letterheads of many not-for-profits, all without adverse consequences. Michael Milken spent some years in prison following his 1990 confession to a felony (for securities fraud), but not-for-profits now stand in line to present proposals to the major foundation that he funded, named after himself, and now runs! Why not?

Finally, how should “askers” (and their institutions) handle a donor’s request to forego identification of his or her name with the gift? Obviously, the donor’s wishes must be met – but not too quickly. Many donors feel awkward about attaching their names to their gifts – sometimes for good reasons, but more often because of modesty (false modesty?) or the feeling that charitable giving is best done in silence. The “askers” should explain carefully but persuasively that linking the institution with the names of generous donors is much to the institution’s benefit, as it encourages generous gifts from others who may be eager to affiliate with – that is, may follow in the footsteps of -- the donor. I have spent many hours talking donors into permitting their names to be identified with their gifts, rather than giving anonymously.

Pledges

Many major gifts come in the form of multi-year pledges, with a schedule of payments over, say, five years. A pledge period longer than five years is both unwise and typically unnecessary.

A very high percentage of pledges are fulfilled. That is, default is rare. When a pledge is not fulfilled, the institution needs to think long and

hard before taking legal action to force compliance; but such action may be warranted when, based on the pledge, the institution has taken on significant obligations.

Years ago I learned that a donor who had fulfilled about one-half of his five-year \$1 million pledge to the university and now was extremely disappointed because his son was not admitted to the school. I flew to his office in a distant city to commiserate with him regarding his disappointment (and explain the independence of the university's admission office from its development office!) I assured him that, if his disappointment motivated him to cease payment on his pledge, the university would fully understand and relieve him of any further obligation. On schedule, he did fulfill his pledge; my trip was well worthwhile.

“To give away money is an easy matter and within any man’s power. But to decide to whom to give it, and how large, and when, and for what purpose, and how is neither within everyman’s power nor an easy matter.”

Aristotle

As we transition our focus from annual gifts to major gifts, please remember that the suggestions, tips, and anecdotes in BOTH chapters are relevant to BOTH spheres of fundraising activities.

The definition of “major” varies from institution to institution. Some consider any gift – anticipated or realized -- at or above \$5,000 to be major; others consider such relatively small gifts to fall in the annual giving category, with “major” commencing at perhaps \$25,000. One very successful conservancy charity views \$20,000 gifts as top-tier annual gifts and showers attention on those donors to assure recurrence of those gifts!

In larger fundraising offices, major gifts and annual gifts are organized and solicited by two distinct sets of staff members. Annual gifts are generally solicited for “general purposes” (unrestricted or “budget relieving”), while major gifts are typically designated by the donor for a particular purpose or project.

As in all fundraising, matching the donor’s interest to the institutional opportunities and needs is critical. This matching is both the fun and the source of satisfaction to those responsible for major gifts -- staff or volunteers. To resort to an over-used phrase, these are “win-win” situations, satisfying and invigorating for both the donor and the institution.

Obviously, then, listening carefully as a donor prospect describes his or her interests, giving capacity, probable gift timing, past pattern of giving, competing philanthropic interests, family circumstances, the role that others will play in making a gift decision, and so forth, is

essential – more so in preparing to solicit major gifts than annual gifts. Fundraisers should not focus unduly on “pitching” major gift opportunities until they know their donor prospect well enough to be able to evaluate his or her personal and philanthropic interests, values, concerns, goals, and probable gift capacity. They should ask questions of the donor – and then listen carefully. At an initial meeting with a prospective major gift donor – or perhaps the first several meetings -- the prospect should do far more talking – answering questions, for example – than the staff member or volunteer.

Remember, too, that gift opportunities that appeal to men and to women are often quite different. For example, while I lean to support of education, my wife is attracted to that set of activities often labeled “green”. Also, the values (see Chapter One) that the donor seeks to satisfy may be different for men and women: perhaps impact for some, recognition for others

Gift Opportunities

In advance of solicitation, the institution needs to have defined and “priced” a broad, comprehensive set of gift opportunities (or, if you must, institutional needs) that may, in due time, be presented to one or more donor prospects. Identifying and defining these gift opportunities is the joint responsibility of the operating managers and the senior development staff. Operating executives know best how and where major gifts will have the most impact in moving the institution toward its goals, consistent with its mission. The senior development staff should have the greatest feel for what opportunities will appeal to donors, as well as for the optimum pricing.

The gift amount required (i.e., the price) should be established, and, once set, the institution should exercise “price discipline”; that is, stick to it! Reducing the gift requirement for a particular prospective donor or donors is unwise, as the practice is contagious and will spread.

An endowed professorship may require a gift of, say, \$2 million; that amount will yield a \$100,000 annual payment, sufficient to pay a major

portion of the annual salary of some professors at some institutions. Of course, if the institution believes that this gift requirement is simply too high, given the typical financial wealth of its prospect pool, it could then “price” the professorship at \$1.5 million or \$1.0 million, recognizing that the endowment payout will cover less than all of the professor’s salary. If professors to be honored by “endowed chairs” are already on the payroll, a gift that covers half of a salary provides wonderful budget relief to the institution. But, if prospective donors interested in endowing professorships have gift capacities of \$2.5 million to \$5 million, pricing the professorship at \$2 million is foolish.

The not-for-profit needs a range of gift opportunity “prices” to provide the major gift officers – and thus the donors – wide latitude in matching them up with the wealth (and propensity to give) of the prospect. For example, in an educational institution, endowed scholarships will be priced well below professorship and endowed book funds (for the library) may well be the lowest priced naming gift opportunity.

However, don’t be surprised when donor prospects have their own ideas about where their gifts might have the greatest impact and bring them the most satisfaction. Some of these may be eye-opening to the institution and most welcome, while others may be of such low or negative utility that they should be declined.

Because costs are incurred in managing endowed funds and reporting results to the donor (see Chapter 6 for a discussion of stewardship), most not-for-profits set a minimum – say, \$25,000 or \$100,000 – for a named gift to be added to the pooled endowment.

Of course, not all major gifts are destined for the endowment. Many are meant to be expended immediately or in the near future, for example on the construction or renovation of facilities or to cover the start-up costs of a new program or initiative.

We are all aware that new buildings for a not-for-profit typically carry the name of the lead (naming) donor, and then rooms, patios, gathering spaces, conference rooms and other elements of the building carry the

names of donors who have given significant, but lesser, amounts. All of these naming-gift opportunities are typically identified and priced during the planning stages for the facility. Most institutions feel that the naming-gift needs to cover 50 percent or more of the total cost; absent such a large initial gift, the institution is likely to face an insurmountable challenge in attracting enough other gifts to complete the project.

Donors are eager “to make things happen” at institutions to which they make large gifts. Such is the attraction of a naming-gift for a building -- in addition to the personal recognition associated with a named building. In their impatience, institutions are often too eager to commence a project – particularly a construction project – before gathering a major portion of the gift funding required. A partially completed building no longer presents the donor the opportunity to be the “enabler” of the project; thus, a good measure of the “impact” that can attract a large gift has been dissipated by a pre-mature construction start. Further, the opportunity is lost to involve the donor prospect in the planning and thus in the excitement of initiating construction.

One CEO was eager to commence a new initiative that would require about \$12 million in gifts. When he had received the first \$1 million, he asked the board for approval to commence the initiative. Wisely, the board told him in no uncertain terms that permission would not be granted until directed gifts for the initiative totaled at least \$6 million.

Many major gifts come as multi-year pledges – for example, 20 percent to be paid each year for five years. This is particularly true for gifts that the donor plans to fund out of current income rather than from accumulated wealth. The track record of most not-for-profits is that the default rate on multi-year pledges is very low – less than five percent. Because default risk grows as the length of the pledge period increases, most institutions limit pledge periods to five years. Nevertheless, terms of the pledge, as well as other provisions of the gift, are, quite appropriately, subject to negotiation between donor and the not-for-profit.

The not-for-profit is wise to decline the gift if the donor's terms are onerous; set a poor precedent; who cause the organization to stray from its mission; or involve questionable ethics (for example, payment for services disguised as a gift in order that the donor may claim an income tax deduction.) A college president was offered a major gift in exchange for the college providing a full scholarship to the prospective donor's nephew (whose family's finances qualified him for only a partial scholarship.) Obviously, the prospective donor sought to turn the educational support of his nephew into a tax deduction. The president refused the gift, wanting no part in "aiding and abetting" the uncle's proposed tax evasion. Incidentally, the uncle never made a gift to his nephew's college.

"Matching" challenges can leverage major gifts just as they are (more frequently) used to leverage annual gifts. Such challenges can have the desirable effect of focusing prospective donors' attention on those gift opportunities that are of highest priority to the institution.

All pricing decisions, including pricing of gift opportunities, depend on the interaction of demand and supply, not cost. For example, the "cost" of a fully-endowed, college-student scholarship may be \$500,000 or more. However, if the college or university believes it has too few donors able or willing to make gifts at this level, then the institution should consider soliciting endowed "partial" scholarships, perhaps at the level of \$50,000 and up.

Some financial officers have trouble with this disconnect between "cost" and "price". Best to remind them that pricing gift opportunities is a matter of Marketing not Accounting! Endowment for three partial scholarships is a lot more beneficial than zero endowment for full scholarships!

And bear in mind that institutions with convincing missions but precarious financial positions or weak financial management may well receive annual gifts, but will have difficulty attracting major gifts, particularly for endowment. The "asker" needs to be prepared to address concerns about the institution's finances. An example: one

prospect for a seven-figure gift was concerned that the young organization was incurring operating losses. He asked for a five-year financial forecast to test the assertion that the annual deficits would soon cease. He received no response, presumably because a long-term forecast was either unavailable or unconvincing. The seven-figure gift went elsewhere!

The “Ask”

The use of the word “ask” as a noun seems to be peculiar to the fundraising business, so this book will stick with that unfortunate convention! In fundraising circles, much emphasis is placed on “making the ask.” Asking for the gift is essential. It is unwise and inefficient to continue courting donors in hopes that they will in time offer a gift without being asked. Donors of major gifts deserve to be asked: thoughtfully, sincerely, unhesitatingly, by the appropriate person or persons, for a gift purpose that is likely to appeal to them, and for an appropriate (if ambitious!) amount. The institution owes this courtesy to each of its donors.

Bear in mind that the asker is not asking for a gift to the institution, but rather a gift in support of what the institution and the donor seek to accomplish together. As one Harvard fundraiser says, since Harvard has about \$30 billion in endowment, “I am not seeking a gift TO Harvard but rather THROUGH Harvard to accomplish something that Harvard cannot do alone.”

At this point let me remind you that “asking” for the gift should be viewed as only one step – albeit an important one -- in an on-going relationship that, one hopes, continues after the prospect makes his or her decision: to give or not to give at this time. Remember that the best prospect for a future major gift is the donor who previously made one or more major gifts and received satisfaction and pleasure from those gifts. And, looking further into the future, the institution should in time seek to be “remembered” in the prospect’s estate plans.

Now, let's turn to the questions of when, how much, where, and by whom? These questions bring to the fore the "art" of fundraising!

When?

Neither too soon nor too late! Cultivation of the donor prospect needs to have been sufficiently thorough and insightful that the "asker(s)" knows what to ask for – a gift opportunity likely to be appealing to the prospect. The "gestation period" for a major gift – and particularly for a transformational gift – can be weeks, months, or even years. Patience is in order!

Securing by telephone the first exploratory appointment can often be challenging. The thought going through the prospect's mind is, "She's going to ask me for a gift; I better refuse to meet." When the fundraiser – staff or volunteer – encounters that reluctance, he or she might counter it with a rejoinder used by a very successful major gift fundraiser I know, "Don't worry; you can leave your wallet at home!"

If the prospect does not know the purpose of the meeting you requested, and has no idea you will ask for a gift, you probably don't know the prospect well enough; you certainly have not done the necessary cultivation work.

But don't procrastinate! Just as a fellow's girlfriend is not going to wait forever for his marriage proposal, so a prospective donor may lose interest if the "ask" is put off too long. There is always another cultivation step that could be taken; the issue is whether more cultivation steps need to be taken before the donor is asked for a gift.

An "ask" delayed too long may result in the donor self-soliciting: that is, offering a gift without being asked. While occasionally these self-solicited gifts are for amounts greater than the institution had in mind, much more often they are less – often less than the donor is fully prepared to give. When the prospect has a gift offer "on the table", talking him or her into a larger amount can be a real uphill battle. One of my favorite trustees self-solicited for a \$1 million gift for a building

project. He had a good deal more gift capacity (which he evidenced in subsequent generous gifts to the college); clearly I had waited too long to ask.

If the cultivation (see next chapter) has been done properly, the prospective donor knows that “an ask” will be forthcoming. She won’t be surprised by the event – although she may be surprised by the dollar amount of “the ask.”

And, don’t ask too frequently. Make certain that the donor has meaningful interaction with the not-for-profit (and preferably the solicitor as well) between “asks.” Be sure that relationship building is continuing when the organization is not asking for money.

How Much?

The most common error here is to ask for too little! I have been guilty of this error more than once and kicked myself after reaching agreement with the prospect. It is difficult to increase the dollar amount of an outstanding “ask” – much harder and less convincing than the legitimate task of seeking an increase in the initial amount offered by the prospect.

As the prospective “asker’s” anxiety about asking for the gift increases, she may well start lobbying herself or her development colleagues for reducing the amount to be requested. Three points to remember: (1) a donor is likely to be complimented, not antagonized, by an “ask” amount that is beyond his or her capacity or inclination; (2) the high ask may “increase the sights” of the prospect for future gifts; and (3) “askers” almost never lose a friend or a prospect by asking for too much – although they may induce a gasp or a laugh from a prospect. If the prospect makes it clear that he or she cannot consider a gift at the requested level, the subsequent conversation will almost surely provide insight into what the donor’s capacity is now or may be in the future, as well as into the donor’s interest in the mission of the not-for-profit and in the specific gift objective proposed.

That said, donors seldom make a major gift in excess of five percent of their net worths – not impossible, but unlikely. The conundrum is that the development staff typically has difficulty assessing net worths with accuracy. Some prospects could afford a much more lavish life-style than they practice, and others live to the edge of – or beyond – their resources. A donor’s dress, car, jewelry, primary residence and other outward manifestations of wealth are often misleading, in both directions! Wealthy rural residents – for example, ranchers – may dress in Levis and boots and drive pick-ups, while successful entrepreneurs may dress in black turtlenecks (Steve Jobs) or T-shirts (Mark Zuckerberg) and follow a somewhat Bohemian or offbeat lifestyle. Others may be frequently featured on the society pages, but drive fancy cars and own elegant homes that are, in truth, burdened with heavy debts. Don’t judge a book (donor prospect) (by its cover (his or her appearance or lifestyle.)

By Whom?

Every donor prospect wants to be “asked” by someone he or she respects, a person who is well informed and with whom the donor has developed some relationship. Sometimes “asks” should be made by a development staff member, sometimes by a volunteer, and sometimes jointly by a staff-volunteer team.

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Suggesting that the meeting be at the prospect’s home or office is generally courteous, but, for any of a number of reasons, the prospect may prefer a different venue. And, meeting at the not-for-profit’s offices may facilitate reviewing plans, introducing the prospects to more individuals, and so forth. Of course, many “asks” occur over breakfast, lunch or dinner!

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In summary, the solicitor should do his or best to make the prospect comfortable. That comfort will be enhanced if the “asker” remains at ease and acts appropriately “business like.”

What Outcome(s) Can or Should Be Anticipated?

The “asker(s)” should have thought carefully about what the various outcomes of the “ask” meeting may be. The best outcome is, of course, a simple and enthusiastic “yes.” The worst outcome is a simple and definitive “no.” As the prospect edges toward a “no” answer, the conversation needs to be broadened to ascertain where the “ask” plans have gone wrong. What questions does the prospect have for which he or she hasn’t received adequate answers or explanations? Has the institution proposed a project that doesn’t ring a bell for the prospect? If so, what might be of greater interest? Is the amount too high? If so, ask for guidance as to a gift amount that would be comfortable for both the prospect and his or her family. Is the timing off? Is there a time in the future (preferably near future!) when the prospect might be in a better position to consider a gift?

I recall a long conversation with a recently widowed woman eager to endow a professorship to honor her husband. However, she expressed some concerns: perhaps ours was not the right institution, as her late husband had not had a long association with us; and would and could we comply with one unusual condition of the pending gift. Rather than pressing for an immediate decision, I suggested that she give us a term-

endowment gift to permit us to move ahead for a period of four or five years; during that time she could re-evaluate whether ours was the proper locale for her professorship and satisfy herself that we could and would honor her unusual condition. She was pleased and delighted with the suggestion; our relationship grew considerably because of our sensitivity to her doubts. She provided the term-endowment; we quickly hired a superb candidate; and at the end of its term, she endowed the professorship in perpetuity.

Another outcome to anticipate is an offer from the prospect for a gift amount that could actually harm the institution. For example, at the very early stages of a fundraising campaign, you are soliciting the wealthiest trustee on your board for a hefty gift that can serve the purpose of raising the sights of his or her fellow trustees. You know that the gift you are requesting is well within the prospect's capacity, but the prospect is reluctant and makes an offer of 20 percent of the requested amount. You may need to explain why her gift will set the pace for the entire fundraising campaign and without her generous participation at the outset, the entire campaign would have to be rethought and possibly abandoned.

Moreover, some donors love to negotiate – bargain – about their gifts. For example, suppose you asked a donor for a gift equal to half the cost of building a new facility; you offer to name the facility for him. He offers you a 30-percent gift. You feel that you will be unable to raise the other 70 percent, particularly once the naming opportunity has been “sold.” What do you do? Don't say OK to his offer! Explain carefully why the terms he has offered would hinder your plans for the institution, and request an opportunity to continue the discussions. The key outcome is to leave the door open for future meetings, at least for continued relationship building, and preferably for a future gift solicitation.

The “askers” should certainly prepare themselves for a “no” answer. They need to accept this answer gracefully and with understanding, not with annoyance and certainly not with anger! Use this opportunity to further the relationship with the donor, not to destroy it. Recently a

major gift prospect turned down my request. Later, he wrote to thank me for asking (yes, thank me, even before I could thank him for considering my request), and then he doubled his non-trivial annual gift. I found no reason to be disappointed with that outcome!

Moreover, the “askers” may need to decline to accept a gift if its terms or conditions would (a) divert too much of the institution’s attention or dilute its mission; (b) involve questionable ethics or legality for the donor or the institution; (c) expose the institution to more risk or cost than it should accept; (d) leave the donor with so much control over the use of the gift as perhaps to disqualify the tax deductibility of the donor’s gift; or (e) because of the size of the gift, leave the donor in precarious financial circumstances. This last reason for saying “no” may surprise you; it shouldn’t. Taking advantage of a donor, particularly an elderly donor, can jeopardize the institution’s entire development program; damning news travels far and fast among present and prospective donors who are close to the institution.

What Follow-up?

After the “ask” meeting, a prompt and thoughtful follow up is essential. If this is a thank-you letter, terrific! The proper follow up to an inconclusive meeting might be a detailed proposal outlining exactly how and when the gift funds, if provided, would be used, when they would be needed, and how the institution will report progress to the donor. But if the prospect’s answer was a conditional or even a flat “no”, the “asker” – and perhaps others – should thank the prospect, probably in writing for taking the time for the meeting, for explaining what his or her philanthropic interests are, and for giving the “ask” thoughtful consideration. And, if the discussion revealed significant participation in other non-profits, consider thanking the prospect for all the other good work that he or she is doing in the world.

Naming Gifts

One has only to wander a college campus, a museum, a performing arts venue, or a hospital to become convinced that the opportunity to name

a building, a part thereof, or a major project or performance can have great appeal to prospective donors. Institutions in recent years have become very imaginative in how and where they can post (show off?) donors' names. Not only are entire buildings named, but conference rooms, auditoria, lunchrooms, plazas, patios, gardens and a host of other components are also named. (One teasing donor to a building project suggested, tongue in cheek, that a particular urinal be named for him. His request was granted in good humor.)

As mentioned above, a frequent rule-of-thumb for naming gifts for buildings is that the amount should cover at least half of the cost of the building. The expectation behind this guideline is that the balance of the funding can be aggregated from a large number of smaller gifts, many of which will also be honored with less prominent naming opportunities. While this fifty-percent guideline continues to be useful, some complex science and medical buildings, for example, are now so expensive that the institution must be content with lower leading- and following- gift amounts (with the shortfall often met by borrowing.)

In-perpetuity endowed gifts are also frequently named: professorships, scholarships, directorships, research positions, deanships, many athletic coaching positions (even in the Ivy League.) The length of the list of possible naming opportunities is limited only by the creativity of the development staff.

I once had the challenge of providing proper name recognition and celebration for a donor providing a seven-figure gift for enhancing the campus landscape. What a wonderful gift! But, how to celebrate it, even though the donors protested they needed no celebration or other gift acknowledgment. We designed a plaque to mount in a prominent campus location. We asked the donor couple to celebrate with champagne at the site of the plaque mid-morning of a football Saturday when they were in town for the game. The couple and my wife and I were the only attendees, I made a solemn (but short) toast to the donors, passer-bys gawked, and the donors laughed heartily at the location for the plaque chosen by the groundskeepers: below eye level and directly over a prominent storm drain. We also gave them a tree sapling from

the campus; it was delivered to them in their private jet following the football game.

Not infrequently, admirers, friends, or family members of a high-profile individual associated with the nonprofit institution suggest that a major endowment fund be established to honor this distinguished individual; the necessary gifts would, in their views, surely be readily forthcoming from the many folks who benefited from association with the prospective honoree. Perhaps surprisingly, these initiatives are almost always unsuccessful, regardless of the prominence of the proposed honoree. If the institution decides to proceed, the institution should probably first obtain verbal commitments for, say, two-thirds of the required amount. After all, the institution does not want to announce such an effort and then fail to achieve the goal – particularly if the honoree and his or her heirs are still alive and close to the institution. This reality underscores the proposition that people will make major gifts to honor their own names but not the names of others!

How should an institution handle the offer of a major naming gift from an individual whose reputation is – or may become – questionable or downright unsavory? We may speculate that such gifts are sometimes offered in an attempt to buy respectability or at least redemption of reputation!

The problem is not so much with prospective donors convicted of – or under indictment or investigation for -- felonies, Ponzi schemes, insider-trading, other securities laws, or extensive drug dealing – that is, transgressions often labeled “white collar” crimes. These gifts can be declined. But suppose an apparently upstanding member of your alumni body provides the naming gift for a prominent building on campus and subsequently becomes indicted and then convicted? Quite understandably, most gift documents don’t specify what action the institution will take should the donor subsequently be imprisoned, deported, or otherwise eliminated (at least temporarily) from society. Removal of the disgraced person’s name from the building is probably the best action for the institution without over-worrying what the consequences may be with the donor or the donor’s family and friends.

Moreover, institutional leaders should probably not look too closely at how the donor or his or her ancestors earned the money that is now being offered as a gift or gifts. Just think of the late 19th century philanthropists, now vilified as robber-barons, monopolists, or worse, who have underwritten universities, libraries, museums and other wonderful educational and cultural organizations. Stanford, Carnegie, Rockefeller, Duke, Huntington, Getty, Guggenheim, and many other such high-profile names continue to grace the facades of many buildings and the letterheads of many not-for-profits, all without adverse consequences. Michael Milken spent some years in prison following his 1990 confession to a felony (for securities fraud), but not-for-profits now stand in line to present proposals to the major foundation that he funded, named after himself, and now runs! Why not?

Finally, how should “askers” (and their institutions) handle a donor’s request to forego identification of his or her name with the gift? Obviously, the donor’s wishes must be met – but not too quickly. Many donors feel awkward about attaching their names to their gifts – sometimes for good reasons, but more often because of modesty (false modesty?) or the feeling that charitable giving is best done in silence. The “askers” should explain carefully but persuasively that linking the institution with the names of generous donors is much to the institution’s benefit, as it encourages generous gifts from others who may be eager to affiliate with – that is, may follow in the footsteps of -- the donor. I have spent many hours talking donors into permitting their names to be identified with their gifts, rather than giving anonymously.

Pledges

Many major gifts come in the form of multi-year pledges, with a schedule of payments over, say, five years. A pledge period longer than five years is both unwise and typically unnecessary.

A very high percentage of pledges are fulfilled. That is, default is rare. When a pledge is not fulfilled, the institution needs to think long and

hard before taking legal action to force compliance; but such action may be warranted when, based on the pledge, the institution has taken on significant obligations.

Years ago I learned that a donor who had fulfilled about one-half of his five-year \$1 million pledge to the university and now was extremely disappointed because his son was not admitted to the school. I flew to his office in a distant city to commiserate with him regarding his disappointment (and explain the independence of the university's admission office from its development office!) I assured him that, if his disappointment motivated him to cease payment on his pledge, the university would fully understand and relieve him of any further obligation. On schedule, he did fulfill his pledge; my trip was well worthwhile.

“Philanthropy: About the only virtue that is sufficiently appreciated by mankind.”

Henry David Thoreau

We turn now to development activities that underpin both annual and major gift efforts. It should be obvious (but emphasis is worthwhile!) that, since annual givers typically constitute the farm team for donors of major amounts, the development organization – staff members responsible for annual giving and those responsible for the major gift program --need to communicate and cooperate extensively. In reciprocal fashion, they need to identify annual donors who may be interested in making a periodic major gift, as well as major donors who might appropriately be solicited for annual gifts.

Fundraising is not a new activity unique to the 20th and 21st century. It has gone on for centuries, growing with the increasing importance of community and the development of complex cultures and religions. Fundraising is not about gathering money; it is about accomplishing worthwhile ends or goals.

Cultivating

Just as one cultivates a garden – planting, weeding, and watering – development programs must cultivate their prospect pools. Staff and volunteers must plant the seeds, deal with obstacles (weeds), and nourish the prospects’ interests.

While much cultivation is accomplished one-on-one, group cultivation events are also effective: dinner at the president’s home, invitations to attend key (i.e., exclusive) lectures, performances, athletic events (in prominent, sought-after seats), a small meet-and-greet event with a prominent artist, the art director, a distinguished alumna or alumnus, a newly-appointed senior member of the non-profit.

Cultivation begins with listening to the donor; as one professional fundraiser says, “You need to determine from the donor how he or she wants to change the world.”

You then are ready to introduce the prospect to the mission, programs and services of the not-for-profit, as well as the quality and importance of those services. But the prospect needs more; he or she needs to “experience” the work, the staff, and the key outcomes of the not-for-profit. Part of the “experience” can come from your good story-telling – not about yourself, perhaps about the institution you represent, but most effectively about the clients your organization serves. Your best stories won’t be “canned”; they will be a bit different each time you tell them. They will end with emotion, with humor, or both.

The prospect needs to develop a first-hand appreciation of the institution’s mission and the excellence with which the institution fulfills that mission. The overall mission – or a particular facet of the mission – will ring a loud bell for some prospects, but almost surely not all. The task of the staff and volunteers is to listen carefully for that ring! If it never rings, move on to another prospect with a sincere thanks to the prospect for the time he or she spent getting acquainted.

Ringling bells help identify where and how the prospect might gain the most satisfaction and pleasure from his or her generosity. The key is to find the project or activity that the donor cares deeply about, and then articulate how your institution can accomplish something important and special to the donor. Motivations for giving vary widely among donors. The “art” is to match gift opportunities with those motivations.

I recall clearly the meeting I had with a staff fundraiser from a school I attended and cared a lot about. Before I had a chance to say anything, he launched into a long “pitch”, focusing on the nostalgia that I must feel for the years I spent at the school. Finally, when he finished, I was eager to get this fundraiser out of my office; I told him that I felt almost no emotional attachment to the school – no nostalgia – but I had huge respect for the solid education it delivers.

Bear in mind that no matter how expert and experienced the fundraiser, if he or she sits down in front of donor prospects and expects to “sell” them on an idea the prospects did not already want to support, the fundraisers will almost certainly be unsuccessful.

Matching Funds

“Matches” or “challenges” are often effective in stimulating new or increased giving of both annual and major gifts. For example, a wealthy donor might be persuaded to provide the wherewithal for a matching fund that will match dollar-for-dollar every gift from alumni of a certain graduating class, perhaps a class celebrating a milestone reunion. Or, the match might be for increases in gifts from the previous year, as well as the gifts from donors who have not previously given to the institution. Or, to stimulate an increase in giving to an endowed activity, the match might provide one dollar for every two dollars from donors establishing a new endowed fund.

The construction of effective challenges depends on the ingenuity of the development staff, as well as insightful knowledge of what may appeal to the institution’s donor base. Many of these challenges are rather transparent: that is, the person providing the matching funds is not likely to give less than the full amount, just as he or she is likely to agree to change the terms of the match to be certain that the goal of the mini-campaign is achieved. Nevertheless, most matching challenges do, in fact, motivate donors to make gifts, increase their gifts, or accelerate the timing of their gifts. In short, the challenge works!

A prominent goal of a particular university’s fundraising campaign was to attract funding for 100 endowed professorships. Fortuitously, the university had recently received an unrestricted mega-bequest just as the campaign planning was underway. The bequest was used as a matching fund to lower by one-third the gift requirement for an endowment professorship and the goal was reached. Incidentally, to honor the deceased donor, her name was prominently attached to a large dormitory complex that had recently been built using borrowed funds that would be repaid from the dormitory’s room fees. The

“bargain” aspect of these solicitations – create a \$1.5 million endowment fund with a gift of *only* \$1.0 million – proved to be attractive to donors.

Remember, any match must be marketed, not just laid on the table. In the best of circumstances, fundraisers can leverage the name of the individual or foundation that is the source of the match.

Stewarding

Chapter 1 outlined the possible sources of satisfaction (values) sought by donors. Stewardship seeks to deliver on these five values.

As “cultivating” is the activity that precedes the gift decision, stewardship is the activity that follows the decision. Just as the prospect deserves to be “asked” properly, his or her gift should be properly stewarded. Good stewardship involves more than simply saying “thank you”, although goodness knows it certainly includes that! Sincere stewardship involves careful thought, not simply proceeding through a checklist.

Promptness is key. A gift check that is not cashed for a month or more sends a signal – intended or not – that the funds are not really needed. A delayed thank you note carries a similar message. A gift acknowledgment and a receipt (for tax purposes) should be in the mail within days, not weeks, or receipt of the gift.

A large gift commitment solicited by a trustee or other volunteer should prompt one or several calls from within the institution – perhaps from the president, the director of the function that will benefit most particularly from the gift, a key development staff member, and so forth. It is certainly possible – but not likely – that one can “over thank.” Don’t take seriously any demurral from the donor that he or she need not be thanked. Good manners are never inappropriate.

But stewardship does not end with a simple – or even an elaborate – thank you. Find opportunities in the ensuing months or years to

demonstrate the impact that his or her gift or gifts has had on the institution. Include the donor in celebrations and other activities, thus delivering “affiliation” pleasure to the donor (see Chapter 1).

Here is an interesting idea: One charity asserts that it is a “public corporation” and no one has a stronger interest in seeing that it is doing well than do its donors. Therefore, the charity holds an annual “shareholders’ meeting”, just as for-profit corporations do.

Events and celebrations can often serve dual purposes: cultivation and stewardship. The more exclusive the attendance list, the more effective the cultivation and stewardship. And don’t forget that the invitation alone has meaning -- “we appreciate and are thinking of you” – even if the prospect or donor can’t or doesn’t attend.

Not only does effective stewardship display good manners, it also is productive for future fundraising. No donor gives away his or her last dollar. Donors whose previous gifts have brought them satisfaction and pleasure are the best prospects for future gifts.

Finally, don’t overlook the power of a personal telephone call or a hand-written note to thank a donor. Neither the call nor the note need be long, nor does it need to be flowery or exquisitely worded – but it does need to be personal, sincere, and timely. Ghost-written or form letters are simply acknowledgments more than they are thank-you’s. With practice, you can learn to compose a personal note (on card stock, not letterhead) as quickly as you can write a (impersonal and ineffective) thank-you e-mail. In my years as a senior development officer and subsequently a college president, I have written literally thousands of these personal notes – and I still do it.

Recognizing donors in a variety of ways is a key part of stewardship. Most not-for-profits produce and distribute annual reports of gifts, classified by size of gift. Performing arts organizations typically provide the same information in performance programs. “Donor walls” are often erected in or outside the not-for-profits’ facilities. These may list those who made significant gifts to the facility itself (e.g., the

performance space.) Other walls are devoted to donor names by cumulative giving over years. Still others may include names of donors who supported a specific fundraising campaign.

And, of course, individual donor plaques often appear throughout a building, displaying the name of the donor(s) who provided the gift for the particular building element.

To repeat, again, donors often protest that they want or need no recognition. Occasionally, they mean it; if they wish to remain absolutely anonymous, that directive must be respected. But, ask the donor a second time, indicating exactly how and where the recognition will appear. Remind her that permitting the inclusion of her name in an honor roll or on a donor wall benefits the not-for-profit by sending a signal to other prospects who recognize her name.

Some donors may tell you, if you listen carefully, what types and amounts of stewardship will please them.

A Gift in Return?

Should the charity consider returning to a donor – an annual fund or major gift donor – tangible evidence of thanks? The donor world is probably divided into two groups: those who appreciate this form of recognition or thank you and those (including me) who resent having their gift funds spent in this way. To appease the latter group, some mailed solicitations ask the donor if he or she wishes to receive or forego the offered “gift”.

What donors particularly appreciate receiving is something that they cannot obtain for themselves. (Most donors can, after all, afford the price of any physical item they might receive.) Thus, invitations to events or celebrations are likely to provide more donor satisfaction than receipt of yet another pen, note pad, or T-shirt.

However, a “gift” widely used by schools, colleges, and universities is a picture calendar, providing month-by-month photos of campus scenes

and events that evoke repeating and pleasurable memories for the donor.



CHAPTER SEVEN Fundraising for New/Young and All-Volunteer Non-Profits

To repeat a comment made in Chapter One, the number of charitable organizations — non-profit charities — continues to grow rapidly, as does charitable giving. Some readers of early drafts of this book have lamented that it was too oriented toward large non-profits — for example, private college and universities, major conservancy organizations, nationwide appeals aimed at the control or elimination of certain diseases, major arts organizations. These organizations typically have substantial professional development staffs, multi-million budgets and giving goals.

Many new or young charitable organizations currently have minimal gift receipts — but significant fundraising ambition — with current fundraising done entirely by volunteers. This chapter should be of interest for this latter group.

However, don't overlook the earlier chapters. The same legal requirements apply to all non-profits, large or small. For example, registration with the Internal Revenue Service and filing of the Form 990 is required by all charities who want to offer their donors tax deductibility of their gifts — and that is ALL non-profits.

Moreover, these charities will benefit by strategizing separately for annual (i.e., repetitive, smaller) gifts, major gifts, and planned gifts (particularly bequests.) Thus, chapters 3, 4, and 5 are certainly not irrelevant to these young and small organizations. Nor are chapters 6 and 8 that focus on stewardship and campaigns. Even chapter 10, focusing on the organization and management of large fundraising organizations will be relevant to this group; its emphasis on (a) mission and values relevant to fundraising, and (b) the myriad of activities and functions that must be accomplished by all fundraising organizations, large or small.

Getting Started

New non-profits typically arise when one or a small group of activists discern a need or an opportunity for service about which they are — or soon will be — passionate. Recently I have seen organizations develop around:

- a volunteer chorus that is growing in prominence, public recognition, and ambition.
- the need to save a certain breed of dog (e.g., golden retrievers) from abuse, homelessness, and lack of care.
- the need for a senior center in a mid-sized city where governmental support for the elderly is minimal or non-existent.
- the opportunity to convert an historic building into a local historical museum.
- a local public school PTA or school board that encourages community fundraising to enhance the arts, athletics, or other programs within the schools.
- an amateur theater group seeking to expand into semi-professional status.
- a start-up, volunteer-staffed, exercise facility and program for physically-challenged youth.
- a start-up to provide support and therapy for men facing or now suffering from a contentious divorce.
- an environmental group focused on protecting and displaying the flora and fauna on some or all of the local area.

The activist group needs to temper its enthusiasm with a realistic assessment of (a) the number of volunteers who can be enlisted in the embryo effort, (b) their level of enthusiasm, (c) their willingness to commit both personal dollars and personal time to the start-up.

Now is the time to begin to build a prospect list — not a wish-list — of others, known to one or more of the founding group, who have potential to be interested in the new venture. This list should not include wealthy individuals in the community who have no specific reason or reasons to support the initiative. Remember that wealth alone does not define a donor prospect. This statement is as true of foundations as it is of individuals.

Now is the time also to draw-up a realistic business plan. Think particularly about the steps or stages that the non-profit must achieve and pass-through to reach its first sustainable level — not ultimate state — of serving its constituency.

This plan, once refined and “test-marketed”, becomes the non-profit’s case statement for prospective donors. That is, it’s a prospectus — subject to revision, expansion, and updating as experience is gained. Yes, it must necessarily be aspirational, but it also needs to be specific, realistic, and compelling. It must include financial projections and the names of the volunteers who will carry the load for both fundraising and operations.

Assessing the Opportunity

Recall from Chapter 1 the break-down of charitable giving: 35 percent to religion; 14 percent to education; 9 percent to human services; 8 percent to health; and 5 percent to arts, culture and humanities. (By the way, environmental causes would probably make this list now.) The competition for the philanthropic dollar is formidable. Perhaps the start-up non-profit’s mission will be so compelling that the philanthropic dollar pool will grow to accommodate it; more likely the start-up will have to compete for donor-prospects with other compelling philanthropic interests.

Consider how well the start-up will compete in delivering to donors the key values discussed in Chapter 1: alignment with the donor’s values; demonstrable impact; recognition, affiliation and association; and, if possible, leverage. The start-up’s needs are irrelevant.

Remember, too, that the start-up is not “pan-handling” for money; it seeks *gifts*, not token contributions. (See Chapter 3)

From the outset, develop a culture of philanthropy. Be sure the founders believe that (a) the proposed services of the new non-profit are worth the sacrifice that donors make in parting with assets; (b) they are

focused on delivering what the donors seek; and (c) they can ask, effectively, for gifts.

Think hard about how the new start-up can assure that donors will experience the organization's good work and the payoffs from the donors' generosity.

Recruiting the Board

Non-profits need boards of directors (or trustees) for legal reasons. More importantly, they need boards to assure the non-profit's continuity, to take responsibility for prudent and ethical fundraising, to assist in defining (and limiting) the non-profit's mission, reducing the mission to a written statement, seeing to it that the non-profit remains true to its mission, writing and critiquing the business plan, taking an active role in identifying prospective donors and asking for gifts.

Because this list of board duties is long and potentially time-consuming, the recruiting of board members should not be a casual undertaking. Boards must be more than a group of "buddies", friends or "family" members. The board needs to be as diverse as possible: not all from the same neighborhood, not all of one gender or ethnicity, not all with the same professional experiences or educational backgrounds, not all of the same age, not all with the same set of acquaintances, not all direct beneficiaries/clients of the non-profit, and not all with the same financial means, particularly if those means are meager!

Furthermore, from these enlistees must come someone able and willing to serve as chair. Obviously, this must be a person respected by the remainder of the board. If he or she is also prominent in the community, in his or her profession, among those individuals likely to be financially supportive of the new venture, so much the better. He or she also must be willing to devote the necessary time and to participate in (but probably not lead) the fundraising. That chief fundraiser duty needs to be willingly accepted by another board member. In due course, the start-up may be able to hire a professional, paid fundraiser; until that

time, the task must fall to the volunteers and to the board-leader of those volunteers.

And, of course, all board members must be willing and able to participate in fundraising — both directly and indirectly. Any potential board member who states that he or she is willing to help but just cannot and will not solicit gifts from friends, colleagues, and strangers should be dropped from further consideration for the board.

Keeping Records

A start-up non-profit needs to give high priority to developing and maintaining records on prospects: not just names and addresses, but also donor qualification information from whatever source; calls (contacts) made (electronically or in person); gifts received; stewardship efforts; and publicly-available person information — family, schools attended, employment (current and previous), club memberships, hobbies, charitable interests, and so forth. It should be the task of everyone active in the fundraising effort to augment these records after every contact or interaction with a donor or prospect. Keeping files and records up-to-date is a major task, one too often short-changed by new non-profits wholly dependent upon volunteer fundraisers.

In due course, a growing and maturing non-profit will want to automate this record-keeping. Many commercial, computer-based software programs are available. The transfer from hand-kept records to electronic records will be an arduous chore, but it need not precede the commencement of active fundraising.

Need versus Opportunity

To repeat, a prevalent problem among new and young non-profits is their founders' fixation on the "need" to raise funds, an understandable but inhibiting myopia. I suggested in Chapter 1 that "need doesn't sell", and this is doubly true of start-up non-profits. Too often the founders are so convinced of the worthiness of their cause and its attractiveness

to future donors that they have trouble putting themselves in the shoes of those donor prospects.

The start-up doesn't "need" philanthropic support because it doesn't "need" to exist. The world apparently got along satisfactorily without the newcomer. The word "need" might best be banned from conversations among the founders. In short, the case must be made for the importance of the start-up, a case that translates readily into an opportunity for its future donors.

Remember that all donors seek rewards — to be sure, intangible rewards — for their generosity. Re-read chapter one! The opportunity to achieve those rewards is key. Thus,

— the chorus's future performances will improve, providing new listening opportunities for its donors. Support may provide improved venues for performances, professional accompaniment, improved reputation that will attract better singers, perhaps more frequent performances, an opportunity for donors to participate vicariously in the success of the chorus. Donors will be able to experience the improvements.

— the dog-focused non-profit will pull on the heart-strings of those who love dogs in general, or a specific breed in particular. They will be able to sense and gain satisfaction from the dogs' improved condition and health, and perhaps participate in the care of the dogs.

— the senior center will offer opportunities for meaningful participation in the improved lot of the community's seniors. They may envision their personal future need for the senior center's services, or already know personally those who can and will. They sense the opportunity.

— donors to public schools can be shown the opportunities that other communities have grasped to enhance the breadth and depth of academic and extra-curricular activities, and the community benefits that have derived from these activities.

— the theater group's message does not focus solely on the benefits to its current members, and thus the group's needs. Instead, the emphasis should be on the opportunity to enhance theatre opportunities for future members, add to the breadth and quality of the local arts

scene, professionalize the theatre productions by the periodic inclusion of one or more professional actors.

— yes, youth-oriented programs have strong donor appeal, but the message to donors needs to be specific. How great is the opportunity locally, that is, how many youths can be benefitted? Who are the potential volunteers and how do they assess the opportunity? How will this start-up enhance the available resources: breadth of services? location? cost of service to the beneficiaries?

— divorce causes financial problems, problems of self-esteem, loneliness, and separation from children for both women and men. Yes, expensive, professional services may be available, but how about the opportunity to follow in the footsteps of Alcoholics Anonymous and similar volunteer groups to provide support and group therapy for divorcees of one or both genders?

— the new environmental group has the advantage of being able to acquaint prospective donors with the physical areas or assets that will benefit from the organization's work and, most importantly, from the donors' generosity.

Some of these donors — or their children or parents — will be active participants in the new philanthropic venture; they will feel the impact, value alignment, and affiliation directly. Others can be offered the opportunity to further the values that matter to them and to see the impact of their gifts.

Annual Gifts and Major Gifts

Too many start-ups fixate on annual giving. Others seem to believe that if they could just achieve a few large gifts, their fundraising needs would be met. Both are wrong!

Yes, annual fundraising campaigns are important. Re-read chapter four. Annual campaigns throw the net widely, encouraging small donors to participate. This cadre of donors is the "farm team" of future donors of larger gifts. And, most donors of substantial gifts don't want to become the "sugar-daddy", the single donor (or one of a few donors) to whom the non-profit repeatedly turns for increased financial support. They

want to see that the non-profit is able to generate support from a broad set of individuals. That broad support serves to validate the non-profit's importance to and impact on the constituency it serves.

How should these potential annual donors be solicited? The "gold standard" solicitation is always by a personal visit. Admittedly, that is an unreasonable expectation for every single donor. Telephone solicitation is probably next best. Such a solicitation might be preceded by a mailing explaining the non-profit's mission and progress to date (if any), with a short personal note from the person who will make the telephone call. The third level of solicitation is by mail; again this should be accompanied by a personal note, if at all possible. In addition — or otherwise — the "return envelope" should be accompanied by a form letter, ostensibly from, and/or signed by the board chair. Obviously, any accompanying communication should stress "opportunities" not "needs".

The start-up may want to inaugurate a "giving club" at a gift level that would be a stretch for a donor to a new non-profit, although probably not less than \$500. The reply card (or envelope) may want to suggest a range of gift levels, with a check mark by each. Members of this gift club will need to be accorded personal and meaningful stewardship (see below).

What are the roles of the internet and e-mail in a fundraising program? Obviously, the non-profit will want to mount a website as soon as practical. Remember that this website should not be static; someone or a group needs to take responsibility for updating the website on a regular basis. Publications and appeals from the non-profit should reference this website, but don't count on a prospect actually going to the site.

Building a prospect list that includes names and addresses probably should include e-mail addresses as well. What about soliciting by e-mail, perhaps indicating a willingness to accept gifts via credit card? The answer to that question may depend on the ages of the primary prospects. For prospects in their 20s and 30s, such a solicitation may be

appropriate, productive and acceptable. For those over 50, the U.S. mail is probably best.

Don't pass up the opportunity to commence a major gift program early in the life of the start-up. A major gift with large potential is a "matching grant" or "challenge grant" for the annual fund. These "matches" have time and again proven their worth in inducing annual donors to increase the size of their annual gift. Such gifts provide the major donor with great recognition and leverage for his or her gift.

Let me suggest one or two major gift opportunities (in addition to challenge grants) that may be suitable for the new non-profits mentioned earlier in this chapter:

- underwriting an upcoming performance or a new choral piece, with prominent name recognition in the program.

- naming a rescued dog (donor chooses the name)

- name a program offered by the senior center

- the refurbishing of an old building into a museum offers many naming opportunities within the building — display rooms, conference rooms, reception areas — and the building itself.

- public school fundraising should offer donors the opportunity to make a gift to particular elements of the overall program to be supported, as well as unrestricted. Such gifts are likely to be "budget relieving" and therefore need not drive the budgeting process across these program elements.

- the theater group has the same opportunity as the other arts organization in this listing (chorus) and perhaps more.

- the youth exercise initiative might offer opportunities to support specific types of exercise, or to support the purchase of additional and/or specialized exercise equipment.

- because participation in a divorced-men therapy group will likely be confidential, naming opportunities are less evident, but a fund to cover the cost of professional counselors meeting periodically with the group offers potential.

Remember that these gift opportunities should be priced in accordance with "what the market will bear", and not based upon cost.

Stewardship

As Chapter 6 stresses, the first step in good stewardship is the delivery of prompt and sincere thanks for gifts received. And, be sure to cash gift checks immediately; delays beyond a few days signal to donors that their gifts are not high priority for the non-profit.

Every professional fundraiser — and many donors — will tell you that the most frequent and withering complaint from donors is contained in this comment: “the only time I hear from you is when you ask me for money.”

Don't let that happen. Establish a pattern early-on of updating donors on a periodic basis. A quarterly or semi-annual newsletter may be the answer. But a personal note, telephone call, or e-mail message to key donors will usually pay dividends. Even better is providing the opportunity for donors to visit and thus experience the non-profit “in action”. Major-gift donors will appreciate the opportunity to meet the choral director or theater director or lead actors/actresses. A visit by major-gift donors to the anticipated museum facility, with a review of renovation plans, is worth a lot; even better, ask the donor for input on the layout of the museum or the contents of the displays. Dog lovers may cherish personal contact with rescued dogs. And so forth. Use your imagination and remember that these need not be formal occasions nor expensive to arrange. Some of this stewardship can be delivered to groups of donors, but one-on-one interactions are key for major donors.

Summary

Founders of every new or young non-profit, like all new business founders, are entrepreneurs — a highly-praised vocation and/or avocation in this country. Entrepreneurs shouldn't be timid in defining their ambitions. At the same time, they must be realistic. Just because other non-profits are highly successful in fundraising doesn't mean that the new venture will be. The aggregate annual gift income for an established symphony, opera, or ballet in the city does not provide much of a guidepost for the new chorale group. The gift-raising success of a nearby university says nothing about the appropriate fundraising

target for the local schools. The gestation period for major gifts is often years, not months or weeks, and success in attracting annual gifts will not be instantaneous. Building a track-record takes time, and yet a track-record of success may be essential to achieve the level of philanthropic support the founders envision.

Though funds are limited for most all entrepreneurial non-profits, now is not the time to be unduly penny-pinching. It's correspondence, logo, publications, and gatherings should be appealing, professional looking, and appropriate for the anticipated status and success of the non-profit new venture.

Finally, don't get quickly discouraged!

“Generosity consists less of giving much than giving at the right time.”

Jean de La Bruyere

Fundraising campaigns are an interesting phenomena in the development world. They are typically multi-year efforts and often have dollar goals that are truly audacious.

Some campaigns aim to fund a specific project: erect or remodel a church or synagogue, build a new performance hall, construct a medical-delivery facility such as a children’s hospital, and the list goes on. Others – particularly in the education world – bundle together many objectives and set an aggregate goal as well as a specific time frame for the campaign. In recent years, for example, many large universities, both public and private, have announced five-year campaigns to raise amounts well north of \$1 billion.

Campaigns require a great deal of preparation, typically starting with a comprehensive and detailed planning effort, in which the institution’s governing board plays a role, ideally more than simply oversight. The objectives of the campaign, then, derive from – and support -- this institutional planning. Hopefully, some of these objectives have excitement in them, with promise to cause real change and improvement in the institution; if the campaign objectives seem rather “same old, same old” – that is little impact -- the campaign may prove to be a hard sell to donors. Moreover, the objectives should, if possible, be sufficiently broad and diverse to provide gift opportunities attractive to essentially all prominent donors.

In short, don’t rush into a campaign. You don’t want to fail!

Broad or Targeted Campaign?

While some campaigns have a single objective, others often referred to as wall-to-wall campaigns, seek to benefit all corners of the institution and count every dollar that arrives during the period of the campaign.

The first \$1 billion campaign in higher education (undertaken by Stanford University) was a wall-to-wall campaign. Stanford's next campaign was limited to objectives focused on strengthening undergraduate education.

Recruiting Volunteer Leadership

Early in the campaign planning the volunteer leadership should be recruited: one or more prominent individuals, known (at least by reputation) and respected by a broad spectrum of the prospective donors. The leader(s) provide counsel to staff throughout the planning process, are key to recruiting other volunteers, and must be willing and able to solicit key donors. These leaders are at the apex of the pyramid of volunteers required for the success of large campaigns.

Setting the Goal

Next, a realistic assessment must be made (often called a feasibility study and performed by outside fundraising consultants) of the amount that can be raised, given the institution's donor base, fundraising track record, and the appeal of the specific initiatives to be included in the campaign. These two efforts – strategic plan and feasibility study – must, of course, be reconciled. It is not unusual for the goals of the campaign to be moderated to arrive at a realistic campaign goal. The detailed campaign plans then should be approved with conviction by the governing board – conviction both because their members actively participated in pre-planning that is essential to success, and because campaign failure can be hurtful to the institution.

Be careful that preliminary excitement about the campaign and what it could mean to the institution does not lead to an unrealistic dollar goal. CEOs tend to be both ambitious and starry-eyed! In one campaign I know well the feasibility study recommended to the trustees that the goal be no higher than \$55 million. The president urged the board to adopt a \$75 million goal because of his ambitious plans for the institution. In the deciding board meeting, one wise trustee said to the

president, “Well, if you think you can raise \$75 million, we should approve your goal.” Whoa!! Trustees must not view the campaign as the president’s sole responsibility, rather than a team effort with deep involvement by all board members. The goal was scaled back to one more comfortable to the trustees. Of course, the president didn’t change his personal, silent goal, which was in fact reached on the very last day of the campaign.

While institutional leaders may try to “time” the campaign so as to avoid economic recessions, the wiser course is simply to make campaign plans assuming that a moderate economic slowdown is likely during, say, the five-year span of the campaign. However, delaying the campaign public announcement, and thus starting date, may be wise if the media are replete with reports of economic woes.

Silent Phase and Nucleus Fund

With approvals and endorsements from the governing board, campaigns typically then enter a “silent phase” when donors with high gift capacity as well as close affiliation with the institution are asked both to review and endorse the objectives and goal of the campaign, and also to step forward to pledge their support to the campaign -- that is, to assist in building the “nucleus fund”. This nucleus fund typically aggregates to about one-third or more of the total goal before the campaign is publicly announced. When the campaign is broadly announced at the conclusion of the silent phase, good success in the silent phase – that is, the simultaneous announcement of a significant nucleus fund – provides important momentum for the public phase of the campaign.

In fact, of course, the silent period is anything but silent! It serves to signal to donors that they will be asked to help, but it also preserves the institution’s flexibility to re-shape the objectives, test the campaign communication program, and perhaps alter its dollar goal before “going public.”

As Stanford approached the “silent phase” for higher education’s first \$1 billion campaign, some staff members and trustees voiced concern that a \$1 billion goal might signal greed and over-reaching, rather than just admirable ambition. The senior development officers of other major private universities warned privately against such a high goal, believing it would be seen as over-reaching and thus be hurtful to all private universities. With the contrary belief – that is, that announcing a \$1 billion goal would, in fact, energize and delight alumni donors – the campaign leaders (both staff and volunteers) decided to test that assumption by inviting selected volunteers (and thus prospective major donors) to one of a series of lunches and dinners to consider the issue. At 34 such gatherings, scheduled broadly across the country, the overwhelming advice was “go for it!” Of course, these gatherings had multiple benefits: the attendees became involved in the decision process; they got an advanced look at the key campaign objectives; they had a “personal conversation” with Stanford’s president and development officer; and they endorsed the campaign long before they were asked for gifts to it. (The process wore out the president and the vice president!)

Before and during the silent phase, a systematic assessment, name-by-name, of donor capacity and inclination to give should be undertaken. This assessment needs to involve a broad and diverse set of institutional “friends” – diverse in age, occupation, residence location, personal wealth, and closeness to the institution. I am repeatedly amazed at the willingness of individuals to be forthright and candid in assessing the gift capacity of their friends, acquaintances, and even themselves and their family members. This information must be treated confidentially within the development staff. Remember that this assessment process has the added benefit of asking those involved (most of them being prospective donors) for their advice. We all like to be asked for our advice, and most of us are eager, or at least willing, to help.

Case Statement

Early in the quiet phase a campaign case statement is prepared. These tend to be glossy brochures, full of pictures, and very expensive to

produce. In fact, their elaborateness may be unnecessary and even off-putting. Too often, ghostwriters produce the text; very frequently they have trouble appreciating and communicating the culture of the institution, its mission, and the campaign objectives. Moreover, these ghostwriter consultants also have a vested interest in ending up with a very “splashy” and lengthy case statement. Yes, a case statement is generally needed and it should be handsome; however, most of all it should “sound like” and “look like” the institution it represents.

If the case statement proves difficult to construct or if reviewers find it unconvincing, the goals, timing, and dollar target of the campaign probably need to be reconsidered.

In some small non-profits where the president (or executive director) has been recently appointed, has been prominent in shaping and personalizing the campaign objectives, and will be involved substantially in all significant solicitations, the most effective case statement may be fashioned as his or her direct communication – much like a personal letter.

Early in my tenure as a small college president, I wrote a case statement that started with the word “I” and ended with my signature – first name only. I was frequently told – about this case statement and other written communications that I drafted – “your writing sounds just like you; when I read them, I feel like I am talking to you.” I was complimented by these remarks; they were just what I had hoped for. Thereafter, I’ve seldom turned to ghostwriters.

But beware that such personalization has its risks: coming across as egotistical, and de-emphasizing the role of volunteers and development staff.

Gifts to the Nucleus Fund

The source and the amount of the gifts (or commitments) received for the nucleus fund are key. This is the time to solicit the institution’s most loyal, wealthy, and generous prospects. These solicitations are the

“acid test”! If these gifts are not forthcoming generally in line with expectations, the institution probably needs to rethink the campaign’s overall dollar goal, timing, and the key objectives.

In two campaigns that I know well, the gift proffered by the wealthiest and most prominent trustee (in one case an emeritus trustee) was about 25 percent of the anticipated amount. The solicitors, in each case the president, patiently and thoughtfully explained to each of these veteran philanthropists that the amounts offered would jeopardize the success of the campaign. Why? Because other donors, particularly those close to the campaigning institution, will scale their own campaign gifts to those committed by those individuals anticipated to be in the leadership. In both cases, the outstandingly generous individual soon committed the originally requested amount.

Re-energizing a Stalled Campaign

A multi-year campaign faces the risk of stalling mid-campaign, when the excitement generated by the announcement has waned and well before the campaign’s final push. The stall is sometimes caused by a change in institutional leadership or an unanticipated event or institutional setback. Special events for volunteers may be able to re-ignite enthusiasm and activity. New or augmented leadership – volunteer and/or staff – may be required.

The campaign to build a new symphony hall in Los Angeles was stalled by the realization that construction costs would turn out to be a multiple of the original estimate and far in excess of Mrs. Walt Disney’s original, enabling gift. The active commitment of the city’s mayor, himself a major philanthropist, and several other prominent citizens was key both to the re-start of the campaign and to its ultimate success.

A Successful Campaign

Campaigns can have several collateral benefits to the institutions (in addition to providing resources) and they succeed largely because of

these benefits. First, they stimulate careful advanced planning within the institution, including assessments of projects and opportunities, and definition of gift objectives and associated naming opportunities. During this planning, extra effort is put into augmenting the prospect donor base, identifying new prospects, and re-evaluating the giving capacity of all donors. Campaigns provide a context for rallying prospects – alumni, patrons, and so forth – promoting or re-promoting to them the important work of the institution, and soliciting all of them. Campaigns provide a “closing function” for those prospects who may be pondering – but have not yet committed to – a gift. In fact, most campaigns offer two “closing functions”: the first at the end of the silent phase, when donors are encouraged to participate in building the nucleus fund, and a second as the campaign period comes to a close.

Organized and executed well, campaigns should also serve to increase the size of the institution’s donor pool; that is, “suspects” may be converted into bonafide donor prospects. They should be long enough so that *every* prospect can be thoughtfully solicited. Nobody wants to be left out.

A very high percentage of well-planned fundraising campaigns achieve their dollar goals. Sometimes success requires extending the announced campaign ending date, particularly if an economic recession occurs during the campaigning period. Moreover, comprehensive campaigns that include many ambitious sub-goals may well not succeed in reaching each of these sub-goals, while nevertheless achieving the aggregate dollar goal.

“Philanthropy: An American habit ... to make human beings healthier, happier, wiser, more conscious of the rich possibilities of human existence.”

Charles Dollard

As is the case with individuals, foundations and corporations seek to satisfy by their grants certain – often quite specific – objectives. Development officers who seek support from foundations have a somewhat different role from that of its major gift officers, as discussed below.

Foundations

Many wealthy families create what are called “family foundations” as the vehicle for their philanthropic giving; typically the persons who establish and fund these foundation make the grant decisions: that is they are also the trustees of the foundation. Why complicate the gift-giving process by using a foundation? First, income and estate tax considerations – particularly timing – may suggest the use of a foundation. Second, the trustees often want to include others – children, family advisors – in the discussions leading up to grant decisions. Third, should its creators die before depleting the resources of the family foundation, successor trustees are in place to continue the grant making.

Such family foundations are not the focus of this discussion. Grants from family foundations are, in effect, major gifts from the family.

The foundations we are interested in here are generally larger foundations that are managed by professional staff, rather than the original donor (even though the foundations typically carry a family name (Carnegie, Ford, Hewlett, Keck, Koch, Olin, Parsons, Roberts, Rockefeller, Soros, and many, many more.)

At these professionally managed foundations, the primary thrusts, objectives, or purposes of the foundation's giving are established collaboratively by the staff and the foundation's board, which often includes descendants of the original funder(s). Its staff is responsible for finding and shaping grant proposals that align well with these objectives.

Thus, grants are really business transactions between foundations and grantees. The sole philanthropic act was the establishment of the foundation. Thereafter the job of the foundation's board and staff is to execute in accordance with the trustors' requirements. And, the job, then, of the development staff of potential grantee institutions is to become and remain knowledgeable about the interests and priorities of a myriad of foundations, matching where possible the opportunities (grant objectives) of the institution with the stated interests of particular foundations. Directories, both printed and web-based, as well as the websites of individual foundations, are enormously valuable in this process. When a foundation's website lists its recent major gifts, the websites are even more useful.

Not infrequently, foundation grant officers refuse to meet with prospective grantee representatives. A usual lament of grant seekers is that foundations, particularly the large ones, are arrogant, autocratic, willful, elitist, risk-averse, secretive about their failures, and not accountable to the "publics" they serve. Fair warning!

But, remember that the foundation's staff is evaluated on its ability to find, fashion, and propose projects that will gain broad approval and will ultimately be executed in a manner that brings credit to the foundation. So, if you have such a project and can get through the door of the foundation, you will find that its staff members are your friends and potential advocates.

A rifle approach rather than a shotgun approach is called for. Submitting a proposal to a foundation for a project that does not fit the criteria and guidelines of the foundation is both a waste of staff time and an annoyance to the foundation. The most successful proposals are

those that respond to an invitation, ones that have been discussed in general terms with the staff well before they are submitted.

But equally unwise is the pursuit of a grant from a foundation for a project or purpose that matches the guidelines of the foundation but does not quite comport well with the mission of the institution. If the proposal is successful, the institution will suffer “mission creep” or the foundation will be disappointed by the grant’s use.

Be careful, too, not to settle for a foundation grant that is inadequate to meet the objectives that your institution and the foundation have agreed upon. Some years ago I submitted to a foundation a proposal for \$50 million for a major, new initiative. At the end of a long negotiation -- the foundation’s CEO loved to negotiate! -- the CEO offered to recommend to the foundation’s board a \$30 million grant to “see how things go.” I responded that we wouldn’t undertake the initiative with a grant of less than \$50 million, as the financial support of other foundations and individuals -- and attracting key personnel for the initiative -- required that we demonstrate from the outset that we had multi-year, strong financial support from a widely known and highly respected lead donor.

While foundation staff understand the legitimate role of a potential grantee’s development staff in ferreting out opportunities, the staff is most interested in interacting with those “line personnel” who will carry the responsibility for delivering on the applicant’s promises, should the foundation make the grant. Thus, program managers -- individual faculty, researchers, presidents, executive directors, and so forth -- play a greater role in foundation fundraising than they do in soliciting major gifts from individual donors.

Some foundations will ignore proposals that arrive “over the transom” -- that is, uninvited. The key here, then, is to get the institution on the invitation list! Moreover, submitting fully formed, written proposals to any foundation without first having exploratory discussions with the foundation’s staff is both unwise and a waste of time.

Typically foundations have quite specific guidelines for grant proposals, including supporting documentation to be included. Most proposals should include a brief, pithy executive summary. The long-form proposal is important to the staff; the executive summary is the most that the foundation's board will ever see.

Proposal writing is a – perhaps the – most important function of the development staff responsible for foundations. Again, clarity, not esoteric prose, is the key. The proposal needs to be clear as to how “success” of the grant (often called the metrics of the proposal) will be measured: specific projected outcomes and timetables are essential elements. During the course of the grant – often a multi-year grant – the nonprofit's staff needs to assure that updates and progress reports are communicated to the foundation in a timely manner. It is particularly important to obtain from the foundation advance approval for any deviation from the original proposal. I recall one instance when the president of a grantee institution decided to use the foundation's funds in a way that didn't fully conform to the foundation proposal and grant document, and without prior approval. The funding was not withdrawn, but the institution was unsuccessful in future grant proposals to this foundation,

Development staff members often yearn for direct contact with the foundation's board members – particularly if one or more of the institution's leaders or volunteers know one or more of the foundation's trustees. That is, they seek an opportunity to “lobby” key trustees. Be careful! Such lobbying backfires when the staff sees it as an “end run” around them. No one likes to be blind-sided. On the other hand, with the guidance and approval of the foundation's staff, such lobbying can be effective.

Many large foundations, but not all, feel some obligation to provide support – at least modest support – to some community social service agencies and youth and arts programs in its immediate vicinity. But, remember that no foundation, even those in your area with abundant resources, owes your institution a gift.

Moreover, foundation grant making is seldom influenced by the “excitement” and timing of a charity’s capital campaign. However, early campaign success may be helpful in convincing foundations of the breadth and depth of the institution’s support. Foundation trustees are far more likely to join and help “winning” than “struggling” teams.

Corporations

Some corporations make gifts and grants directly from their coffers, and others from their corporate foundations. Businesses often choose to give through foundations, rather than directly, for the same reasons that wealthy families utilize foundations.

Gifts from small businesses are often simply gifts from the owners, dressed up as corporate giving. Such gifts are deductible for tax purposes just as they would be deductible on the owners’ tax returns.

The following assertion may be excessively cynical: true philanthropy plays a small role – if any role at all – in motivating corporate giving. Most corporate gifts involve some “*quid pro quo*”: the corporation gets something in return. Perhaps the return is community goodwill, improved corporate image, or straightforward public relations. Consider, for example, the names on the jerseys of little league baseball players, or “image” advertising in performing arts programs, or event sponsorship. Moreover, the nonprofit may receive some financial help from corporate marketing budgets. For example, financial advisors or bank trust departments might help sponsor an event that will draw persons who are potential customers for their services.

Other giving provides the corporation with what some call “facilitated access” to the expertise within an organization, for example, the engineering, medical, or business school within a university. The “latest thinking” – if you will, intangible intellectual property, not specific patents, software, or know how -- emanating from these schools can be directly helpful to a corporation’s research, development, and marketing functions. Close relationships with these schools may also be helpful in recruiting top graduates.

Occasionally, corporations make gifts to honor key officers or directors, particularly upon their retirement.

Finally, corporate matching gift programs – whereby employee gifts to qualified not-for-profit are matched (typically, but not always, one-for-one) are important sources of funds to annual giving programs.

Occasionally, key officers and directors may receive, as part of their compensation, the opportunity to designate corporate gifts up to a specified amount (often on a matching basis) to one or more not-for-profits. Of course, these are, in terms of gift decisions, individual not corporate initiatives.

A nonprofit's corporate-relations staffs, then, have a somewhat limited role in encouraging corporate giving. They are alert to public relations opportunities as they come available, and they facilitate relationship building between corporate employees and experts within their organizations.

“I don’t know what your destiny will be, but one thing I do know: the only ones among you who will be happy are those who have sought and found how to serve.” Albert Schweitzer

A good place to start when thinking about building and growing a development function for a not-for-profit is with the creation of a “Mission and Values Statement” for that function. Such a statement should keep your fundraisers from thinking that their jobs are simply to extract money from wealthy (or at least well-off) individuals. It will be a good antidote to the following teasing, but painful, comments made by others: “Development folks are high-class pick-pocketers” or “Hold on to your wallet when development folks approach.”

Some insecure development officers have worked hard to “professionalize” development so that they can place initials after their names on their business cards! What a waste of time! Development is an honorable and essential function for a critical segment of our national economy: the not-for-profit sector. That’s good enough!

Various associations seek and serve fundraisers as members. One of the most prominent is the Association of Fundraising Professionals (AFP). For educational institutions, CASE, the Council for the Advancement and Support of Education provides useful service. Both provide instructive seminars and forums for idea exchange. Of course, many other less formal groups spark new, creative, and sound thinking about what works in fundraising. Any single nonprofit that thinks it knows all the answers is wrong.

Mission and Values

Here is a mission statement for one of the premier fundraising organizations in the country:

Our collective and individual objective ... is to support the mission of the [institution] by maximizing, over the long term, useful gift support and doing so in ways that bring credit and benefit to the [institution], satisfaction to our donors, and fulfillment to our volunteers and staff. We underscore the importance of gift utility, acknowledging that funding priorities, which become our goals, are set by [the institution's] senior administrators. Also, we avoid actions that would compromise the long term for the sake of short-term expediency. In addition, we recognize a dual responsibility to our donors as well as to the institution, and the pivotal role our volunteers play in making our mission possible.

And that mission statement is accompanied by the following explanation of the values that underlie this mission:

RESPONSIBILITY TO DONORS: We consider the donor's best financial interests, including capacity to give, taxes, cash flow, and estate planning. We disclose fully the conditions and status of any proposed or outstanding fund balance or pledge. Unless given permission by the donor, we regard gifts as confidential transactions between the donor and the [institution]. We respect the privacy of donors and prospects, including requests for anonymity, and treat with care any potential sensitive information.

INTEGRITY: We live up to both the spirit and letter of promises to donors. As staff members, we avoid conflicts of interest between our jobs and outside activities, both paid and volunteer. We do not exploit relationships with donors or volunteers for personal benefit. We utilize [institutional] facilities and property only for official business. We travel with a sense of fiscal responsibility. When in doubt about the compatibility of an action or expenditure with these values, we have a responsibility to disclose and discuss the situation with relevant managers.

TEAMWORK: We recognize that success in our mission is always the result of team effort – staff teamwork, teamwork between staff and

volunteers, and teamwork with other parts of the [institution]. We pursue honest and open communication with volunteers, between supervisors and staff members, among peers and with officers [and others throughout the institution.]

QUALITY: Because for many of [the institution's] friends, we are their primary contact with the [institution], we recognize our responsibility to reinforce the excellence of this [institution] by the quality of our own work: our correspondence and communications, our personal interactions, the accuracy of our data, files, reports, and gift acknowledgments. Moreover, we believe that the pursuit of excellence is cost-efficient.

ENTHUSIASM: We understand that unless we are supportive and positive about the mission of the [institution] and our role in fulfilling that mission, we cannot be effective in our work. We understand that our public behavior must be guided by our dedication to the [institution].

INITIATIVE: We must initiate action and not simply respond to events and circumstances. We know that we must be willing to make our own decisions, take bold and independent action, and assume attendant personal (but not ethical) risks. When the best interests of the [institution] are at stake, we are willing to undertake responsibilities beyond the normal scope of our jobs.

Let me re-emphasize a couple of these values. Look after the best interests of your donors. If a potential gift is ethically suspect or on the cusp legally, you have a responsibility to suggest actions or revisions that might protect the donor. Be certain that you are able to deliver on any and all promises that you make to donors. Your objective must be to deliver satisfaction to donors. Don't take advantage of donors.

Most not-for-profits are in the business of fundraising for the long haul and thus anticipate that they will interact with their donors and potential donors periodically and not infrequently. Some of these interactions will result in gifts and others will not. Putting undue,

inappropriate pressure on a donor prospect is likely to sour the institution's relationship with him or her.

Respect and guard confidentiality. Don't put statements in your files – electronic or paper – that would embarrass you or a donor prospect should they come to light (sooner or later they will!) If a donor asks that his or her giving be anonymous, take extra measures to honor that request. Before you print a donor's name in an "honor roll" or other report of giving, be certain that you have the donor's permission and know exactly how the name is to appear – including or excluding the spouse, in what order, whether to use middle names, initials, official titles, and so forth.

Don't accept expensive gifts or personal favors from donors. Your job is to strengthen the donor's relationship with your organization, not to benefit yourself personally. Many years ago my wife and I were given a "hostess gift" by a very wealthy prospect from Hong Kong who was the honoree at a dinner in our home. The gift turned out to be a hand-held television (before such things were common!) Immediately refusing the gift would have been unthinkable, but the next day this TV left our home, went to our office, and remained unused until it was thoroughly obsolete.

Priorities for fundraising are not set within the development function, but rather by the line operating functions. Not infrequently prospective donors may approach the institutions with a specific purpose in mind for their gifts. When the purpose is appropriate, even if not a high priority for the institution, the result can be wonderful. When the purpose would divert the institution from its primary mission or require additional investment of the institution's scarce resources, the institution – that is, its fundraisers – should decline the gift with tact, appreciation, and understanding. Declining to accept a gift from a prominent, generous donor – or prospect – can be tricky indeed!

Remember that development staff members do not "raise" gifts; donors "make" gifts voluntarily. The accolades and thanks must go to the donors, not to those of us who toil in the fundraising vineyard.

Development's Supporting Functions

A comprehensive, major fundraising effort entails many activities that may be carried out behind the scenes, invisible to prospective donors but critically important to “field” fundraisers. Remember that fundraising is a team sport. Here are some of those functions.

1. Prospect research. A stunning amount of information is now available through public, non-confidential sources regarding the activities and probable wealth of major donors. (Google yourself; you may be surprised to discover what can be readily known about you! I just did and I was!) The work of collecting and assembling these data is generally called prospect research. Derogatorily, some see it as “snooping.” So long as the sources are public and non-confidential, the information they yield provides appropriate input for effective fundraising.
2. Prospect files. Files should be maintained on all major gift prospects, donors, and key volunteers. These confidential files should be added to religiously by all development staff members after each substantive interaction – and these reports shouldn't spare the details: spouse or significant other, children and grandchildren, hobbies, travels, friends who are also connected with the institution, likes, and dislikes. I once fired a field fundraiser who just couldn't be bothered to write contact reports.
3. Record keeping. A number of software programs are offered commercially for maintaining records on individual donors and prospects. Keeping such records up-to-date and secure is a monumental task requiring persistent attention. Inaccuracies and incompleteness can quickly poison the relationship with a donor or prospect.
4. Publications. Successful fundraising generally requires the use of attractive, informative, cost-effective publications. Creativity is essential and outside design help may be needed.
5. Grant writing. If the not-for-profit seeks substantial support from foundations, drafting proposals to these foundations may

be a distinct and separate function. Grant writers may also participate in developing comprehensive proposals for very large gifts from individual.

6. Events. Planning, organizing, and executing events appropriate for cultivating and/or thanking donors is an art form. When many events occur during the year, the masterminding of these events – assuring that they are informative, fun, not repetitive year-to-year, creative, and neither too elaborate nor too Spartan – is typically the purview of a distinct function because events involve endless details that should be attended faultlessly.
7. Gift processing. Speed and accuracy are key here. I find myself annoyed if one of my gift checks is not cashed immediately; I can't help thinking that perhaps the charity doesn't need my money very urgently. Mishandling of a gift, particularly of marketable securities, can quickly poison a relationship. I once sent to a charity a stock certificate, requesting that the charity keep a certain number of shares and return to me a new certificate for the remaining shares. Months later I had not received the new certificate. When I called the charity, I was asked, "Oh well, why don't you just give those shares to us as well", a comment that said to me that the institution found my original gift to be miserly. Years passed before I made another gift to that charity.
8. Stewardship involves the activities of thanking donors for their gifts and following up to be certain that the donors get appropriate updates on the use(s) of their gifts and subsequent expressions of appreciation. In large not-for-profits, the stewardship function will "ghost write" thank you's for its senior executives, personalizing them to the extent possible (for example, addressing the donor by his or her first name, or perhaps even nickname, or including other comments tailored to the individual donor and gift.) For more information on stewardship, see Chapter 7.
9. In one way or another, the development staff is typically involved in identifying and assisting in the recruitment of the not-for-profit's future governing board members – that is,

trustees or directors. These prospective members are generally, but not always, financial supporters of the institution, as well as key members of the fundraising volunteer cadre. A willingness to serve as a fundraising volunteer most often is a prerequisite. For more information, see Chapter 2.

10. Gift acceptance. Every philanthropic organization should establish a formal process by which major, principal and other gifts with complex, unsecured, or questionable (ethically or programmatically) terms are formally reviewed for acceptability. This process, in which the field fundraiser has a limited role, should involve senior financial executives, often legal counsel, the chief executive, and, on occasion, still others.

This list should convince you of the need for cooperation, information sharing, and general goodwill across all development department members and beyond.

If you are the sole staff fundraiser in your not-for-profit, bear in mind that you will need to do all of these supportive functions in addition to recruiting volunteers and asking people for gifts!

Finally, senior fundraising directors carry the responsibility for enlisting the entire organization in the business of encouraging philanthropic support. This staff mind-set is particularly key for small charities where each staff member is a fundraiser because he or she is likely to come in contact with donors and prospects. A prospect's visit to the charity's offices is off to a very bad start if the receptionist who first greets the prospect is curt, grumpy, or pre-occupied. And, if another staff member is reluctant to spend time with the prospect to both explain her activity and exhibit enthusiasm for it, a gift opportunity may be scuttled. To repeat: don't leave fundraising solely to those formally designated as fundraisers. Building and reinforcing a culture of philanthropy is a shared responsibility throughout the organization.

Recruiting Development Personnel

The business of fundraising becomes more challenging year-by-year. The competition stiffens and the level of sophistication among nonprofits grows; those who don't keep up flounder or die. But the supply of competent and experienced fundraisers does not keep up with the rising demand. And, traditional fundraising techniques are decreasingly adequate.

Thus, the recruiting of development officers becomes more difficult and more expensive

What key abilities, personality traits, experiences, attitudes, and motivations do you look for when hiring development officers? Let me suggest the following, in order of importance:

1. A passion for the mission of the not-for-profit. You will be asking him or her to reinforce the passion of prospective donors. It's difficult to "fake" passion!
2. A willingness and an ability to listen to and truly hear— attentively, sincerely, and comprehensively – donor prospects. And then record that information for future reference.
3. A predisposition to enjoy meeting and getting to know a diversity of individuals, and understanding their complexity. Simply greeting people enthusiastically is not enough. A back-slapping extrovert is not necessarily a competent fundraiser. A bit of shyness should not disqualify a prospective employee or volunteer. (I am reasonably introverted and my adrenaline still pumps every time I solicit a major gift.)
4. Appearance -- that is, first impressions – cannot be ignored.
5. An ability to communicate well, including an ability to ask insightful, sincere questions. Written communication is as important as oral communication; for those relating primarily to foundations, it is more important. Written matter needs to be clear, convincing, sincere, grammatically correct, but not necessarily erudite.

6. A self-starter, a priority setter, and one who attends to details! The business of fundraising is replete with details, all of which need to be tended carefully and in proper order. Moreover, procrastination is an occupational hazard that needs to be overcome. There is a “right time” to ask a donor for a gift, and that time should not be allowed to slip by in favor of endless cultivation.
7. Courage with patience. Does the applicant have both the courage to ask for gifts and the active involvement of volunteers and does he or she also have the patience to tolerate the long gestation period that often precedes the consummation of major gifts.
8. The self-confidence and inner strength to accept “no” from a donor prospect without becoming discouraged or deflated. Inevitably and appropriately, many “no’s” are heard in development work. A paucity of turn-downs may indicate that the fundraiser “asks” are too modest in amount or too infrequent.
9. Creativity. This book may imply that there is or can be a formula for fundraising. But relationships with a donor or prospect are best built with an understanding of the personality and interests – even quirks – of that person. Some react positively to humor, others don’t. Some like informality; others are formal. Some enjoy casual interactions and events; others are put off by them, perhaps because they believe them a waste of time.

At the risk of sounding sexist, I’ll mention that, given these desirable traits, I am not at all surprised that women shine at the work of fundraising, and therefore are over-represented in development organizations.

As you build a team of fundraisers, be sure to include a broad mix of personality types. They will learn from each other.

Training

While endless numbers of books have been written about fundraising – including this one – and a few academic courses are offered at universities across the country, the critical training for a neophyte is

that which is tailored to the institution, its mission and values, and its donor constituency. That training best occurs in-house. The most effective trainers are the neophyte's successful colleagues; make certain that that collegiality within the department is sufficiently valued and rewarded to assure that this training occurs.

Donors who are close to the organization, perhaps particularly trustees/directors, are also invaluable in conveying to the neophyte their perceptions of both departmental and institution-wide cultures, and the effectiveness (or ineffectiveness) of the fundraising efforts.

Centralize or Decentralize?

Think about the fundraising organization at a large university or a major art museum. Is it best to have a single, centralized development organization or one that is decentralized by school within the university or curatorial area within the museum? The answer may well be: do both!

School-based fundraising staff have the opportunity to build closer relationships with the university's alumni and key friends, as well as to know more about the key activities and key players within the school, those who might be of particular interest to prospective donors. For the museum, potential donors of artwork or underwriters of exhibits may well have more interest in a specific section of the museum than the museum as a whole.

On the other hand, prospective donors want to – and should be encouraged to -- make their own decisions as to their gifting interests. A collector of pre-Columbian art also may have or may develop an interest in contemporary art. A graduate of the engineering school at a university may also have an interest in intercollegiate athletics.

Thus, no easy answer exists for the centralization-decentralization conundrum. School deans and curators want their own development staffs; the president, the executive director, and the chief development

officer prefer centralized fundraising so that donors' generosity can be optimized across the entire institution.

In the end, teamwork and cooperation between the decentralized staffs and the central staff are key to the effective functioning of the development activity. Competition over key prospects by different constituencies in the institution is myopic and unproductive. The key? What does the donor want?

Managing "Up"

The chief development officer must build strong relationships with the institution's president or executive director, its CEO. He or she must be able and willing to "speak truth to power." He or she needs to educate the CEO (and trustees/directors) about best fundraising practices and the difference between transactional and relational fundraising. If the development function is being hampered by the attitudes or actions of the CEO, or other individuals reporting to her or him, the chief development officer has the responsibility to speak up!

Remember that the success of your department depends on willing and timely cooperation with all other functions of the organization. Building strong ties with your colleagues beyond development will pay dividends.

Bear in mind that your colleagues and CEO may ask and urge you and your team to seek gifts that have little or no appeal to donors: to repair a roof, to increase unrestricted funds, to upgrade computers, provide additional clerical support. In most cases, but not all, you should resist these urgings.

And, too often, the CEO (at the urging of the budget director) will set an annual fundraising goal equal to the preliminary budget gap in the organization's operating budget for next year. Don't fall into the trap of accepting that goal. Donors are immune to budget gaps; they need to believe that the institution is and will continue to be fiscally well managed; they expect the institution's executives to deal with such

operating – not development – issues. I repeat: “need” doesn’t sell. As one veteran fundraiser says, “Need is a four-letter word around here.”

Some CEOs are excellent at articulating the mission, generating excitement, building relationships, and reporting successes, but abhor “asking.” The chief development officer should take two steps:

- pair the CEO with a strong development officer (perhaps himself or herself) willing and able to “ask”;
- seek opportunities for the CEO to “ask” in situations that are likely to be comfortable to the CEO, perhaps where the prospect is quite certain to say “yes”; success in several solicitation situations is likely to overcome the CEO’s reluctance to “ask”.

Many – perhaps most – development executives lament that fundraising doesn’t get sufficient time and priority from their CEOs. This is hardly surprising. The probability of success in many “asks” will be increased by the CEO’s presence, and even more if he or she is the “asker”.

Remember, first, that the CEO faces many time demands, and some of those (e.g., making speeches, volunteering in the community, tending to political relationships, dealing with the media, socializing in the right circles) have tangential benefits to the fundraising efforts.

Managing the Development Staff

The world is not full of experienced and well-trained development staff. Only a few courses, seminars, even books provide basic and useful education for fundraisers. Thus, development staff members often must be “home grown” – or at least “home improved!”

The scarcity of accomplished, experienced fundraisers in the employment marketplace has led to several consequences:

1. Salaries have risen considerably. Many would say that, in general, development staff members are over-paid – good news for those pursuing development careers, but bad news for new or struggling not-for-profits.
2. Turnover tends to be high – one recent study puts it at 28 percent per year – in part, at least, because of the high demand for

seasoned, successful development personnel. High turnover is particularly deleterious because building relationships with donor prospects is key and requires extended time.

3. And these two conditions have led to a third: nonprofits having to settle for mediocrity in their staffs.

These consequences increase the need for thoughtful, alert, and fair management of the development function and its staff.

The best fundraisers have a passion for their missions. Make certain that they experience – up-close and personally -- the functions of, and the benefits provided by, the not-for-profit. That experience will keep their passion burning brightly and will be conveyed to donor prospects. For example, many college and university fundraisers are “higher education junkies.” They love being around and stimulated by the educational process, and managers must be certain they have ample opportunity to reinforce that love. Unfortunately, the physical offices for development are often moved to the periphery of the institution’s activities, or even off premises, to less “valuable” (less expensive) space. This lessens the opportunity for line fundraisers to gain psychic rewards and to know on a first-name basis the individuals to whom they should turn for help with a formal proposal, a talk to alumni or patrons, or a visit with a major donor prospect. And, consider the unfortunate message a remote location delivers to staff members about the centrality and value of the development function within the institution.

In large development organizations, occasions will arise where you need to transfer prospect assignments among staff members. These transfers are likely to upset the staff members on the “losing side.” These occasions deserve discussion and your careful attention. Some chief development officers are keen to keep the “best” prospects as their own, shunning the involvement of less experienced staff. This hoarding of prospects is unwise for a number of reasons. It fosters resentment among staff members; it blocks the chief from valuable input; and it limits the opportunity for education of staff members. I suggest that a chief development officer keep no prospects for himself or herself; instead, free up your time and assure your staff that you are

available to help with strategizing and “asking” whenever your ideas or presence may be helpful.

Make certain that fundraisers make efficient use of the time of key persons within the organization, particularly senior executives, engaging these individuals as appropriate – not too early and not too late. They also need to understand that accolades for success in fundraising are likely to go – appropriately so – to these individuals, rather than to the staff development personnel.

In short, development staff members tend to be under-appreciated by their institutions. The commendations for fundraising success rightly go to the donors for their generosity and to senior staff members and volunteers for “asking.” Development staff members simply have to get used to this reality. But their managers need to counteract this condition by providing support, encouragement, positive reinforcement, and praise, as appropriate, and by finding occasions within the department for celebration and recognition.

Much debate arises as to whether development personnel should be eligible for bonuses, as well as straight salary. I strongly urge against paying bonuses based upon current giving by the staff member’s assigned prospects. Such bonus arrangements can lead, inevitably, to short-term thinking – for example, pursuing a relatively small current gift when the same time might better be spent with a prospect for a large bequest which may not “mature” for years. Moreover, I don’t believe that staff fundraisers are much motivated by financial rewards; most effective fundraisers could make more money – but probably be less personally satisfied – by working in the for-profit sector of the economy. Psychic income is likely to be a greater motivator

I have emphasized repeatedly the importance of listening carefully to prospective donors. Equally important is to listen carefully to your staff; every good leader does so. And, bear in mind that the best of your staff members are on the radar screen of every executive recruiter in the country.

Managers should be alert to evidence that a kind of “class” or “prestige” distinction might be developing between annual fund officers and major gift officers or between field staff and in-house support staff. All activities are essential and they require different skill sets.

Finally, managers within the development function should work hard to share with their staffs any credit that may come their way.

Fundraising for New and Young Non-Profits

Charitable non-profit organizations are being founded at a dizzying pace in the United States; in recent years the annual growth rate has been about 10 percent. For almost all of these, fundraising is a necessary activity, as a supplement to or replacement of fee income.

1. Gift giving is always a volunteer act on the part of donors. Fundraisers don't *raise* gifts; donors *give* gifts.
2. Fundraisers facilitate the generosity of donors. Donors, not fundraisers, are responsible for the gifts that support non-profits.
3. Institutional *needs* don't sell; *opportunities* to accomplish goals important to the donor do sell. Logically and understandably, donor seeks to fulfill his/her needs, not those of the solicitor
4. Fundraising is marketing, not finance/accounting/budgeting. It is an art, not a science. It's also logical, not mysterious.
5. Charitable organizations are the conduit by which donors fulfill their own aspirations. Donors don't give to organizations but rather through organizations.
6. Donors make gifts to individuals, seldom to organizations. Thus building a relationship between the donor prospect and one or more key individuals (staff, volunteer or both) at the non-profit is essential.
7. Accordingly, high turnover of fundraising staff and institutional leaders is costly.
8. Donors are attracted to financially successful and well managed not-for-profits, not to those that are struggling or lack a compelling mission. Accordingly, the rich (successful) 501c3's get richer (more successful)... and the poor and floundering languish.

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9. Successful gifts deliver to donors values that are important to them, generally some mix of value alignment, impact, affiliation, recognition, and leverage.
 10. Tax deductibility of gifts can influence the amount and timing of gifts, but donors are not motivated to give solely by tax considerations.
 11. The best prospect for a gift is a donor who is pleased with the gift he or she made in the past.
 12. Annual donors are the “farm team” for major donors. Thus, focusing efforts solely on mega-gifts, and de-emphasizing the annual fund, is unwise.
 13. Saying thank you should be done in a timely, personal, sincere manner – and, for some gifts, repeated often. Personal, hand-written notes (in this age of e-mail) are golden.
 14. The most important role for a fundraiser when meeting with a donor prospect is to listen, listen, listen – carefully, intently, sincerely, comprehensively.
 15. Fundraisers should strive to find new and creative ways for donors to discover their philanthropic interest, to express those interests, and to experience the joy of giving.
 16. All gifts are not created equal; they vary a great deal in utility.
 17. Declining a gift having unacceptable conditions (such as attendant costs or questionable ethics or legality) is essential.

The organization must live up to the letter and spirit of the conditions accompanying every gift. Don't flim-flam donors.

18. Successful nonprofits develop and continually reinforce a culture of philanthropy that pervades the entire organization.
19. The "gestation" period for a large gift can be months or years. Patience is key, but procrastination in "asking" is wasteful.
20. Donors are seldom insulted by being asked for too large a gift. They may be surprised or amused, and they may be complimented.
21. The chief fundraiser in every non-profit is the senior administrator (president, executive director, etc.) who must accept that fact and enjoy – or in time learn to enjoy -- the role.
22. Among the best advocates for an organization are the participants and the beneficiaries (clients, students, faculty, artists, patrons, audience members, etc.) and they enjoy the opportunity to advocate. Don't leave fundraising solely to the fundraisers.
23. Since no donor makes a gift of his or her last dollar, every donor is a prospect who deserves appropriate stewardship. Accordingly, think of development as a multi-year marathon, not a seasonal 100-yard dash.
24. The effective fundraiser will not take advantage of a donor; occasionally a proffered gift should be declined because it is not in the best interests of the donor.

25. Fundraisers should remain alert to possible conflicts of interest inherent in close relationships with donors: all gifts must benefit the non-profit, not the fundraiser.
26. Psychic rewards (seldom monetary rewards) are key payoffs for fundraisers, both professional and voluntary. Paying “commissions” to professional fundraisers is unwise.
27. There is no single, successful “fundraising personality.” A sincere interest in people is critical, as is a passion for the non-profit mission. These qualities are present in many different personality types.
28. Fundraising is a “team sport”, demanding extensive cooperation and communication within the department, as well as empathy and understanding across all functions of the organization.
29. Fundraising is a necessary, honorable, satisfying activity, not a semi-legitimate form of picking pockets (despite joking to the contrary). Hold your head up high.
30. Successful fundraisers see their work as more than a job; it is a “calling” because of their passion for the mission.

THE JOY AND FASCINATION OF FUNDRAISING

One of the joys of working in the world of development arises from the fact that about 95 percent of donors are inspiring, thoughtful persons who are a pleasure to know and interact with. That does, however, leave the other five percent; some of these were – as the saying goes – “born on third base (with inherited wealth) and thought they hit a triple!” Don’t let the five percent get you down!

The fascination of fundraising comes not simply from asking for gifts but rather from discerning what donors really want to achieve with their giving and then crafting the best strategy to meet those objectives while strengthening the charitable institution.

