



Facilities Flash - Funding and Fundraising

I read a book by one of my favorite motivational authors that stated: “To simplify task at the outset, everything can be divided into 2 parts” – even those that can and can’t.” So for the purpose of simplifying this very important and early-on process of project funding, we need to divide the issue into 2 parts.

How will your project be funded?

1. Money already identified and available (or)
2. Money that is not readily available and not yet acquired.

How will you approach #2?

1. Lobby for your cause
2. Fundraise

Let’s look at #1 - Lobbying

Promoting your Cause

Sometimes people and organizations won’t lobby because they’re afraid they don’t know how. They are passionate about their cause, they recognize the importance of advocacy, they know it’s important to lobby and it pays off. Many coaches and club members hold back on the mistaken notion that lobbying is for experts only.

The more you know about how to lobby, the better you will be. All you really need to be an effective “lobbyist”- are 2 things:

1. Some basic facts
2. Passion for your cause – governed by common sense

Knowledge is Power

The most important thing a lobbyist needs to know is their subject. What is the substance of the project or legislation you’re proposing (or opposing)? This includes the program initiative, and if building a new pool or renovating an existing one, what will this encompass.

- Why is it important?
- What will happen if it passes?
- What will happen if it doesn’t pass?
- How much will it cost?

Most of these facts are readily available from your own due diligence research. For local information you may need help from your state and local code departments or a licensed Architect and/or engineer in your area. There are Feasibility Firms that can also be contracted to help.

Know your local Representatives

It certainly helps to know the legislator or legislators you're contacting, but it's not imperative that you know them well, as most people incorrectly assume. Get to know some of their interests and especially their public background.

- What is their record of support?
- What position do they hold in the Legislature?
- Who is the chair of the committee that would consider your proposal?
- Who is the chief spokesman for the opposition, if any?

An effective advocate knows how the system works, what steps to go through from introduction to enactment and which committees will consider the legislation. It is wise to seek local political advice from people such as local businessman, past political appointees, or even the local school board members in your community. Use your resources.

It is disastrous to break procedure, present an ill-conceived project plan or an early vision and cost without laying the groundwork. It's important to meet with individual representatives in advance. No one likes to be surprised, and you don't want any surprises, especially in a public forum.

Remember that Conviction Counts

Facts alone are not enough. Without conviction, dedication to the cause, loyalty to the organization, and determination to see the job through no matter how long it takes (and it can take a long time), a lobbyist will not be very effective. Many projects die on the vine because the local person leading the cause gets burnt out or cannot continue to devote the necessary time to the cause. Volunteerism is tough.

Concentration Counts

Unless you can spend money to hire the appropriate design and construction experts early, you will be able to only focus on one issue at a time.

- Learn how the system works before jumping into a tough legislative environment
- Study your material and marshal your resources. You are filling the role as the expert
- Develop your committee roles and set objectives clearly and concisely.

Committees from scratch – one good recipe

- A committee should be comprised of 5-7 people, so the meetings do not turn into lengthy discussion platforms driven by private agendas.
 - Every committee candidate has to have a specific skill that will be useful for the "working committee". Bankers, Real Estate Developers or agents, small business owners, City Council people, can all be considered, just to name a few.
 - At least 75% of the committee should be made up of people who have or have had in the recent past, some affiliation with your organization.
 - Right up front, the committee members need to know they will be volunteering time and effort to the project. If they can't do the work, get someone else.
 - The committee process may take up to 24 months – a very significant investment of time and resources.
 - Meetings are mandatory. (*note - We like the Husband & Wife team as one committee member. This increases your change for better attendance – one or both can come to meeting but only one vote)
 - Report or information deadlines are firm and need to be met.
 - Expenses such as travel, phone calls, paper and office supplies, etc. will not be reimbursed.
 - If the project "is successful" the committee's names can be acknowledged with an appreciation plaque displayed in the new building.

- Establish the end goal of the committee and find out where the committee results/report goes next. Does it now refer to any or all the following?
 - To the BOD
 - To the general membership
 - To the community
 - To the investors or owners
 - Will the committee still exist for guidance after its report is submitted?
- Replacing a committee member is inevitable – but you can make it rare by carefully picking your committee the first time.
- Identify a standard location and time for the meetings. Community centers and some bank rooms or church rooms are free. The more you standardize the place and time the better chances you will have of people getting to the right place at the right time. Fridays, Saturdays, and Sundays are not the best days for meetings. Advanced E-mail and phone reminders of meeting place and date plus a written agenda are imperative.
- Each committee position must have some form of a job description. This gives structure to the PLAN and also allows easier replacement of any committee position. People will not be able to achieve a specific result without specific guidelines.
- Identify additional professionals in the “industry” and those who you know have been affected by anything relating to your project. They can always be invited to the committee meetings as guest presenters.
- The first meeting is critical....
 - Listen to people.
 - Make notes of the areas each person is interested in.
 - Ask each person WHY? they offered to be on the committee
 - Define your categories E.G....
 - Fundraising
 - Land options
 - Appropriate partnerships if necessary
 - Adversaries and Advocates – Marketing
 - Web presence and communications
 - Meeting operations and organization
 - Other
 - Give committee members the appropriate tools and help them list their Objectives - Strategies – Tactics. All goals have to be both quantitative and qualitative. People need motivation and guidance.
 - Follow up with them before the next meeting for support and progress check.
- The committee must have a leader. The closer it gets to a democracy, the less effective it may become. The closer it gets to a dictatorship the less support it will have. Leadership is an art.

Some things you may need to cover before the committee is formed....

The LEADER must have

1. Some good solid experience for where the aquatics market is headed - if you do not have this then you need to ask for help from people who do.
2. An understanding of how immensely important operational and maintenance cost are going to be
3. The ability to tell when someone is giving you a “sales pitch” and when someone is giving good advice
4. The willingness to leap into the future when others are advocating the present based on the past
5. A trusting group of supporters that are not constantly asking you to prove everything you say

6. The sense and funding to contract an aquatic programming feasibility study at the right time in the process.

Practicing the art of communicating which includes not only presenting your ideas in a concise and understandable form but also listening to what others have to say. When you ask a question and hear a NO, many times it is not an answer but just a request for more information. Seldom are there “pat answers”! Sometimes “the prove it to me” or “show me” scenarios are your hardest to overcome.

You can only formulate your response based off successes like Microsoft – Starbucks – Google – etc. These were pioneers who accepted the risk of doing it a new and better way and were rewarded beyond any one’s expectations.

You must be the leader but not the whole parade. You need to spend the time to turn adversaries into advocates. Convince the skeptical – convert the non-believers. No shortcuts here. The clique “small leaks sink mighty ships” fits well. Evaluate potential collaborators and then decide who brings what to the business plan.

Too many partners can muddle up the plan and make it difficult to get the proper programming matched to the ideal facility. Too few partners can financially inhibit the project. Everyone wants a piece of the pie so you will need to lay out ownership and management plans by contract early in the process.

Get outside the box – stay there. Traditional planning and approaches may not be the best way for your project. *STOP trying to do today’s job with yesterday’s methods and still be in business tomorrow.* Be aggressive with your program planning making sure you consider all aspects of aquatic programming and services. Be innovative with your design demands for the facility itself. Cost to build and cost to operate and cost to maintain are all important. You should no more build a building like in 2005 than use a 1995 model computer. Technology has advanced and keeps doing so at a rapid pace. Your advisors must be aware of what is currently available and be willing to do the extra work to make it fit your project.

Challenges and Change – You will have nothing but challenges that require creative problem solving so get used to it. Everyone around you will probably resist change so be prepared to listen to the problems and then assist in developing solutions. Your project should not be just like someone else’s it needs to be what is best for your situation. You need to enlist the help of those who understand this not just those who offer cookie-cutter solutions.

The concepts listed above can be achieved and enhanced with the help of a professional aquatic programming feasibility study. These can be contracted from a professional independent firm who specializes in this service. TAP can supply Feasibility “LITE” studies called ENTERPRISE PLANS. Many times, these suffice in the private sector. We do not have the staff to conduct formal full feasibility studies. TAP has established a short list of feasibility firms who are reputable; understand total aquatic programming, and who offer best pricing to our clients. One of the best firms even offers discounts to our clients who have TAP ENTERPRISE PLAN. Contact: mick@totalaquatic.llc for more information.

- Develop your Vision. Your committee should consist of some people outside the swimming community such as local business owners, construction companies or even a local engineer. You will find it useful to have a past legislator, school official or local representative from the tourist and convention bureau or Rotary on the committee.
- Develop your consensus in the community as well as other advocates
- If you have adversaries – meet with them now and convince them your project is also for them.
- Present your vision to individual legislators as a test for how to proceed.
- Present your vision to the entire legislative branch in a public forum asking for assistance. This should include having a legislative member act as a liaison for the committee. Now you are on

the public record as an “officially” recognized committee. Find out when the future meetings are and ask to be entered on the agenda for updates.

- If the committee does not have alternative funding sources work with your legislative liaison to present a request for funding to get the Feasibility Studies done.
- Develop your studies and supporting reports, feasibilities and conceptual drawings etc.

Do not be frustrated if your local government officials do not seem overly helpful. They are always looking for ways to NOT spend money and they probably have numerous projects under consideration. It will seem like they are putting up roadblocks at every turn but it's a test of your conviction and the communities.

Use Common Sense

At a minimum you need to know the following:

- Be brief;
- Be clear;
- Be persuasive;
- Be timely;
- Be persistent
- and most of all PLEASE BE GRATEFUL!

The hard part is the timing. Until you become an expert you may need to rely on your volunteer committee leadership or Legislative liaison.

Don't make Promises

Never promise a reward or threaten retribution for failure to support your cause. Be persuasive not argumentative or demanding. Don't knock the opposition, convert them. They believe in their position as much as you do. Try to find common ground with the opposition and try to persuade them to join in. Otherwise make sure you understand their position and include their position in your presentations. Don't shy away from the negatives, have answers for them as well as bring oppositions to them to show you are aware of both sides of the issues and have thoroughly thought through your proposal.

Preparing for the meeting

Write out what you would like to discuss; this will get your thoughts on paper. Then create a very brief outline to use to rehearse what you are going to say. Know your information before the meeting then go in and speak with controlled convincing passion, not from paper (you don't want to sound rehearsed).

Meeting Face-to-Face

It's better that the first meeting is one on one, however if you are uncomfortable going in yourself make sure it's with a limited number of people not to exceed three, but the fewer the better. Make sure that everyone present can also speak to the subject as well as you and they're not there for the ride. Make sure they are on the meeting list. Don't surprise your legislator. The fewer present the more candid the legislator will be.

Always be Brief

When writing to legislators do not exceed one page. If you have too much information and its important, add appendixes. Make sure to personalize your message and never misspell the legislators name or get the title or address wrong. When going to meetings in person plan to go over your topic in five minutes but not to exceed ten minutes. Be on time, present your case and leave. Never linger around unless the legislator chooses to prolong the meeting. Remember to send a brief letter thanking your official for his or her time and recap the meeting. . Prepare the letter prior to your meeting and drop in the nearest mailbox as soon as your meeting is over. This is both memorable and impressive. It will also show you are serious.

You are the Expert

In most cases you will find that you know more about your topic than your local government official. If they like you and trust you, they will rely on your advice and knowledge. It's important that they know that your governing body supports your cause and you have other experts backing you up. Don't bluff or pretend you know everything. First you don't, and second the term "I don't know but I'll find out" will keep the trust between you and the legislator(s). Your credibility through the process is of utmost importance. It's alright not to have all the answers and it's important that you have the resources to find out and you follow up as soon as possible.

Final Tips

- Aides are influential: Don't be offended if you need to meet with a government aide. Treat them just as you would treat the legislator because the aide is in a position to advance or sink your cause.
- Be Patient: It could take many attempts to "sell" your cause
- Say Thank You: A thank you letter really makes a difference
- Follow up is vital: Keep asking, politely, until you get an answer

Let's look at #2 – Fundraising

Since 2008, fundraising has become a real challenge – even more than it already was!

We do not claim to be fundraising experts of any sort, but what we have noticed is that almost all successful fundraising is currently done strictly at the local level. It is community based with companies that may have a regional or national center in your area.

So first you need to become informed regarding this very specialized field. We suggest you subscribe to www.grassrootsfundraising.org/ or a similar service. 1-888-458-8588 • 3781 BROADWAY, OAKLAND, CA 94611

You have to develop a plan and you might as well get the best assistance possible.

The 10 most important things you can know about fundraising

BY KIM KLEIN • GRASSROOTS FUNDRAISING JOURNAL

1. IF YOU WANT MONEY, YOU HAVE TO ASK FOR IT

While there are some people (may their kind increase) who will simply send an organization money or offer money without being asked, there are not enough of them to build a donor base around. Most people will not think to give you money unless you make your needs known. This is not because they are cheap or self centered; it is because most people have no idea how much it costs to run a nonprofit, or how nonprofits get money. If you don't ask them, they will simply assume you are getting the money somewhere. They have no reason to think your group needs money unless you tell them, the same way they have no reason to know if you are hungry, or unhappy, or needing advice. Millard Fuller, who founded Habitat for Humanity, says, "I have tried raising money by asking for it, and by not asking for it. I always got more by asking for it."

2. THANK BEFORE YOU BANK

Once you receive money, you must thank the person who gave it to you. I have found that disciplining myself not to deposit checks until I have written the thank-you notes has forced me to make thank-you notes a priority. I am not rigid about this rule because if I get behind in my thank-you notes, and then don't deposit the checks for a while, the donors may wonder whether we really needed the money. Thank-you notes do not need to be fancy and should not be long. If at all possible, they should include a personal note, even if it is from someone who doesn't know the donor. You can add something as simple as, "Hope to meet you sometime," or "Check out our website," or "Happy holidays," or even, "Thanks again — your gift really helps." Many organizations have created note cards for staff and volunteers to use when writing thank yous. The front of the card has the logo of the

group, on the top half of the inside is a relevant meaningful quote from a famous person, and the bottom half of the inside is used for the thank-you message. It is a small space, so you really can't say much. Many databases will print out a thank-you note after you enter the information about the donor — saving valuable time. These are best if accompanied by a personal note at the bottom. Late thank yous are better than no thank you at all, but photocopied form thank yous are almost the same as no thank you. The long and the short of thank yous is: if you don't have time to thank donors, you don't have time to have donors.

3. DONORS ARE NOT ATM'S

A survey of donors who gave away more than \$5,000 a year asked, "What is your relationship with your favorite group?" Several gave similar answers, even though they did not know each other and did not give to the same group. All the answers were on this theme: "I would love to be considered a friend, but I am more of an ATM. They come to me when they need money, they tell me how much, I give it to them, and the next time I hear from them is when they need more." This is a terrible indictment of much of what passes as fundraising. When I have described this common situation in trainings, people have often asked, "How can we make sure our donors don't feel this way?" The answer is very simple, "Make sure you don't feel that way about your donors."

All groups have a few "high maintenance" donors and may be forgiven for wishing them to go on a long trip to a place without phones or e-mail. But most donors require practically no attention. They have the resilience of cacti — the slightest care makes them bloom. Thank-you notes, easy-to-understand newsletters, and occasional respectful requests for extra gifts will keep people giving year in and year out. Think of your donors as ambassadors for your group. Design your materials so that donors will be proud to give your newsletter to a friend or recommend your group when their service club or professional association is looking for an interesting speaker or forward your e-mails to several of their colleagues. By treating your donors as whole people who have a number of gifts to offer your group, including their financial support, you will have more financial support from existing donors, more fun fundraising, more donors, and the peace of mind of knowing that you are not treating anyone as an object.

4. MOST MONEY COMES FROM PEOPLE, AND MOST OF THOSE PEOPLE ARE NOT RICH

There are three sources of funding for all the nonprofits in the United States: earned income (such as products and fees for service), government (public sector), and the private sector, which includes foundations, corporations and individuals. For the nearly 60 years that records about who gives money away have been kept, at least 80% of this money has been shown to be given by individuals. In 2002, total giving by the private sector was almost \$241 billion, and 84.2 percent of that (\$202 billion) was given away by individuals! These people are *all* people — there is no significant difference in giving patterns by age, race, or gender. Income is not nearly the variable that one would think middle-class, working-class and poor people are generous givers and account for a high percentage of the money given away. In fact, a study by Arthur Blocks of the Maxwell School of Citizenship and Public Affairs at Syracuse University showed that 19% of families living on welfare give away an average of \$72 a year! Too often, people think they can't raise money because they don't know any wealthy philanthropists. It is a great comfort to find that the people we know, whoever they are, are adequate to the task. Seven out of ten adults give away money. Focus your work on these givers and help teach young people to become givers.

5. PEOPLE HAVE THE RIGHT TO SAY NO

One of the biggest mistakes I made early on as a fundraising trainer was not balancing my emphasis on the need to ask for money with the reality that people are going to say no. No one is obligated to support your group — no matter what you have done for them, no matter how wealthy they are, no matter how much they give to other groups, how close a friend they are of the director, or any other circumstance that makes it seem they would be a likely giver. While it is possible to guilt-trip, trick, or manipulate someone into giving once, that will not work as a repeat strategy. People avoid people who make them feel bad, and they are attracted to people who make them feel good. When you can make someone feel all right about saying no, you keep the door open to a future yes, or to that person referring someone else to your group. People say no for all kinds of reasons: they don't have extra money right now; they just gave to another group; they don't give at the door, over the phone,

by mail; a serious crisis in their family is consuming all their emotional energy; they are in a bad mood. Rarely does their refusal have anything to do with you or your group. Sometimes people say no because they have other priorities, or they don't understand what your group does. Sometimes we hear no when the person is just saying, "I need more time to decide," or "I need more information," or "I have misunderstood something you said." So, first be clear that the person is saying no, and not something else like, "Not now," or "I don't like special events." Once you are certain that the person has said no, accept it. Go on to your next prospect. If appropriate, write the person a letter and thank them for the attention they gave to your request. Then let it go. If you don't hear NO several times a week, you are not asking enough people.

6. TO BE GOOD AT FUNDRAISING, CULTIVATE THREE TRAITS

A good fundraiser requires three-character traits as much as any set of skills. These traits are

- first, a belief in the cause for which you are raising money and the ability to maintain that belief during defeats, tedious tasks, and financial insecurity;
- second, the ability to have high hopes and low expectations, allowing you to be often pleased but rarely disappointed; and
- third, faith in the basic goodness of people.

While fundraising is certainly a profession, people who will raise money for any kind of group are rarely effective. Fundraising is a means to an end, a way to promote a cause, a very necessary skill in achieving goals and fulfilling missions.

7. FUNDRAISING SHOULD NOT BE CONFUSED WITH FUND CHASING, FUND SQUEEZING, OR FUND HOARDING

Too often, organizations get confused about what fundraising is and is not. If you hear that a foundation is now funding XYZ idea, and your organization has never done work in that area nor have you ever wished to do work in that area, the fact that you are well qualified to do such work is immaterial. To apply for a grant just because the money is available and not because the work will promote your mission is called fund chasing. Many groups chase money all over and, in doing so, move very far away from their mission. Similarly, if your organization seems to be running into a deficit situation, cutting items out of the budget may be necessary but should not be confused with fundraising. When deficits loom, the fund squeezing question is, "How can we cut back on spending?"; the fundraising question is "Where can we get even more money?" Finally, putting money aside for a rainy day, or taking money people have given you for annual operating and program work and being able to put some of it into a savings account is a good idea. Where savings becomes hoarding, however, is when no occasion seems important enough to warrant using the savings. I know a number of groups that have cut whole staff positions and program areas rather than let money sitting in their savings be used to keep them going until more money could be raised. I know groups that overstate what they pay people, what price they pay for equipment, what they spend on rent, all to get bigger grants from foundations or larger gifts from individuals, and then put that extra into savings — savings that they have no plan for. A group that saves money needs to have a rationale: Why are you saving this money? Under what circumstances would you spend it? Without some plan in mind, the group simply hoards money. Fund chasing, fund squeezing, and fund hoarding need to be replaced with an ethic that directs the group to seek the money it needs, spend it wisely, and set some aside for cash-flow emergencies or future work.

8. FUNDRAISING IS AN EXCHANGE — PEOPLE PAY YOU TO DO WORK THEY CANNOT DO ALONE

Hank Rosso, founder of the Fund-Raising School and my mentor for many years, spoke often about the need to eliminate the idea that fundraising was like begging. Begging is when you ask for something you do not deserve. If you are doing good work, then you deserve to raise the money to do it. What you must do is figure out how to articulate what you are doing so that the person hearing it, if they share your values, will want to exchange their money for your work. They will pay you to do work they cannot do alone.

9. PEOPLE'S ANXIETIES ABOUT FUNDRAISING STEM FROM THEIR ANXIETIES ABOUT MONEY

Anxiety about money is learned, and it can be unlearned. If you are ever around children, you know that they have no trouble asking for anything, especially money. In fact, if you say no to a child's request for money, they will simply ask again, or rephrase their request ("I'll only spend it on books"), or offer an alternative ("How about if I do the dishes, then will you give me the money?"). Everything we think and feel about money we have been taught. None of it is natural; none of it is genetic. In fact, in many countries around the world, people talk easily about money. They discuss what they earn, how much they paid for things, and it is not considered rude to ask others about salaries and costs. We have been taught not to talk about money or to ask for it, except under very limited circumstances. Many of us are taught that money is a private affair. Having too little or too much can be a source of shame and embarrassment, yet money is also a source of status and power. Most people would like to have more money, yet most will also admit that money doesn't buy happiness. As adults, we have the right — in fact, the obligation — to examine the ideas we were taught as children to ensure that they are accurate and that they promote values we want to live by as adults.

Most of us have changed our thinking about sex and sexuality, about race, about age, illness and disability, about religion, about marriage, about how children should be raised, what foods are healthy, and much more. We have done this as we have learned more, as we have experienced more, or, as we have thought about what we value and what we do not.

We need to take the time to do the same work with our attitudes toward money. We can choose attitudes that make sense and that promote our health and well-being. Our attitudes toward fundraising are a subset of our larger attitudes toward money. The most important change we can make in our attitudes toward fundraising is to remember that success in fundraising is defined by how many people you ask rather than how much money you raise. This is because some people are going to say no, which has got to be all right with you. The more people you ask, the more yes answers you will eventually get. Finally, if you are anxious about asking for money or would rather not ask, this is normal. But ask yourself if what you believe in is bigger than what you are anxious about. Keep focused on your commitment to the cause and that will propel you past your doubts, fears, and anxieties.

10. THERE ARE FOUR STEPS TO FUNDRAISING—PLAN, PLAN, PLAN, AND WORK YOUR PLAN

Though humorous, this formula that was learned from a community organizer underscores the fact that fundraising is three parts planning for one part doing. I learned this later in my career, after having gone off half-cocked into many fundraising campaigns and programs. I meant to plan, I planned to make a plan, I just never got around to planning. I have learned (usually the hard way) that an hour of planning can save five hours of work, leaving much more time both to plan and to work. Planning also avoids that awful feeling of "How can I ever get everything done," and that sense of impending doom. It moves us out of crisis mentality and means that we are going to be a lot easier for our co-workers to get along with. There are a lot of articles and books on planning — we recommend reading some of them. However, the easiest way we have found to plan something is to start by defining the end result you want and when you want it to happen, then work backwards from that point to the present.

For example, if you want your organization to have 100 new members by the end of next year and you are going to use house parties as your primary acquisition strategy, you will need to schedule five to seven house parties that will recruit 10 to 15 members per party. To set up one house party will require asking three people to host it (only one will accept), which will require identifying 15 or 20 possible hosts to carry out the number of house parties you want to have. The hosts will want to see materials and know what help they will have from you. The materials will have to be ready before the first phone call is made to the first potential host, and the first phone call needs to occur at least two months before the first party. So, the materials need to be produced in the next two weeks, hosts identified in a similar timeframe, calls made over a period of two or three months, and so on. When you are tempted to skip planning, or to postpone planning until you "have some time," or to fly by the

seat of your pants, just remember the Buddhist saying, “We have so little time, we must proceed very slowly.”

BEWARE of PROFESSIONAL FUNDRAISERS who work on commission. We have seldom seen this work.

Why Good Fundraisers Are Never Paid on Commission By KIM KLEIN GRASSROOTS
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An organization that worked with abused children desperately needed a new facility. However, they could barely meet their annual operating costs, so taking on higher rent or purchasing a building seemed impossible.

Nevertheless, because their program was seriously suffering from lack of adequate space, they shopped around. Whether they rented or bought, they would have to remodel any building for safety and accessibility and to make it pleasant for the children. The group found a building that the owner was eager to sell, and she offered them a good deal. They saw that, with a little work, this could be the ideal space. The obstacle was the cost: They would need \$500,000 to cover everything. This amount seemed completely unattainable and then, as if in answer to a prayer, a handsome stranger showed up and offered to raise the \$500,000 for a 20% commission. If he didn't succeed, he explained, they would not be out anything; however, they would pay him 20% of any money he did raise.

He proposed to raise \$700,000, which would cover his costs and the costs of the campaign, as well as the \$500,000 needed for the building. He could finish the campaign in a year, he said, but he might complete it in six months. He would earn \$70,000 – \$140,000, depending on how long he took. However, the group knew that paying on commission is highly frowned on in fundraising and all the trade associations of fundraisers, including the Association of Fundraising Professionals (AFP, formerly the National Society of Fundraising Executives), the National Association of Hospital Developers, and the Council for the Advancement and Support of Education (CASE), have issued statements decrying the practice of commission based fundraising. Why is this an absolute no-no?

There are several reasons.....

First, no one else in non-profit organizations is paid on commission. In this particular group, the counselors are not paid more for every child that shows improvement nor are the social workers paid for each child whose abuse they report. Everyone is paid a salary in recognition that their work is a process and that they may be very good counselors or social workers and still not show a lot of progress with every child.

Second, a commission tends to distort salaries. In this case, this fundraiser would be paid \$140,000 per year, about three times as much as the executive director who earned \$45,000. Third, this person would not bring his own list of contacts. He would be working with the organization's donors. He said he has some contacts from previous jobs, but would you want him to use them? And would you want him taking your donor information to his next job?

Third, his whole livelihood depends on donors saying yes to his requests. Even a totally honest fundraiser working under these conditions would be tempted to distort information, seeing his rent check in the eyes of each prospect. Also, many big gifts take cultivation and several 2 visits. He may be willing to settle for a small gift in order to get it quickly rather than take the time a larger gift would require in proper cultivation.

Fourth, what would the donors think if and when they found out that 20% of their gift, designated for a new building, went to this temporary staff person? Donors know that it costs money to raise money,

but few things make donors angrier than seeing that too large a part of their designated gift was used for expenses, and 20% going to salary alone is too big.

Fifth, and most important, one person should not oversee raising money for an entire campaign. Suppose this fundraiser was both honest and successful. When he left, the group would be \$500,000 richer, to be sure, but no wiser regarding fundraising. The role of a fundraiser is to get the board and other volunteers to help raise the money. A good development person coordinates, researches, plans, and helps decide which volunteer should go with which other staff or board member to ask for the money, when each prospect should be solicited (should Sally Jones be asked right away, or not until her close friend Mabel Smith has given?), and other strategy issues.

Finally, the person coordinating the fundraising should absolutely believe in the cause and be a part of the team of people putting the campaign together. For all these reasons, paying on commission is not an option for fundraising. Some people in small organizations will say, "But we don't have the cash to hire someone outright and it's risky to hire a person when you can't afford it, both for the person and for us if they are not good."

However, for all the reasons listed above, a small organization especially cannot afford the risk involved in hiring someone on commission. Here are some other ways the children's group could raise the money they needed. They could go to the eager property owner and see if she would accept a lower down payment, then they could explore how to finance the building instead of trying to pay for it all at once. A committee composed of a couple of members of the board, a couple of volunteers, and the executive director would need to make a list of ten people who could give the money for the down payment and the costs of moving and fixing the space up. Then they would need to go and ask these prospects for the money. These slow, thoughtful, and group-generated steps will provide the needed money, build support from the constituency, and, by the way, save the commission fees of the handsome stranger. No matter how strapped for cash you are, you should never consider doing something unethical to raise the money you need, and commission fundraising is unethical.

Capital Campaigns – Pre- Campaign

- develop a plan
- create a campaign case statement and budget,
- assemble an adequate database,
- create gift acceptance policies,
- active a motivated committee or board of directors,
- develop a gift range chart
- set a timeline for the campaign,
- identify prospects,
- consider how to add an endowment component to a capital campaign.

THE NATURE OF A CAMPAIGN

A campaign, by definition, is time limited and should have a specific beginning and end. It might seem simple to begin and end a capital campaign, and it can be: Begin the campaign when you need to raise money and end it when the money is raised. Organizations doing small campaigns (to raise less than \$500,000) often do just that. They approach a few individuals and foundations and possibly send a general appeal to their donor list, doing their best to raise the money in a year or so. However, if you are raising more than \$500,000, you will probably run your campaign over two and possibly three years.

THE GOAL AND THE GIFT RANGE CHART - (remember goals have to be quantitative and qualitative) Once you have established the preliminaries discussed in the first article in this series, you will have developed a budget and campaign fundraising goal. The next element to consider is creating a gift range chart for the campaign. The gift range chart will map out how you will meet that

goal. A gift range chart is built around an observation numerous fundraisers have made: If you go into your community to raise money, you will notice that a few people give a lot, a few more give less, and a lot of people give a little. Keeping this principle in mind, you can map how many gifts of what size you are going to need to meet your goal. A capital campaign has a much narrower gift range chart than an annual campaign. In a capital campaign, 40–60% of the goal is provided by six to eight donors: one gift will provide 10–20% of the goal, two gifts will each contribute 10% of the goal, and three to five gifts together

The Phases of a Capital Campaign

EXAMPLE OF NUMBER OF GIFTS RANGE OF GIFTS PROSPECTS NEEDED

1	at \$500,000–\$1,000,000
2	at \$250,000–\$500,000
5	at \$100,000
10	at \$50,000
25	at \$25,000
50	at \$10,000
100	at \$5,000
250	at \$1,000–\$4,999
500	at less than \$1,000

Most groups will spend a great deal of time identifying a few “large” donors before they proceed any further, and we will discuss how to identify those prospects below. The bulk of the money will be raised in smaller amounts from more people—how small the amounts and how many more people will depend on the size of the donor pool, their ability to give, and to some extent, how many people an organization wants to involve in its capital campaign.

Generally, capital gifts are gifts of \$1,000 or more, even if some people need to pay that amount off over two or three years. Although it is fine to invite people to give \$25, \$50, or \$100 to a \$1 million campaign, having a lot of small gifts may wind up raiding your annual fund as people decide to give \$100 to buy a brick instead of the \$50 they normally give annually. To figure out how many prospects you need, remember that about half of the people you ask will not give and half of those who do will give less than the amount you asked for.

At the top of your gift range chart, to be conservative, you will want to identify and ask about four to five times as many people as you need. However, because many of those asked give less than they were asked for, these givers help fill in the bottom of your chart. At the lower levels, then, you only need twice as many prospects as the number of donors you are seeking. For example, many people who were asked for \$5,000 or even \$10,000 will end up giving \$2,500. People who were asked for \$50,000 may give \$25,000, and so on.

Some people give two gifts—one at the beginning of the campaign and another at the end. For these reasons, the actual number of different people you will need as prospects should be about two-and-a-half times as many as the number of gifts you are seeking.

You can see that the above gift range chart is narrow and calls for many donors who can give big gifts. Many organizations use an even steeper chart, completing multi-million campaigns with only 100 to 200 donors. Grassroots organizations don’t generally attract people who have that kind of ability to give. Nevertheless, to complete any large campaign will require being able to ask some people for very large gifts. (There are other, less likely, sources of funding. It is uncommon but not unheard of for foundations to provide capital funds, and there are some foundations that only fund capital campaigns. The most famous of these is the Kresge Foundation in Michigan.)

With the increasing number of small family foundations, a group may find that an individual it approaches for a large gift makes the gift through their family foundation. Although the vehicle is a foundation, the fundraising strategy is still that of approaching a major donor. Corporate funding to capital campaigns is generally reserved for large institutions, except in cases where someone high up

in the corporation is involved in the group. Many groups providing social services have been able to raise some money from local government coffers. Despite these possible funders, in 25 years of fundraising I have never heard of a capital campaign conducted by a grassroots organization that did not require some individuals to make large gifts.)

RESISTING THE INEVITABLE

We have known many groups to resist developing a gift range chart. One such group, called the “Different Drummer Music Project,” wanted to move their music school from its inadequate space in a public school to a building of their own. Their overarching philosophy was of inclusiveness. Their mission stated, “We believe there is a musician in each of us,” and their logo showed a treble clef with the tag line, “All notes are created equal.” They had a diverse program, with several choruses that performed around their city and a wide variety of orchestral instruments that young people could borrow for the school year. They needed a space where young people could get lessons, practice, and even jam together. The steering committee of three musicians, two parents, and three community activists found an old boarding house for sale that was perfect for their needs. To raise the money to buy it, they decided to conduct a “People’s Campaign.”

They disliked the notion of developing a gift range chart, with the elitism implied by placing greater emphasis on large gifts than on any gift. Their goal was \$1.5 million, and they were determined to raise it in gifts of \$50–\$500, which they felt was “an amount that almost anyone can afford.” They launched their campaign with a concert at which they told the mostly parent audience that they needed their help to find 30,000 people to give \$50–\$500 each, with the top gift they would accept being \$5,000. They raised an impressive \$250,000 this way from about 1,500 people but exhausted their volunteer pool. Finally, the steering committee realized that they could now raise the rest of the money they needed from an additional 20 or so people without being in danger of losing their soul. A parent asked a friend of means to match the \$250,000 already raised and got it. A foundation, impressed with the quality of music the young people produced, gave \$75,000. Two donors who had given \$5,000 were re-approached for \$100,000 each, and the remainder of the goal was given by another dozen people with gifts in the \$25,000–\$50,000 range.

The music school learned that, while all notes may be created equal, people have varying levels of ability to give and willingness to express their support in a manner commensurate with their ability.

IDENTIFYING PROSPECTS

Once the gift range chart has been created, an organization has a clear directive: Identify prospects for the lead gifts. This is a critical step, because if you cannot identify enough prospects, you will have to revisit your goal. Therefore, I suggest doing this step before creating materials or setting up a timeline. Though you identify lead prospects now, it may be some time before they are all asked. Deciding who may be a prospect for a capital campaign requires the same analysis as identifying a prospect for a major donor campaign plus a couple of additional variables.

First, someone in the group or someone close to the group must know and be respected by the prospect. Among other things, the person who knows the prospect will know whether the prospect believes in the cause of the group and will have some idea about the prospect’s giving ability. To make this process memorable, we call these identifiers ABC: Ability Belief Contact

As part of researching the prospect, you want to have as much useful information about them in relation to your campaign as you can. Toward that end, review any public records about the person, such as newsletters or annual reports from groups similar to yours that list the prospect’s name as a donor, newspaper articles in which the prospect’s donation to another group has been mentioned, and your own records of gifts by this prospect to your group. You should also find other people who know this prospect and see what they can tell you. You are looking for the kind of information that a person would tell you in the course of a non-confidential conversation. It is not necessarily public information — the person may not want it to appear in the newspaper — but it is not secret.

If someone tells you, “Mary Jones has a large inheritance, but doesn’t want anyone to know it,” that information is not useful to you. Don’t write it down. On the other hand, if someone tells you, “Sam Smith works for a donor who generally remains anonymous and I can introduce you to Sam,” write that down. Don’t spend time trying to figure out if the anonymous donor is Mary Jones — the anonymous donor wishes to be just that. We have no need to know who it is.

We are fundraisers, not the FBI. In addition to this information, which you would need in order to approach someone for a large gift for any type of campaign, in doing capital campaigns we usually want to know the following:

- Has this prospect ever made a capital gift before? If yes, to what kind of campaign, in what amount, and does anyone know whether the prospect had any negative feelings about how that campaign, or their gift was handled?
- Does this prospect have assets that he or she can use for your campaign, such as highly appreciated stock, inheritance, very high annual income, or property?
- Will this person be attracted to naming opportunities? Is there someone in their life they might like to honor or memorialize permanently?
- Is any other member of their family involved in your organization or in a similar organization?
- Is your group one of the prospect’s favorite organizations?
- Does the prospect believe in your building campaign, or do you have evidence that she or he probably would believe in it if they knew about it?

You can see that many of these answers call for speculation; that is why it is important to have them verified by two or three people. It is not necessary for the answer to be yes to all the above questions, but it is necessary to have at least some of this information. For example, a rape crisis center learned that one of their major donors and loyal supporters had given \$50,000 to another organization’s capital campaign.

The rape crisis center also knew that this donor could probably afford many other \$50,000 gifts. However, the donor had told her friend on the rape crisis center’s board that she was uncomfortable with how that capital campaign had been run. She believed too much had been spent on the outside consultant and on gifts to donors, and she was irritated when the board chair asked her three times for additional gifts after she had told him that \$50,000 would be her only gift to this campaign. The rape crisis center had planned to approach this donor for one of the first gifts for their own capital campaign, but because of this information, they waited until most of the other larger gifts were in and then made sure this donor was solicited by a friend who had given a similar amount.

As it happened, the rape crisis center did not hire a consultant and did not give any gifts to donors or name any rooms after donors. These decisions had been made independently of this woman’s feelings about the other campaign, but they did make the rape crisis center’s campaign more attractive to her. She gave \$25,000 and pledged an additional \$25,000 once they reached the last \$100,000 of the campaign. In another example, a prospect was approached for a large donation to the capital campaign of a Boys and Girls Club. The club wanted to renovate its existing facility, including upgrading its wheelchair accessibility and adding a new wing. As in the above example, this prospect was able to make a large gift and was a long-time donor to the club. However, the club did not seek to find out what he thought of the capital campaign, but just plunged in and asked him. Thus, they did not learn that he felt the cost of the new wing was excessive. Needless to say, he did not respond favorably to the solicitor’s suggestion that the new wing be named after his late mother, who had been a volunteer with the club.

Simple information gathering would have easily surfaced this donor's opinion of the campaign and saved everyone some embarrassment. This prospect did not make any gift to this capital campaign. While gathering and verifying information is of critical importance, it is also important to apply common sense to the procedure. Again, this process is not a Nielsen survey or a police investigation. We are not testing whether the prospect should run for governor, but whether he or she should be asked for a certain amount of money at a certain time.

When you have a list of verified prospects, you can determine whether you have enough prospects to meet the needs of your gift range chart in achieving your goal. If you fall far short of what you need, you will have to reevaluate whether the goal is realistic and consider lowering it for this campaign and rethinking your capital project.

ADDING AN ENDOWMENT COMPONENT TO YOUR CAPITAL CAMPAIGN

As you can see, a capital campaign entails a large amount of work, but there is also an economy of scale involved. It will take almost the same amount of planning, budgeting, prospect identification, volunteer recruitment, and time to raise \$2 million as to raise \$1 million. Donors are often attracted to larger campaigns and will stretch their giving to meet a larger goal, whereas they may not make a thoughtful gift at all to meet a lower goal. Obviously, groups should raise what they need and not artificially inflate a goal, but many groups may want to add some money for endowment to their capital campaign budget, over and above what they have included for maintenance of their building.

There are two ways to add endowment to a capital campaign. The simplest is to add a line item to the budget specifying "endowment." The money raised for the capital campaign will then include money that is put into an endowment account. For example, a children's home was building a new gymnasium that would cost \$2 million. In addition, they were using their capital campaign as a time to raise money for repairing and upgrading their current facilities; that added another \$2 million to the capital campaign budget. Realizing that the preparation and work to raise \$4 million would not be that much less than for a goal of \$5 million, they added \$1 million for endowment. This million will join the \$2 million they already have in an endowment fund and give them an additional \$50,000 – \$75,000 a year in interest earned that can be used for general operating expenses.

The second way to add fundraising for endowment to a capital campaign is to raise money specifically for the endowment component of the campaign by allowing donors to earmark their capital campaign gifts for endowment. For example, a senior center needed \$250,000 to expand their office space, upgrade their computers, and add a few bathrooms to their facility, which was otherwise in good shape. They debated how they should approach this need. Both the size of the campaign and the fact that the improvements were not that exciting seem to preclude doing a full-scale capital campaign. They looked at doing a quiet campaign with a handful of donors or taking out a second mortgage and adding repayment of the loan into their annual fundraising efforts.

At the same time, however, they recognized that their low salaries were causing high turnover among their administrative staff. They decided they could significantly upgrade salaries of the administrative staff with an additional \$30,000 a year in organizational income, which they could get by adding \$750,000 onto their capital goal to be invested in an endowment. That brought the goal for the capital campaign to \$1 million. People responded very well to the campaign, including a few of the seniors that they served. If you do add an endowment component to your capital campaign, be sure you are able to handle endowment funds. You will need to know either how to invest this money for growth and return or whom to ask to do this for you. An endowment is most appropriate for a group that has decided that it needs to exist in perpetuity. Board, staff, and donors will have to be comfortable with having a large amount of money invested of which only 5 – 10% (its earnings) can be used every year.

THE TIMELINE

Once you have identified enough prospects to go forward with the campaign or amended the campaign to have a good chance of success, you can create a campaign timeline and begin asking for gifts. Generally, you will want to raise one-third to one-half of the campaign total before you even

announce your campaign publicly. The time in which you raise that money is called the “Quiet Phase.” This phase allows you to test donors’ receptiveness to the idea of the campaign and learn what questions they have, to train your volunteers, and to get some donors who may help you reach other donors. The Quiet Phase ends with what is called the “Launch,” which is the public rollout of the campaign. You can celebrate launching the campaign with a large party or a quieter reception for donors, prospective donors, and board members. People often use the launch event as an opportunity.

PLANNING AND PREPARATION: Take as much time as is needed. This process often takes a year or two. **PRE-CAMPAIGN:** The process of identifying prospects, setting firm goals, setting the timeline, deciding when and how to launch. This phase takes about three months.

QUIET PHASE: Soliciting the 8–10 lead gifts. The quiet phase can take a year or more, but most groups are able to move through it in six to nine months.

LAUNCH AND PUBLIC PHASE: The remaining fundraising will rarely take less than two years but should not take more.

WRAP-UP: Making sure all systems are in place to collect pledges, final reports are written, and the campaign is ended. The wrap-up can be done in two or three months. Often groups wonder when you should start building or renovating in this process. Of course, the safest thing to do is to wait until all the money is raised, but most groups start building shortly after the launch or even make the launch the “first shovel,” or groundbreaking.

Then the end of the campaign can sometimes also be the ribbon cutting for the new or upgraded facility. When construction is underway during the campaign, prospects and the community as a whole have a sense of progress being made and their gifts being put right to work.

Phases of a Capital Campaign - **GOAL** = to get press attention, particularly if you are buying or renovating a building. Show the press and some prospects your blueprints, architect’s renderings, the paucity and inadequacy of your current space and announce that you are already one-third of the way to the goal. This starts your campaign off with a lot of momentum and says to other donors, “Help us complete this wonderful work.”

Following the launch, the object is to raise the rest of the money needed and reach your goal within the announced time frame of the campaign. If you reach your goal early, you can keep raising money, but I think it is better to have a giant celebration and end the campaign early. If you get to the end of your campaign without reaching your goal, you should not extend the campaign. If you plan well and identify prospects properly, you will know far ahead of time whether you will meet your goal in the time frame you have set. If it is clear in the quiet phase that you don’t have enough donors to meet the goal, lower the goal before announcing the campaign to the public. If you have already announced it, figure out if there are other ways you can get the money, or how your budget can be modified to reflect what you can raise. You can always borrow the money and pay it off over time, like a mortgage. However, extending the campaign timeline will only humiliate your group.

DECIDING WHOM TO APPROACH FIRST

You have one more set of decisions to make before you are ready to begin asking for gifts: In what order will you ask people? First, you will ask the people who can make the biggest gifts. Of these, start with the people who are closest to your organization. In some cases, this may mean that rather than starting with the biggest gift needed, you start with the person most likely to say yes. You don’t want a series of turndowns early on in your campaign.

The early gifts will give you confidence that the campaign is a good thing. The people who are asked to be the lead donors (the top gift and the next set of gifts) are not only people who can give this much money and who think highly of your group, but are also people who like to think of themselves as leaders, risk-takers, example setters, inside-track people who know before anyone else what is

happening. On the other hand, although it cannot be planned, it is not unusual for some of the biggest gifts to come in late in the campaign, once it is clear that the campaign is a success.

There are people who prefer to bet on a winner and will sacrifice the glory that comes from being the lead donor for that security. There are also people who look to others for an example. They may not feel as close to your group as they perceive someone else to be and want to see what that person will do before making their move.

Figuring out which people will be leaders and which followers for this campaign is based 90 percent on instinct and intuition and 10 percent on actual information. Failure to figure this out is often not that serious. Someone you approach to be a lead donor simply may say, "I'd like to see how the campaign shapes up," or, "I'd rather wait to see what Joe does," or, "Come back to me when you have raised \$250,000." From a fundraising point of view, some of our favorite donors are those who come in both early and late. They make a lead gift and then make a gift at the end of the campaign. Some do this as a challenge: "I will give the first and the last \$100,000. You raise the rest." This "bookend" approach is very helpful, because you have the donor's confidence that you will succeed expressed in the lead gift and a great deal of incentive to get to the end.

Sometimes a donor will make a gift that is smaller than their ability at the beginning of the campaign; when it is clear that the campaign is succeeding, they will come in with more money. More often, a donor makes a lead gift and decides later to give another gift. This can happen, for example, when the campaign is nearing the end and the group finds it has slightly miscalculated how many donors it has and is falling short of its goal. A generous donor may simply make up that shortfall. Sometimes, cost overruns have made the goal too low and a donor will help out with those expenses. Donors will only do this when the group has done their best and is a little short. Donors generally don't like to fill in gaps caused by bad planning or incompetence, and you should not count on this in your planning.

SUMMARY

As you can see, there is a lot to be done before you are ready to ask your first prospect for a gift to your capital campaign. Some people planning campaigns get anxious about all the details; while I don't want you to disregard them (why else would I take the time to write them down?), I also remind you that your donors know you are a grassroots organization. This may well be your first capital campaign and the first capital campaign of everyone involved. They don't expect you to have the sophistication a major university might bring to such a campaign and they might even be suspicious if you did. You will make mistakes, but none of them will be fatal. You will also have some of your most interesting meetings and do some of your most creative thinking before your campaign is over.

Getting Serious About Building Endowment: Straight Talk for Non-Profits and the Professionals That Serve Them Kathryn W. Miree, J.D. Kathryn W. Miree & Associates, Inc.

Ten years ago, an endowment signaled an embarrassment of riches. Organizations that held endowments were considered overfunded and were chastised for holding funds rather than spending those dollars on critical current needs. As a result, boards were often ambivalent about an endowment, torn between the need to justify its existence and spending the assets to meet current needs. Now endowments are a sign of a fiscally responsible, well-prepared and forward-looking nonprofit, ready to weather economic downturns and ensure a long-term survival.

Endowments have never been more important than today. Gift income is down. Government grants are down. Corporate and foundation grants are down. Stock gifts are down. Those nonprofits that cannot count on an endowment resource in difficult times may be forced to cut staff and programs, or even cease to exist.

Building a strong endowment is a proactive, not reactive, process. The organization must have clear goals, spending policies, asset building strategies and an investment management process that

reflects those objectives. This session is designed to guide both the nonprofit and professional advisor through that process.

I. How Well Do You Know Your Endowment. S Vital Statistics? . A Quiz for Nonprofit Managers and Development Staff

In large profits and small, decisions about endowment structure and management are often relegated to the CFO or financial office. Development staff, volunteers and professional advisors may not know the details of management or performance. However, donors are asking questions and expect answers. Given the dramatic movement in the securities. markets and the abundance of information on performance available through financial publications and newsletter, these questions will increase. Take this quick quiz to determine if you are prepared to talk with donors about your endowment:

1. Does your organization have an endowment?
2. What is the market value of your endowment?
3. What is the current asset allocation of your endowment?
4. How has that asset allocation changed over the last year with the dramatic changes in the stock market?
5. What was the total return on your endowment last year? (And, what is total return?) What was the total return over the last five years?
6. How do your total returns compare to the blended index return?
7. What is the spending policy for your endowment?
8. Are there any restrictions on terms a donor can impose on endowment gifts?
9. Are there any restrictions on the type of assets that can be contributed to your endowment?
10. Who makes decisions about distributions from your endowment?

A. Defining Endowment

The term. endowment. is broadly used throughout this discussion to describe funds set aside for the long-term benefit of the nonprofit (rather than for current operations). While operating funds are generally invested in cash equivalents and short-term bonds to maximize current income, endowment funds are invested in equities and longer-term bonds to achieve growth and an increasing stream of income.

1. The Need to Define Endowment

One of the difficulties in discussing endowment is that each nonprofit defines the concept in its own way. This leads to confusion when comparing practices among institutions or trying to establish a baseline for moving forward. Some institutions define the concept using a statutory legal definition and include only those funds legally restricted as endowment. Others have not attempted to define the term at

all and have funds scattered among a variety of accounts, each with its own investment structure, comprising the endowment. The first step in creating a successful endowment is to define it. This definition must include a description of the types of funds considered as endowed., the type of funds committed to endowment, the spending policy, investment goals and purpose.

2. The Need to Make a Commitment to Endowment

Nonprofits are well advised to adopt a board resolution to allocate deferred planned gifts. bequests, beneficiary designations of insurance and retirement plans, remainders from charitable remainder trusts, and other unexpected gifts. to endowment rather than the operating budget. These gifts cannot be budgeted since they accrue at the death of the donor (which does not occur with the predictability suggested by the annuity tables) and create fluctuations in the operating revenue that may be difficult to cover in subsequent years. In addition, the long-term benefit of those gifts is lost if immediately expended. Discipline allows the board to commit the funds to endowment, and then request principal distributions when emergencies or special situations arise.

3. Forms of Endowment

There are three types of endowments: true endowments; quasi-endowments; and term endowments.

a. True Endowment

A true endowment consists of funds permanently set aside (document or legally restricted) to generate income for the nonprofit. Principal may not be spent. Income may be narrowly defined as the dividends, interest, and rental income from the endowed assets, or more broadly to include realized or unrealized capital gain, depending on state law and the governing document for the funds. When a donor limits the use of endowed funds, the endowment gift is considered restricted. When the donor leaves spending discretion to the nonprofit, the gift is considered unrestricted. Most endowments consist of a pool of unrestricted funds as well as many small groups of restricted funds pooled for investment purposes.

EXAMPLE 1: Jerry Jones left a bequest of \$250,000 to Northwestern University to provide scholarships for Chicago students attending Northwestern with grade point averages of 3.8 or better on a 4.0 scale. His will specifically provided that the corpus of the gift was to be preserved and that income only was to be used for scholarships.

b. Quasi-endowment

While a permanent endowment has restrictions on the use of principal, a quasi-endowment does not. Quasi-endowed funds are funds committed to long-term use (endowment) generally by board resolution. Board-restricted funds may include unrestricted bequests or planned gifts received by the nonprofit, surplus funds available at year-end (that are not needed for operating reserves), or funds resulting from the sale of an asset. Since the donor did not restrict the funds, the board can remove its self-imposed restriction and make the principal available for use. Normally, the board will establish procedures to govern distribution of income and withdrawal of principal.

EXAMPLE 2: Jerry Jones left a bequest of \$250,000 to Northwestern University. Although he had contributed to the scholarship program throughout his life, he placed no restrictions on the use of the bequest gift. The board of the University, after discussion, decided to allocate the funds for scholarship purposes to reflect Mr. Jones' lifelong interests.

c. Term Endowment

A term endowment is a gift in which the principal is restricted for a specific period of time. For example, a donor may create a gift for ten years to benefit a particular university program, or to fund a need for a limited period of time. Alternatively, a donor may contribute funds to amortize a bond issue and tie the term to the life of the bonds. After the expiration of the time, the board may use the principal or allocate it to a quasi-endowment.

d. Pooled Endowments

Nonprofits pool endowed funds to achieve efficiency in investing the assets. Pooling endowed assets requires special accounting, either by use of an internal spreadsheet or other software to segregate and track income from restricted funds or term-endowments. Tracking can be difficult when the endowment has hundreds of sub-accounts and income restrictions vary from fund to fund. Therefore, most nonprofits establish minimums for restricted funds and term endowments such as \$50,000 to \$100,000. Sometimes pooling is not permitted because the donor specifies the funds are to be invested separately. In this case, the funds are managed as a separate account. Nonprofits are now doing a better job of communicating endowment objectives and restrictions to donors to avoid gift restrictions hindering long term management and performance. Those left with older funds with restrictions may obtain some relief under the Uniform Management of Institutional Funds Act, discussed later.

B. Who Needs an Endowment?

Planned giving programs and endowments are closely related. The primary goal of most planned giving programs is to raise funds for the organization's endowment to ensure its long-term viability. Therefore, the first question to ask is: "Does the nonprofit organization need an endowment?"

There is no purely objective test that leads an organization to decide to establish an endowment. The following questions may help a board remain focused on objective, rather than emotional, issues in making the decision. Positive answers to any of these questions may lead the organization to consider the creation of an endowment:

- *Does the organization serve a purpose or need that is likely to exist on a long-term basis?*
- *Do cyclical economic variances impact the receipt of annual or special event gifts?*
- *Does the organization face increase operating costs?*
- *Does the organization currently have new programs related to its purpose that cannot be operated because they lack funding?*
- *Does the organization anticipate future needs for programs that may not be met for lack of funding?*
- *Does the organization face increasing competition for annual gifts?*
- *Is the organization dependent upon government or private grants for its organizational expenses?*
- *Has the organization lost major annual gifts through attrition of its donors?*

C. The Case Statement for Endowments

Once the charity has resolved the need for endowment, the points supporting the decision should be reduced to a compelling case statement for donor support. The case statement should mesh the mission and purposes of the organization with the need for long-term support. The statement should be a clear, concise, compelling argument for the donor's role in the charity's future and should appear on all of the nonprofit materials related to building endowment.

D. Getting an Endowment Commitment from the Board

Nonprofits often create endowments by accident rather than by design. An accidental endowment results from a gift, usually a planned gift left to the organization by a donor for a specific purpose. The donor's objectives may be to create an income stream to replace his annual gift to the organization, to start or endow a scholarship, or to provide start-up funds for a new program. When the charity receives the restricted funds and sets them apart to comply with the donor's directives, an endowment is born. Planned endowments result from a board action to establish a fund and resolution to build it. It may be funded first through a transfer of surplus operating funds or matured planned gifts. The board's goals may be to ensure future funding for the organization or to encourage donors to make endowed gifts.

Endowments may also be intentionally created as part of a capital campaign. Capital campaigns that involve new buildings, a new campus, or even new programs require additional operational dollars for maintenance of facilities and programs. An endowment may be the only way to ensure that additional income is available to meet operating needs. Often, this endowment funding is built into the campaign goals.

1. Overcoming the Most Common Myths

Nonprofit boards may have concerns about building endowments and the deterrent that a big endowment may have on fundraising efforts. These concerns should be raised and answered before the board makes a decision on how to proceed.

! The Organization Will Appear Rich

Often boards are reluctant to create an endowment for fear that foundations and the public will not support the organization if it appears "rich" with endowed dollars. The concern of appearing too wealthy is real. The nonprofit must communicate the role of the endowment as it relates to the purpose that is served by the organization. Individual donors are more likely to commit their personal dollars to the organization's future if an endowment exists to protect those dollars.

! Donors Will Restrict the Use of Funds

Boards may also be concerned about restrictions placed on endowed dollars when the gift is made. When funds are restricted for a specific use, the charity must have the ability to segregate and

account for the funds to ensure that the income and principal are spent in the manner directed. If the restrictions on fund use are so narrow that the charity is unable to spend the money for the purpose intended, the cost of accounting may exceed the value of the funds to the charity's operations.

EXAMPLE 3: In 1963, an Episcopal Church received a gift of \$100,000 to be used exclusively to place flowers on the altar of the church for services and special events held at the church. Through careful investment management, this fund has now grown to over \$1,000,000. The church uses the fund to keep magnificent flower arrangements on display throughout the year, but is unable to use all the income generated. The gift specifically prohibited use of the funds for other purposes.

One of the great appeals of a planned gift or an endowed gift is that it allows the donor to effectively control the money long beyond a normal lifetime. Many restricted gifts blend the donor's goals with specific areas of need for the charity. However, when donors want to place too many rules and restrictions on their gifts, this can create problems for an organization, and can sometimes prevent the use of the funds in any effective way. The key to success is flexibility in planning. There is almost always a way to work with a donor to design a fund for a designated purpose that is not so restrictive as to render it useless. When the gift is too restrictive or is designated for a purpose that is counter to the purposes of the organization, the nonprofit should decline the gift.

! Donors Will Fund the Endowment and Discontinue Annual Giving

The most common objection to creating an endowment is the concern that donors who make planned gifts or endowed gifts will discontinue or decrease their annual contributions. A corollary to this concern is the fear that solicitation for endowed gifts will compromise the non-profit's ability to raise annual and special event gifts. In other words, the nonprofit staff and board are concerned that the donor will not respond to more than one "ask" in a year.

These concerns stem from a lack of understanding of the process of making a planned gift. *Annual and special event gifts* are made from the donor's current income stream. The decision to make an annual or special event contribution is made quickly and based on current facts, such as available income, other financial obligations, and personal interest. *Major and capital campaign gifts* are also generally made from a donor's income. In many cases, the gifts are "planned" as the appropriate asset and tax incentives are considered to maximize the benefits of the transaction. These decisions, involving one- to five-year commitments, are also based on facts currently available to the donor.

Planned gifts, however, are made from a donor's assets, not income. A donation of assets, rather than income, removes the objection that cash flow is limited, but it raises other issues. The donor may be hesitant to make a gift of assets until she is assured that her future needs such as health care, housing, and sustenance can be met. Donors must be educated on how to plan for future needs and how to integrate the benefits of planned giving into their overall estate plan. For example, converting low income, highly appreciated assets into a higher income stream through a charitable remainder trust or charitable gift annuity may help to address a donor's retirement income needs. A review of an organization's donor records may reflect that there are many annual donors who have not made a planned gift, primarily because no one asked. However, it is rare to find a planned gift donor who is not also a regular donor to the annual campaign.

! Solicitation for Endowment Will Interfere with the Capital Campaign

Capital campaigns are a periodic form of fundraising necessary to finance buildings, new programs, and general expansion. Boards may fear that building an endowment will interfere with the ability to raise capital funds or will create the impression that capital funds are not needed. On the contrary, planned gifts can increase the success of a capital campaign. Many development officers believe that a capital campaign is a good place from which to launch a planned giving program. Why? Planned to give encourages donors to consider options and assets that allow a donor to make a significant gift even though he lacks the cash to do so.

Not every organization is ready for an endowment. It's difficult to make a case for long-term support of the organization if it is struggling to keep its doors open on a day-to-day basis. It must also be prepared to manage and account for the fund entrusted to it. The nonprofit considering an endowment should look at its history and identify factors that may serve as indicators for success or as barriers to donors who will be asked to contribute. Indicators of success might include the following:

1. An organization that has been in existence for at least 8-10 years.
2. A history of strong program growth over the period of existence.
3. A solid fundraising program that has grown over the period of existence. Key elements should include a growing annual fund program, a solid base of repeat donors, major gifts, and a readiness or entry into planned giving.
4. Stable nonprofit staff, again showing growth commensurate with its program and fundraising growth.
5. A financial officer or other staff member responsible for managing or providing oversight of the endowment.
6. Commitment by the board of directors to build endowment. While there may be many other indicators of success, these are the baseline needs showing the organization is operating effectively and is ready to expand its fundraising to the next level and build a base of financial support for future operations.

Factors that may herald problems include the following:

1. A new organization, just struggling to get started.
2. Turnover of staff, or lack of adequate staff.
3. No fundraising program, or erratic fundraising, solely government-based funding, or heavy dependence on a few corporate or foundation funders.
4. Ambivalence of the board of directors about the need for endowment.

GRANTS – courtesy of Mike DuBose is Research Associates, P.O. Box 1755, Irmo, SC 29063, 803/750-9759. Research Associates' web site, www.grantexperts.com

The current economic climate, it's clear that many educational, health and human-service organizations are struggling to make ends meet. At the same time, there is more grant money available than ever before:

Studies indicate more than \$450 billion in grant money will be awarded by some 56,000 foundations, 5,000 corporations and thousands of government programs next year. Undoubtedly, school districts, universities and both for-profit and nonprofit entities could deliver higher quality services if they knew where to look for the money — and how to get it.

Many of the funding agencies have downsized their application procedures, and thus require shorter grant proposals. On the plus side, applying for grants is significantly less complicated than it used to be. On the minus side, many foundations now accept only a one-page proposal, leaving organizations with less room to make the case for themselves as recipients. Under these circumstances, it pays to think outside the box.

For example, few would think “airline company” when seeking sports-related funding, but that's what one enterprising organization did to snag a \$5,000 grant from the Delta Airlines Foundation to help establish a recreation program. Consider smaller grants that might fund a portion of your program — several of these can add up to give you the support you need. Also, an emerging preference among funding sources is to grant funds to collaborative efforts. While your agency may not be eligible to apply for a specific grant, you can subcontract with another organization to provide services, netting a portion of the funds for your agency.

Successful grant writers know that money must be invested up front to compile the resources needed to find grants. Here are five recommended avenues to develop a resource library:

1. Obtain grant directories that pinpoint the best grant programs or the “cream of the crop” in funding sources. These grant directories can be highly specialized publications (such as funding for the arts) or can have a broader focus (such as the largest national foundations that fund a wide variety of programs). Most large libraries carry grant directories, but many are voluminous and outdated. Look for private companies that update their directories annually for the latest information about funds.

2. Subscribe to a monthly grants newsletter that provides up-to-date information about existing and new grant programs. Go to an Internet search engine and type in “grants newsletter” for a variety of publications.

3. Take advantage of the power of the Internet. This venue is a tremendous asset for the technologically advanced. With tens of thousands of potential funding sources to choose from, organizations need to put in place a systematic strategy that focuses on all phases of the grant-writing process. Most funding sources’ web sites provide detailed information about their grant programs and explain the application process.

4. Obtain the grant-development training you need by attending grant seminars and conferences that offer certification in the field. Find one that gives you hands-on, practical lessons, and be sure to ask for references when assessing a firm’s training.

5. Let everyone in your community know that you are a grant writer interested in collaboration with other agencies. Since grant programs are announced in countless ways, contact with professionals in other disciplines is every writer’s best asset. Certain types of grant programs require very specific approaches. For this reason, the most successful grant development programs build a diversified resource-development strategy, seeking grants from several sources, never relying on any one type.

• *Federal Government Grant Programs.*

Federal grants are the most complex, competitive and lengthy, but they typically offer larger awards and fund for multiple years. More recently, federal officials have reduced the administrative burden (the “strings”) traditionally attached to these grants. Federal grants are found in the *Federal Register*, which is published daily. Although subscription costs are around \$500 annually, the *Federal Register* is available at no charge via the Internet at www.access.gpo.gov/su_docs/aces/aces140.html, and hard copies are located in large libraries.

(Search for “grants availability.”)

Most federal grants are announced early in the federal fiscal year, between Oct. 1 and Dec. 31. The law requires that federal agencies announce their programs for public input prior to the official notification of grant availability. By identifying grants in the fall or early winter, grant seekers will have several months to prepare for the grant-writing process — much better than the standard 60 days when the grant is formally announced in late winter or early spring.

• *State Government Grant Funds.*

State government grants are easier to write than their federal counterparts, but typically distribute smaller awards for one-year funding. State government grants are spread among many agencies and can be difficult to locate, since most states do not have a central grants announcement mechanism. The key to finding these grants is to obtain a copy of your state government telephone directory (available from Internet) From there, simply type in a specific state agency or your state’s name to link to relevant government agencies.

Next, contact a mid-level manager in an appropriate division of each appropriate state agency to inquire about the availability of grants. Typically, a state will run about 60 different grant programs.

- *City and County Government Grants.*

Local governments receive monies through federal and state government block grants (such as the Community Development Block Grant Program) and from local taxes. These grants are based upon needs identified through public hearings and are coordinated through the economic and planning divisions within city and county governments. While often politically sensitive, local grants fund a wide variety of programs. These grants are typically smaller than federal and state government programs and are usually allocated on an annual basis.

- *Foundation Monies.*

Foundations are generally interested in the well-being of communities. Many therefore seek projects that test new strategies and disseminate information to other community organizations, so that others may benefit from one group's experience with a grant. Requirements for foundation grants vary, but most require a limited amount of information. Many, such as the Kellogg Foundation (with its \$3 billion in assets), now accept applications online. Other foundations, such as the Ford Foundation (\$2 billion), allocate thousands of grants each year and respond to proposals in 30 days or less. You can learn about foundations through grant directories or in the reference section of large libraries. Internet search engines also yield lots of information on "foundation grants."

- *Corporate Grants.*

Thousands of corporations allocate grants, with the average funding level around \$50,000. But corporations have a different focus: They are interested in promoting their products, increasing profits, assisting employees and their families, creating public awareness and enhancing tax write-offs. Consequently, when you write a corporate grant proposal, you must focus not only on your needs, but also on how your project will promote or help the corporation. Most large companies have both a corporate giving program and a national foundation. For example, the BellSouth Corporation provides grants through corporate giving and has the Bell-South Foundation that focuses on education and technology. You should obtain a corporate foundation directory and also visit your local Chamber of Commerce for a listing of Fortune 500 businesses in your community. Chances are your corporate neighbor also has a national foundation that distributes millions of dollars annually. Knowing where to find grants is only one small step in the grant-development process. Vital to the success of grant-writing efforts is an organized strategy that focuses on all phases — finding, applying for, obtaining and implementing grants.

The following guidelines address the problems and barriers that prevent most organizations from obtaining grants, and offer suggestions on how to provide the support that grant writers and teams need to be successful:

- *Select one person within the organization to serve as a "grant seeker."*

Most organizations fail to see the value of investing in the resources that are necessary for successful grant development. Identify someone as a grant seeker and help this person gain a full understanding of the grant process by enrolling them in formal training. This person should be allocated at least a \$1,000 budget to establish a library of grant directories and newsletters. Even a modest grant library will help to identify appropriate resources. In addition, develop an incentive program that will reward the grant seeker for identifying funding sources.

- *Establish a clear vision of what is needed.*

Too often, grant writers are forced to work from a "wish list of things to buy" rather than having the big picture laid out for them. Funding sources want to know why requested monies and items are needed, and how they can benefit the organization's stakeholders. Conduct a needs assessment among the various professionals in your organization and for the targeted population you serve. For example, coaches who want to apply for a technology grant to integrate digital camera technology to record practices will have significantly different needs than 12th-grade technology instructors who are training students on the use of Microsoft Power-Point.

Assessing needs through staff input builds a bridge and a sense of ownership between the grant writer or team and the professionals who will implement the grant program. A written needs assessment will concisely outline organizational needs and provide a road map for the grant seeker in finding appropriate grants.

- *Develop grant-writing teams within the organization.*

In most organizations, grant writing occurs in isolation. Most grant writers prefer to work alone and resist teamwork. As a result, there is no coordinated effort to encourage everyone to work together toward a common vision. Once the organizational needs assessment has been completed, seek professionals and volunteers who desire to work on a grant-writing team. Individual involvement can range from reviewing drafts to writing sections of grant proposals. You'll want to identify people with skills in writing, program development, word processing, research, the Internet and budgeting. These teams need support and training to do their job successfully and are an excellent investment, since they can develop more grants as a group and bring in significantly more funds than individual grant writers.

- *Create simple, written guidelines on how a grant proposal proceeds through the organization.*

Develop procedures that define how grants are identified, developed, reviewed and approved by the organization. Assemble a decision-making committee that has the authority to expeditiously approve the development of a grant proposal. If possible, avoid bureaucratic barriers such as requiring the board of education, city council or board of directors to approve grant proposals. Also, designate one trained person to coordinate the grant-development process for the organization. This person should not be a bureaucratic roadblock but a facilitator to guide the grant writer and other team members.

- *Establish incentives as part of the grant-development process.*

Too often, school districts, nonprofits and government agencies do not apply the same business principles used by their for-profit counterparts to reward employees. People work harder and operate at higher levels of efficiency if they are rewarded and recognized for their success. Just as for-profit companies provide bonuses and incentives to individuals for outstanding work and for projects that bring in financial resources, non-profit and government organizations must consider similar incentives to enhance grant team success.

Incentives can include public recognition, cash bonuses, extra vacation time, travel to national conferences, higher salaries and updated equipment. For example, one school district rewards educators with a 5 percent cash bonus from local funds for any grant they bring into the district. Organizations that employ full-time grant writers who focus on grant development are the most successful. These positions nearly always pay for themselves after two years.

- *Involve outside agencies.*

Other nonprofit agencies and businesses, faith-based organizations, schools and school districts, universities, government agencies and community groups should be invited to work with your organization in identifying and applying for grants. Ideally, your agency may wish to create an interagency grant-writing team, in which members from each agency collaborate to write and share the funds that are collected. Since grant notices are distributed to a wide range of organizations, these alliances will increase funding opportunities, by allowing one organization to piggyback on a grant that is only eligible to another organization. Establish a philosophy of sharing grant monies rather than going after grants alone. When there is collaboration, grant writing is certain to be more successful. It's apparent that in the race for grant monies, some organizations receive millions of dollars, while others — often with greater financial needs — receive little, if any.

What is limiting the success of these organizations? While many organizations may tell their employees and volunteers that grant development and fund-raising are very important, they fail to develop a system that supports, and rewards grant writers. It cannot be overstated how important it is to create a process within your organization before sitting down to write a grant proposal. A coordinated grant-writing process will reduce frustration, encourage collaboration, increase the

number of grants funded and pave the way for many new programs that otherwise could not be implemented.

Fundraising pitfalls....

1. Resistance to Change Symptomatic of this challenge are the Seven Sinful Words: "We've never done it that way before!" or "We've *always* done it that way before!" When we ask Incorrect Questions (IQs) like, "Why do we have to go through all this change?" we're only focused on the way we *have* done things, not doing something the best way possible.

2. Entitlement Thinking A leader gave out *QBQ!* books to his team. He let them know it'd be a 55-minute read and asked them all to enjoy and learn. Later that day, an hourly employee came to him asking, "If I read *QBQ!* at home on my own time, *will I get paid for that hour?*"

3. Cynicism is *not* skepticism. The latter looks like this: We're in a meeting and you put forth an idea. I'm not sure about it thus I am skeptical. I doubt the idea proposed. I ask questions. I challenge. I "push back." And together we build something bigger, better, stronger. Nothing' wrong with that. But *cynicism* means I doubt your motives, intentions, sincerity, and goodwill. Now that's bad. Lousy questions representing a cynical attitude sound like, "When are they going to tell us what's going on?" "Who came up with this dumb idea?" and "Why don't they care about us more?" Rather let's ask, "What can I do to better understand?" and "How can I help the organization move forward?" I know those QBQs will take us higher—I'm not skeptical about that.

4. Speaking in code It's fun to explore the words we use to mask, cover up, and spin. One word many organizations avoid is "problem," because it's so much easier to sugarcoat it with "opportunity," "challenge," "issues, and "situations." Wouldn't it be better to say, "Hey, there's a *problem*" and then just ask, "What can I do to help solve this problem?" Teams that speak at the 9th grade level are *far more* functional than those who try to "fancy it up." Isn't it better when we speak plainly, directly, and forthrightly? When code-speak is eliminated, authenticity comes. And with that comes trust. And when trust arrives, great things happen.

5. Saying one thing while doing another This is hard to detect as it can be very subtle. But sometimes this disease is quite clear: The manager who proclaims, "I value my people!" but then verbally embarrasses them in a meeting in front of their peers. The salesperson who says, "I exist to serve my customers!" but then focuses only on the commission earned. The executive who stands at the lectern reading his speech: "Okay people, we have a new program: It's called empowerment. Yep, you're all empowered. Ah, but before you do anything check with me first." The employee who states, "I love my company. We're the best!" but then holds a Water Cooler Huddle lamenting, "Why is management doing this to us again?"

SO. . . . Concentrate on Local entities with great Help from others and Plan to be Goal oriented.