

BOARDS OF DIRECTORS AND PRIVATE-SECTOR FUNDRAISING: GETTING STARTED

I. INTRODUCTION

Most nonprofit organizations have so many programmatic activities and priorities that fundraising is usually viewed as a necessary evil – a function that is not enjoyed, but is recognized as essential to provide the resources to establish and continue the services which meet client and community needs. Some board and staff members do enjoy the fundraising process, but even if they would rather be doing something else, the Executive Directors, Boards, and staff of community-based groups must learn to be fund raisers to assure the survival and growth of the organization.

Most Boards and Executive Directors recognize that fundraising requires the efforts of the board as well as the staff, but transforming belief into action can be difficult. It is sometimes less obvious that effective fundraising – especially fundraising from the private sector, including foundations, corporations, and individuals – requires careful planning and ongoing board involvement. While much of the day-to-day effort may be delegated to a Resource Development Committee, every board member has an ongoing responsibility for helping the organization to obtain funds. In many organizations, the board participates primarily in special events, and members may focus nearly all their efforts on this aspect of resource development. While an annual dinner or other major event may generate significant revenues, most entities require ongoing private-sector fundraising efforts to raise sufficient funds to assure organizational sustainability and growth.

Fundraising is like any other major project or activity your organization undertakes – doing it successfully requires sound planning, including developing agreed-upon objectives, a well-defined work plan which includes a list of tasks and time deadlines, and a division of responsibility among board, staff, and volunteers that specifies who is responsible for carrying out each task.

The plan your organization develops to guide its fundraising efforts is often called a "resource development plan." This plan should be clear, specific, and complete enough to guide you through at least one year of fundraising. It should include all your fundraising activities: obtaining direct public funds through competitive or non-competitive grants or contracts, including continuation and new funding; obtaining subcontracts or subgrants from national organizations ("intermediaries") where appropriate; getting grants from foundations and corporations; and raising funds within your community through either special fundraising events or individual donations.

This summary is designed to explain the importance of board involvement in fundraising, identify various aspects of resource development, and suggest appropriate division of responsibilities between board and staff, identify the components of a resource development

plan, and guide your organization through a process for preparing a workable plan to guide your resource development efforts.

II. THE IMPORTANCE OF BOARD INVOLVEMENT

Fundraising is one of the most critical responsibilities of nonprofit Boards. As stated in the "Governance Series" of the National Center for Nonprofit Boards (NCNB), to "ensure adequate resources" for the organization is one of the ten basic responsibilities of a nonprofit board, "Providing resources is first and foremost a board responsibility," and "Effective fundraising is one measure of the board's capabilities, commitment, and influence."

Board involvement in fundraising for community-based organizations is no longer merely an advantage or a benefit: *it is a necessity.* Few organizations are successful in raising private-sector funding – from foundations, corporations, church groups, United Ways, individuals, and/or special community fundraising events – without significant, substantive, ongoing board involvement. Many HIV/AIDS groups have been particularly effective in raising funds from individuals, a task that can be done systematically and effectively only with board involvement.

Why is the board so critical for successful private-sector fundraising? Largely because of the experience and perspective of private-sector donors. Try to imagine the mindset of a director of a family foundation or the public affairs manager of a corporation. This individual's concept of nonprofits is likely to be shaped by the experiences of mainstream America. S/he is probably most familiar with groups like the Red Cross, the YMCA, or religious-related service organizations. The model for these organizations is a professional staff, a well-connected Board of Directors, and a large pool of volunteers. Most board members are typically professionals or businesspeople, or their family members – including the spouses and children of wealthy businesspeople. Board members are deeply involved in making the personal contacts needed for fundraising; for some, that seems to be their major function. Volunteers, usually from the board, often represent the organization in public as its spokespersons. Given this perspective, funder representatives expect to see board members "up front" in the fundraising process.

Foundations and corporations also face a special dilemma in supporting certain kinds of community-based organizations, among them HIV/AIDS-related organizations and minority nonprofit groups. Even this many years into the epidemic, many foundation trustees and staff, or public affairs or contributions staffs of major corporations, have limited knowledge about HIV/AIDS. Minority group members are under-represented on such staffs, so they are likely to be particularly limited in their knowledge about such matters as the challenges facing small minority community-based organizations, the special problems of particular populations such as immigrants or Latinos or women of color, or how HIV/AIDS affects minority communities. Corporations may have limited experience with or knowledge of inner cities; their informal network of contacts may include few people who know these communities. As a result, they do not know how to identify urban organizations deserving of their support. In trying to assess

a community-based organization, therefore, they tend to look for the kinds of factors they would consider in evaluating a large mainstream organization – such as the extent to which respected individuals, such as community leaders and professionals, are associated with it, and evidence of community support. An active, committed, knowledgeable board including community professionals, activists, and leaders, willing and able to speak publicly on behalf of the organization, seems a convincing indication of organizational stability and credibility.

As a result, foundation and corporate representatives tend to view board member involvement in requesting funds as evidence of the organization's credibility and community support – since they aren't getting paid for their efforts, they must be helping because they believe in the organization and feel it is effective. No matter how totally committed staff are to the organization, or how competent they are in describing the organization and its programs, funders may view them as motivated at least partially by the need to "raise money to cover their salaries." Thus visible board involvement in fundraising is essential.

Board involvement in annual campaigns and other individual solicitation efforts is similarly critical. The most likely donors to small minority community-based nonprofit organizations are board members themselves, other active volunteers, current donors, and other individuals with strong links to the board, staff, or program of the organization. Most small organizations are unlikely to mount effective broad-scope mail solicitation campaigns using purchased mailing lists. Instead, they are likely to be most effective in doing individualized solicitations. Board members need to identify potential donors and play an active role in the solicitation process. They are effective in “selling” the organization because they have a deep understanding of its work and importance, and they can provide the informed “person power” needed for personal solicitations.

There are many other practical reasons for board involvement in resource development. For example:

§ **Setting fundraising objectives and guiding the process is a natural and essential part of the governance process,** and an organization cannot be effective in meeting community needs unless it has adequate resources.

§ **Few organizations have sufficient staff to handle both program responsibilities and fundraising without some board assistance.** This is especially true for special events fundraising and annual campaigns or other individual solicitation efforts.

§ **Personal contacts are critically important in private-sector fundraising,** and a group needs to pool all its contacts to get entree to potential funders.

Involvement in resource development is a new responsibility for many board members. Many – probably most – small nonprofit organization boards, including those of most AIDS service organizations (ASOs) and minority-controlled organizations, were chosen to develop strategies for meeting specific community needs. Most such organizations initially

obtained their funding from public agencies – local, state, and federal. Board members' contacts and skills in resource development were far less important than their knowledge of the community, commitment to the organization's goals, and willingness to commit their time and energy to getting important services to the community. The composition of some boards, such as farmworker organizations and community health centers, was established by statute.

For veteran community-based groups that survived the massive federal cutbacks of the early 1980s, the necessity for diversified funding is obvious. Similar cutbacks could occur at any time, due to the emphasis on balancing the federal budget, economic downturns, or lack of sufficient Congressional and state legislative support for human services. Even if federal and state funding for programs like employment and training, HIV/AIDS, and youth services is not cut, the growth of new organizations and the emergence of new needs have created increased competition for private dollars. Today, community-based organizations of all types are finding that their sustainability depends upon being able to tap both public and private funds – and this means a new role for the Board of Directors as well as the staff. Instead of preparing several major public-sector proposals in a year – and for a fortunate few, United Way proposals – the organization finds itself marketing the same proposal or program concept to several dozen foundations and corporations and increasing their emphasis on special events and individual solicitations. The need for personal contacts in and knowledge of area foundations, corporations, and individual donors are new concerns – and they place new requirements on both the boards and the staffs of community-based organizations.

III. TYPICAL BOARD AND STAFF FUNDRAISING ROLES

Resource development is usually most successful when it is a joint effort of board members, staff, and other volunteers with a variety of contacts and experience. Some nonprofit organizations choose their boards with fundraising in mind, and expect them to play a major role. Some do not. If your organization does not have among its board members several individuals with foundation or corporate contacts, experience with annual or capital campaigns, other fundraising experience, expertise in special events, or other relevant skills, then you will need to include outside people in your resource development effort to bring in these skills – or plan to add such individuals to your board during the next board elections.

Each member of the board typically has two kinds of fundraising responsibilities:

- / **To give an annual gift;** and
- / **To help establish and carry out various fundraising strategies.**

Most large mainstream nonprofit organizations have long expected that each board member will make an annual personal contribution to the organization, and this policy is increasingly being adopted by minority organizations – and communicated to all potential board members. This enables the organization to tell potential donors that it has "100% participation" by its board, a statement of considerable psychological value because it demonstrates their commitment to the organization. Some organizations specify that each

board member shall "contribute or raise" a certain *specified amount*, and board members are expected to organize a small special event such as a bake sale or car wash, host a "parlor meeting" or benefit, staff a booth for the organization at a community event such as a fiesta, or simply contribute out of their own pockets. More often, the board policy states no amount, but indicates that each board member is expected to give a *personally significant contribution* each year. The *amount* of the contribution will depend upon the financial status of the individual; board member gifts may range from a few dollars to several hundred or several thousand. Many boards report that this requirement for a personal contribution is important in communicating to new board members a sense of personal involvement with and responsibility for the organization.

The role of the board in raising funds from outside sources varies considerably by size and type of organization, composition of the board, and location. In most small nonprofit organizations, the Executive Director remains the primary fundraiser. Except in very small organizations, staff typically prepare most of the materials for fundraising – including proposals and supporting documents – and do most of the "book" research on potential funders. Board members and volunteers help identify possible funders – institutional and individual – and make solicitation visits, as well as assisting with special fundraising events. "Book" research should generate not just names of potential funders, but also specific information about their guidelines and priorities, grant history related to community-based organizations and specific program areas, typical grant size, contacts, and deadlines. While staff are likely to have primary responsibility for this research, board members should add any personal contacts or knowledge.

Board members can be particularly helpful in identifying possible funders with whom they have personal or professional contacts. They should become accustomed to identifying officials of local foundations or corporations among their business acquaintances, or among those who attend their church or synagogue, have children in the same school or camp or club, are active alumni of the same university, or live nearby. Few foundations or corporations will provide funding simply because they are asked by someone they know; on the other hand, few will refuse to meet with organizational representatives with whom they are personally acquainted. On the other hand, individuals often make contributions specifically because they are asked by a friend, colleague, or acquaintance whose opinions they respect.

Even where there is no personal contact, board members and volunteers are particularly effective "solicitors," precisely because they are not paid. Staff tend to know more than board members about the details of programs and agency operations, but board members can describe the organization in the broader context of community needs. Often the best "solicitation team" is the Executive Director or another key staff member plus a board member. An increasing number of foundations require that board members be present when they make a site visit to an applicant organization.

Another critical fundraising role, usually best fulfilled by staff, is keeping careful records of all contacts with potential funders, including logging each letter or proposal that goes out or is received, and keeping careful files of proposals and funder information. In

addition, updated originals of all proposals and attachments should be kept in one place, readily available, so they can be reviewed and sent out quickly. A decentralized system, with several different staff keeping materials for their own programs, tends to be very disorganized, and materials can get lost. Let staff have copies of proposals they need, but keep one central filing system. This will make the resource development process easier each year, as your experience and your files become more and more extensive. Usually, a staff member should have responsibility for keeping these records organized and together; the Executive Director's secretary may be able to do this. If board members are coordinating an annual campaign, then the chair of the appropriate committee may take responsibility for coordinating lists of individuals and ensuring that they are contacted.

Some organizations are fortunate enough to find volunteers who will play what would otherwise be a staff role in fundraising – doing research on potential funders, preparing proposals, even keeping files. Sometimes a retired person can be invaluable as a fundraising volunteer, and community volunteers can play a major role in making special events successful fund raisers. Be sure volunteers are trained well and treated with respect and appreciation.

Often no one in your organization will feel totally confident with resource development tasks when you first start a major private-sector fundraising effort. Don't worry. These skills can be learned. Take advantage of training opportunities, use available written materials, don't be afraid to ask colleagues in the community for help and advice, and learn by experience.

IV. THE PLANNING PROCESS

Board and staff members cannot be effective partners in the fundraising process unless they first develop a creative, ambitious but practical plan to guide their fundraising activities. Developing a resource development plan involves several major steps, described below.

1. Evaluate your organization's current fundraising status.

An organization which has been raising private-sector funds for years is likely to have the experience, written materials, board and staff “team” and fundraising skills needed to raise more money than an organization which is just beginning to diversify its funding base. One good way to determine a reasonable fundraising goal is to do a careful self-assessment of the processes and systems your organization already has in place, and identify what still needs to be established or strengthened.

2. Set annual fundraising objectives.

Once you have assessed your organization's capability, you need to set realistic fundraising objectives. Such objectives usually are set for one year, and should be based on answers to the following questions:

\$ How much money do we need to continue operating *current* programs?

- \$ **How much additional money is needed to start one or more *new* programs, or to *expand* current efforts that the board has approved?**
- \$ **Of the total amount we need for current and existing programs, how much is already *assured* – received, committed, or almost certain to be received?**
- \$ **How much still needs to be *raised*, by program or type of activity?** When we put this together, how much is for new programs, how much for core activities, and how much for administrative and operating costs to support core activities?
- \$ **Is the total amount a reasonable total *goal* for this year, given our past experience and success in raising funds?** If not, what new programs or expansion should be put off, and what will be the revised goal?
- \$ **Of the total amount to be raised, how much can we raise from each of the following *sources*: foundations, corporations, individual donations, community fund raisers?** Can we break down the foundation objectives so we have dollar amounts we want to raise from small foundations (general support) and large foundations (probably project funding)? Can we target specific individuals as “major gift” givers?
- \$ **What cost-reduction strategies can we identify to obtain in-kind assistance or other help** with services, equipment, materials, or other components of our budget?

If you have limited experience with private-sector fundraising, the last two questions will be the hardest to answer. Hopefully, the information in this guide will help you to make an "educated guess." If you are uncertain, try to have someone with more experience in fundraising present to help you with this process – perhaps someone from a more established community nonprofit organization that has been through this process before.

The reason for breaking down objectives by type of activity is that you need different written materials and may go to different types of funding sources based on how funds will be used. For example, public agencies usually will not provide general support but will provide project money. Foundations and corporations will provide general support, but their larger grants are usually for projects – for specific types of activities with defined objectives. They will usually allow grant funds to be used to pay the share of administrative costs associated with the project, if that is part of the stated budget. Funds raised from the community through donations and fundraisers can usually be used for any tax-exempt purpose, but you might be particularly effective with donations for a particular purpose, such as starting a new program or buying or renovating a building (the latter involve a “capital campaign”).

Your fundraising task will be easier if you set very specific objectives for each type of funding. This will help you allocate time efficiently and also monitor your progress. Ideally, you will have a dollar objective for each of the following: individual contributions, special events, small foundations, large foundations, corporations or corporate foundations, public agencies, and perhaps fees for service. Similarly, by going over your budget line item by line item, you can set an objective for in-kind contributions which represent cost-reduction strategies. For example, if you have in your budget \$5,000 for printing materials and you can get a company to donate the printing, then you will have reduced your dollar costs by \$5,000. Getting this sort of assistance is a reasonable role for project staff and volunteers, and allows them to help with fundraising.

The products of your effort to answer the questions and set fundraising goals and objectives for the year should be something like the following:

\$ A total amount that is your organization's annual fundraising goal -- the amount of new funds to be raised.

Example: \$64,000 goal for 2001.

\$ A breakdown of that goal by program.

Example: \$17,000 to expand current AIDS case management services
\$ 6,000 to allow a move to larger and better quarters
\$ 7,000 for administrative costs not covered by existing funders
\$34,000 to start support groups and provide emergency assistance for persons infected with or affected by HIV/AIDS

\$ Program versus core and administrative funds needed:

Example: \$34,000 for a new program
\$17,000 for program expansion
\$13,000 for administrative and operating costs associated with core activities

\$ Fundraising objectives by source, with some indication of which will be general support and which project funds, and of the expected size of each grant or contribution.

Examples:

- , To raise \$6,500 through a community fundraiser, to meet administrative needs and costs associated with moving to a larger facility.
- , To raise \$7,000 through an annual campaign, with gifts from at least 100 individual donors.
- , To raise \$3,000 through membership fees and individual donations, to be used as needed for administrative and program expansion costs.
- , To raise \$27,000 for the support groups from public sources.

- , To raise \$20,500 for expansion of case management services from approximately five corporations and five foundations, with average gifts of about \$2,000 and a range of \$500 to \$5,000.
- , To reduce cash outlays by \$11,000 through getting in-kind contributions of printing (\$5,000), donation of a computer (\$3,000), and free consulting (\$3,000), and use the funds to carry out optional program expansion and establish a reserve fund for the future.

3. Develop a resource development plan based on these objectives.

Your resource development plan is your organization's work plan for meeting those objectives. It requires you to agree on all the major tasks and activities that your board, staff, and resource development volunteers will need to carry out to raise the money needed to meet your fundraising objectives. Usually it is best developed by a task force or committee; if you already have a Resource Development Committee, it can carry out this task in cooperation with other key board and staff members. The plan should be approved by the Board of Directors.

A resource development plan may be easiest to do if you use the following approach, calling a special meeting for this purpose:

- \$ Identify all the tasks or activities you will need to carry out to meet the objectives,** and list them in chronological order based on when they will start.
- \$ For EACH task or activity, specify what criteria you will use to be sure that it has been successfully completed** – that is, how you will know that you have finished that task.
- \$ For each task or activity, indicate what one individual will have PRIMARY responsibility for seeing that it is completed,** and indicate what other individuals or groups (such as board committees) will help with it.
- \$ For each task or activity, specify a time deadline** by which it will have been completed.

Deadlines are important; for example, you don't dare send out initial letters to potential donors until you have trained the teams (usually a board member and the Executive Director or another key staff member) who will make the local visits. You can't make visits until your proposals are completed. A special event may require many months of lead time, so you should not schedule one sufficient time to plan it first.

The resource development plan can be done on newsprint or a blackboard, and is probably best written in the following format:

<u>TASK/ACTIVITY</u>	<u>CRITERIA</u>	<u>RESPONSIBILITY</u>	<u>TIME DEADLINE</u>
Set up a Resource Development Committee.	Committee includes at least 5 board members and 4 volunteers with fundraising contacts and experience who have agreed to serve; one meeting has been held with a majority attending.	Board Chair	Nov. 1
Provide fundraising training for entire Board.	90% of board members participate in one-day training workshop.	Executive Director - arrange training; Board Chair - ensure attendance	January 31
Prepare general support proposal.	Proposal written and approved by Director and board.	Assistant Director	Dec. 15
Design annual campaign.	Written plan prepared and approved by Committee and board.	Assistant Director & Resource Development Committee Chair	February 15
Identify 200 potential new donors.	200 donors with addresses identified (20 by each board member).	Resource Development Committee Chair	March 15

Typically, a resource development plan is likely to include the following kinds of activities, among others. Review, revise, and add to this list as a basis for developing your plan:

1. **Set up a Resource Development Committee** of board members, staff, and volunteers who have fundraising experience and contacts;
2. **Prepare necessary proposals** – general support or project proposals, or "core" proposals combining several projects into one component (for example, all your prevention services or all your youth services);
3. **Hold a meeting to identify possible funding sources**, getting help from friends who have contacts or experience with fundraising;
4. **Decide on how many and what kinds of fundraising special events you will have this year**, do all planning, and hold these events (This will involve a number of different activities in your resource development plan);
5. **Decide on how you will structure your annual campaign**, and carry out steps to plan and implement it (Again, this will result in multiple tasks in your plan);

6. **Use foundation directories and other guides** to identify possible foundation and corporate funders;
7. **Obtain information about these potential funders**, from directories, the Internet, annual reports and guidelines, and/or discussions with people who know these funders;
8. **Prepare summary forms** for each potential funder that seems to be worth approaching;
9. **Prepare supporting materials** that need to accompany proposals;
10. **Prepare a two- to three-page introductory letter** for foundation and corporate funders;
11. **Prepare a solicitation letter** for your annual campaign appeal;
12. **Update your mailing list of current and potential individual donors**, with board and staff involvement;
13. **Make a master list of institutional funders to be approached**, including what kind of funding will be requested (general support or a particular project) and how much;
14. **Decide what board and staff members will participate in solicitation visits** to potential funders, institutional and individual;
15. **Assign and train "solicitation teams"** for making personal visits to potential funders;
16. **Arrange for support calls from individuals who have contacts** within foundations and corporations you plan to approach;
17. **Arrange for solicitation visits and calls to individual donors;**
18. **Send initial letters or proposals** (based on funder requirements) to first group of potential funders;
19. **Arrange solicitation visits** to potential funders in the area (and where possible a trip to visit national funders);
20. **Carry out solicitation visits** to potential funders and individual donors;
21. **Have solicitation teams prepare site reports** on all institutional and major donors visits, for your files and for follow-up;

22. **Review progress and problems after first few visits** and provide additional training or revised materials if needed;
23. **Provide follow-up** to visits;
24. **Keep careful files and records** of all fundraising materials and contacts;
25. **Assess progress;** and
26. **Revise fundraising approaches based on experience.**

V. IMPLEMENTATION OF THE PLAN

Once your resource development plan is completed and approved by the board, it becomes the work plan for your entire fundraising effort for the year. Be sure to review it regularly, and change it as needed. Typically, implementation will be a joint effort of:

- \$ The Executive Director and staff;
- \$ The Resource Development Committee;
- \$ The Board Chair; and
- \$ The entire board, which will have specific responsibility related to providing contacts, giving or raising money, and participating in specific activities such as fundraising events.

The entire board needs to remain involved in fundraising; as the NCNB puts it:

Fundraising is a full board function; the appropriate standing committee is simply the board's agent to help coordinate the work of the board's members, executive, and any fundraising staff. Complacency should be avoided. Indeed, one of the committee's functions is to remind all board members of their responsibilities.

Include a plan for getting the entire board prepared and involved. Many boards who have been extremely reluctant to become heavily involved in fundraising, due to lack of experience, concerns about time commitments, and other factors, find that their most appropriate approach is simply to agree to "try it for a year" and then assess the experience. This year's resource development plan not only guides each step of the fundraising process; it also becomes the basis for a new plan for next year. The lessons learned from a year of experience may

convince the board that they can be effective fundraisers – or that an expanded fundraising committee or even some board restructuring are required.

VI. CONCLUSION

The sustainability of nonprofit community-based organizations in the 2000s is likely to depend to a considerable degree on their ability to raise funds from foundations, corporations, and individuals – and this capacity is likely to depend upon the ability of groups to attain significant, continuing board member involvement in resource development.