

Resource Development for Nonprofit Organizations

Richard J. Estes
University of Pennsylvania
School of Social Policy & Practice
3701 Locust Walk
Philadelphia PA 19104-6214
Telephone: 215-898-5531
E-Mail: restes@sp2.upenn.edu

Goals of Presentation



- **Define what organizations and institutions operating in a market economy mean by “fund raising”**
- **To identify the various strategies used by charitable organizations to raise money in support of their activities**
- **To suggest ways in which the principles and methods of fund raising could assist local PVOs/CSOs in raising money and other resources in support of their activities**

What is Fund Raising?

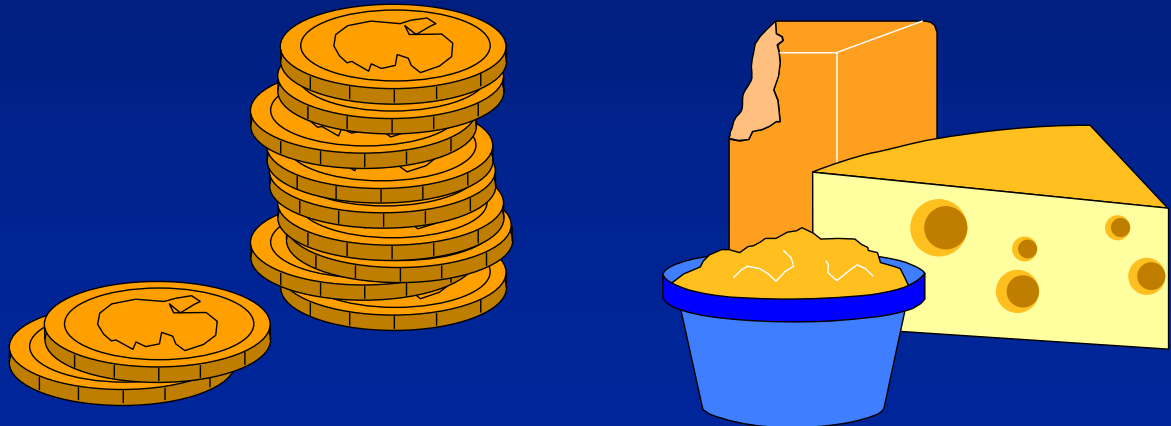
Fund raising is the process of generating resources from external sources for the purpose of carrying out a program or project of mutual interest to the donor and recipient

Basic Premises of Fund Raising

- *Donors* need to give, or at least are encouraged to give to charitable causes
- *Charitable organizations* need the financial support of individual and organizational donors
- *Fund raising* is the process whereby the support needs of PVOs/CSOs and the charitable preferences of donors are brought together
- *Fund raisers* are persons with special knowledge and skills that they use to guide the process of connecting donors with recipient organizations

Two Basic Types of Fund Raising

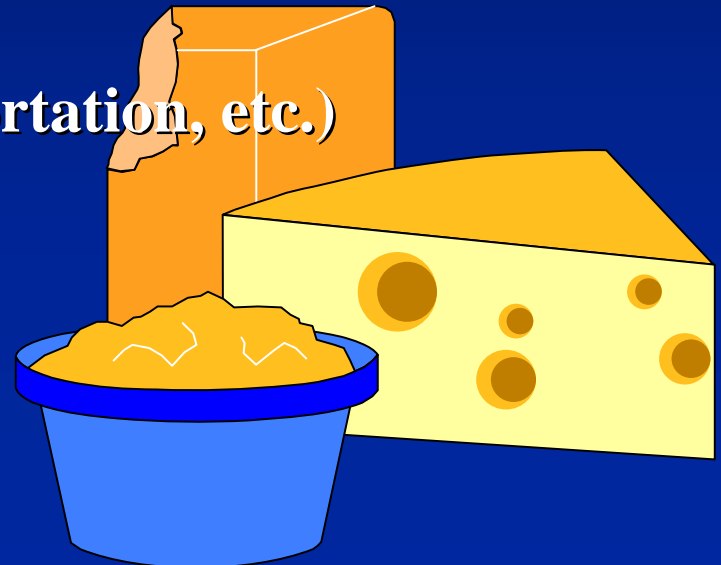
- **Fund Raising for Money**
- **Fund Raising for contributions other than money (i.e., “in-kind” contributions)**



- 
- **Endowment and investment income (and, sometimes, subsidies)**
 - **Project grants and contracts**
 - **Gifts and bequests**
 - **Sales (including fees for services provided)**
 - **Membership dues and subscriptions**
 - **Earnings from investment income (stocks, bonds, etc.)**
 - **Earnings from patents, copyrights, and royalty income**

Fund Raising for “In-Kind” Support

- Office space
- Utilities (e.g., heat, electricity)
- Equipment
- Furnishings (e.g., desks & chairs, computers, etc.)
- Volunteers
- Services (e.g., printing, transportation, etc.)



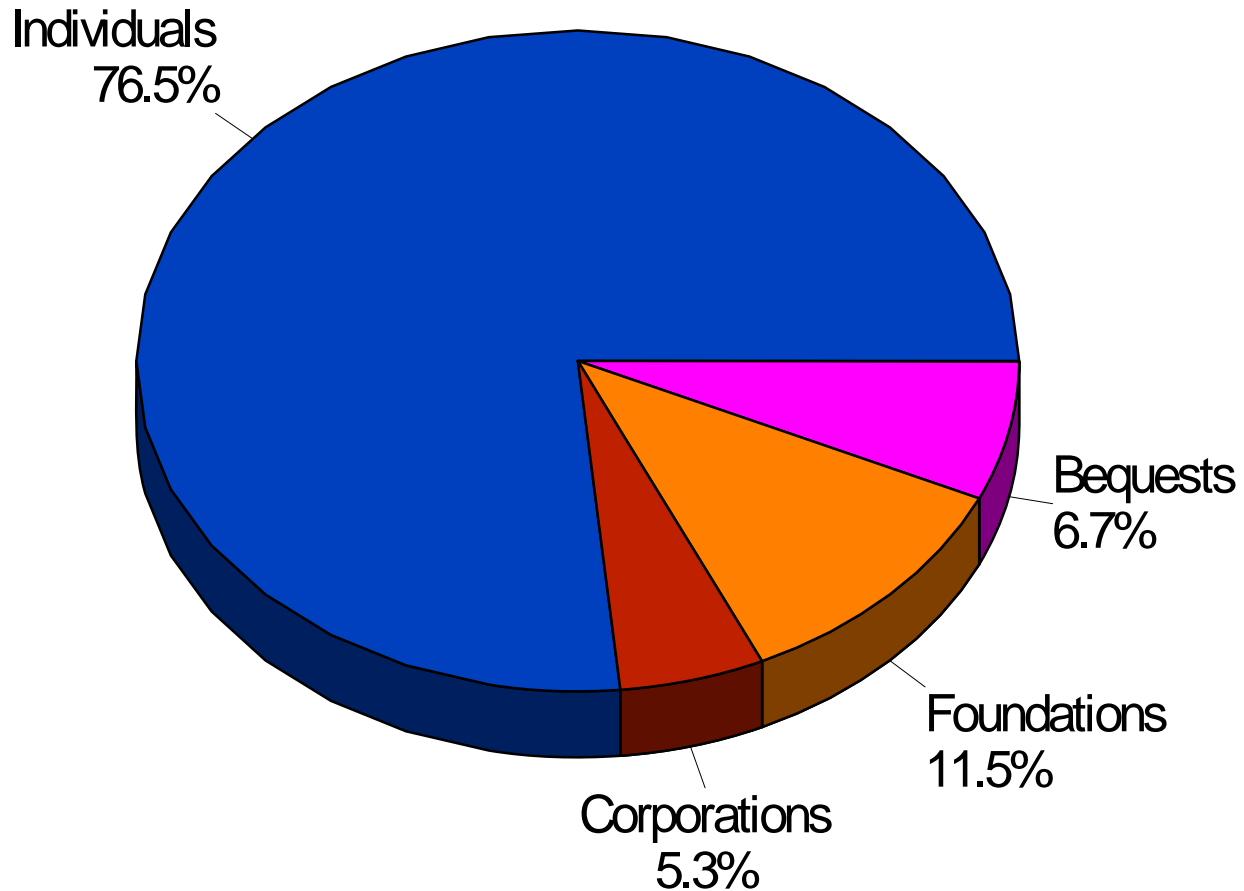
Funds may be obtained from many sources:

- individuals
- organizations and institutions, including corporations and other businesses
- charitable foundations
- government sources , i.e., at all levels of political organization
- other sources of income




Charitable Giving, USA--2005

(Total Contributions= \$260.28 Billion)



Source: Giving USA, 2006.

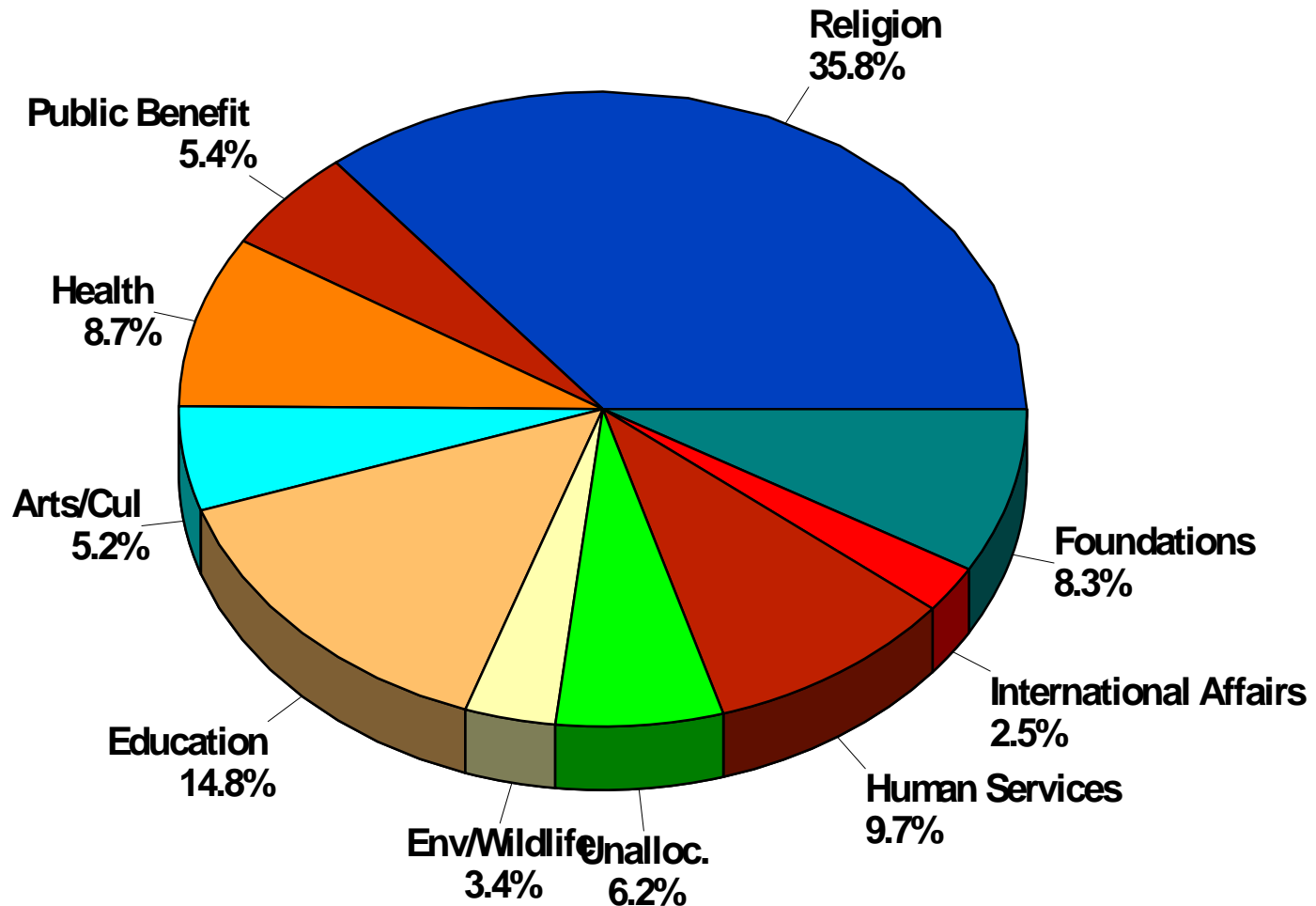
Uses of Funds Raised

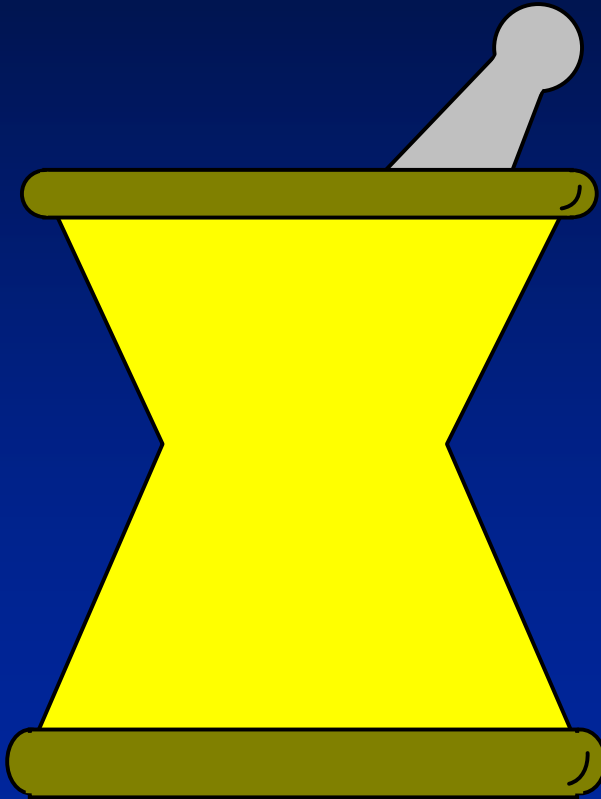


Depending on their source and the donor's purpose for giving, the money and “in kind” contributions raised by PVOs/CSOs may be used for a variety of purposes

Uses of Charitable Giving, 2005

(Total = \$260.28 Billion)





The Funding “Mix”

The Funding “Mix”




Most PVOs/CSOs look for a “mix” of funding sources, i.e., for multiple sources of support. The rationale for this is multifaceted:

- to promote community partnerships**
- to reduce financial dependency on any one funding source**
- to generate a broader base of support for organization’s activities**

Strategies are quite variable and, in the main, depend on:

- **the purpose(s) for which funds are sought**
- **the amount of money to be raised**
- **the time by which the funds must be raised**
- **availability of funding organizations in the community**
- **past history of charitable giving, and**
- **strength of contacts with potential funding sources**

Components of the Fund Raising “Mix”

- 
- **Income from fees, sales, and related activities**
 - **Contributions from individuals (face to face solicitations, direct mail, special events, planned giving, etc.)**
 - **grants and contracts**
 - **gifts and bequests**
 - **venture income**


■ Contributions From Organizations

- Private Sector Organizations
 - » Foundations
 - » Federated Fund Raising Organizations
 - » Business Organizations
 - » National/International PVOs/CSOs
- Public Sector Organizations
 - » Grants and Contracts (including purchase of service agreements)
 - » Subsidies
 - » In-kind access to space, equipment, and other facilities



**ORGANIZING
FOR
EFFECTIVE
FUND RAISING**

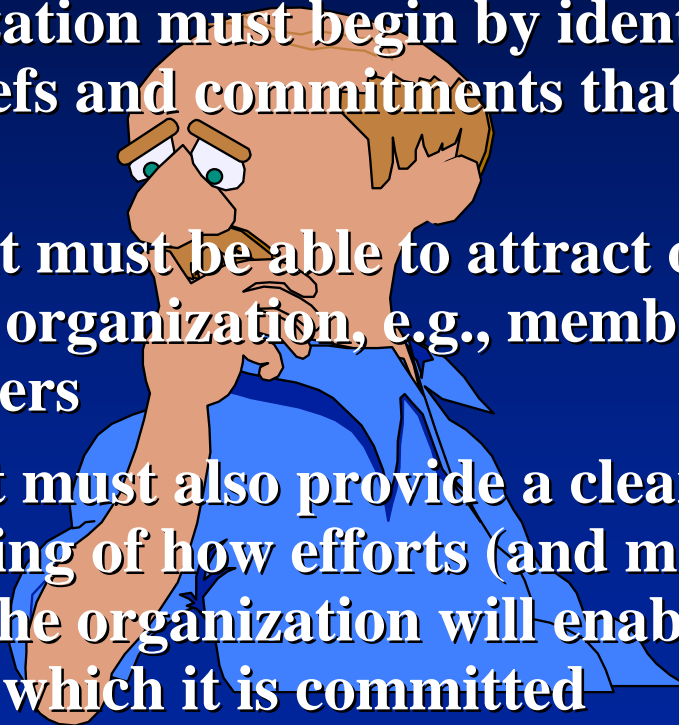
Organizing for Fund Raising: Five Preparatory Steps

- 
- 
- **Defining a Statement of Organizational Purpose**
 - **Building a Board of Directors**
 - **Making an Organization Legal**
 - **Effective Planning: Translating Ideas to Action**
 - **Developing Budgets**

Every organization must begin by identifying the central beliefs and commitments that unify its work

This statement must be able to attract others to the work of the organization, e.g., members, donors, and volunteers

The statement must also provide a clear understanding of how efforts (and money) in support of the organization will enable it to achieve the goals to which it is committed



Step 2: Building a Board of Directors

People, not just ideas, make organizations successful

Effective PYOs/CSOs seek to channel the energy and vision of their strongest supporters through participation on the organization's Board of Directors



Responsibilities of the Board of Directors

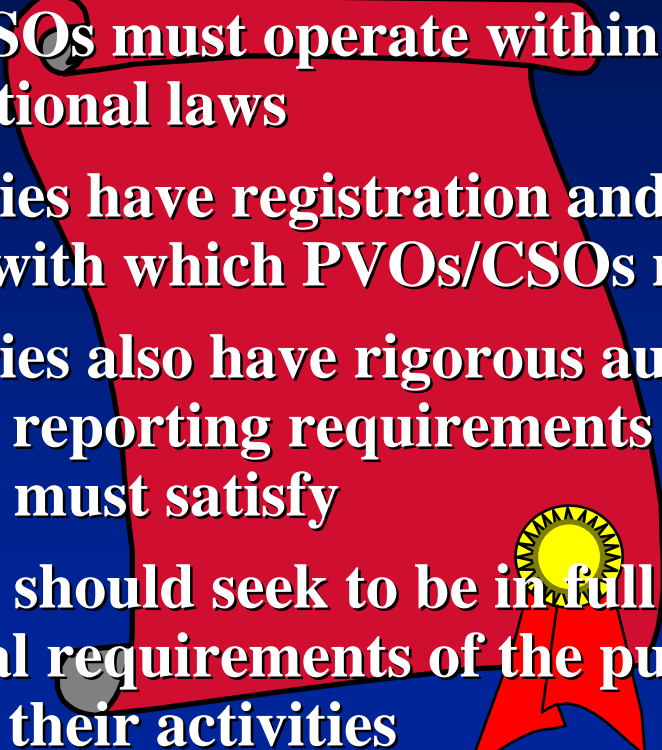
- establish policies and general procedures pertaining to the operation of all aspects of the organization
- through the person of the Executive Director, ensure the organization's compliance with the policies established by the Board
- monitor the activities of the Executive Director
- monitor the organization's effectiveness in achieving its goals
- assist in raising money
- attract new members to the Board

Criteria for Selection of Board Members

Three types/clusters of persons should be recruited to serve on the Boards of PVOs/CSOs

- **Persons who are most identified with the substantive commitment(s) of the organization, e.g., those with the greatest interest in the organization's success**
- **Persons who have program-related expertise in the area of the PVO's operation (e.g., educators, doctors, etc.)**
- **Person's with specialized general expertise related to the operation of PVOs/CSOs (e.g., attorneys, accountants, fund raising, etc.)**

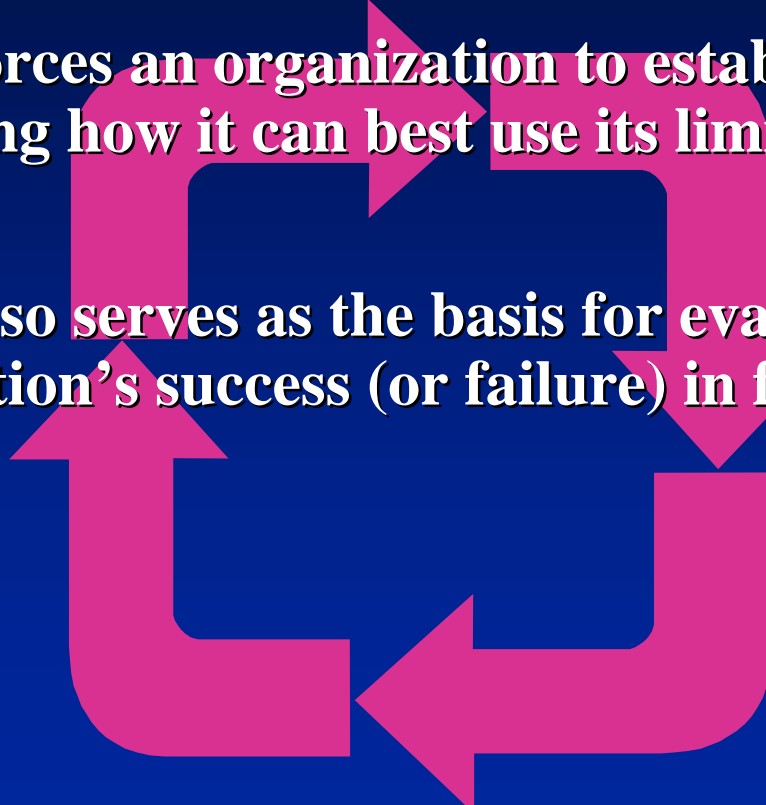
Step 3: Making an Organization Legal

- 
- **All PVOs/CSOs must operate within the context of local and national laws**
 - **Most countries have registration and licensing procedures with which PVOs/CSOs must comply**
 - **Most countries also have rigorous auditing and other public reporting requirements that PVOs/CSOs must satisfy**
 - **PVOs/CSOs should seek to be in full compliance with the legal requirements of the public entities that oversee their activities**



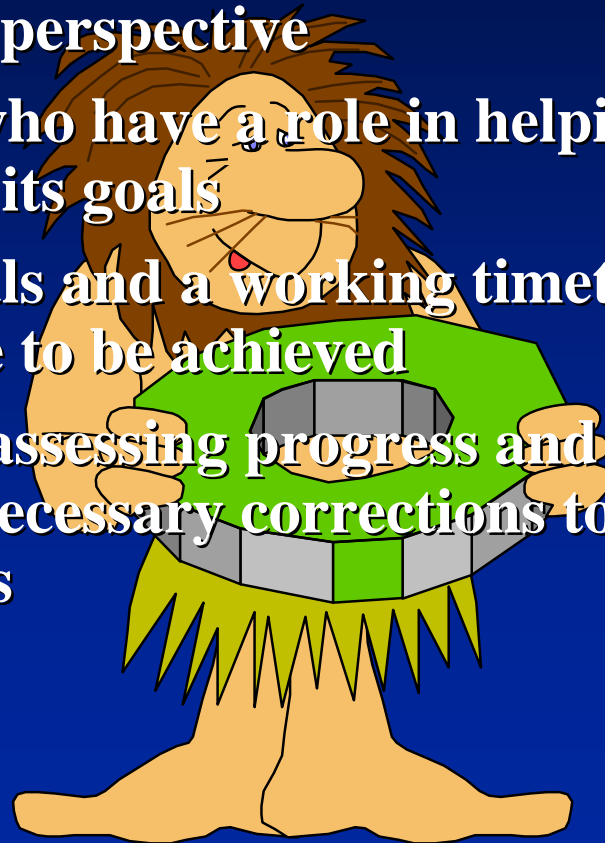
Planning forces an organization to establish priorities concerning how it can best use its limited resources

Planning also serves as the basis for evaluating an organization's success (or failure) in fully realizing its goals



Effective Planning

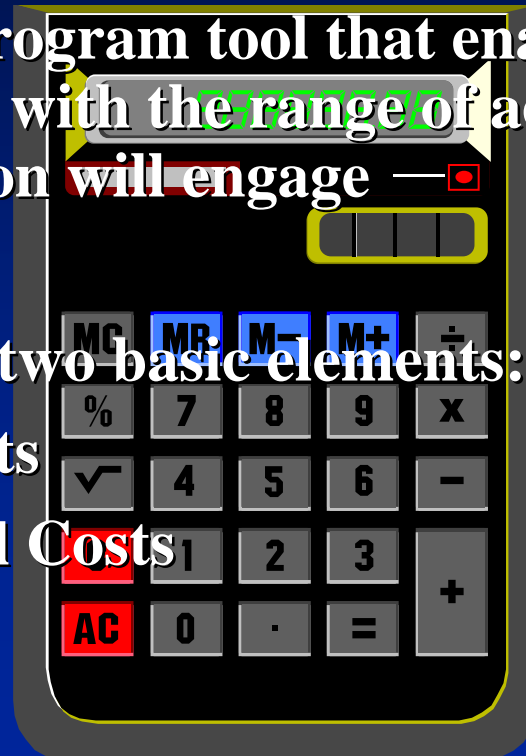
- **requires a long-term perspective**
- **engages all persons who have a role in helping the organization achieve its goals**
- **identifies specific goals and a working timetable by which those goals are to be achieved**
- **contains criteria for assessing progress and a process for making necessary corrections to the plan on a timely basis**



Budgeting is a program tool that enables planners to associate costs with the range of activities in which the organization will engage

Budgets include two basic elements:

- Personnel Costs
- Non-Personnel Costs



Developing Budgets: Personnel Costs

- **Staff (salaried and volunteer)**
- **Contracted Services (consultants, accountants, lawyers, etc.)**
- **Short-Term Employees (interns, work/study students)**
- **Fringe Benefits (health insurance, pensions, unemployment compensations, etc.)**



Developing Budgets: Non-Personnel Costs

- **Office rent**
- **Utilities**
- **Telephone**
- **Printing and duplication**
- **Office supplies**
- **Travel**
- **Liability insurance**
- **Membership dues**
- **Subscriptions and entertainment**



**Raising
Funds
From
Individuals**



Approaches to Raising Funds From Individuals

- **Membership Dues and Subscriptions**
- **Face-to-Face Solicitation**
- **Direct Mail**
- **Special Events**
- **“Planned Giving”: Estates and Trusts**
- **Earned and Venture Income**



Individual Giving: Membership Dues & Subs

- **Membership dues (e.g., to a health or recreation facility; museum; other type of organization that invites either broad-based or more specific types of memberships)**
- **Subscriptions (e.g., season tickets to the orchestra)**

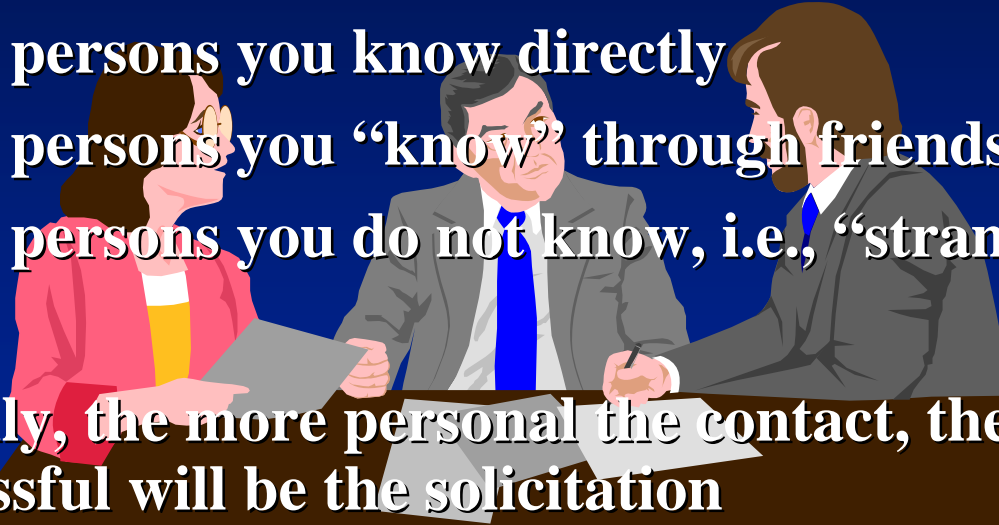


Individual Giving: Face-To-Face Solicitation

Three types of face-to-face solicitation:

- From persons you know directly
- From persons you “know” through friends
- From persons you do not know, i.e., “strangers”

Generally, the more personal the contact, the more successful will be the solicitation



- **Breakfast, luncheon, and dinner meetings**
- **Door-to-door campaigns (e.g., Unicef and seasonal card sales)**
- **Telephone campaigns (e.g., Fireman's circus, support for environmental groups)**

A sometimes expensive but, highly effective, approach for reaching large numbers of people quickly. Requires the preparation of:

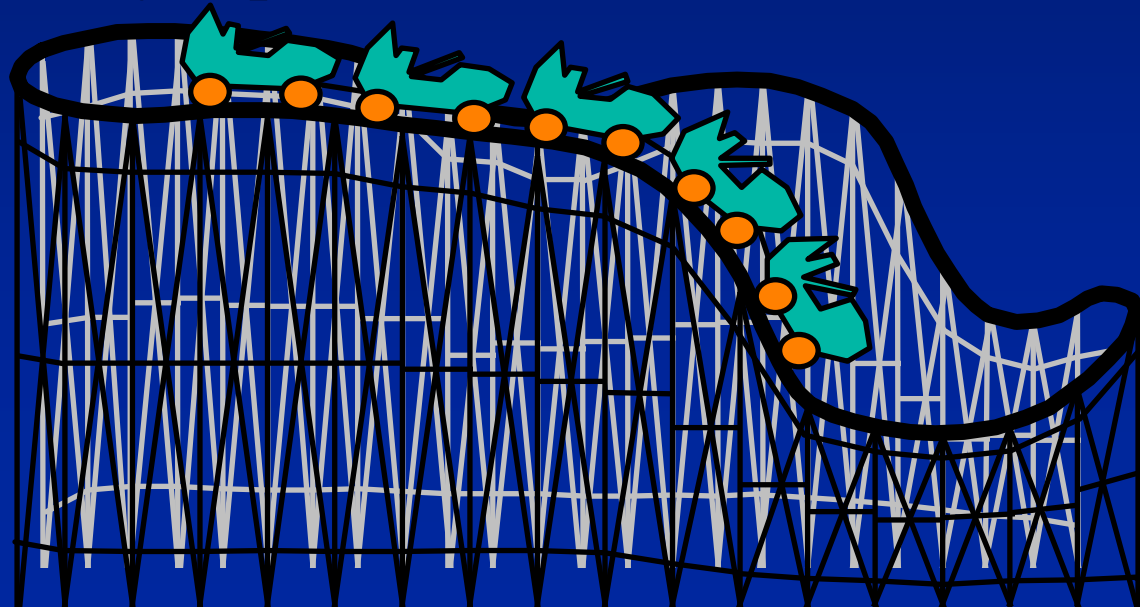
- a mailing list of prospective donors
- a cover letter
- an informational brochure
- a “pledge” or gift card
- a postage-paid return envelope

A specific occasion in which an NPO uses an event to:

- attract publicity
- gain new members
- educate the public
- raise money

Types of Special Event Fund Raising

- **Circus**
- **Theatre Party or Banquet**
- **Concert**
- **Opening of a New Play, Opera, or Season**
- **Sports Event**
- **“Walkathon”**
- **Auction**
- **Talent Night**



Other Types of “Special Events”

- Lottery
- Casino gambling
- horse/dog races
- bingo

- **Get it donated**
- **Consider honoring individuals at your event**
- **Get volunteers to do it**
- **Pick your date carefully in advance**
- **Make your event into an annual tradition**
- **Keep your events fun-filled and enjoyable**
- **Involve your prospective donors/participants**
- **Piggyback with other special events**

Individual Giving: “Planned Giving”

A highly specialized form of fund raising in which the gift or contributions are given, but for distribution at some future date--often far into the future

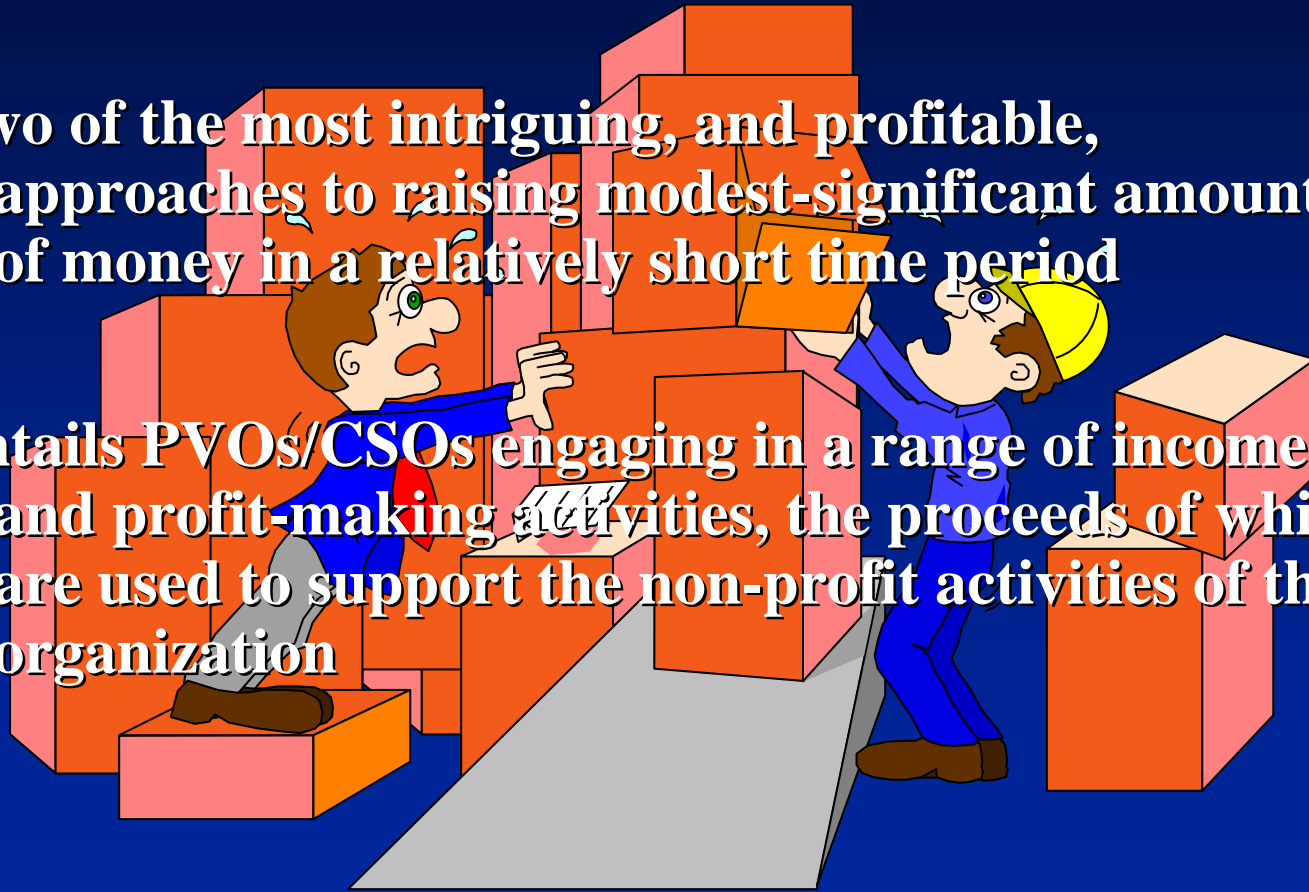
Examples of Planned Giving:

- Life insurance
- Annuities and Trusts
- Bequests
- Gifts of Property

Individual Giving: Earned and Venture Income

Two of the most intriguing, and profitable, approaches to raising modest-significant amounts of money in a relatively short time period


Entails PVOs/CSOs engaging in a range of income and profit-making activities, the proceeds of which are used to support the non-profit activities of the organization





Examples of Income Earned by Non-Profit PVOs/CSOs

- 
- **Admission fees and ticket sales**
 - **Tuition and fees for services**
 - **The sale of mission-related goods**
 - T-Shirts, tote bags, bumper stickers, coffee mugs, paper weights, etc. that bear the name or seal of the NPO
 - Posters that communicate a message of importance to the NPO
 - “Zoodoo” for fertilizer by “Friends of the Zoo”
 - Books, printed programs, and other educational materials
 - **The sale of mission-related services**
 - The provision of security services in a high crime shopping area by an NPO that works with youth gang members
 - The operation of a restaurant by a cooking school

Venture Income Generated By Non-Profit PVOs/CSOs



Relates to income earned by PVOs/CSOs through the sale of goods or services that are not directly related to the mission or purpose of the organization

- 
- 
- the gift shop or cafeteria operated by a museum
 - a bookstore operated by a college or university
 - monasteries in the US and Europe that produce wine, jams, breads and other products for sale
 - rental of exhibition halls/auditorium to others for parties and special events
 - greeting cards and calendars sold by many PVOs/CSOs
 - trips and tours organized by the NPO
 - Donation boxes left in stores and other places where large numbers of people visit



- **Foundations**
- **Corporations and Businesses**
- **Government Organizations**
- **Religious Institutions**
- **Federated Fund Raising Organizations**
- **Associations of Individuals**

Types of Support Available From Organizations

- **Grants**
- **Contracts**
- **Purchase of Service Agreements**
- **Gifts**
- **Endowments**
- **Other (including “in-kind” contributions)**

Requires:

- an initial letter of inquiry followed by a formal application for support in the form of a proposal
- a carefully workout budget, including a plan of support after the initial funding from the foundation has been spent

Length of time for review of application can range from a few weeks to several months to one year. In general, support is limited to a maximum of 1-3 years

Financial Assets of American Foundations, 2003



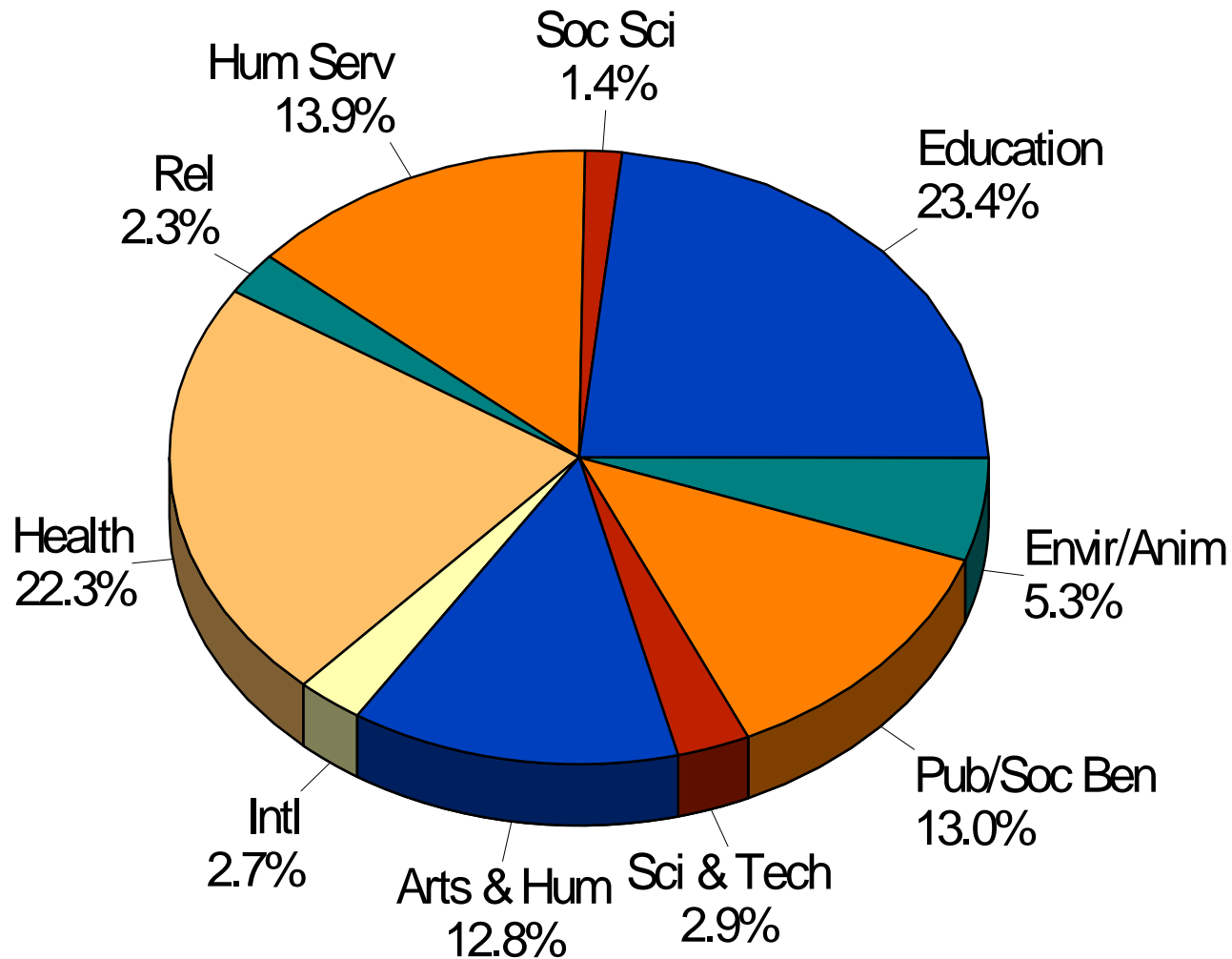
<i>Foundation Type</i>	<i>Number</i>	<i>Percent</i>	<i>Assets (\$ Mil)</i>
Independent	58,991	88.8	\$399,138
Corporate	2,549	3.8	\$ 15,447
Community	699	1.1	\$ 34,153
Operating	4,159	6.3	\$ 30,973
TOTALS	66,398	100.0	\$476,713

Types of Grants Awarded by Foundations

- **General support grants (esp. to arts and cultural organizations)**
- **Program or project grants (including “demonstration” and “pilot” projects)**
- **Capital grants (for building and large equipment purchases)**
- **Challenge or matching grants**
- **Endowment grants**

% of Foundation Grants by Category, 2004

(Total Grants= \$15.4 Billion)



Source: Foundation Center, 2006 (based on a national sample of 1,172 foundations awarding grants of \$10,000 or more)

Raising Funds From Corporations and Businesses

- **Fund raising methods are quite varied and flexible**
- **In general, face to face solicitation on the part of someone internal to the business or corporation is the most effective**
- **In general, businesses look for projects that:**
 - respond to a need that impacts on the business either directly or indirectly (e.g., educational projects that improve the human resource capacity of potential employees, opens new markets)
 - gives some visibility to the business's support of the project
 - give evidence of being able to support themselves once support from the business has been withdrawn

**Governments provide two types of basic support for
PVOs/CSOs:**

- **Direct Support**
- **Indirect Support**



- 
- Grants (in response to formal applications and proposals)
 - Purchase of Service Contracts (in which the government pays to private sector to perform services that are in the “public interest”)
 - Subsidies, i.e., to support “public functions” that are best carried out by the private sector (e.g., family planning services, arts and culture, etc.)

- **Tax exemptions**
- **Reduced mail rates**
- **Public employee charitable solicitations**
- **Support for revenue-generating programs (e.g., tax free fund raising from gambling, canvassing, etc.)**
- **Access to public forums for debate (e.g., legislative and commission hearings, public television and radio, etc. are open to PVOs/CSOs for speaking out on issues of concern to them)**

Raising Funds From Religious Organizations

Fund raising purposes must be consistent with the religious nature and purpose of the funding organization

Often, support is limited to “in kind” services (space and access to equipment) and volunteer support, although larger religious organizations are able to contribute cash as well

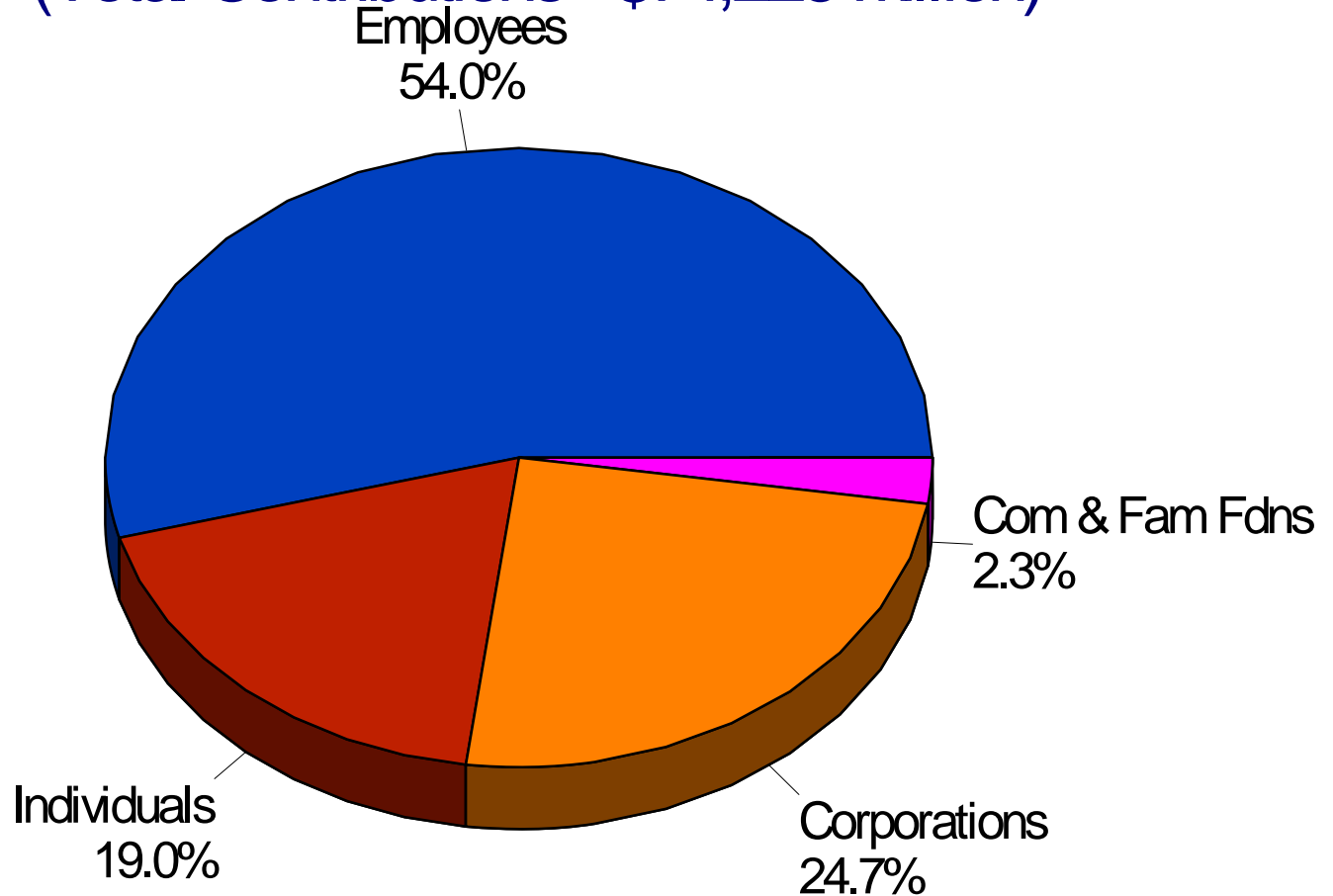


Raising Funds Through “Federated Fund Raising”

- 
- Often referred to as the “United Way”
 - Involves joint fund raising on the part of several or many organizations working together
 - appeals for support are limited to designated time intervals during the year and to specifically targeted audiences:
 - individual contributors
 - employers and business organizations
 - workers unions and organizations
 - other associations of individuals

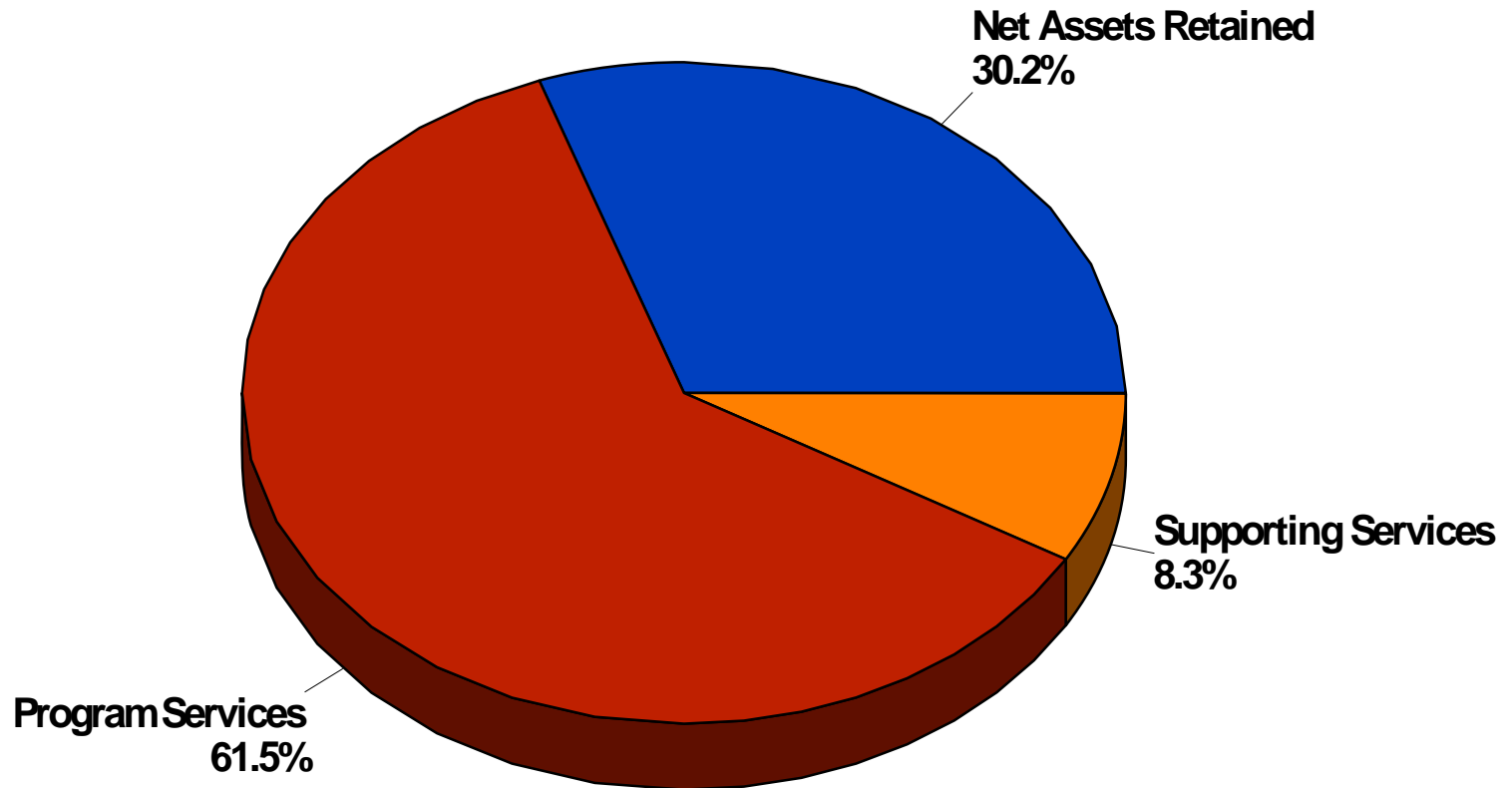
United Way of America, 2005

(Total Contributions= \$74,225 Million)

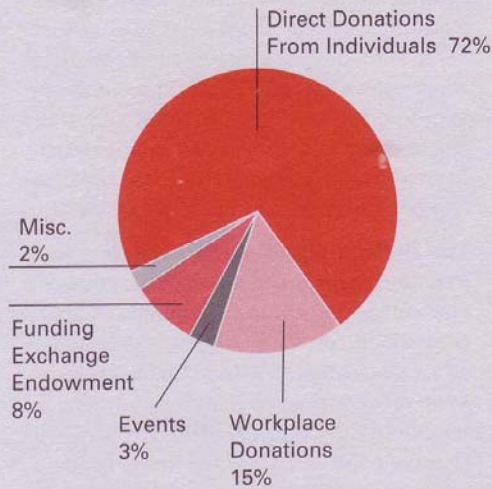


United Way of America--Uses, 2005

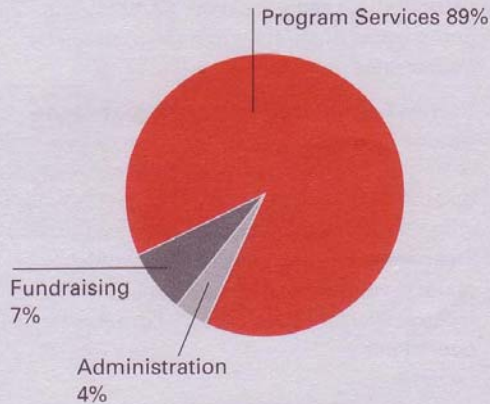
(Total = \$74,225,000)



FY 2002 Income



FY 2002 Expenses



**Bread and Roses Community Fund
Statement of Financial Position • June 30, 2002 and 2001**

BREAD AND ROSES COMMUNITY FUND

STATEMENT OF FINANCIAL POSITION

June 30, 2002 and 2001

	<u>2002</u>	<u>2001</u>
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 281,284	\$ 261,705
Accounts receivable		
Campaign pledges	84,073	86,625
Grants and contributions	36,250	13,500
Other	2,721	7,033
Prepaid expenses and other	<u>8,665</u>	<u>3,486</u>
Total current assets	412,993	372,349
NOTE RECEIVABLE	10,000	10,000
INVESTMENTS	1,344,372	1,474,035
EQUIPMENT (net of accumulated depreciation of \$42,703 in 2002 and \$36,828 in 2001)	<u>17,427</u>	<u>23,302</u>
Total assets	<u>\$1,784,792</u>	<u>\$1,879,686</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable and accrued expenses	\$ 5,328	\$ 8,308
Grants and scholarships payable	<u>87,000</u>	<u>113,510</u>
Total current liabilities	<u>92,328</u>	<u>121,818</u>
NET ASSETS		
Unrestricted		
Board designated for endowment purposes	307,886	277,399
Undesignated	<u>287,041</u>	<u>311,961</u>
Temporarily restricted	594,927	589,360
	<u>1,097,537</u>	<u>1,168,508</u>
Total net assets	<u>1,692,464</u>	<u>1,757,868</u>
Total liabilities and net assets	<u>\$1,784,792</u>	<u>\$1,879,686</u>

General Structure of Federated FR Organizations

A membership organization consisting of local organizations engaged in charitable works or other activities that service the “public good.”

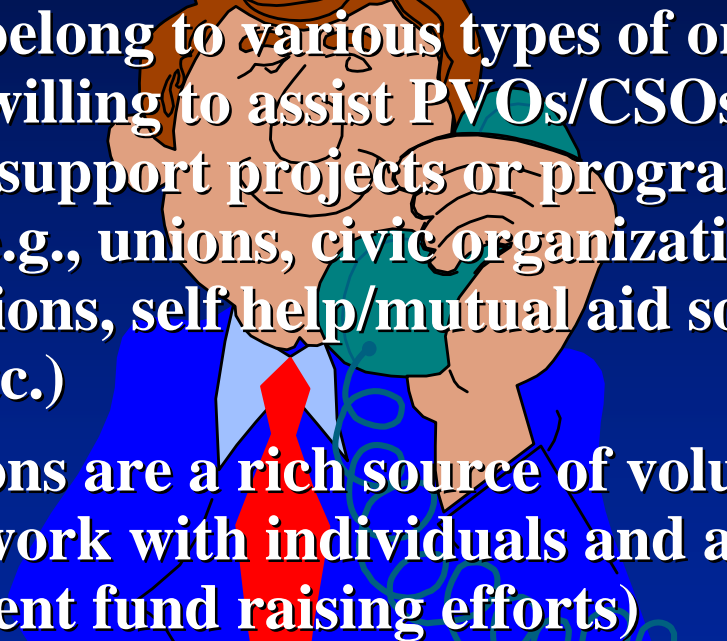
The federation is governed by a Board of Directors whose members include:

- **major donors (especially large employer organizations)**
- **representative of member organizations**
- **representatives of the general public**
- **representatives of persons served by federation members, i.e., clients/consumers of services**
- **others with special expertise/interest in the work of the federation**

Financial Advantages of Federated Fund Raising

- **Reliable source of steady income**
- **Savings in your own fundraising time and budget**
- **Heightened public profile**
- **Enhanced reputation**
- **Networking and technical assistance (including worker and volunteer training/education)**

Raising Funds From Associations of Individuals

- 
- All of us belong to various types of organizations that are willing to assist PVOs/CSOs in raising money to support projects or programs of mutual interest (e.g., unions, civic organizations, religious organizations, self help/mutual aid societies and groups, etc.)
 - Associations are a rich source of volunteer support (esp. for work with individuals and as workers in special event fund raising efforts)

- 
- **Patent, Copyright, and Royalty Income**
 - **For larger institutions, these sources of income can be quite substantial, e.g., universities, research institutes, and other institutions engaged in research or the development of protected inventions**



Fund Raising From Institutions:

The Elements of Proposal Writing

Elements of Proposal Writing

- Title Page
- Abstract
- Statement of Need/Problem
- Statement of Goals & Objectives
- Implementation Procedures
- Evaluation
- Dissemination
- Facilities and Equipment
- Personnel
- Budget



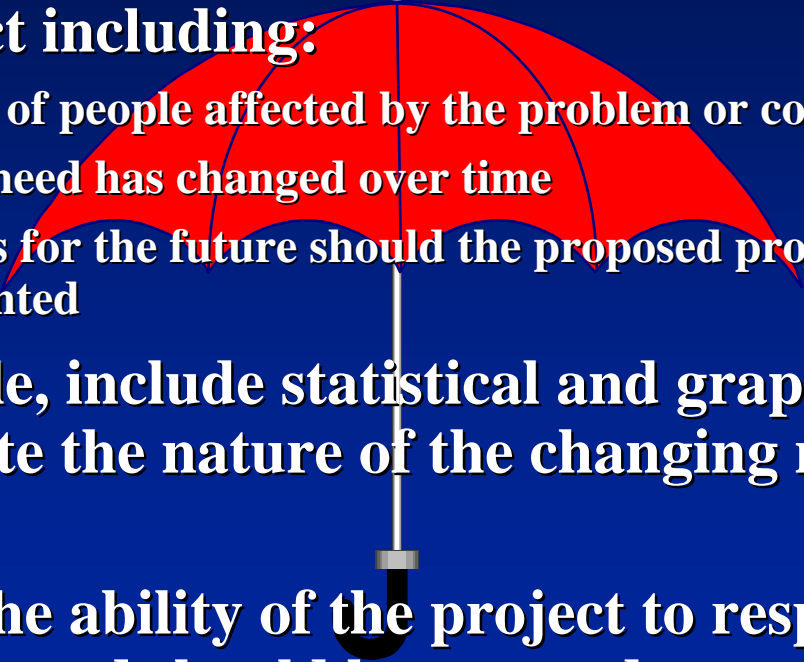
Must include all of the following elements:


- title of project**
- name of applicant organization**
- name of organization from which funds are being requested**
- inclusive dates of project**
- total project budget**
- signatures of authorized personnel approving submission of proposal to funding organization**

Characterized by the following elements:

- limited to a maximum of 250-500 words
- contains a summary of the major elements of the project with reference to:
 - » the statement of need
 - » project objectives
 - » project procedures
 - » project evaluation plan
 - » plans for dissemination of findings
- should stress the end products that will result from the project (e.g., new approaches to service delivery, construction of a new or improved facility, development of a new funding arrangement, etc.)

Proposal Elements: Problem/Need Statement

- 
- **Must contain a clear explanation of the need for the project including:**
 - numbers of people affected by the problem or concern
 - how the need has changed over time
 - prospects for the future should the proposed project not be implemented
 - **As possible, include statistical and graphical data to illustrate the nature of the changing need over time**
 - **Overall, the ability of the project to respond to the identified need should be stressed**



To provide alternative learning opportunities for students who do not benefit from the regular mathematics program

Proposal Elements: Goals and Objectives

Project goals and objectives must:

- flow logically from the identified needs or problems**
- be responsive to the identified needs or problems**
- be consistent with the mission and purpose of the NPO**
- be measurable such that progress (or failure) toward their realization can be assessed**

Example of Goal(s) and Objective(s)

■ Goal:

- to assist selected high school students acquire independent study skills in mathematics

■ Objective:

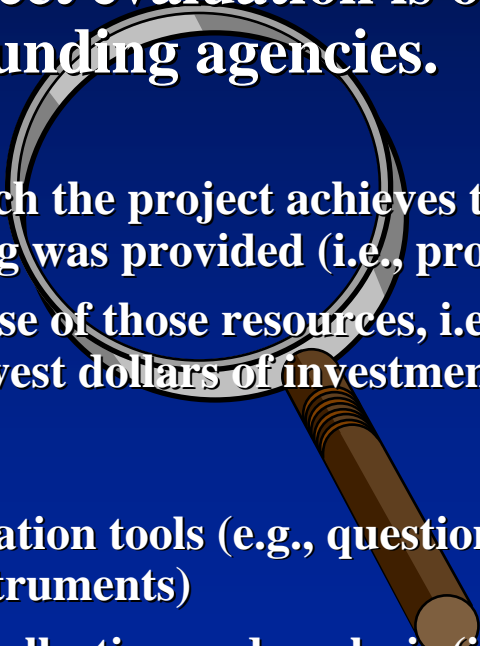
- Forty students selected from the 10th grade will be able to demonstrate newly acquired independent study skills by successfully completing a test on a major aspect of the mathematics curriculum every two months
- Success will be determined by the students achieving a score of 80 percent or more on the test
- The test will be devised by an independent consultant

Project methods must:

- be specific, reasonable, and appropriate to the proposed project
- identify program participants, other organizations to be involved in the project, and time lines by which certain tasks are to be achieved
- make efficient (\$) and effective use of project resources

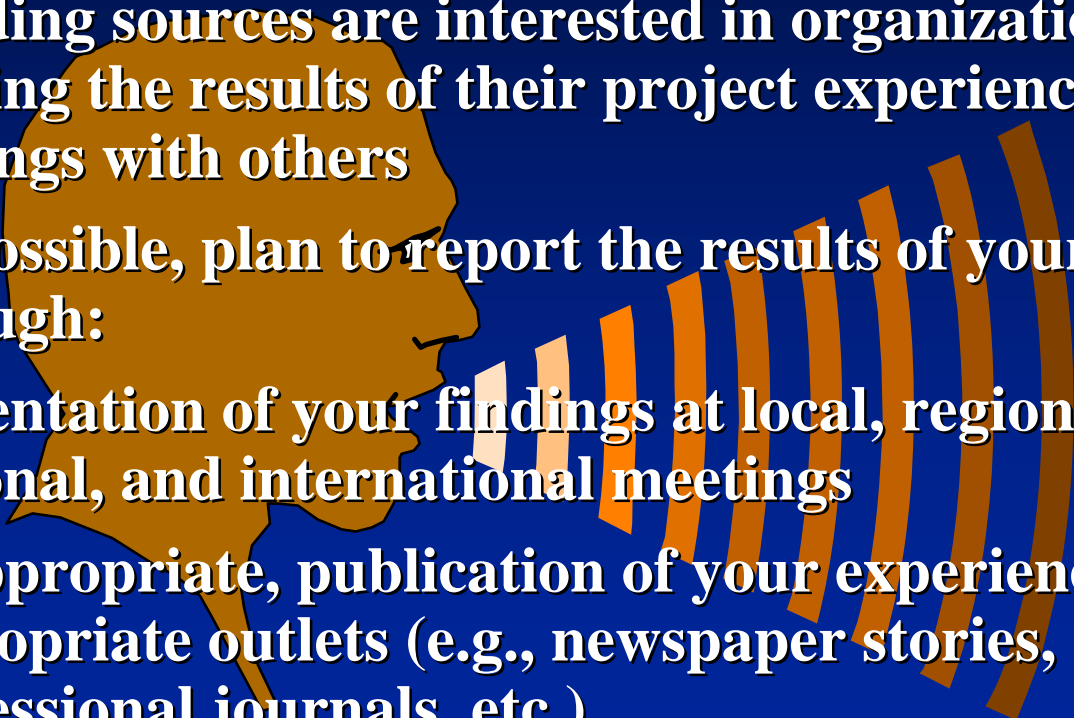
Example of Implementation Procedures

- **A mathematics teacher will provide one hour of orientation instruction each week, pointing out the major areas of information to be covered**
- **Supplementary reading material will be distributed following each session**
- **Students will also be given a set of self-tests for each curriculum component**
- **A tutor will be available during the week to answer questions**

- 
- **Systematic project evaluation is of increasing importance to funding agencies. In general, the concern is with:**
 - the extent to which the project achieves the goals and objectives for which funding was provided (i.e., project “effectiveness”)
 - makes efficient use of those resources, i.e., achieves the “biggest bang” for the fewest dollars of investment
 - **Also involves:**
 - creation of evaluation tools (e.g., questionnaires and standardized instruments)
 - systematic data collection and analysis (including cost/benefit analysis when possible)

- **A mathematics teacher will administer the test every two months, grade the exam, and report the results to the project director**
- **The director and an independent study consultant will meet with each student to discuss his or her test results and assist in designing additional independent study to remedy any deficiencies**

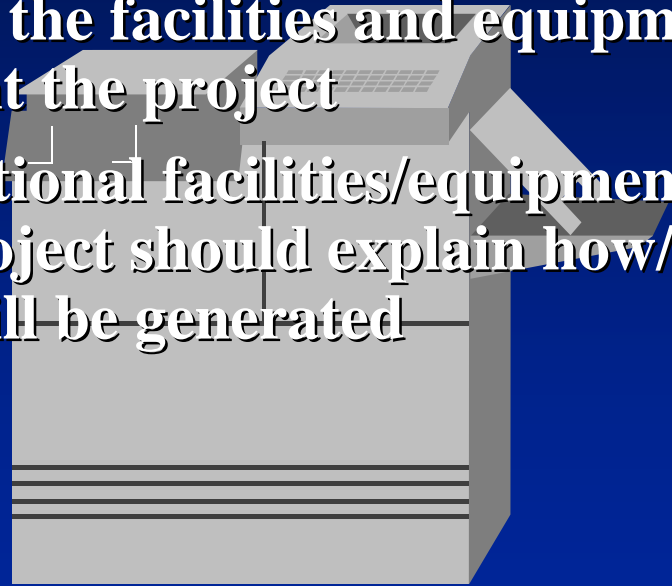
Proposal Elements: Dissemination

- 
- **Funding sources are interested in organizations sharing the results of their project experiences and findings with others**
 - **As possible, plan to report the results of your work through:**
 - **presentation of your findings at local, regional, national, and international meetings**
 - **as appropriate, publication of your experiences in appropriate outlets (e.g., newspaper stories, professional journals, etc.)**

Proposal Elements: Facilities and Equipment

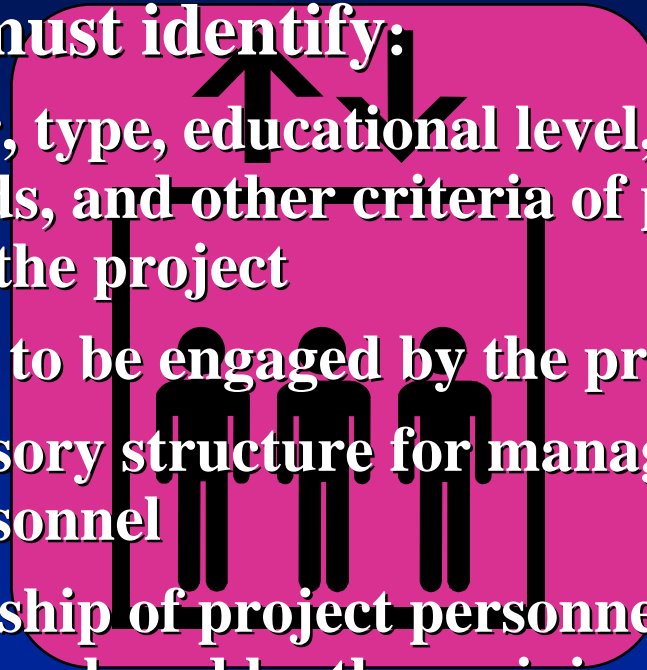
This section should identify the location and adequacy of the facilities and equipment required to implement the project

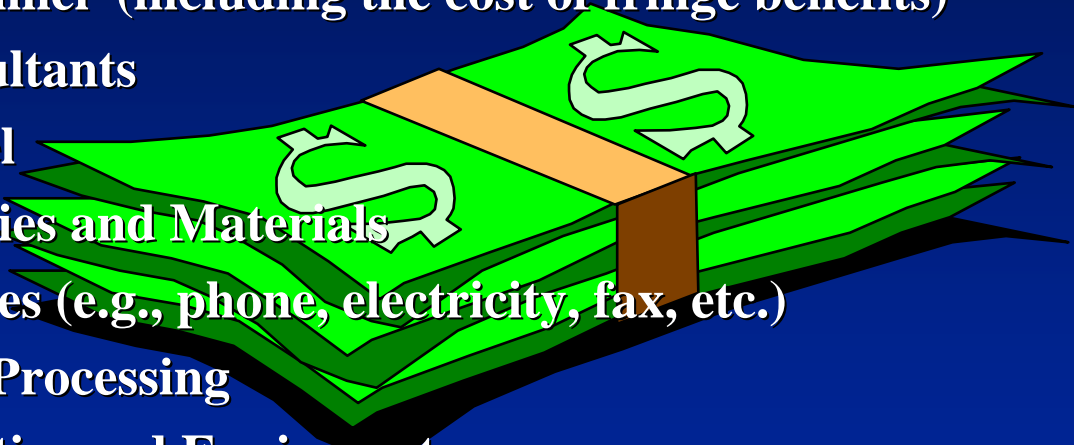
If new or additional facilities/equipment is needed, then, the project should explain how/where these resources will be generated



One of the most sensitive elements of the proposal, the writers must identify:

- the number, type, educational level, experiential backgrounds, and other criteria of persons needed to implement the project
- consultants to be engaged by the project
- the supervisory structure for managing the work of project personnel
- the relationship of project personnel to other personnel employed by the recipient organization



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- **The project budget must provide detailed cost information for all of the following:**
 - **Personnel (including the cost of fringe benefits)**
 - **Consultants**
 - **Travel**
 - **Supplies and Materials**
 - **Utilities (e.g., phone, electricity, fax, etc.)**
 - **Data Processing**
 - **Facilities and Equipment**
 - **Indirect Costs, i.e., overhead, or costs that cannot be directly billed to the project (e.g., utilities, library, maintenance of grounds or concert hall, etc.)**

