

# Resource Development Basics

Chapter 7 & Suggested Reading 3

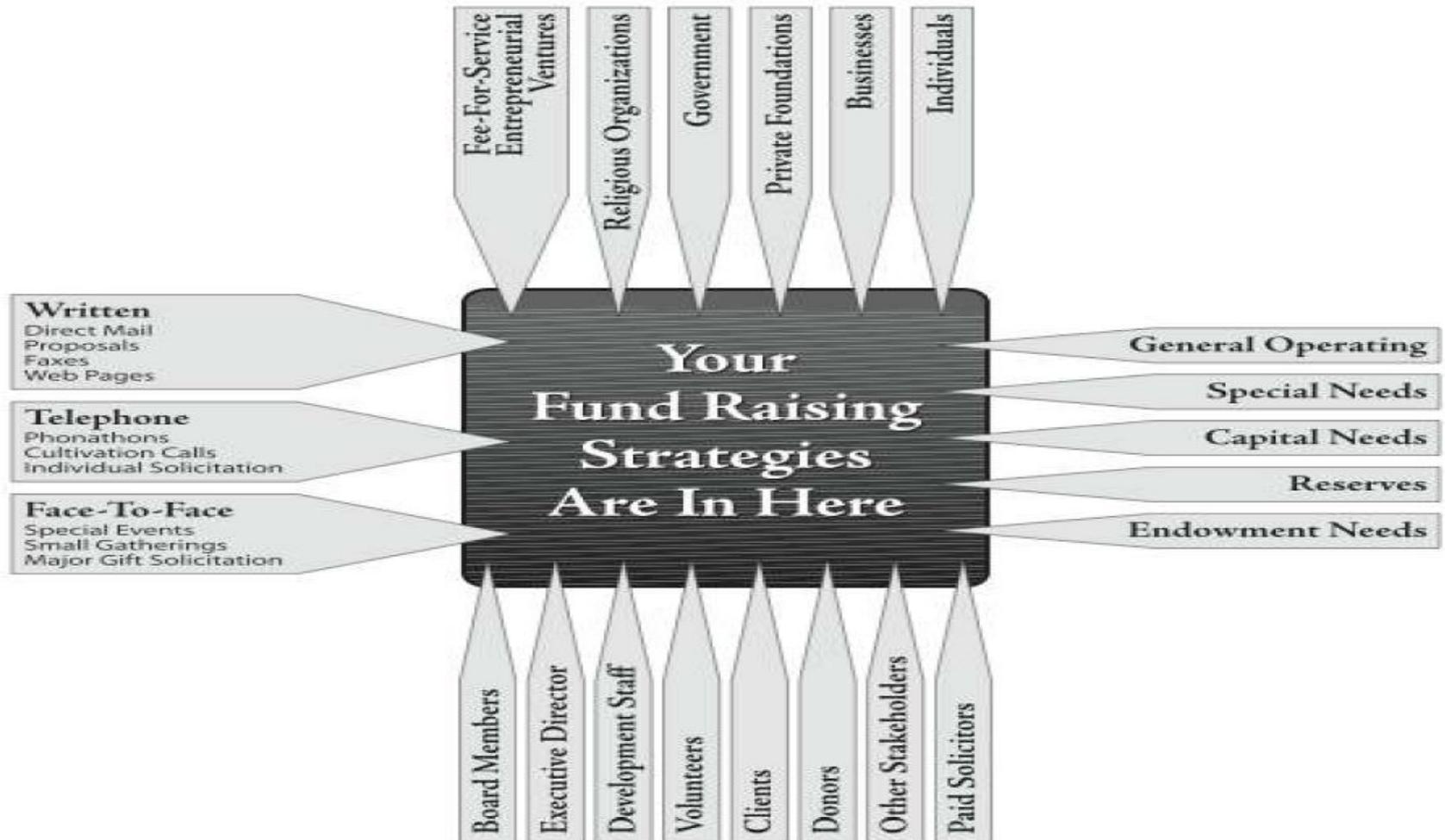
# What is Resource Development

- ▶ Resource development is the pursuit of new funding sources and can include everything from fee-for-service to numerous forms of fundraising to more entrepreneurial ventures.
  - ▶ Commonly used terms are “resource development”, “fund development”, “institutional advancement”, and “fundraising”.
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# What is Resource Development

- ▶ Resource development is the practice of identifying, cultivating, and securing financial and human support for an organization.
  - ▶ Fund Development refers to a system that raises philanthropic and sponsorship support for an organization.
  - ▶ Institutional Advancement refers to fundraising in post-secondary education organizations such as Universities or Colleges.
  - ▶ Fundraising is one outcome of all three models that describes the actual activities directly involved with raising resources for the work of the organization.
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# The Plan Starts Here



# Understanding the Differences Between Nonprofits and Registered Charities

- ▶ A nonprofit organization can be created through a variety of statutes at either the provincial or federal level.
  - ▶ Registered Charitable status can only be given at the federal level through application to the Canada Revenue Agency (CRA).
  - ▶ Only Charitable status nonprofit organizations can issue charitable tax receipts.
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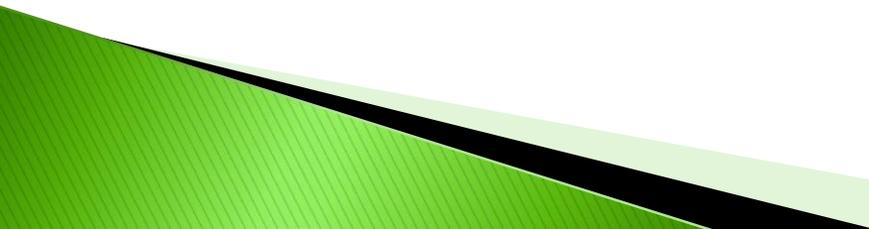
# Understanding the Differences Between Nonprofits and Registered Charities

- ▶ Charitable tax receipts can only be issued for a contribution that meets the conditions of a “gift” as defined under tax legislation:
    - The gift must be transferred by a donor to the registered charity;
    - The gift must be given voluntarily by the donor;
    - No consideration can be provided in return for the gift.
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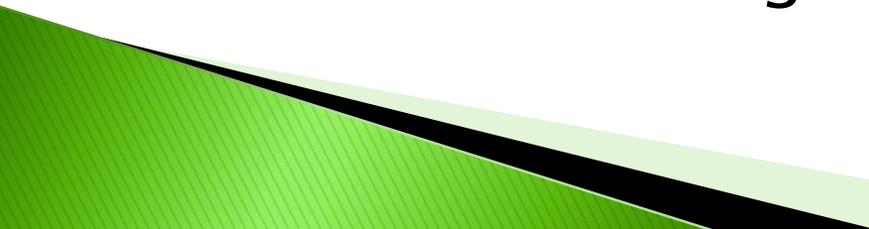
# Understanding the Differences Between Nonprofits and Registered Charities

- ▶ Charitable tax receipts can be issued for in-kind contributions of product or materials but cannot be issued for the gift of services.
  - ▶ Charities will typically handle this kind of situation through a simple cheque exchange – the services are billed, Charity pays, service provider donates money back and Charity issues a receipt for the donation.
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# Understanding the Differences Between Nonprofits and Registered Charities

- ▶ Corporate gifts that sponsor an event, name a building, or for which public recognition is a condition of the gift do not qualify for a charitable tax receipt. This constitutes a marketing benefit.
  - ▶ If a Corporation takes a general business receipt, the gift is then exempt from the gift receipting limitations.
  - ▶ While there are advantages that nonprofits with registered charity status enjoy, other nonprofits don't have the limitations that come with charitable status and allows the organization to be more entrepreneurial and market-driven.
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# Typical Sources of Income

- ▶ Typically 49% of all revenues reported by nonprofit organizations come from governments. Of that 40% are provincial, 7% are from federal sources, and 2% are from municipal sources.
  - ▶ Earned Income accounts for 35% of revenue sources.
  - ▶ 13% come from gifts and donations.
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# Typical Sources of Income

- ▶ There are a number of different sources for earned income other than fundraising:
  - Fees for Service – usually a sliding scale
  - Gaming – raffles, bingos, casinos, etc.
  - Auxiliaries/Guilds – separate fundraising group of volunteers
  - Membership Fees/Dues – fees with member only benefits
  - Social Enterprise – for profit venture separate from organization to raise funds or nonprofit organization – thrift shops
  - Business – nonprofit operates a business that is unrelated to the organization's mission.
  - Social Services – a for profit venture that is directly linked to the organization's mission.
  - Hybrid – for profit venture that has multiple bottom lines (social & profit).

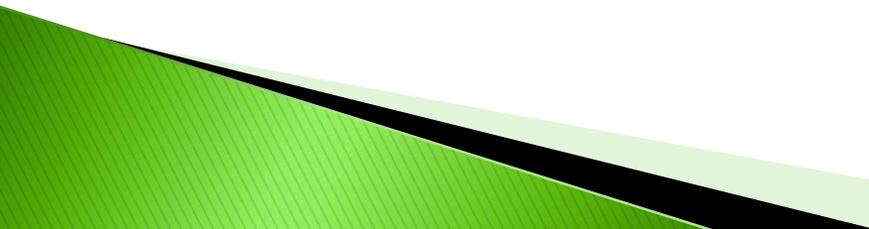
# Typical Sources of Income

- ▶ There are advantages and disadvantages to social enterprise. A nonprofit organization must take careful consideration of risks and benefits.
  - ▶ In 2003, the CRA made changes the ITA to allow charitable status organizations and public foundations to carry on related businesses that accomplish or promote their charitable objectives.
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# Recent Trends in Fund Development

- ▶ Charitable giving has increased significantly between 1997 and 2007.
  - ▶ However there is also a decreasing trend in the number of tax filers (donors) who are claiming charitable gifts on their return – meaning less donors are giving more.
  - ▶ The latest Fraser Institute report of charitable giving places Manitoba as the lead in charitable gifts.
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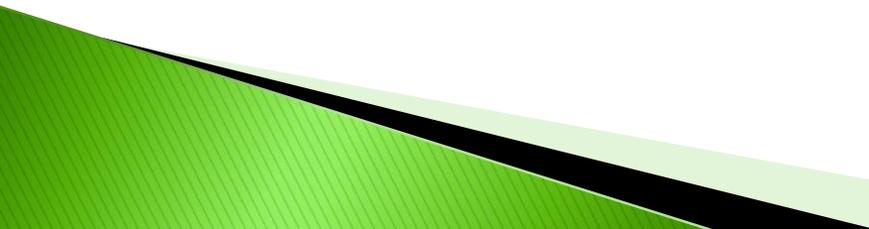
# Recent Trends in Fund Development

- ▶ Individuals provide the largest portions of charitable gifts – 74% of gifts come from individuals, 14% from corporations, 12% from foundations.
  - ▶ The fundraising profession is growing – the AFP grew from 214 members in 1995 to over 3,100 in 2009.
  - ▶ Nonprofit fundraising activities show increased strength and professionalism – organizations are becoming more strategic.
  - ▶ There is a greater focus on leadership.
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# Six Key Fundraising Principles

- ▶ People give to people – people give to other people, not organizations and they give because they are asked.
  - ▶ Much comes from few – 80/20 rule – a program will receive 80% of its funding from 20% of its donors.
  - ▶ Wealth is not always obvious – 94% of higher income earners claimed .32% of their income to charitable donations similarly to 74% of lower income earners.
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# Six Key Fundraising Principles

- ▶ It's not about the money, its about building the relationship – relationship or donor-centred fundraising is now a hallmark of successful campaigns.
  - ▶ Fundraising is not a stand-alone activity – fundraising must work in synergy and collaboration with strategic planning, governance, and program planning and delivery.
  - ▶ Philanthropy is something to be proud of, and fundraising enable philanthropy – defined as the gift of time, talent and resources.
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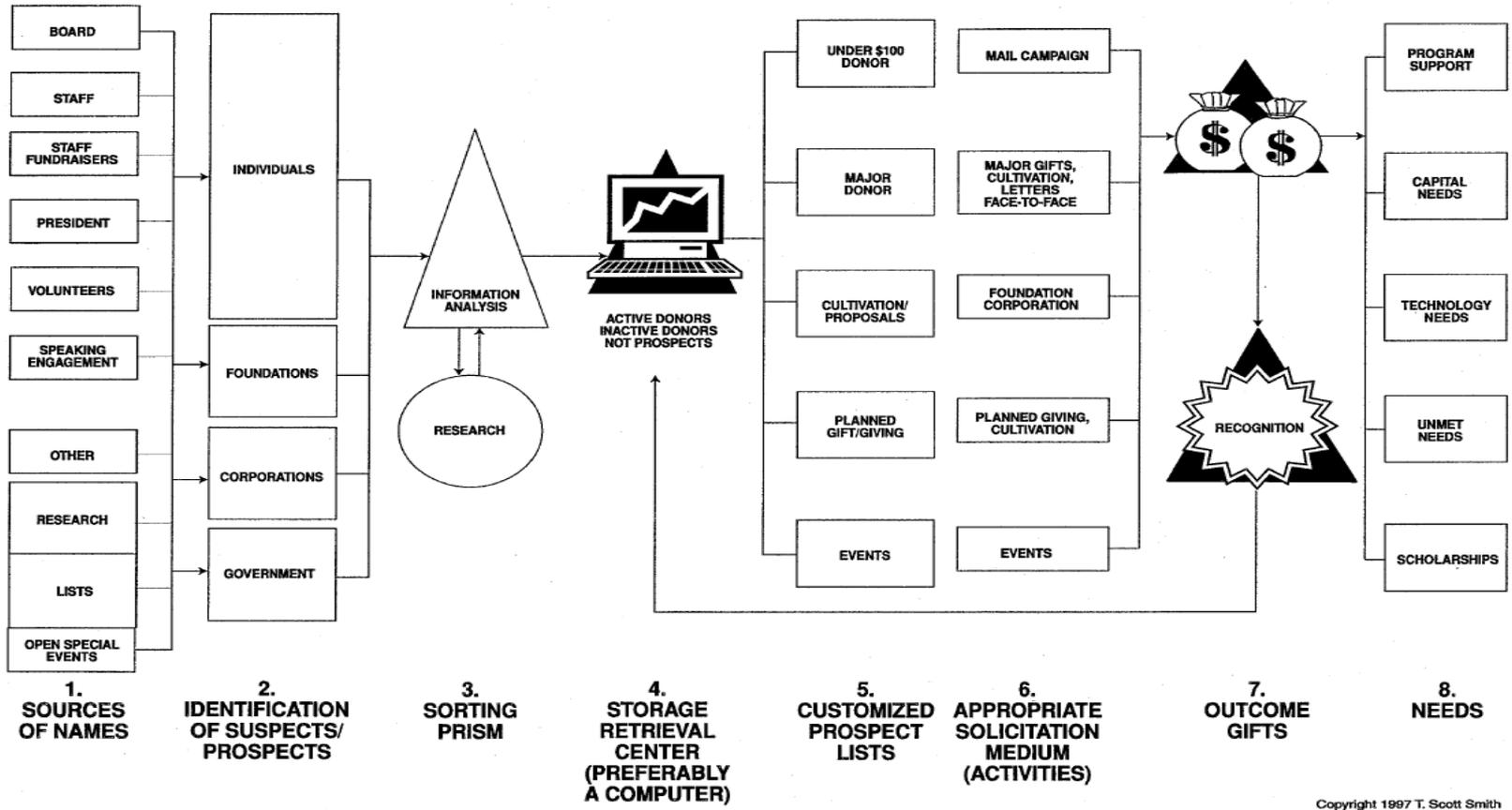
# Overview of a Development Program

- ▶ In order to be successful and sustainable over the long term, to have renewal and growth, to develop mutually beneficial relationships with donors and to be accountable to those donors, a development program must integrate a diversified funding base with a number of fundraising vehicles rather than relying on just one method such as special events or direct mail or major gifts.
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# Overview of a Development Program

FIGURE 2

## ANATOMY OF A FUND RAISING PROGRAM



# Categories within an Integrated Development Program

- ▶ Organizations needs are typically classified into four specific categories:
  - Ongoing annual needs
  - Special purpose needs
  - Capital needs
  - Endowment needs
- ▶ Review Figure 1: Pyramid of Giving on page 258

# Categories within an Integrated Development Program

## Annual Giving

- ▶ Ongoing annual financial needs arise out of the annual budgeting process and relate to the portion of an organization's programs, services and operating costs that are not covered by core grants or other forms of earned revenue.
  - ▶ An annual gift is one that is reasonably expected to be given year after year – often are small but importance is on renewal mechanisms.
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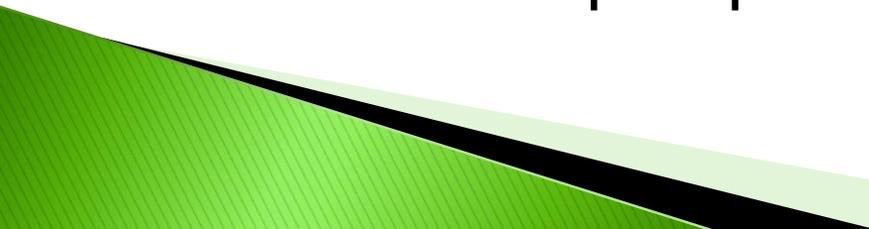
# Categories within an Integrated Development Program

## Annual Giving

- ▶ A successful annual fund can provide several benefits:
  - A reliable base of funding on an annual basis
  - A foundation for all other fundraising
  - Support for annual operating and program needs that are not funded by other sources
  - A source of “undesigned” gifts
  - An excellent way to attract new donors
  - An increase in organization’s public profile.

# Categories within an Integrated Development Program

## Annual Giving

- ▶ Most annual giving occurs in non face-to-face activities, i.e. personalized mail, special events, door-to-door campaigns, telephone solicitation, e-philanthropy or mass promotional opportunities.
  - ▶ Although face-to-face is the most effective – also most expensive and since annual gifts are usually smaller, mass market appeals make most sense from a cost perspective.
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# Categories within an Integrated Development Program

## Annual Giving

- ▶ Direct mail – most commonly used for large and small organizations – needs a high degree of organization, well-crafted writing and can be expensive up front – so an organization has to commit to repeat mailings.
  - ▶ Special Events – should not be the primary fundraising vehicle, can be expensive and labour-intensive are the least cost effective but most effective in raising an organization's profile “friend raising”.
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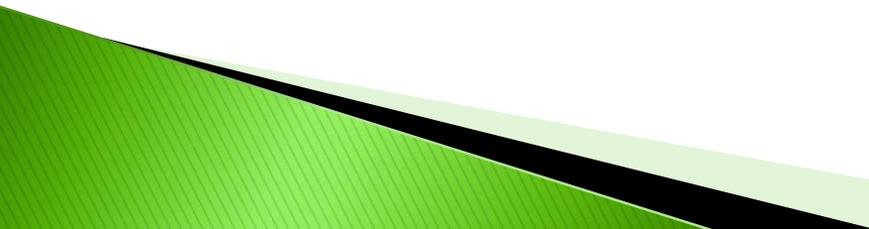
# Categories within an Integrated Development Program

## Annual Giving

- ▶ Telemarketing/Phone Solicitation – remains a vital component of many development programs and is effective for upgrading current donors, membership associations, donor clubs and recapturing lapsed donors.
  - ▶ Combined with a mail out can be even more effective.
  - ▶ However privacy has become more of a concern to people who dislike being called at home.
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# Categories within an Integrated Development Program

## Annual Giving

- ▶ Door-to-Door Campaigns – there are far fewer campaigns now than in the 1980s. The major challenge is finding volunteers to do the canvassing and safety issues for canvassers.
  - ▶ E-philanthropy – the Internet has had a significant impact on fundraising – increased exposure and donation opportunities through on-line contributions or purchasing goods and services.
  - ▶ This method is becoming the staple of younger donors.
  - ▶ There are a number of on-line giving portals that charities can register with as a cost effective alternative.
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# Categories within an Integrated Development Program

## Major and Special Giving

- ▶ There has been an explosion of major gift fundraising in Canada and of the number and value of major gifts given.
- ▶ In 2007 alone there was more than \$1b donated to charities in gifts of \$1m or more and 67% of these were from individuals, 25% from corporations and 8% from foundations.

# Categories within an Integrated Development Program

## Major and Special Giving

- ▶ Characteristics of major gifts include:
  - They are one-time gifts as opposed to gifts and organization can reasonably expect to receive annually;
  - They are almost always designated;
  - They can be made from cash or assets;
  - They are almost always the result of face-to-face cultivation and solicitation; and
  - They are generally the top 10–20% of gifts received.

# Categories within an Integrated Development Program

## Major and Special Giving

- ▶ There are a number of vehicles through which major gifts are solicited and received:
  - Major Gift Program – seamless, ongoing series of activities that is specifically focused on identifying potential major gift prospects, cultivating their interests and matching them to a nonprofit's needs before soliciting them for the gift.

# Categories within an Integrated Development Program

## Major and Special Giving

- ▶ There are a number of vehicles through which major gifts are solicited and received:
  - Major Gift Campaign – utilizes the same series of activities as major gift program but it is packaged as a time sensitive campaign.
  - Capital Campaign – is a one time, intensive effort to raise a specific dollar goal for a specific bricks and mortar project.

# Categories within an Integrated Development Program

## Major and Special Giving

- ▶ There are a number of vehicles through which major gifts are solicited and received:
  - Endowment Giving – is a self-sustaining funding source based on the interest from invested money. Gifts to an Endowment are not subject to a charity's disbursement quota and are invested in stocks, bonds and other vehicles, with the small exception of a small % of assets required to remain intact in perpetuity and the interest is spent on charitable purposes.

# Categories within an Integrated Development Program

## Major and Special Giving

- ▶ There are a number of vehicles through which major gifts are solicited and received:
  - Planned Giving – the process of designing charitable gifts so that the donor realizes philanthropic objectives while maximizing tax and other financial benefits.
    - Current planned gifts are given from current assets such as securities or real estate and timed to minimize any capital gains tax and obtain full benefit for the tax credit.
    - Deferred gifts are gifts that are committed to in the present but the value of the gift is not received by the charity until sometime in the future – can be through bequests, charitable remainder trusts, life insurance policies, or gifts of residual interests.

# Identifying Donors

- ▶ Identifying donors who are going to be interested in your particular cause, have both the ability to give to you and the connections to your organization is something that must be done in a focused, thoughtful, and strategic manner.
  - ▶ Table 4 on page 270 shows four main categories of potential donors – Individual, Corporate/business, Foundations, and Groups/Associations.
  - ▶ Figure 2: Constituencies and Energy of and Organization depicts prospective donors who have the greatest potential to give.
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# Identifying Donors

## Individual Donors

- ▶ The 2004 Canadian Survey of Giving shows that 89% of donors gave because they felt compassion for those in need; 86% gave because they personally believed in the cause. On the other hand 20% gave for the tax credit.
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# Identifying Donors

## Individual Donors

- ▶ Alan Prince and Karen File studied more than 800 individuals and developed 7 basic profiles of major givers:
  - The Communitarians – strong sense of community
  - The Devout – give to their church or religion
  - The Investors – give because it is good for business
  - The Socialites – give through their leadership
  - The Altruists – strong moral sense
  - The Re-payers – give because they have benefitted from past services
  - The Dynasts – give through family foundations

# Identifying Donors

## Corporate Donors

- ▶ Donation programs are now a part of strategically focused community investment programs and come under the banner of corporate social responsibility initiatives.
  - ▶ Triple bottom line – economic, social and environmental returns on investment
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# Identifying Donors

## Corporate Donors

- ▶ There are a number of ways in which corporations make contributions:
  - Sponsorships – pure marketing endeavor in which they sponsor events or projects and receive public recognition.
  - In-kind Donations – one of the largest forms of contributions – provides non-financial but needed resources to assist the nonprofit in fulfilling its mission.
  - Matching Gifts – the corporation will match what employees donate.
  - Cause Marketing – a corporate-nonprofit partnership that aligns the power of a company's brand, marketing and people with a nonprofit's cause's brand and assets to create shareholder and social value and to publically communicate values.

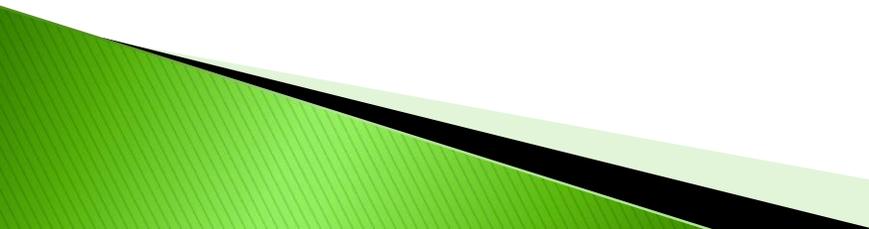
# Identifying Donors

## Foundations

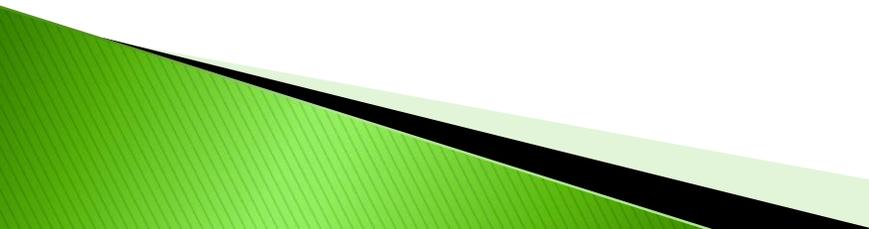
- ▶ Foundations exist to contribute financial resources to charitable organizations.
  - ▶ Governed by strict guidelines that define their areas of interest, types of programs they will and will not fund, their geographic scope of giving, and their application process.
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# Identifying Donors

## Groups and Associations

- ▶ Every community has its share of Kinsmen Clubs, Rotary Clubs, Lions Clubs and a good variety of community groups that can provide both financial and volunteer resources to a nonprofit.
  - ▶ There are also federated funding Agencies in most communities across Canada such as the United Way/Centraide that run annual campaigns to raise funds from a broad community base and then invest it back into that community.
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# Fundraising for Core Operating Needs

- ▶ Fundraising for core costs can be extremely challenging because they are not as exciting to donors as special projects and programs.
  - ▶ A better approach to core costs is to ensure that they are fairly allocated across the spectrum of programs and services a non profit offers.
  - ▶ Rather than operate a line item budget, move to a project-oriented budget.
  - ▶ Project budgeting is widely used by business and government in order to present the true costs of each program and service.
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# Identifying What Works

- ▶ See Table 6: Identifying what works on pages 280–282

# Resourcing the Development Function

## Organizational Structure

- ▶ Two possible frameworks for the development function:
  - Can operate as a separate department within the organization; or
  - Can function within a separately instituted organization or foundation.
- ▶ Some nonprofits choose to set up a small ‘f’ foundation that is not legally constituted, but operates as a foundation with separate leadership group and single focus.

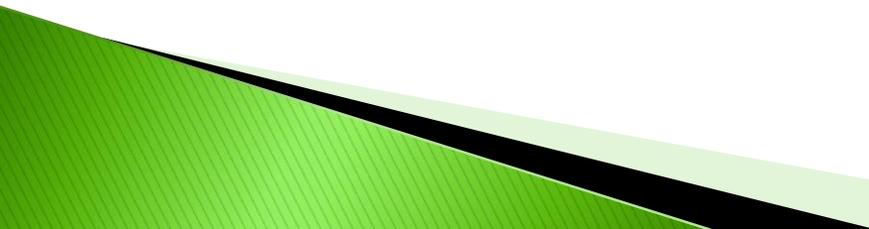
# Resourcing the Development Function

## Staffing

- ▶ Currently in many organizations, they often have a one-person development department or the development function is assigned to a manager, volunteer coordinator or fund raising committee of the Board. This can often limit the full potential for effective fundraising.
  - ▶ Professional staff are essential to a successful plan as development is labour intensive where quality and timeliness of data and attention to detail are crucial.
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# Resourcing the Development Function

## Non-staff Resources

- ▶ In addition to staff resources, a development budget should include a realistic level of expense to support the development function.
  - ▶ The budget should consider the cost of operational expenses, fundraising materials, prospect and donor research resources and databases, cultivation activities, volunteer support and training, postage, meetings, marketing and community relations, professional development and training, and technology.
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# Resourcing the Development Function

## Fundraising Costs

- ▶ Donors and the public expect the most of the money they contribute will be spent on charitable purposes. While this is reasonable assumption, fundraising costs money.
- ▶ There are a number of things a nonprofit can do to provide donors and the public a more realistic picture of the cost, efficiency and effectiveness of their development plan:
  - Establish targets that are appropriate and achievable;
  - Implement project accounting to capture the true costs;
  - Report on individual programs, rather than on fundraising as a single entity;
  - Evaluate, measure and report fundraising costs on a three-year rolling average opposed to an annual basis; and
  - Report on other things besides the “costs of dollars raised” such as fundraising achievements, historical trends and the acquisition and retention of donors.

▶ Table 8: Reasonable Cost Guidelines for Solicitation Activities on page 286

# Planning and Evaluating Development Activities

## Planning and Implementation

- ▶ Successful fundraising is about thoughtful planning and meticulous execution, planning is where most of the activity happens. To ensure a development program that is integrated in to the organization, Executive Management needs to:
  - Help Board and Staff see the links between fund development and other organizational functions;
  - Make sure fundraising staff understand the program and services of the organization;
  - Involve the fundraiser in Board selection, recruitment and development;
  - Insist the fundraising staff work with all other staff;
  - Show the staff the role they play in fund development;
  - Listen to the fundraiser's thoughts about program quality and community perception; and
  - Expect the fundraiser to be actively involved in the community, serving on boards and exploring community issues, trends and solutions.

# Planning and Evaluating Development Activities

## Strategic and Annual Planning

- ▶ Development planning should be part of the strategic planning process from the onset.
  - ▶ Requires a clearly written plan complete with goals, strategies, tactics, target markets, cultivation, communication and solicitation strategies, the case for support, benchmarks of success, evaluation mechanisms, timelines, resources and responsibilities.
  - ▶ Based on past results, current and future trends (internal and external), and future goals.
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# Planning and Evaluating Development Activities

## Evaluation and Measurement

- ▶ The development plan should be measured and evaluated on a regular, ongoing basis separate and apart from the financial reporting of the organization.
  - ▶ Key performance measurements include gross revenues, net revenues, number of new donors, percentage rate of renewed donors, percentage rate of lapsed donors, cost of fundraising, average gift sizes, and expense versus income.
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# Roles and Responsibilities

- ▶ Fundraising can be completely done by volunteers, by a combination of staff and volunteers, or solely by staff. The can work as a department or committee.
  - ▶ Table 9: Roles and Responsibilities of Volunteers and Staff – page 290.
  - ▶ Table 10: Key Roles in Fundraising – page 291.
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# Accountability, Stewardship and Ethics

## Accountability and Stewardship

- ▶ The 2008 study Talking About Charities: Canadians' Opinions on Charities and Issue Affecting Charities found that 84% of Canadians think that charities are honest about how they spend donations; 77% trust charities “some” or “a lot”.
- ▶ Although these are impressive numbers, the issue of accountability continues to rise in public awareness, particularly as it relates to governance and fundraising activities.

# Accountability, Stewardship and Ethics

## Accountability and Stewardship

- ▶ Stewardship presupposes that as soon as a donor makes a gift that donor immediately becomes another prospect and the organization must earn the donor's trust and provide itself worthy of future investment. Good stewardship includes:
  - The policies that govern investment practices;
  - The use of sound financial and management practices;
  - The honouring of donor intent;
  - The acknowledgment and recognition processes for gifts; and
  - Transparent and accountable financial reporting.

# Accountability, Stewardship and Ethics

## Ethical Fundraising

- ▶ There are a number of codes and principles governing ethical fundraising an organization can adopt:
  - The Code of Ethical Conduct and Standards of Practice;
  - The Ethical Fundraising and Financial Accountability Code;
  - The Accountable Not for Profit Organization; and
  - The Donor Bill of Rights.

# Accountability, Stewardship and Ethics

## Privacy Legislation and CRA

- ▶ CRA requires reporting of fundraising expenses on the charity's T3010.
- ▶ The Personal Information Protection and Electronic Documents Act (PIPEDA) is applied provincially where there is no provincial privacy legislation.
- ▶ However, the Privacy Commissioner ruled that fundraising is not a commercial activity within the definition of the Act. Canadian non profits are subject to provincial privacy legislation with respect to the collection, use, or disclosure of personal information within the respective province.

# Future Trends

- ▶ The Economy – the 2008 economic downturn has seen an increase in demand for services coupled with reduced revenues.
  - ▶ Human Resources Challenges – professionalization of fundraising is occurring at a rapid pace, placing pressure on nonprofits to offer competitive compensation.
  - ▶ Growing Awareness of Philanthropy – the sophistication and expectation of donors continue to grow.
  - ▶ The Changing Donor – Donors have moved from loyalty to an organization to loyalty of a cause, to viewing themselves as stakeholders or investors in making change.
  - ▶ E-philanthropy – this is a rapidly growing vehicle and nonprofits will have to embrace e-philanthropy to remain competitive.
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