CHAPTER 4

Money

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Money isn't everything, but you can't run a nonprofit without it. And the less you spend to make money, the more money you'll have left for your programs.

Everyone has money. According to the American Association of Fund-Raising Counsel, *individual donations account for 85% of all charitable giving in America*. More than 77% of charitable contributions come from living individuals, and another 8% from bequests. The remaining 15% of donations come from foundations and corporations, with foundations giving approximately 10% and corporations (including corporate foundations) giving approximately 5% annually.

Religion receives the largest share of contributions, followed by education, health and hospitals, social services, arts and humanities, and civic and public affairs.

Donations aren't the only source of money for nonprofits. There is also investment income; membership dues; earned income from businesses, goods and services; government grants and contracts, and program-related investments. Table 4 offers a more complete listing, and potential sources.

Table 4: Money

RESOURCES

Internal money management
Operating economy
Cost sharing
Investment income
Membership dues
Earned income
Service fee
Income-producing business/Product
Individual solicitation
Door-to-door canvass
Phone-a-thon/Telethon
Direct mail
Canister
Payroll deduction
Matching gift
Annual giving
Memorial/Tribute
Planned giving
Bequest
Life insurance
Trust
Annuity
Pooled income
Real estate
Securities
Endowment/Foundation
Grant
Program-related investment
Special event

Table 4: Money (cont.)

SOURCES
Board of Directors
Employees
Members
Clients
Consumers
Family and friends
Alumni
Auxiliaries
Contributions
Volunteers
Retirees
Neighbors
Vendors
Civic groups
Small businesses
Corporations
Doctors/Lawyers/Other professionals
Foundations
Government (city, county, state, federal)
Schools/Colleges/Universities
Unions
Professional organizations
Police/Fire/Emergency departments
Political organizations
Religious organizations
News/Entertainment/Media
Other nonprofits
Internet/World Wide Web

Looks complicated. But it's manageable. *Start inside your organization* with those who know you best and share your goals. Then gradually move outward into the community. A brief summary of the primary money resources follows. Evaluate each of them according to your needs and capabilities.

INTERNAL MONEY MANAGEMENT—*Making the most of the money you have.*

Analyze your internal financial situation. Have you cut unnecessary expenses? Are you making money with the money you have? Have you tried sharing costs with other organizations? Good internal money management not only saves money; it also tells potential donors that you'll use their money wisely.

Operating Economy

The first way to make money is to *eliminate waste*. Employees, volunteers, board members—everyone closely associated with your organization can suggest ways to cut costs. Place a *suggestion box* in a prominent place. Award a monthly *prize* for the best idea. If your situation is critical, ask a *management expert* to volunteer as a consultant until your problems can be resolved.

Other money savers:

- Get accounts receivable off your desk and into the bank.
- Avoid penalties and late charges. Pay taxes and bills on time.
- Make a payment schedule and stick to it.
- Maintain facilities and equipment on a regular basis. Deferred maintenance is expensive.
- Review insurance coverage and costs annually. Get new bids at least every three years.
- Avoid duplication of efforts and documents: assign staff responsibilities in job descriptions, route and share records and other paperwork.
- Determine your unit cost, e.g., service cost per hour, client, facility.
- Salaries and benefits are a major cost. Enforce productivity standards and conduct employee evaluations at least annually. Use volunteers at every opportunity.

Cost Sharing

Cost sharing possibilities include: joint purchase of goods, equipment, services and insurance.

Investment Income & Smart Savings

Before considering investment options, it is essential to consider your organization's cash flow needs. Begin the process by projecting cash flow for at least a year in advance, on a monthly basis. List confirmed budgeted items and compare those to confirmed income sources. Be conservative when projecting income. In other words, if you have been promised payment within 30 days of invoicing but you know from experience that typical payout for this funding source is closer to 90 days, be sure to reflect that in your projected cash flow.

Once you have projected your cash flow needs, you should establish goals for savings. Review your financial conditions with the aim of setting financial goals that are realistic and commensurate with the overall financial health of the organization. Take a five-year look at historical financial trends for your organization. This should provide a good starting point for setting your goals. Be realistic and remember, saving money is rarely a painless process and may seem unrealistic for an organization that is cash strapped. Yet, those with less must be most savvy about how they use their resources.

Interim funds, operating surplus, cash reserve, and endowment are the four classifications of excess cash in a nonprofit organization. Interim funds are "money in the bank" or the cash you currently have in the bank that is to be spent on operating expenses. Operating surplus indicates that you spent less last year than the income you brought in, hence, there is money carried over to the current year. Cash reserve funds are surpluses that have been strategically set aside by management or board designation and may include an internal line of credit for periodic cash shortfalls, or operating reserve for "unexpected events" or "repairs and replacement". Endowments are funds that carry the specification that the principle value of the gift is invested in perpetuity while the earnings may be used for operating expenses unless restricted to a specific purpose by the donor.

Regardless of the amount of savings you have to invest, there are two primary investment options: cash instruments (checking and savings accounts, money market investments, certificates of deposit (CDs) and Treasury Bills); and financial assets (stocks and bonds). Deciding which investment option best suits your savings goals depends on your timeline and the risk you can afford or are willing to take.

Cash investments are an excellent interim choice for funds or idle cash that may need to be liquidated or "cashed in" over the short term. Local banks provide the convenience of these shorter-term cash investment options. Keep in mind that money market accounts and CDs typically offer a higher rate of return than a passbook savings account. Be sure to understand the balance requirements for money market accounts and terms for CDs.

Bonds can be an excellent investment option for nonprofit organizations and range from those that are extremely safe, like the US Treasury Bonds to those such as junk bonds that are very risky. The term and rate of bonds vary. An investment advisor can help you assess the risk versus anticipated rate of return. Overall, bonds have outperformed cash investments over the last two decades.

The next two types of investments, equity investments and mutual funds, are tools that most often require the assistance of an investment advisor. Equity investments allow you to invest in the stock of small and large corporations and due to the volatility that comes with this type of investment are only advisable for those with a long-term investment horizon. If you need your cash quickly, this is not a good type of investment strategy. On the other hand, if you have longer-term investment, such as an endowment, equity investments can be an excellent strategy.

Mutual funds provide an investment instrument that allows for your money to be pooled with other investors into a professionally managed, mixed portfolio of stock, bonds and cash investments. Investment objectives are established for each fund and vary widely from those that are aggressive to those that are less risky. The beauty of the mutual fund is that it helps investors diversify their risks and depending on their investment strategy, can reduce risks for those longer-term investments.

Olszak Management Consulting, Inc. of Pittsburgh (see Resources), offers these and other important considerations:

- Start-up, growing, and established nonprofits have very different cash reserve and cash flow needs. These diverse needs should be considered when establishing financial goals and investment strategies.
- Every community has investment advisors who can be employed to help nonprofit managers weigh the benefits and risks associated with investment strategies. There have also been recent cases of fraudulent investment advisors in the nonprofit community. Be sure to check the credentials of your selected advisor.

- Don't be lured into making snap decisions about using "money in the bank" or interim funds that have been designated for a future activity. Understanding your cash flow needs can prevent the temptation to consider a large bank balance as money to spare.
- Although all funders insist that nonprofit organizations demonstrate financial responsibility, there remain some funders who see a non-profit organization's excess funds as an indicator that their funding is unneeded. It is important not to let this attitude be a disincentive toward savings. In the long run, savings will protect the financial health of your organization.

More Internal Management Clues

- Review and understand donor requirements. Noncompliance can lead to disallowances and fund returns in addition to jeopardizing future funding.
- Be aware of the pitfalls of cash basis accounting. Account for and report all liabilities.
- Get to know your banker and other financial experts. Their free advice can be invaluable.
- Be aware that some grantors, particularly government agencies, require the return of investment earnings.

MEMBERSHIP DUES—*Banking on their belief in you.*

People buy memberships because they believe in an organization and want to help further its goals. The value goes beyond the immediate payoff of unrestricted income. Members are a form of collateral for attracting other "investors" from the community. Grantmakers like to know that you have strong community support. Members also are prime prospects for personal donations.

Some membership clues:

- Adjust dues to keep pace with inflation and cover membership maintenance costs.
- Price dues on a sliding scale, based on ability and willingness to pay. Start with a basic, minimum rate, increasing the price and attendant privileges as you move up the scale, e.g., family, friend, supporter, sponsor, life member, etc.
- Offer discount memberships to students and senior citizens.
- Make dues paying easy. Some organizations deduct dues directly from their members' checking accounts. (With permission, of course!)
- Inform members about the tax deductibility of their dues. This can vary considerably. Dues covering the cost of benefits received are not deductible. In some instances, dues are essentially a contribution. Ask your tax expert for a ruling.

- The nonrenewable rate is high—approximately one-third in most organizations. Reduce renewal costs by replacing expensive second and third mailing with a membership phone-a-thon. It costs less and works better.
- Memberships must be sold. Sharpen your selling skills and develop a creative marketing plan. Let prospects know about benefits that accompany memberships.

EARNED INCOME—*Anything worth doing is worth money too.*

There's no rule saying nonprofits can't make money, only that the money must be used for charitable purposes. Services are marketable. So are program-related products. The possibilities are limited only by your creativity, skills and management abilities. Be forewarned that some ideas involve considerable risks. A brief summary of tried and proven income producers follows.

Service Fee

The safest, most obvious way to earn income is to charge for services you're providing free. Base fees on a sliding scale according to income and ability to pay.

If you serve only low-income persons, consider extending your services to others, especially if you face budget deficits. It's better to broaden your service base and stay in business.

Example:
A nonprofit organization faced closing because of its tradition of serving only low-income families. Administrators didn't realize that fees charged to higher-income clients could help subsidize care for those unable to pay. They also overlooked the obvious: the interaction of individuals from diverse income groups could be an enriching experience for all. The agency now is successfully charging according to ability to pay and pursuing other income-generating ideas.

Other incoming-earning ideas:

- Sell services to government, local businesses and corporations. Convince them you can provide a needed service better and cheaper. This can range from a one-time consultation to a long-term contract. Classic examples include employee child care, health and fitness programs, and educational and research services.
- Offer unused space to businesses, other nonprofits and government agencies for conferences for a fee.
- Sell newsletter subscriptions to "outsiders" based on the publication's informational value. Sell ad space, too.
- Share computer time, print shop and other in-house services with other nonprofits, for a mutually beneficial fee.

Caution: Never sell services to outsiders at the expense of program goals. Staff time and talents should be shared only when it does not interfere with your primary purpose.

Income-Producing Business/Product

A program-related business can be a money-maker for nonprofits. Possibilities include the sale of services, as mentioned earlier; the manufacture and sale of products; and the sale of products purchased for resale.

Well-known money-makers are Girl Scout cookies, UNICEF cards and gifts, celebrity cookbooks, posters, calendars, museum gift shops and ticket sales.

Nonprofits are venturing into *nontraditional businesses* as well.

Example:
The Pittsburgh Public Theater has boosted earnings and pleased patrons through a variety of program-related activities. They include the sale of T-shirts, albums, featured play memorabilia and specialty drinks. When the theater is dark, the rehearsal hall and performance space are rented for business meetings and other activities.

Beware, however. Not all income-producing activities are tax-exempt. And there's increasing resistance from commercial enterprises to "unfair" competition from nonprofits. Generally, any activity substantially related to your charitable purpose is tax-exempt. If an activity is mostly unrelated, and provides over 15–20% of your income, you may jeopardize your tax-exempt status. At this point, you must decide whether to abandon the business, or to start a profit-making subsidiary.

Before undertaking any business venture:

- Define the type of business, market, growth potential and competition.
- Identify which staff will be involved, for what percentage of their time, and at what cost to your organization.
- Develop a business plan, including preliminary budgets, funding sources, projected cash flow, and projected profit/loss for the first three years. Include a contingency plan.
- Get financial and tax advice from experts, such as an attorney, accountant, banker, lender, IRS specialist and the Small Business Administration.
- Talk to other nonprofits about their successful business ventures.
- Weigh all factors with your organizational goals and make a decision.

The risk can be great. It has been estimated that over half of all new commercial businesses fail in their first year. Nonprofits have an even higher failure rate. But some nonprofits are succeeding, and finding creative ways to turn their skills into money-making businesses.

INDIVIDUAL SOLICITATION—*If you don't ask, you won't receive.*

Because *individual giving accounts for 85%* of all charitable contributions in America, it should be a mainstay of your support. Develop a plan for soliciting individual donations and *allocate time accordingly.* Like memberships, this income tells other funding sources that the community values your organization.

There are many formulas for success. Regardless of the strategy you pursue, keep in mind these suggestions:

- Ask your board members for donations first, so others will follow their lead.
- Be resourceful in choosing prospects. Develop a list from members, volunteers, clients, businesses, neighbors, meeting sign-up sheets, alumni, on-line directories, phone books and special interest directories.
- Everyone is fair game. High density, middle-income neighborhoods should be more profitable and less time consuming than others, as should areas in which you or your solicitation team is known. People give more readily to neighbors than to strangers.
- Recruit volunteer solicitors from directors, members, volunteers, clients, alumni and the general public. Challenge local schools, colleges or community groups to compete for a trophy or other prize for the most money collected.
- Provide orientation for solicitors. Include a sample greeting and an organizational fact sheet.
- Check regulations regarding charitable solicitations in your chosen area(s) and always obey local laws. Provide a copy of solicitation permits and agency ID to all solicitors, as applicable.
- Give contributors a receipt. Give everyone you contact a leaflet or other visual reminder about your organization and your fundraising purpose.
- Use every opportunity to send follow-up letters, e.g., new programs, achievement awards, research findings.
- Keep a record of each contact for future reference, according to whether they are hot (current giver), warm (former giver) or cold (new contact or refusal).
- Weigh time and expenses in relation to value received, i.e. money and visibility—for all solicitation methods. Allow time for success, but watch for danger signs. Quickly revamp or drop obvious losers.
- Say "Thank You."
- Dare to be different. Compare your plan to others you know to be successful. Be creative. Be true to your purpose. Remember, the simplest approach can sometimes be the most effective.

Door-To-Door Canvass

The more direct and personal a fundraising method, the more effective. This puts door-to-door canvassing at the top of the list. But it isn't right for every organization. To be successful, a door-to-door campaign must be well staffed by paid or volunteer solicitors. Your cause should have wide appeal. And you must be willing to commit a great deal of time to planning and management, possibly year-round.

The results can be rewarding. Though frequently gifts may be small, there will be many of them. And you will be creating grass roots awareness of your organization. People remember the causes they support, regardless of the amount they donate.

Phone-A-Thon/Telethon

Less direct than door-to-door, a phone-a-thon nevertheless permits a personal appeal for contributions. Volunteers are recruited to donate a set number of hours or days for telephoning potential givers. Respondents who pledge a gift are mailed a thank you letter and invoice listing the amount promised. Follow-up calls are made to those not honoring their pledges within a specified time period. Thank you notes are sent when pledges are received.

Phone-a-thon costs are relatively small, and results usually profitable. You may be able to find a business willing to donate office space, telephones and other needed equipment. This method requires a firm commitment of volunteer time and good organization.

A telethon is a televised phone-a-thon. Rather than phoning prospects, volunteers wait for viewers to call them following regular on-air appeals, usually by celebrity guests.

Before you consider a telethon, be aware that it is a major event that requires tremendous time and resources. Television time must be donated or purchased. Celebrities must be booked. Most telethons raise a majority of their pledges ahead of time, and use the event to announce the gifts—for visibility and to inspire new prospects.

Direct Mail

Less personal than the canvass or telephone, direct mail still offers individual communication with prospective donors. An organization develops a mailing list, writes a form letter, and mails it, bulk rate.

It sounds easy. But there are drawbacks. Direct mail is expensive, involving printing, paper, postage and staff time. It has a low rate of return—only one percent of the initial mailing. It requires thorough planning and follow-through. But it's an excellent way to reach large numbers of people, some of whom will become regular contributors; a few others, major givers.

Direct mail had been refined to an art and a science. There are excellent books detailing everything from how to develop a mailing list to how to choose the most effective paper color and format. After you've done your homework, contact another nonprofit that has conducted a direct mail campaign. Most will share dos and don'ts. There are also professional mail services.

Canister

The canister offers advantages of both direct and indirect contact. Among its numerous variations are the Salvation Army Christmas pot and collection cans at traffic intersections. All make a personal appeal for support, while increasing the organization's visibility. A stationary canister, placed near a busy cash register or other high traffic area, reminds discretionary spenders of your cause and need.

Though relatively simple, this fundraising method still requires good organization and commitment.

Payroll Deduction

Getting to the money before your contributors is the philosophy behind employee payroll deduction programs. Make it easy for the employee to give, easy for the employer to collect, and in theory, you have easy money. But it isn't that simple. The competition is stiff, and most employers prefer to collect for a single organization rather than for many. However, due to high profitability, you should consider at least one of the following payroll deduction options:

Federation Membership

United Way is the best-known payroll deduction federation. Member organizations agree to limit individual fundraising in favor of group solicitation. United Way handles all solicitation, collection and allocation, reserving a percentage of funds raised for administrative expenses. Volunteer review committees allocate money to member agencies.

The advantages are obvious. Both employers and members save on administrative costs. However, there are disadvantages. Membership isn't guaranteed. Some federations have been criticized for being slow to add new organizations. Allocations aren't always sufficient to make up for restrictions on individual fundraising. Still, federations continue to be a mainstay of individual donations.

Contributor Choice Program

Until recently, only member agencies could receive federation funds. However, some United Ways have instituted a Contributor Choice Program that permits donors to contribute to qualified non-member agencies. The program allows greater personal choice in giving, and therefore encourages broader-based donor participation. It also reinforces the idea of regular giving.

In southwestern Pennsylvania, the program works as follows. The United Way distributes pledge forms, upon request, during its regular annual campaign. Employees may designate all or a portion of their gift to a particular qualifying nonprofit health and human services organization, or to a specific community need.

Contributor Choice agencies must do their own soliciting. Due to employer resistance to multiple solicitations, many nonprofits contact potential givers through direct mail, flyers, personal contacts, union and employee meetings, and other methods. Prospects include members, directors, patrons, clients, volunteers, others associated with the organization, and the community at large.

Participating agencies generally report profitable returns. Contributor Choice is on its way to becoming one of the basics of a comprehensive fundraising program. Contact your local United Way office for details.

Do-It-Yourself Deduction Program

If participation in an existing federation isn't feasible, a nonprofit can start its own payroll deduction program. You can act independently, or form a coalition of nonprofits (federation). It won't be easy, but it is possible. Though many employers restrict payroll deductions to one organization, there are those who don't.

Start with employers sympathetic to your cause. If refused, be courteous, and go to the next prospect on your list. Include local colleges, small businesses and government offices. Be prepared to knock on many doors, and be persistent. An employer who can't make a long-term commitment may be willing to help once.

Once you locate a willing employer, recruit an employee to coordinate the campaign at the work site. Provide brochures, posters and other promotional materials. Schedule speakers and slide shows for different departments and employee groups. Arrange to have contributions collected through the employer's personnel office.

Matching Gifts

Many companies encourage employee support of nonprofits through a matching gifts program. Details vary, but employers generally match worker contributions according to a set ratio, such as one or two to one, up to a specified maximum. There may be minimum amounts eligible for matching. The program may be open to retirees, directors and spouses, in addition to active employees.

Example:
Through Mellon's Gift Matching Program for Education and the Arts, employee donations are made to a broad array of organizations including high schools, colleges and universities, libraries, museums, historical societies and public broadcasting services. In 1998, Mellon and its employees donated over $603,000 to some 1,500 educational and cultural organizations.

In addition to cash gifts, some employers match the cash value of employee donations of real estate, stock, art and life insurance.
A few companies match payroll deductions. Some companies contribute to organizations where their employees volunteer time, based on a dollar/hour formula.

Example:
One of the ways in which Mellon honors its volunteers is through a Volunteer of the Month program. Winners receive a check for $500, payable to the organization for which the winner volunteers.

Matching gifts have traditionally gone to educational institutions, but the door is opening to include cultural, health-related and social service groups. Many experts see this area of giving as a rich, largely undiscovered resource just waiting to be tapped. It's particularly attractive to employers who want to extend their philanthropy to communities beyond headquarters locations.

Though the potential is great, there are challenges. Contributions must be solicited through the employee. This should be done on an ongoing basis, through regular communications with members, contributors, directors, volunteers, clients, customers—everyone associated with your organization. There are, however, occasions when you should contact the company directly: to initiate a program, to expand an existing program to include your organization, or to encourage increased company participation through a change in giving ratios.

A few additional clues:

- Get a list of matching gift companies from the Council for Advancement and Support of Education (CASE).
- Print a brochure or other listing of matching gift companies. Distribute to potential donors.
- Promote matching gifts at every opportunity, e.g., newsletter, direct mail, phone-a-thon.
- Acknowledge gifts to both the employee and company.
- Keep accurate records of gifts—pledged, received and outstanding. Keep in mind that some companies send matching gift checks out weekly, while others may only do so quarterly or twice a year.

Annual Giving

Every organization needs a core of loyal supporters who can be counted on for a gift every year. These givers usually are developed over a period of years and include individuals and companies.

Once a year, the contributor is sent a personal letter requesting a pledge for a specified amount. The pledge may be paid in a lump sum or in payments. Thank you letters are personalized and signed by the board president. Regular contact is maintained to keep donors informed of the organization's activities and need for continuing support.

If a gift is substantial, the contributor may be honored with a special award. Inexpensive, creative reminders of the nonprofit's purpose often are the most valued.

Organizations differ on what constitutes an annual campaign and the best time to solicit, but there are some basics to remember:

- Set a fundraising goal and collection deadlines based on your annual budget.
- Review donor records to determine if and how much pledge requests should be raised over the preceding year.
- Don't take anyone for granted. Thank contributors for past support and explain why you still need them.
- Add new prospects to your list regularly. Possibilities include directors, other contributors, corporate and business contacts. Ask community and religious leaders, bankers and estate attorneys for recommendations.
- Maintain regular contact with contributors through newsletters, annual reports, progress reports, invitations to special events, phone calls and personal visits.
- Remember that everyone is a potential major giver. An annual pledge of $10 monthly is $120 per year.

Memorial/Tribute

Many nonprofits benefit from the custom of honoring a friend or loved one with a memorial (deceased) or tribute (living) contribution. Though not a mainstay of support, these gifts provide unrestricted income and increased community visibility.

Memorial and tribute donations can be solicited through reminders in newsletters and other regular communications with members and friends. Suggest occasions for making tribute gifts, e.g., birthday, anniversary, retirement.

Send acknowledgments to both the contributor and the person or family of the person in whose name the gift has been made. Some organizations also publish memorials and tributes in newsletters or annual contributor reports. Naming a special fund, room or section of a building after the person in whose name the gift has been made is a common way of recognizing a major memorial or tribute gift.

PLANNED GIVING—*Where there's a will, there's a payday.*

As noted earlier, 8% of all charitable giving in America comes from bequests—gifts received at a donor's death. (Corporate donations only represent 5%.) Yet many nonprofits avoid the area of bequests and other planned gifts due to fears of high costs and the loss of regular contributions needed for daily operations.

Though a planned giving program can be costly to implement, experience shows it more than pays for itself for most organizations. Rather than siphoning off regular donations, it encourages increased giving, for the present and the future. It helps build a solid financial base, decreasing vulnerability to changes in the economy. Planned giving should be part of every serious development program.

Stated simply, planned giving is the making of charitable gifts through wills, trusts, gift annuities, life insurance, securities and real estate. Though sometimes called deferred giving, not all planned gifts are deferred. A brief description of the most common planned gifts follows.

Bequest
A gift made to a charity through a donor's will.

Life Insurance
In addition to death benefits, a nonprofit can be assigned annual policy dividends, annuity payments, maturing endowments and cash surrenders.

Charitable Trust
Money or property given in trust to a charitable organization, in return for tax benefits and a fixed dollar or percentage income for the donor's lifetime, or as otherwise specified. Trusts can be short-term, and are irrevocable for the term of the trust. All have the potential for producing regular income for the nonprofit, over and above the amount reserved for the donor.

Charitable Gift Annuity
Cash or securities given in exchange for a fixed amount of annual income and tax benefits.

Pooled Income Fund
A trust formed with assets from several different donors. Each receives a pro rata share of income based on the amount given.

Life Estate Contract
Real estate donated in return for tax advantages and the lifetime use of property by the donor.

Securities
Stocks and bonds donated outright in favor of reduced taxes.

These planned gifts may sound alike, but they have distinct differences, and complex variations within categories. Each type of gift offers special advantages based on tax laws and donor needs.

This is where cost enters in. A comprehensive planned giving program requires expertise in estate planning and law, taxes and investments. It's advisable to have a staff person just to solicit and manage planned gifts. This is in addition to a development director.

The organization director, with the help of volunteer experts, can initiate a planned giving program on a smaller scale. In time, with strong board of director support, you can have a full-scale program. Any planned giving program will take from three to five years to show significant results.

Begin with research. Get all the facts and figures and sell the idea to your directors. Then develop a marketing plan, keeping in mind the following clues:

- Survey present contributors to establish a general donor profile. Most planned givers come from the top three percent of regular donors, but there are always exceptions. A small contributor may be rich in property or securities, and thus a prime prospect. These and similar considerations should determine what kinds of gifts your donors are most likely to give. Solicit accordingly.
- Promote the idea of planned giving. Stress the importance of will and estate planning in your newsletter, on your Web site, or in other appropriate communications. Follow up with articles about the planning services you offer, changes in tax laws, and other giving updates. Announce important gifts received.
- Solicit regular contributors—your prime prospects—through direct mail, special fundraising newsletters and brochures, telephone calls and personal visits.
- Periodically contact local life underwriters and estate attorneys. Remind them of your willingness and ability to help solve their clients' estate planning needs.
- Offer will and estate planning workshops. If individualized attention seems appropriate, suggest personal consultation, including visits to the home or attorney's office.
- Once an individual becomes a planned giver, maintain regular communication. Recognize special contributors through an annual dinner or other social event.
- Publicize significant gifts on your Web site and through news releases, with donor permission.
- Cultivate associations with planned giving experts such as attorneys, financial trust officers, investment brokers, CPAs, tax specialists and insurance underwriters. Most willingly share general information, if you don't ask too often.
- Be smart about investments. If you lack expertise, get it from paid or volunteer consultants. Trust management can be arranged through a financial institution or management firm.
- Never underestimate a donor's potential. Many regular contributors, large and small, can give now for the present and future. Show them how to do it to your mutual benefit, and they're likely to share the good news with friends, thus creating new prospects.

Because planned giving is such a vast, complex resource area, it's imperative that you do extensive research before starting a program. With patience, persistence and planning, you'll be rewarded with a substantial payoff.

ENDOWMENT/FOUNDATION—*The gift that never stops giving.*

Some nonprofits take planned giving one step further and establish their own internal endowment or foundation. Large and small contributions are pooled in a single fund and invested—ensuring permanent interest income.

Growing numbers of nonprofits are developing such funds. Donors enjoy knowing that they're helping to perpetuate a favorite charity. Organizations gain important protections against the loss of funding in certain government contractual agreements.

Like planned giving, the creation of an endowment or foundation involves complex legal and financial issues. It should be undertaken only after extensive research and planning.

GRANTS—*The grand obsession.*

Somewhere in America, some time ago, someone must have started the rumor that grants are the solution to every nonprofit money problem… because many nonprofits allocate a disproportionate amount of time and money chasing grants, when they should be pursuing renewable resources.

True, a few grants are renewable, and grants play a vital role in the funding of America's nonprofits. But they can't possibly live up to everyone's expectations. And grants aren't easy money. The competition is getting tougher, the criteria more explicit and grantors more discerning.

Still, there's a time and a place for grant solicitation. Before beginning the search for grant funds, however, it's essential to understand grants and their purposes. A grant is money given in return for action promised. A grantor agrees to give a specified amount only on the condition that the nonprofit use it for a designated purpose. Though names and descriptions vary, a brief summary of the most commonly known grant types follows:

Capital
Usually made to established organizations to meet future service demands. Includes funding for land acquisition, building construction and equipment purchase.

Challenge/Matching
The pledge of a specified sum, to be paid only if the nonprofit raises an equal or otherwise designated amount.

Conditional
Similar to a challenge grant, but the grantee must satisfy some condition other than matching funds.

Earmarked
Grant made to a third party for use by a nonprofit just getting organized and that has applied for 501(c)(3) tax-exempt status. Allows the grantor to meet contributors' requirements, and still help an organization it believes in.

Endowment
Funds donated for investment to provide a nonprofit with regular income.

Funding Crisis
Grants to nonprofits experiencing unexpected or temporary financial problems, including cash reserve, debt reduction and emergency grants.

General Support/Unrestricted
The most liberal of grants, funds may be used for a broad range of organization needs, including general operating—usually at the recipient's discretion.

Research
Grants for medical, educational and other types of research and associated research activities—from special projects to the construction of a research facility.

Seed
Start-up funding for a new program or organization. Sometimes renewable.

Technical Assistance
Grant awarded to a nonprofit or to a third party to provide needed services (see Chapter 6, Services).

After deciding what kind of grant you need, discover where to get it. There are a number of possibilities. Though the best known grantmaker is the private foundation, other types of organizations, including corporations, government agencies and religious organizations also offer grant funds.

Foundation
A foundation is a nonprofit organization created for the purpose of establishing or maintaining charitable, educational, religious, social and other activities for the common good. Because foundations enjoy special tax privileges, they are required to donate at least five percent of the market value of their assets to charitable causes.

It's important to note that there are various *types of foundations*. Know the differences before making a grant request.

Independent/Family Foundation
Usually funded or endowed by a single source, such as an individual or family. Sometimes limits support to special purposes, such as the founder's designated cause or charity.

Company Foundation
Funded by profit-making companies for the purpose of corporate giving. Often responsive to grant requests from organizations who: serve employee needs; conduct research in company-related areas; and organize community projects located near company headquarters, plants or branch offices. Typically give a large number of small grants.

Community Foundation
Funded by gifts and bequests from many sources that want their contribution to benefit a particular city or region. Gifts may be restricted to a specific agency or field of service.

Operating Foundation
Generally established by a nonprofit to fund its programs. External grants are unusual.

For more information on foundations, see the Foundation Center listing in the Resources section.

Corporation
Not all corporations have company foundations to channel their charitable giving. Even those that have foundations often reserve part of their gift dollars for direct allocation by the corporation.

The grantmaking process differs from company to company. In most cases, there is a contributions committee comprised of the chief executive officer and other senior management. It may meet monthly, quarterly or annually. Some corporations give preference to organizations recommended by branch managers, or charities in which their employees are actively involved. Learn who does the staff work and ask for criteria and deadlines.

Community Organization
Civic, service and religious organizations are good prospects for small grants. The Jaycees, Junior League, Rotary and auxiliaries are prominent examples. Contact usually is made through the local president or other leader, though some requests may be referred to state or national funding levels. Most likely to be funded are programs that provide for a known community need.

Government
Despite periodic changes in funding policy, government is still big business. Government continues to make grants—large and small—to nonprofits with creative ideas and aggressive follow-through. Though the emphasis may shift from federal to state or local offices, public funding is available for those interested enough to track it down.

Bank Trust Departments
Banks and other financial institutions manage an impressive number of trust funds of all sizes. In some cases, the investment income is pre-designated for a specific purpose. In others, there may be more freedom for dissemination to charitable causes.

The decision-making process differs, but typically includes the donor, family members and possibly a trust officer. A phone call or visit to various trust officers should result in a listing of trust funds and eligibility requirements.

THE GRANTSEEKING PROCESS—*Looking for funds in all the right places.*

Learn as much as possible about grants and grantmakers to increase your opportunities for success. They vary almost as much as grantseekers do. Some discovery clues follow:

- Research potential grantmakers thoroughly. Use the library, chamber of commerce, local business and organization directories, yellow pages, government development and program offices, and the Internet. Put your ingenuity to work.
- Regularly review grant publications and periodicals. Some of these are listed in the Resources section. Others can be found at the library, bookstore, or on the Internet.
- Request an annual report and funding guidelines from prospective funders. Review interests and requirements. Note special restrictions and application guidelines and procedures. List the best prospects.
- Make an informal inquiry, by phone, letter or e-mail to the top prospects. Briefly describe your organization and need. Offer to send a formal funding proposal. Schedule a preliminary meeting to discuss proposal basics.
- Be realistic about the amount you request. It enhances your credibility and chance for success.
- Be aware that some grantmakers expect to be consulted in the early stages of project planning. This is particularly true of major project sponsors.
- Keep trying. If at first you don't succeed, go to the next grantmaker on the list. Some projects require multiple grants, thus simultaneous submissions to several grantmakers. Most funders appreciate knowing about all outstanding proposals.
- Don't limit yourself to local funding sources. If your proposal is unique, or of national significance, approach major, national grantmakers.
- Send proposals only to grantmakers expressing an interest in the project. Grant applications greatly exceed available funds and staff review capability. Repeated submissions of inappropriate requests may cause reviewers to pass over your proposals for those they know to be on target.
- Consider sharing a grant with another nonprofit. Grantmakers have long joined together to fund community projects. Creative nonprofits are gaining their support by doing the same.

Example:
In Boston, the Mellon CityACCESS program links five organizations—The New England Aquarium, The Museum of Fine Arts, The Wang Center for the Performing Arts, The Museum of Science and The Children's Museum—with over 50 community-based organizations to augment their outreach initiatives. Mellon's sponsorship underwrites admission and transportation to performances as well as workshops and exhibitions at the five institutions for more than 8,000 young people each year.

- Get to know the people who make the decisions and let them get to know you. Take advantage of networking opportunities.
- Good research, followed by a good proposal, will gain you consideration. A great proposal, supported by appropriate communication with the grantmaker, may get you the grant. There are numerous books explaining how to write a grant proposal. Read several. Use them for reference, along with grantmaker guidelines, as you prepare your request. Though criteria vary, most grantmakers expect a proposal to include the following:

  —Cover Letter

  —Proposal Summary (Abstract)
  Limit to one page and include the amount requested, total budget, project purpose and planned results.

  —Introduction to Organization
  History, general purpose, goals and objectives, accomplishments, service area and population served.

  —Statement of Problem or Need

  —Project Goals and Objectives

  —Staffing Requirements
  Job descriptions, resumes, recruitment and training plans.

  —Project Implementation Method and Schedule

  —Evaluation Criteria and Procedures

  —Itemized Budget
  Program and operating costs, other sources of funding.

  —Future Funding Plans

  —Appendix
  Support documents, including tax-exempt status letter, board of directors listing, annual report, current operating budget, audited financial statement, recent and current funding sources (cash and in-kind), and community support letters.

Despite the volume of information required, keep the proposal brief and to the point. Don't beg. You have a legitimate need, prove it. Grantmakers want to know how their money will benefit the community, economy and their special interests. Tell them clearly and concisely. If you have an emotional story to tell, do it in the appendix, or on a follow-up visit.

Submission of the proposal is not the end of your involvement. There are several ways to remain active in the grantmaking process and enhance your chances for this and future grants.

- Two to four weeks after submitting a proposal follow-up with a phone call. Offer additional materials in support of the project. Arrange a personal visit to the grantmaker for further discussion. Invite the grantmaker to visit the site of the proposed project.
- Many corporate and foundation grant decisions are made by a board of directors or contributions committee. Learn when they're meeting and call the day before to provide additional last minute details.
- Grant decisions can take from a few weeks to more than a year. Plan accordingly and be patient, but persistent, in checking your proposal's progress.
- Upon acceptance, remember to say "Thank You."
- Unless the donor wishes to remain anonymous, mention donations in your newsletter and other communications. Announce major gifts through a news release and on your Web site, with donor permission.
- Keep grantmakers informed of your continuing success. Send donors regular progress reports on the funded project and other major activities.
- Acknowledge rejections with a thank you letter (for consideration).
- Keep detailed records of all grant activities, including contacts and payments. Make an activity schedule for report deadlines and follow-up calls. This is particularly important for campaigns of long duration, such as a capital fund drive.

PROGRAM-RELATED INVESTMENT—*Getting credit for your good work.*

The next best thing to an outright grant is a program-related investment (PRI). Stated simply, a PRI is an equity investment, loan or loan guarantee made by a foundation to serve a charitable purpose. It is sometimes called a social investment. Unlike grants, PRIs must be repaid, sometimes with the addition of a low interest rate.

Though PRIs vary by type and complexity, a majority support low-income and minority community development programs. Others include temporary advances to educational or cultural institutions for projects expected to become self-supporting, and the purchase of stocks in a for-profit business that uses the money for charitable purposes. PRIs often are used to leverage broad-based community support for projects that otherwise might seem too risky for a single funder's involvement.

Strict regulations govern the making of PRIs. Foundations must prove that the money is being used only for a charitable purpose, and that the recipient could not have secured funding through normal financial sources. Despite this and other complications—and the risk of non-payment—an increasing number of foundations are making PRIs.

SPECIAL EVENT—*One for the money, two for the show.*

Overrated, underrated - special events have the distinction of being both. Overrated because special events are hard work, even when they fail. Underrated because they offer much more than money. Community visibility and involvement, new donor prospects—special events have the potential to keep you in the public's eye and budget.

With the increasingly competitive nature of nonprofit fundraising, no organization can afford to ignore special events. The challenge is to find the right event—and the possibilities are endless. Art shows, athletic events, auctions, benefit performances, cocktail parties, dances, dinners, excursions, flea markets, galas, holiday events—through every letter of the alphabet there are countless ideas.

Choosing the right event is just the beginning. You also need dedicated staff and/or volunteers, at least a minimal operating/promotional budget, and good organization. Hard work isn't enough. Therefore, it pays to do thorough research and planning before undertaking any special event. You might also want to remember the following clues:

- Allow plenty of lead-time for planning and developing community support. Too many great ideas fail due to poor timing and organization. A year in advance isn't too soon to start on major events.
- Be creative. Choose an event that relates to your good work. Or, take advantage of current events. Caution: you need strong organizational skills and volunteer support to cash in on "in" events.
- Develop a budget and a planning schedule—and stick to them. Keep detailed records of contacts, expenses and receipts.
- Recruit volunteers to form a central planning committee. Get them to ask friends to serve as workers.
- Seek broad-based community support. This can vary, depending on the event, but there are numerous ways to involve students, businesses, employee groups and civic organizations. Ask them to be sponsors, participants and underwriters.
- Annualize your most successful event. Turn it into a major fundraiser.
- Ask community groups to sponsor special events for you.

Example:
One extremely successful example of community-wide support for a nonprofit through special events is the ongoing campaign for the Children's Hospital of Pittsburgh. Countless individuals, businesses, and community groups try to out-do one another year after year—raising millions of dollars annually through creative, fun, grass roots events. This type of support didn't happen overnight, however. It took years of ongoing awareness and development efforts by Children's Hospital.

- Publicize your event. If you have a Web site, use it to generate excitement for your event, and to provide useful information such as time, date, location, etc. Also use posters, flyers, bulletin board notices, newsletter announcements, public service announcements on radio and TV, announcements in employee or civic group publications, feature stories in local papers, and any other clever promotional method you can think of. Don't forget to ask for pro bono services from advertising and public relations firms.

- Include time for fun in your planning. Though most people participate for the cause, they're more likely to help again if they've had a good time.

- Show appreciation. Consider rewarding workers and top money raisers with an inexpensive memento of the event, such as a T-shirt.

- Learn from your mistakes—and successes. Evaluate each event according to its visibility, cost, difficulty level and effectiveness at raising funds. Determine how to do it better the next time. Get rid of events that consistently lose money, or bring too little return for the effort.

Everyone has money. It is for you to develop the resources mentioned here, as well as others you discover on your own, to meet your organization's financial needs. As you progress, keep in mind the following major points:

- *Know your organization*—who you are, what you do, why you're needed and what you need.

- *Know potential funders*—who they are, why they give and what they expect in return.

- *Be creative and organized*—great ideas supported by thorough planning rarely fail.

- *Learn to share*—ideas, techniques, solutions to mutual problems.

- *Be courteous*—corporations, businesses and institutions don't give money, people in them do. Don't neglect the personal touches.

The final, most important, point is this: money isn't everything. For long-term success, you must integrate financial resources with other community resources—people, goods and services—into a program that makes the most of total resources.