MAKING MORE THAN MONEY

A GUIDE TOWARDS ORGANIZATIONAL SUSTAINABILITY

by Peggy Morrison Outon

Foreword

In April 2001, Peggy Morrison Outon and I arrived in Alcoa, Tennessee. We were there for the first of what would ultimately be eight visits to Alcoa communities throughout the Western Hemisphere—Alcoa, Tennessee; Evansville, Indiana; Point Comfort, Texas; Alle-Kiski Valley, Pennsylvania; Cleveland, Ohio; Richmond, Virginia; Kingston, Jamaica; and Louisville, Kentucky—in the *More Than Money* series. We came to talk about an issue of widely shared concern: In an ever-more complex world, how could nonprofits develop strategies for long-term sustainability?

Peggy and I brought our perspectives and ideas; over 450 workshop participants added their own insights and experiences. As we traveled, it became clear that we'd be well served to capture this learning in a practical guide. Our presentations sought to kindle a deeper understanding and renewed determination to take on the task of broadening support for vital nonprofit programs and initiatives, an effort that requires systematic and steady work. The book would allow workshop participants to refresh their memories as they put new strategies in place. It would also serve as a means to share our thinking well beyond the eight communities we personally visited.

It often seemed that the nonprofit leaders we met were weathering different levels of change and new community challenges wherever we went. Their resilience and resolve were heartening. Their search for solutions was so encouraging. Sustainability remains the core issue they and the nonprofit sector face in their efforts to create even greater social good.

This was a rich collaboration. I hope that you will gain as much from this book as Peggy and I gathered in the journey of creating it. On a personal note, it was a privilege to lead Alcoa Foundation during a time of rapid change and to participate in the evolution of a global resource that seeds good work and fosters meaningful partnerships. The people I met and the work they do every day continues to inspire. I have logged more miles than I could count in memorable visits with hundreds of nonprofit leaders throughout the world. Upon my 2006 retirement from Alcoa Foundation, I left this institution in the care of the next generation of Alcoans who will form their own meaningful community partnerships.

As communities throughout the world work towards lasting change, I believe this book can be a useful tool. Read the essay, but pay close attention to the worksheets and questionnaires at the back of the book. They are powerful guides as you build your organization.

Warm regards,

Kathleen W. Buechel

Note: *Kathleen W. Buechel retired from Alcoa Foundation in 2006 and is now a Visiting Practitioner at the Hauser Center for Nonprofit Organizations at Harvard University.*

COMMUNITY

THE WORK THAT EACH OF US IS DOING IN OUR COMMUNITY IS OF VITAL IMPORTANCE.

Making *More Than Money*

Americans gave $260,000,000,000 to charity in 2005. $260,000,000,000! We are an extraordinarily generous people, and this figure represents an incredible success story for the non profit sector. If you follow these numbers, you know that in 1995, just eleven years ago, that amount was $145 billion. More than $100 billion less. We have been seeing extraordinary generosity on the part of all of our citizens.

Of that amount of $260 billion, how much goes to churches and religious organizations? Well, it's well over a third of all of the money given. But the percentage of dollars being given to churches has steadily eroded over the last 20 years. It used to be that churches got 50% or more of every dollar given to charity. As the number of charities has increased, and as the sophistication of fundraising has increased, those dollars have been given across the board to health and human services, to the environment, to the arts, to education—a variety of different causes.

While $260 billion is a staggering figure, we also know that of the more than 20 million nonprofit and non-governmental organizations throughout the world, only 5% are adequately funded. I hope that each of you close this book with a fire in your belly to see that your organization is one of those 5%, and that in fact this number becomes 50%, then 75%—and that someday 100% of all nonprofits will be adequately funded.

The work that each of us is doing in our community is of vital importance. We must have adequate resources to do it well, to be proud of it, and to make a better world for our children.

So how do we adequately fund our missions? Let's take a step back first.

PLANNING FOR FUNDRAISING SUCCESS

Before we talk about fundraising—bringing in dollars for a cause—it is important to think about mission and how leaders guide their organizations toward meeting some very ambitious goals for deep and lasting change.

Management guru Peter Drucker and his colleague Frances Hesselbein articulated key principles of transformation in leadership, and among those principles is the quality of anticipation. I have had the great good fortune to serve on the international training team for Peter Drucker's Leader to Leader Foundation, and to study his mind as he thinks about the nonprofit world. Drucker has said that this is the century of the social sector, and that we are living through yet another huge societal shift.

Think about the time of Columbus, massive changes occurred because of the enormous amount of exploration. The world became *so much bigger*. At the time of our American revolution, it was a new era of government and the creation of philosophies that shape our lives, and shape increasingly the lives of those all around the globe. A time again of a massive change, a *huge shift* in the way the world was constructed.

Since the 1970s, we have been living through the age of information, the age of knowledge workers. In fact, most of you reading this book are knowledge workers. Louis B. Mayer, head of Hollywood's MGM studios in the 1930s and 1940s, once said, "Our inventory goes home at night." The same goes for us. We are working in organizations where people's brains and hearts are our inventory.

We live in an age of knowledge workers, which is changing our world in myriad ways. The impact will change how we plan, how we operate, and how we seek funds for our work.

A second principle of transformation, is to scan the environment for what is visible but not yet seen. Wayne Gretzky said, "A good hockey player plays where the puck is. A great hockey player plays where the puck is going to be." Recently, I took a class on managing change. One of the things they talked about was the critical skill that we used to call problem solving. Now some call it puzzle solving, which—if you think about it—is a more accurate term. We take a lot of disparate elements and put them together in a hypothesis that serves our organization.

What's going to happen next year with government funding? Does anybody know? A lot of us care!

What's going to happen as we become increasingly global in our thinking? Remember what happened after the 2004 tsunami. We became one family, all across the world.

Drucker and Hesselbein go on to urge us to ban the hierarchy. Let's use no language of "up" or "down," but think in terms of dispersed leadership pools. Many of you are educating and inspiring people throughout your communities who are now leading their block, leading their school, leading their church. These citizens are coming together with power to affect change for the positive. Let's challenge the gospel of the status quo.

And, if you take nothing else from this book, take this: practice planned abandonment. Jim Collins, who wrote *Built to Last* and *Good to Great*, talks about creating a "stop-doing" list that is at least as important as your to-do list. "A stop-doing list!?!," I can hear you say. Nonprofit organizations never stop doing anything! We just add another program, we add another service, we take on some more people, we add and add and add until we're squashed flatter than a bug.

We have a very hard time failing in the nonprofit sector. We're penalized for failing, and we all know it. I have a good friend who runs a nonprofit support center like mine, and he tells me that he used to conduct Failure Days. He'd get a group of nonprofit executives together. To make it work, he'd have to set things up so that someone would speak first and tell a *terrible* story that was really embarrassing and difficult to deal with. But by the end of the meeting, people were jostling with each other to tell failure stories, because it was so liberating.

Sometimes we try things and they don't work. If we learn from those experiences—better yet, if we can teach from them—it's okay. Of course we will sometimes fail. We have a sector that is as risk-averse as any area you can imagine. We shouldn't sweep our failures under the rug. We need to put these experiences to work for us. We need to be willing to speak our truths in ways that help other people.

Think about what is no longer productive for you and stop doing it. Move on to the things that will return, for the people you serve, the greatest good.

Think about what is no longer productive for you and stop doing it. Move on to the things that will return, for the people you serve, the greatest good. *Stop doing.* Write it on a Post-it® and stick it where you can see it.

One of the things Drucker says that I find inspiring is, "Be number one or number two in your field, or get out." It's about excellence in performance. It's about aspiration for value. It's about doing it better than anyone else so the people you serve get a better product. When we start talking about how we should think about our organizations and how best to plan, this is what it's all about.

Nonprofits face a multiplicity of bottom lines. Of course, one bottom line is money at the bottom of the page. But "nonprofit" does not simply mean that we end the year with a little money in the bank. It means what we do with our money is to advance our mission and to serve others. We should budget for surpluses, and then see how that money can be put to the best and the highest use. That's our second bottom line.

But our true bottom line, as we all know, is changed lives. Lives that are changed for the better. Lives where hope has come back into people's hearts. Lives in which people have learned things, grown, been humanely and justly treated. Lives changed for the better are the real bottom line for nonprofit organizations.

PLANNING TO PLAN

The leadership skills and qualities—anticipation, seeing the visible but not yet seen, banning the hierarchy, practicing planned abandonment, and aiming to be the best in your field—are universal. But fundraising is specific—specific to your mission, and specific to your organization.

In Appendix 4 (page 30), you'll find "Creating a Comprehensive Road Map for Your Organization," which argues that strategic planning plus strategic marketing equals changed lives and financially sustainable organizations. Following that are some key Drucker planning questions, beginning with, "What is your mission?"

Drucker tells us that your mission statement should fit on a t-shirt. More important, it must be memorable and inspirational. There's a tendency to wordsmith our mission statements to death. Words are important but, more critically, do all the stakeholders understand and embrace a mission statement that acknowledges your organization's strengths and opportunities? Does that statement clearly articulate the change in the world that your organization is working towards?

Next comes, "Who is our customer?" Some of you may say, "We don't have customers, we have students. We have clients. We have beneficiaries." Drucker tells us that when there is an exchange in value, there is a customer.

It's important to know what people say and think and feel about your organization, and there's really no way to find that out except to ask them.

You need to identify not only your primary customer, but also your other customers. In the case of my organization, the Bayer Center for Nonprofit Management, our primary customer is you: nonprofit staff and board leaders who are seeking to improve the performance of your organization.

We also have a host of supporting customers. Our funders, of course, are of vital importance in our ability to achieve results. They epitomize the definition of a supporting customer. We also have partners. We have volunteers. We have a board. We have people who used to be part of our organization. We have referral sources. The supporting customer list is usually long, very complicated, and vitally important to your organization. You need to have a conversation about primary and supporting—notice: not secondary, but supporting—customers.

The third Drucker question is, "What does your customer value?"

I shake my head to think of all the strategic planning sessions I've led where we sat in a room and reinforced each others' assumptions. One of the things I love most about using Drucker's model is that it forces us to ask questions of other people to find out how we're perceived. It's important to know what people say and think and feel about your organization, and there's really no way to find that out except to ask them. You can ask a lot of people, but if you ask even a few people you'll be smarter than you are right now, because you'll know how other people see your organization.

Does anybody want or need what we have? Is what we're proposing to do going to be well received? Will it be considered useful? And oh, here's that question again—remember the one I want you to take away with you?—should we *stop doing* something? Is there something that others in the community are now doing enough of, so we no longer need to be in that business?

The fourth question is, "What are our results?" You must be able to articulate your success to satisfy many stakeholders, but especially to demonstrate that donated funds are well used. You must make a determination that you are using the resources at your command because that's where they need to be used. The only way you can justify that to anyone, including yourself, is to know something about the outcome of your work and where you are affecting change for the better.

That also leads you into your budget analysis. The Bible says, "Where your treasure is, there will your heart be also." Your budget is as clear a plan as many organizations ever write. It tells what you intend to do and how you intend to pursue your work. So think long and hard—do you have all of the kinds of support that you possibly could hope for when you make your budget? I work with my clients to expand their horizons and think about new sources of revenue.

In this five-part schema, the fifth and final question is, "What is your plan?" So many people walk into my office and say, "We need a strategic plan," and I ask, "Okay, what do you know about your organization?" As if I hadn't spoken, they continue, "We're ready to start writing goals and objectives," and I reply, "No, there's a lot we need to talk about before you know that you'll write the right goals and create the right kinds of objectives."

"What is your plan?" comes at the end of the planning process, not at the beginning. By the time you write down what it is you plan to do, you need to have a whole lot of information. What do you care about? What are your core values? Who are you serving? What do they need and want from you? What are the changes and effects and results you are seeking to create? How are you going to accomplish them? That's how this road map works.

Each one of you, paid staff or volunteer, operates on behalf of the whole community. If you look back to the first thing that you had to fill out for the IRS, it talks about a broad base of community support. We are community trustees wherever we sit, and we work on behalf of the community. So this road map has to work for a large group of people.

BOARDS AND FUNDRAISING

Few conversations about fundraising don't involve talk about our boards of directors, and some of those conversations aren't very pretty. This book isn't about governance, but I will note that many of our challenges begin with the expectations of new directors and our criteria for selecting candidates.

Have you read *The Tipping Point*, Malcolm Gladwell's wonderful book that came out a few years ago? My kids often tease me and say, "Oh, Mama, you think everything is about nonprofit organizations!" And I guess they could be right. But when I read *The Tipping Point*, I was struck by the types of personalities that Gladwell identified as catalysts for ideas—the people who make ideas tip the world.

Let's take a look. They are Mavens, people who are extremely knowledgeable about a subject and are generous with their knowledge. They are Connectors, people who are not separated by six degrees from others, but a mere two degrees of separation away. And they are Salesmen, people who can take difficult-to-understand ideas and convert them into language that is accessible and inviting to the general public.

These are the very people you want on your board of directors. Sure, you need an attorney, a CPA, and a marketing person. But more than that, you need them to be Mavens, people whom the community recognizes and respects. You need them to be Connectors, people who know who used to be married to whom, and who will be likely to answer your phone call; people who can make things happen for your organization because they are truly connected. And you need Salesmen, because many of the causes we espouse are not instantly accessible and interesting to the general public.

We need Salesmen on our boards, people who can take the truth of our cause and make it available and acceptable to the general public.

I've been working with environmental groups recently, and I'm struck by the way in which they talk about their work. These folks are scientists, and they are concerned people. But they talk about milliliters of magnesium being extruded into our streams, and things like that, in very technical, very scientific ways. Now, they have to know how to talk in those terms. It's what their grant requirements demand. But I have been telling them that they also need to use regular language, sales language, language that tells us, "Clean water for our children and for ourselves."

We need Salesmen on our boards, people who can take the truth of our cause and make it available and acceptable to the general public. We need the general public to understand what we're trying to accomplish. We need them to approve of us. We need them to give us their time, their money, and their hearts. We need the general public.

And yet in our current environment, volunteer board members face greater scrutiny than ever before. Many of you know that, after a raft of corporate governance scandals, Congress passed a piece of legislation called the Sarbanes-Oxley Act. While

Sarbanes-Oxley was a response to the egregious wrongdoings we saw in WorldCom, Enron, and similar corporations, some of the Act applies to any board, even in a nonprofit setting. Additional charitable reforms have followed, including the September 2006 Pension Protection Act. There's a lot of legislation for a volunteer leader to digest. Add in a heightened expectation of board financial oversight, and service is truly a serious obligation.

Do I look at all of this with enthusiasm? No. But we have to face it—regulations are changing and we're going to have to be compliant. Our boards are going to have to wake up and smell the coffee. We have to pay a lot of attention to the financial dealings of our nonprofit organizations, or we will get ourselves into big trouble.

And if it seems like competition for those board members is fierce, that's because it is! Not only are expectations high, but the number of nonprofits has tripled since 1980 and continues to grow at a rapid pace. Today there are nearly 1.4 million nonprofits in the United States alone. That means competition for charitable gifts, but also for dedicated volunteers to help us secure those funds.

So this is the environment in which those of us who work in nonprofits live and move. It's an environment of great opportunity, of unprecedented giving by the United States citizenry, of unprecedented wealth in foundations, and of unprecedented competition. Added to that we have scrutiny and, to some degree, suspicion and erosion of trust. These affect our world. They affect our ability to be financially self-sufficient and, most important, to deliver the services to the people we desperately want to see have good, positive opportunities in life.

COMPETING IN A CROWDED FIELD

Let's talk about helping your organization compete in this increasingly competitive world.

In many ways, this is the golden age of philanthropy. We have more money circulating around us and through us than ever before in the history of the world. Each year, baby boomers inherit from their World War II–generation parents the greatest transfer of wealth that has ever occurred in the history of our nation. At the same time, these baby boomers are beginning to retire, to think about words like "legacy," and to ponder what will happen when they reach those pearly gates.

There is a life cycle in philanthropy, and we're hitting a sweet spot. Many of these baby boomers are nostalgic and loving toward their aging parents, who did very well in their lives and managed to hold on to some of their money and give it to them. These citizens are beginning to have real concerns about their own grandchildren, and about the world they will leave to the future.

The money is there. It's in private foundations, in real estate, in a variety of places. There's no reason to think that the wave of philanthropy that has characterized America will change, since it's been characteristic of our country for the past two hundred years. The French political thinker and writer Alexis de Tocqueville traveled from France to America in the 19th century, and he spoke of his amazement at the Americans' desire to affiliate and form associations for the common good. That is also the reason we give money: for the common good.

CORE PRINCIPLES TO REMEMBER

As you work to raise funds for the critical work you do, remember a few core principles:

Understand the power of a few, clear messages. We have so much noise in our environment. Every nonprofit is talking to people about serving on their board, being a volunteer, giving them money, endorsing their cause. How will you stand out above the crowd?

To be memorable, be clear and concise. Here's our message at the Bayer Center for Nonprofit Management: "Nonprofits build strong communities. We build strong nonprofits." That's it. That's our message. That's what we do, and that's where our heart is.

Believe in the power of dispersed leadership. Practice high involvement of people, and share responsibility. And remember, along with that comes transparency and a willingness to be open—with your volunteers, with the other staff members, with your board, and with your investors.

Know the power of optimism. I've been interviewing national leaders and asking the question, "How essential is optimism?" Yesterday one man replied, "If you always say your glass is half-empty, you're never going to get anywhere." And it's true. We have great opportunities, but we also have enormous challenges. Optimism is the key to our ability to get up every morning and do it again. So know that power.

Build celebration into your assessment of performance. All too often, we focus like a laser beam on what is wrong in our organization. Honesty about what needs to be corrected, and a clear eye on what isn't working, are critically important parts of what makes nonprofits strong, useful, and worthy of investment. But don't forget that you give strength and power to your organization by saying, "Yes, we do some things very well." Celebrate those things that are important to you.

RENEWABLE, DEPENDABLE, AND INTERNALLY CONTROLLED

In Appendix 1 (page 19), you'll find the "You Are Here" Map. It explains where that $260 billion dollars comes from. While the percentages shift slightly year-to-year, one key fact remains. The bulk of the money comes from *us*. It comes from individuals. Almost 75% is from people who are alive, and another 9% from wills and bequests. We have to pay a great deal of attention to the source of three-quarters of this $260 billion.

I have a wonderful mother-in-law. She's the widow of a postal employee, so she's not a person of great means, but she is a generous person. When my brother-in-law Glenn was fourteen, he was diagnosed with diabetes. He's over forty now, so that was thirty years ago. For all of those years, my mother-in-law has sent a check or two, or three, a year to the Juvenile Diabetes Foundation. She sends them because she understands their cause and wants to see other families relieved of the struggles she had with her own dear son.

A couple of years ago, she told me that Glenn said to her, "Mama, don't send those checks to the diabetes foundation. It's not enough money. It doesn't make any difference." She asked me, "Do you think that's true, Peggy?"

I said, "Oh, no, Betty! I do *not* think that's true! You are vitally important to the diabetes foundation. You are renewable, dependable, and internally controlled. You are the holy grail of nonprofit funding. You don't even cost them very much to get the money anymore because you are a consistent, dependable giver. By all means, continue to send your checks to the diabetes foundation. They are genuinely thankful for them, and they put them to good use."

Individual giving is the heartbeat of the nonprofit sector. My mother-in-law needs to be written into your plans. Well, maybe not *my* mother-in-law. How about *your* mother-in-law?

Those of us who are in the fundraising business need to be thoughtful about the use of e-philanthropy and to look carefully at its results. After 9/11, the numbers listing contributions to relief efforts were spinning so fast on Amazon and AOL that you couldn't even see what the figure was most of the time. We've seen that repeated with the tsunami and the Gulf Coast hurricane crises. And more and more organizations use online giving as a part of their overall approach.

Personally, I've been skeptical about the use of e-philanthropy. Most of my work has been in major gift fundraising and capital campaigns. I'm accustomed to sitting in people's homes and offices and looking deep into their eyes when I'm asking them for money. And of course, we all know that's *the* most effective and efficient way to raise money. So I wondered about the use of e-philanthropy and how powerful it would prove.

After watching the 9/11 results, and more recently the tsunami and Gulf Coast disasters, I am no longer skeptical. It is clearly an important tool. The issues of urgency and human need—clear, demonstrated human need—are very important in getting the e-philanthropy donor to *click*, to make that donation.

More and more, people are shopping at home by using the Internet. Which means that the click on the Internet has become a part of daily living. So get a "Donate Now" button appended to your organization's web site. And I encourage you to think carefully, not only about your capacity to receive donations via the Internet, but also about the new opportunities the Internet presents to us: to educate, to market, to involve, to entice people into our cause. It's a vitally important part of our fundraising strategy now.

PLANNING IS THE KEY

We must have reach and clout. We must have adequate resources to achieve our goals, and we must build the strongest possible relationships between ourselves and our investors, our donors, and our funders.

So there's a lot to think about. What we are asked to do as nonprofit employees and board members is truly overwhelming. We are asked to solve social problems with spit and baling wire. So what do we do to accomplish this awesome task that we have before us?

We plan.

I believe in planning. I think that you can make evidence-based decisions for your nonprofit to effectively be an organization that is worthy of investment and delivers a high quality of service.

The Development Audit (Appendix 2, page 20) is a tool I've used with hundreds of organizations, and presented to thousands of organizations, as a way to draw out their information. You already have all this information. Most of you have it in your head, and this is a way for you to get it down in a concise document that you can use to educate your board, and to make strategy and opportunity.

Let's look at competition. People in nonprofits like to say, "We have no competition, we're nonprofits." Baloney!

The Development Audit addresses some of the basic questions of strategic planning as well as questions around fundraising. You cannot lift fundraising out of the organization as a separate and distinct activity, and anybody who thinks you can is just flat wrong. It is an organizational challenge, and it needs to be seated in an organization that is strong and effective in order to fundraise over time.

We'll walk through the key components of the Development Audit, and of your fundraising plan.

Agency Description and History. We start with the mission. If your mission is current, and has been adopted by many people on your board, then you're set. But I'm sure some of you are struggling with missions that really are old and out-of-date, and that mean practically nothing to the organization. Sometimes my clients say, "Oh, yeah, the mission statement," and then start to paw through an old filing cabinet looking for a yellowed sheet of paper. It's got to be a mission that currently reflects who you want to be.

Why does the agency's history matter? History is important to fundraising. Knowing the year and why you were founded, knowing some of the most significant changes and challenges over the years, is central for you as a fundraiser.

I once moved to a new city to work for an organization that was seventeen years old. For fifteen of those years, it had been led by its founding executive director, who then got into a fight with its biggest donor, and the director left. I guess better him than the donor.

I moved there knowing no one in the community, desperate to understand where I lived. So I called the founding executive director on the phone and asked, "Can I buy you a cup of coffee and talk to you?" He said, surprised, "You're the first person to ask me what I think and what I know." Now, did he have some things to say that I didn't agree with? Sure. He hadn't been there in a while, and he left under a cloud. But he did teach me things I vitally needed to know to fundraise in that community—who were good board members, who had been on the board and was vitally interested in the organization and might be willing to serve again, who used to be married to whom. History matters, and you need to learn at least the key facts of the history of your organization if you have inherited one.

Write down the services you offer using language that is clear and easily understood by those outside your organization. Again, this is a comprehensive look at the organization. You may be fundraising for a particular program or even a piece of a particular program, but you must first look at the whole, and then you can begin to develop strategy around the parts.

As you list programs and services, you'll probably note that some are stronger than others and some are more vulnerable. If everything is changing, what are we not willing to change? What are our core values? Notice that these questions come after you've thought about history and challenge and opportunity.

Let's look at competition. People in nonprofits like to say, "We have no competition, we're nonprofits." Baloney! When I was working for performing arts organizations, I said that our biggest competition was slippers and HBO, because people don't have to go out at night.

We *do* have competition. This doesn't mean we need to be cutthroat. It means we need to understand who else is doing similar kinds of work. Sometimes it means we should partner with them, collaborate with them, trade with them, share with them. Sometimes it means we need to understand what we have to do to be competitive. Are there possible strategic alliances, partnerships, even mergers that you should consider? Sometimes those are the healthiest things you can do for your organization.

The big question in fundraising is, "What makes you so special?" When other, good agencies are offering the same services, how are you unique? You've got to be able to answer that question.

When you look at the question about the number of participants or contracts served each year, you need to keep in mind that we're Americans, and growth is what we believe in. We believe in getting bigger. Some of your agencies have smaller numbers of people being served. In some cases, that's because you're delivering a higher-quality, more in-depth service. In some cases, it's because you've lost contracts due to government funding being changed. Know that when you start crafting your case for support—your argument to your funders, your "I want you to invest in us" statement—you must be able to address growth or decrease in customer base so that it is clear that you are delivering a high-quality service to the people you serve.

Frankly, if you're growing too fast, that can be a red flag. If you have had exponential growth in the last three years, be ready to address how you have built your infrastructure—your staff, your equipment, your training, etc.—to continue to deliver a high-quality service. This growth issue is a double-edged sword. Grow, but *succeed*. Grow, but *be excellent*. Shrink, but *deliver more value*.

The Board. Is your board the right size to accomplish its work? If you have a board of more than thirty people, you may by definition have a dysfunctional board. There is something about the law of size. If there are too many people in the room, the ball never stops bouncing. Each agenda item seems like nobody's responsibility, because everyone sees that there are all these other people in the room who can take responsibility for it. In many cases, in nonprofit boards, as in everything else in life, the 80/20 rule pervades. Eighty percent of the work is done by 20% of the people. Sometimes I think it's the 95/5 rule—95% of the work done by 5% of the people. The literature in nonprofit research suggests that a board should be from fifteen to seventeen people.

I recently heard a wonderful speaker, Kim Klein, talk about this issue of board service. In the 1950s, when the law around nonprofit boards was codified, she said, there were roughly 30,000 nonprofits in the United States. If you assume a board size of seventeen, you can populate those boards with about 500,000 people, half a million people spread across the country. Now, there are 1.5 million nonprofits in our country today. If you still assume a board size of seventeen, that gives us 25.5 million people who have to be recruited, oriented, trained, retained, and praised and acknowledged for every little thing they've ever done. This is a difficult number to grapple with. That's quite a few people.

Is your board the right size to accomplish its work? The literature in nonprofit research suggests that a board should be from fifteen to seventeen people.

I'm beginning to suggest to my clients that they have smaller boards and examine other ways to involve people. In this era of Sarbanes-Oxley and increased scrutiny, our boards may very well shrink whether we want them to or not. It's going to take our talent and ingenuity to not lose people as they no longer serve on our governing board. I am very concerned about the ineffectiveness of so many nonprofit boards, and I've begun to wonder if this size issue is not something that should be thoughtfully considered. If you have fifteen to seventeen people, and they have been carefully recruited based on criteria of composition for the board, then you have enough people around the table to make good decisions, which is the basic responsibility of a nonprofit board.

How a board member is identified, recruited and oriented should include a matrix of skills, access to wealth, and demographic information that allows you to have a board that is varied and reaches across the spectrum of diversity. Diversity of life experience, opinion, race, creed, color, age, economic status—all these things should be considered in composing your board so you can represent the community you serve and make good decisions on their behalf. We often tend to ignore diversity on our boards, instead retaining or recruiting the same people in the hope that they're all going to fundraise for us.

Do you have board subcommittees, and are they effective? This is a question that lots of my clients raise. In many cases, they don't even have a fundraising committee. I strongly recommend that there be a committee of the board, led by the most effective and charismatic person you can find, who can speak to the issue of how to help the organization find additional sources of revenue. That committee needs to be intimately linked with the finance committee, who spends the organization's money and knows the real needs of the organization. A good dialogue about how much money you need and where it can be found, what's reasonable and what's doable, is of great importance.

Does the board understand that it is the ambassador for the organization, and that part of the ambassador role is to help in identifying fundraising contacts and asking for money? This issue is often very poorly addressed. All too many of my clients answer no. People should be told, directly, when they are recruited that they will be expected to give and to get.

All too often, people recruit for nonprofit boards with words that go like this: "Oh, you won't have to do very much." Have any of you heard that before? That makes me crazy. You have to do a lot to be an effective member of a nonprofit board. If you're going to be legally and fiduciarily responsible, you need to know what's going on with the organization. You have to attend meetings. You have to participate in the life of the organization by serving on a task force or a committee. You have to give from your own pocket and get from others.

How active have individuals been in giving, and do board members give financially at or near their capacity? Oh, boy, I've died on this hill. I help organizations write expectations of individual board members. I don't really like the term "job description"; I think that obfuscates the meaning. But I do like to ask a board, "What do we expect of each other? How do we want to behave? Do you, as a board member, make our organization a priority for your time and your money?"

These are questions that make people squirm, but the fact of the matter is, if the family won't give to the organization, why should anybody else? How can you ask others to give to you if the leaders in your organization are not 100% contributing?

Now, this does not mean that you get a bunch of rich people on your board. That can be helpful, and it may be nice, but if we're talking about representing our community, we have to remember that our communities are not composed solely of wealthy people. When we talk about this issue of board giving, it's intimate and it's personal. I served on a local Habitat for Humanity board, and one of our members was a nun who was 89 years old. She gave $5 a month and that was a very generous gift. We had a businessman who could afford to write a check for $1,000 a couple of times a year. That, too, was a generous gift. The principle here is *generosity*, not dollars. I'm not arguing that your board has to raise the bulk of the money from itself. I am arguing that everyone has to give, and that they have to be generous in their support.

You have a little bit of a board matrix here in the Development Audit, and I suggest you use it when you're thinking about composing your board. Do you have board members who are businesspeople, and who can help link you to the business community? Do you have board members who know how to give a special event, and who have successfully given one? The person who chaired the successful school carnival could be a fabulous board member for you. The person who goes to your church and organizes the every-member canvas can be a great board member for you. Those people know about annual giving. They may not think of their church tithing campaign as an annual giving campaign, but indeed it is. It's a highly successful means of fundraising and, as you read on page 11, it raises over a third of the money raised in the United States of America every year.

Do you have board members who have been active in their sorority or fraternity, in Kiwanis, or in Rotary? They know about membership campaigns and how to attract people to them. They know how to help people find themselves in your organization.

The Staff. When you look at the staffing section, you see questions about how long staff members have been in place. I say to people when I'm hired, "I'm not an ATM machine. You can't just punch the right buttons and the money comes out." All of us have to learn our organizations. We have to learn what is valuable and important about them. We have to learn where strong relationships exist, and how to talk about our organizations. We need to be thoughtful about how to create an effective partnership between the executive director and the person who is charged to do the development work. They must share a common vision for the organization.

The development director is there in support of the executive director's vision and purpose. Frankly, in cases where they don't share it, the development director should look for another job. That sounds very harsh, but in fact the executive director is the chosen leader of the board. Their vision and purpose and ambition for the organization should be supported by the staff and especially by the development director, who often knows and talks to board members in ways that no other staff person other than the director does. The loyalty of the development director to the executive director is an important part of effective fundraising.

I've been a development director most of my professional life and I understand the job very well. If I am a development director, it is my job to raise money, keep the records, keep the prospects list, constantly troll for ideas for a match with our programs, set up and schedule meetings with funders, do the prospect research, create the talking points, get people the history. There's a whole lot of work in being a development director, as many of you know who are reading this page. But ultimately the executive director has to own the responsibility of doing whatever it takes to achieve the budget, and that often means sitting in somebody's office asking them for money. When development directors think neither the board nor their executive director is helping them, they often feel overwhelmed and defeated.

Anxiety. This is a very difficult line of work. You know, I used to say that you would be turned down three out of every five times if you're good. I don't know what the ratio is in your part of the world, but the fact of the matter is, rejection and disappointment are part and parcel of raising money. One of the reasons I like Kim Klein's book *Fundraising for Social Justice* is that it's the only fundraising book I know of with a chapter on anxiety. Anxiety is part and parcel of having financial responsibility for your organization. Studies from the Association of Fundraising Professionals show that the tenure of many development people is eighteen to twenty-four months. This is a real shame. They leave in part because they feel isolated and unsupported, and unable to control the factors of their success. That second part is certainly true. They cannot make somebody write the check. They can do the best they can to create the atmosphere and culture to make someone want to write a check, but they cannot actually make the money come. And if they leave in eighteen to twenty-four months, we don't know what they can do. We have not yet seen the real fruits of their labor, which sometimes take years to be produced. I say that marketing plows the field and development picks the flowers, but the development director also needs to get in there and help plow the field. The development director must be supported by the executive director.

Volunteers. There is an important question in the "Staff" section of the Development Audit: "Where do volunteers fit in the organization's utilization of human resources?" In many of your cases, volunteers are vitally essential.

When I was a young fundraiser in Texas and doing my very first fundraising gala, we had 7,000 names on our mailing list. We also had a volunteer who was president of our guild, which had some 800 women in it. She had five children she'd raised in the public schools. Her husband was a prominent businessman. She knew everybody and their cousin. And when I was getting ready to do the mailing, I asked her to look over our mailing list and give me advice. When she came in, we already had our labels on envelopes, and they were all in these long boxes alphabetized by zip code. She was going through them saying, "Oh, no, Peggy, he died, he died! It was so sad." She'd take the envelope. Rip! Then she'd flip to the next one and she'd say, "Ooh, they got divorced. She got the house; he got something better." Rip! The woman made our mailing productive and useful by employing the database that existed in her head.

You need your volunteers. You need them involved and engaged and helpful to you. They are a vital part of your fundraising activity.

The Budget Analysis. Okay, now we're at the heart of the Development Audit. What is your annual operating budget? Do you have timely and accurate financial statements that tell you how you're doing? Are those statements in a format that is meaningful in providing information to you? How much of your budget comes from a fee for service, and what services do you provide?

You need your volunteers. You need them involved and engaged and helpful to you. They are a vital part of your fundraising activity.

In this new era of government reimbursing per capita rather than giving program funding, some people interpret their government grants as fee-for-service. I don't. When I'm talking about fee-for-service, I'm talking about specific activities like the consultations to school districts that some of you may do around behavior problems for children. Or goods and services sold. In some cases, it's even social enterprise we're talking about. Running a business and earning fees for service is a different type of skill than writing a government grant. So what percentage of your dollars comes from government, how many grants do you have, and what is the dollar amount? Paint that picture.

How many foundations support you? What is the gift range? What is the percentage of your budget that you derive from foundation support? From corporate and business gifts? From individual gifts? In many cases, my clients are showing me budgets that are horribly government dependent, with a few foundation grants in there and nothing at all from anybody else. That makes me nervous. People can lose government contracts through no fault of their own. You need to have a diversified base of support, and it takes some time to develop the capacity to raise significant funds. Be thoughtful about planning to grow the percentages. Even if individual giving is 2% of your total budget at this point in time, make a plan to get it to 5% and ultimately higher. You want to see these numbers have some balance to them and not be overly dependent on any one type of funding.

Gift Strategies. What constitutes a major gift? In your organization, you need to know the sum of money that is significant enough that you're willing to do everything you can to receive it. By that I mean you're going to send your board chair, or you're going to send your executive director, and you're going to make a personal call. At some organizations, that level may be $500, at other organizations $5,000, at still other organizations it will be above six figures. In each case, it's important to organize your thinking so that you're not doing the same thing for every size gift.

A letter is not enough for every kind of donor. For some givers, a letter is a perfectly appropriate way to solicit the gift. You may decide, $100 and below, they'll get a letter. $100 to $500, they'll get a letter and a phone call. Above $500 they'll be invited to a special event at the organization, a site visit of some kind. $1,000 and above, you're going to go to their house and personally invite them to the site visit, and so on. Each of you will figure this out, but you need to determine what you consider a major gift, and what you're going to do to secure a major gift.

You need to remember that, for almost every sort of fundraising, six months is the least amount of time you should allocate between the time you ask for money and the time you receive the money. You may get it a little quicker than that, but you shouldn't count on it. Remember, for most people you are asking, making a gift to you is not their core business.

They'll get to it when they get to it. Foundations are inundated with requests. They may have regular meetings, or they may be less formal. Sometimes, if it's a family foundation, somebody's traveling in Europe and they won't have a meeting for six months because they can't get the votes. Remember that essential quality of anticipation?

Does the agency expect a dramatic loss in any of the donor categories? If there is a major loss in one of your donor categories, what are you doing to prepare for that loss? How desperate are you when you're thinking about preparing for that loss? Do you usually have enough cash on hand to meet your operating needs? Do you have a relationship with a bank to have a line of credit against which you could draw? How old are your payables and receivables? All of these questions get at the financial health of the organization and dictate which strategies you use. Know that the quickest way to get money is to ask people for it, to sit with individual donors who can open their checkbook and write you a check on the spot. But remember, desperation is seldom the perfume you wish to wear in a fundraising call. People don't like to give money to an organization that may go out of business next week.

Access to Donors. When was the long-range plan done? Do you have a fundraising plan? Are there fundraising guidelines? Is there a calendar? You need a calendar because, without realizing it, events tend to bunch up in a single month. When I work with boards, we make year-long plans and then things slip into spring, nothing happens in the summer, and all of a sudden the month of October is when we're going to do the membership campaign, the annual giving campaign, and the special event. Do not compete with yourself! Be sure that you spread these things out over the whole year, and that you don't make your staff so tired they want to drop in their tracks and quit because everything happens at once.

When you're reaching out to donors, you need to have a variety of different means to do so. How big is your database? This is the question I ask all my clients now, because it is a key indicator. You should be acquiring names at every event you have, in every way you possibly can. Do you have the names of your previous board members in your database? Develop your database as a key component of your success with individual donors, and think about the information you want to capture on those donors. All too often when there has not been a fundraising culture, nobody in your organization knows who loves you.

Your board members can help you understand the community in which you live, and many of them talk to people who are not on our dance card.

Is there an annual campaign? Are there special events? Do you have a direct mail campaign? Many of you do a year-end letter. That's good. December is a big month for charitable giving. Do you have a newsletter? When you write the newsletter, do you routinely run information about development? When I went to work in New Orleans, I told the newsletter editor I wanted the back page for development news in every single issue. The back page is where the address is, so people are going to look at the back page. You know what grip-and-grins are, those pictures where the funder is giving you the check and you're smiling with an oversized check in front of you? We had pictures of grip-and-grins on every one of our quarterly newsletters. We ran lists of members and donors. I wanted to create a public perception of success in fundraising. If you have a newsletter, use it. Don't forget to stick an envelope inside so people can give you a gift. Give them your website address and encourage them to click as they support your organization.

Do you have a membership campaign? Do you ask your volunteers for money? Every study shows that where people go, money follows. People think they shouldn't ask their volunteers. You should! They're your family! Ask them for help.

If you're in a capital campaign, that puts a whole new spin on all of this. You need to think very carefully about how to maintain your operating gifts while growing your capital gifts. Once you get those wonderful capital gifts, which are usually many times the size of the operating gifts, how are you going to continue the support at that level after their capital campaign pledge is paid? Can you do that? In many cases, you can.

Motivation for Giving. When I was writing corporate support proposals, I would get a company's annual report and go through it with a highlighter. I'd look at the types of adjectives they used, the tone of the language. Then I'd see if I thought there was a fit and a match for my organization's programs. If I did, I would try to speak in their tone and language about the work we did, in hopes that the fit would be clear to them as well.

What are the goals and aspirations of the donors? This is part of their motivation for giving. We're looking to connect in a powerful fashion with something they yearn to see happen in the world.

You'll piece together a donor puzzle. After you get together a prospect list from your database, your friendships, and from reading the lists of donors in the back of the symphony program, you'll sit in a room with a few people and rank these donors based on their capacity. How much do you think they can afford to give? You'll also look at their inclination. How philanthropic are they in general, and in particular how philanthropic could they be toward your organization? Then you'll look at their readiness. Are they ready to make this gift?

When I was working on a university capital campaign in New Orleans, the chancellor wanted us to ask our co-chairman for his gift the minute he agreed to be co-chairman. Our co-chairman was known to be a philanthropic and generous man. But the other co-chair and I decided to wait. We believed that if we worked with him—if he saw us work to raise money, if he participated in fundraising calls, if he listened to what people were saying about the project, both the positive things and the not-so-positive things—he would be inclined to give a bigger gift. *His readiness was not yet there.* We were richly rewarded for waiting 18 months, at which point he gave us $1.6 million toward the capital campaign goal. This was a very generous gift, and it was well worth the wait.

So think about capacity, inclination, and readiness. There's a wonderful book you may want to read, called *The Seven Faces of Philanthropy*, by Russ Alan Prince and Karen Maru File. It speaks to the motivation of the different types of givers, who often give for different reasons. There's "the repayer." Alumni givers at colleges and universities do good in return for good that was done for them. There are the "investors," who think doing good is good business. There are "the communitarians," who say doing good builds our community. There are "the devout" who think doing good is God's will. There's "the socialite," who says doing good is fun. If we stand in the other person's shoes so we can understand what motivates him and excites him, we can lead him to be supportive of our organizations.

Your board members can be great sources of news and information. I loved Monday mornings when I lived in New Orleans. My board members would dine out on Saturday night—all of them, we're very social people in New Orleans. On Monday morning, they'd call me and say, "Peggy, I sat next to this guy at dinner on Saturday night. He sold his business—he made a killing. We need to get to him—let's get a meeting scheduled." Or "Oh, dear. You know how we had that business on our list? Well, I think they're having a lot of trouble. I was talking to a friend of mine at dinner on Saturday night and she says things are grim over there." Your board members can help you understand the community in which you live, and many of them talk to people who are not on our dance card. They can really help us understand how we should approach our fundraising.

Goals. Fundraising goals should be determined by the finance and development committees along with board leaders and staff leaders, with responsibility spread among all these parties. If the answer to each of the questions under "Who is responsible for implementing?" is the executive director, that dog won't hunt. It should not be the executive director who does the special events, the direct mail, the proposal writing, and the major gift solicitation. If you don't have a division of labor, someday you will be looking at your exhausted executive director's resignation letter.

How does the evaluation of development efforts occur? All too often, the process is way too simplistic. Your answer has to include more than simply how many dollars were raised. There needs to be some equation around your building of social equity. How much social capital are you developing in relationships, and in financial success? Finally, are you a good investment?

A Diversified Base. When you've completed the Development Audit, you should then look at Appendix 4, "Worksheet for Diversified Funding Base" (page 30). You will want to customize this for your organization, but it generically lists the many different ways that nonprofit organizations raise money for their causes. If you have a very small development department, or even one of reasonable size, you should not have an entry in every one of these boxes. That is dysfunctional by definition. You can't do all these things. But, once a year, you should review all the different methods. Is it time to stop doing things that are not returning on your investment of time and relationships, and start doing things that have occurred to you during that given year? Jim Collins, the eminent business thinker, says "Your 'stop doing' list is at least as important as your 'to-do' list."

You should roll those numbers out first laterally, across the page. What did you make last year in your membership campaign? $5,000. You already have, in this year's budget, what this year's goal is: $6,000. Then you may say, "Okay, now. Let's put $7,000 in the next year, and $10,000 in the third year." That may be reasonable, but notice that you're doubling in three years' time what your actual receipts were in the first year. You must include the number and size of the gifts required to make that goal. For example, to reach $10,000, you may be counting on 100 gifts of $10, which gives you $1,000, plus 50 gifts of $100, which brings you $5,000 more, and so on. You need to sit down and do the math to make this practical.

When you're finished, it will be evident that, to achieve your goal, there is a commensurate amount of additional effort that has to be made. Who is going to make that effort? Are you going to recruit board members who are willing to give hours of their time to membership? How realistic is that? Are you going to stop doing something you do now so you can devote hours of time to membership acquisition? Are you planning to hire an additional staff person? If so, how are you going to pay for that? You need to be realistic about what it takes to achieve these goals, as well as in determining what the goals should and could be.

The second check on your thinking is to add these columns up vertically, up and down. If there is too great an increase—an enormous leap in the total amount of money you plan to raise—I begin to get suspicious unless you are planning to hire additional staff or expect to have other, new human resources. There is a direct relationship between the amount of time devoted to fundraising and the amount of money raised. A lot of people go directly to foundations because it's time efficient. They can write one proposal and raise $10,000 or $50,000 or more. In time-stressed organizations without development staff, they would look at that part of the equation. We have to teach our funders that, if we are going to develop individual givers, we'll first need to develop additional staff to support those individual givers.

This tool helps you check your thinking. It's a way for you to be accurate and comprehensive in your thought process. I recommend you do the Development Audit and then do the goal-setting sheet. Do the worksheet annually and the Development Audit at whatever interval seems good for you. For most organizations, every three years would be just about right.

TRANSFORMING OUR COMMUNITIES

To be highly successful in fundraising, we've talked about tools, education, and information. Use your tools and ask your friends for help. Work with your board to clearly state your purpose and your plan. Your investors will be moved by this clarity of vision, and they will say, "How can we help you achieve this important social purpose?"

We have a serious and threatening problem if we cannot foster civic engagement and encourage advocacy for nonprofits. We need to restore the trust that is eroding in nonprofit organizations. Lester Salamon's study at Johns Hopkins University says that only 15% of people polled think nonprofits are honorable, and only 11% trust that we use their money well. This can be far more dangerous than the funding woes we all talk about. Rebuilding community trust, reweaving the fabric of community cooperation, is your job. Remember that we are interdependent. Meg Wheatley, author of *Leadership and the New Science*, tells us that in order to strengthen the health of a living system we must increase the connections. The same is true for the health of nonprofit organizations. Building our web of relationships is powerful.

We are blessed and fortunate beyond all measure, and we need to live out of a sense of responsibility not only to our community, but to the whole world.

We need to remember in this country how blessed and fortunate we are. At nonprofits, we spend a lot of time thinking about what we don't have. We need to remember that 1.2 billion people in our world live on less than $1 a day. Two billion live on less than $2 a day. Less than 1% go to college and have access to the Internet. We are blessed and fortunate beyond all measure, and we need to live out of a sense of responsibility not only to our community but to the whole world.

This is the century of the social sector. John Gardner, who dedicated himself to tackling the problems of urban America, tells us that in our communities lie hope and new opportunities for citizens to volunteer, celebrate, learn about their responsibilities, and take action together. Let's tell people that there's hope. Let's shout it from the rooftops.

We can save children and families. *We know how.* This country brims with grassroots revitalization. Many of you are leading it yourselves. Things are happening throughout our communities that lift the spirit. There is dynamism, there is power, and there is justice in what people are doing in nonprofit organizations. I am proud to be a part of the nonprofit community, and my heart lifts up as I listen to the ambition and the scope and the spiritual generosity of my clients every day of the year.

AMBITION AND VISION MATTER

I leave you with this story. The artist Ben Shahn told a tale about three workmen in 13th-century France. A priest observed these men going up and down the road past his house, day after day, with wheelbarrows. Curious, he went out and asked the first man, "My son, what are you doing?" And that man said, with exhaustion in his voice, "I toil from sun-up to sundown. I earn only three francs a day."

This was not a very satisfying answer, so the priest stopped the second man and asked the same question. The second man replied, "I'm glad to have this job. My family was hungry and I needed the work. I appreciate the opportunity to do this." And the priest said, "That's good, and I'm glad for you, my son."

Then, still not satisfied, the priest stopped the third worker. With a voice filled with energy and enthusiasm, that man looked him in the eye and replied, *"I'm building the cathedral at Chartres."*

Dear friends, with these good folks at Alcoa and Alcoa Foundation, and with all of our brothers and sisters in nonprofits around the country, we together are building the cathedral at Chartres.

May you, may all of us, be very successful.

BY SERVING OTHERS, WE BUILD WHAT IS BEST IN OURSELVES.

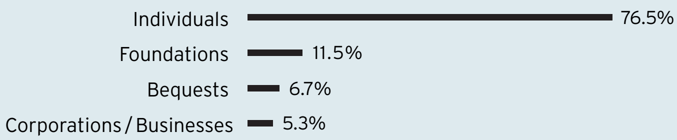
APPENDIX 1

The "You Are Here" Map

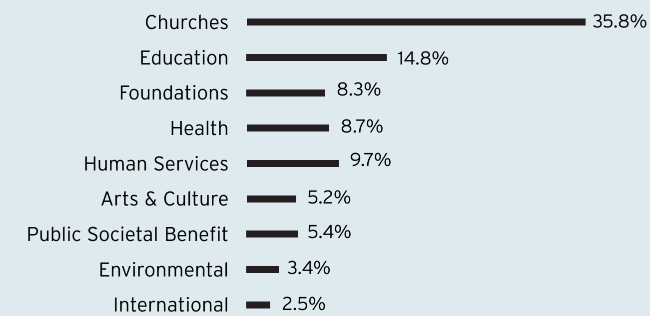
Changing Lives for the Better by Using the Resources at Your Command Intelligently

TOTAL PHILANTHROPIC GIVING IN 2005: $260.28 BILLION*

WHERE DOES THE MONEY COME FROM?*



WHO GETS IT?*

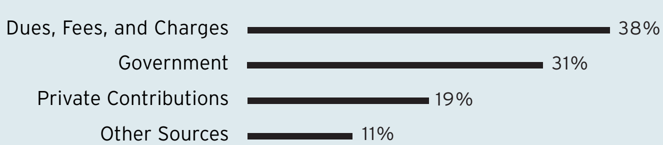


Note: A small percentage of gifts are undesignated every year; therefore, the total will not equal 100%.

HOW MANY NONPROFITS ARE THERE?**

- There are approximately 1.4 million 501(c) organizations in the U.S., of which nearly 850,000 are classified by the Internal Revenue Service as 501(c)(3) organizations—charitable nonprofits and private foundations operating for the public good.
- Most nonprofits are small. In 2003, fewer than 300,000 nonprofits reported gross revenues of more than $25,000 to the Internal Revenue Service.
- Total assets of all 1.4 million nonprofits is approximately $1.76 trillion, with annual expenditures of nearly $950 billion.
- The nonprofit sector employs 10.2 million people, accounting for 6.9% of the total U.S workforce.

WHAT ARE THE SOURCES OF INCOME FOR NONPROFITS?***



*Giving USA 2006, the Annual Report on Philanthropy for the Year 2005. Published by the Giving USA Foundation, a public service of the Giving Institute (formerly the American Association of Fundraising Counsel.)

**The United States Nonprofit Sector report, produced by the National Council of Nonprofit Associations, based on Fiscal Year 2003 data from the National Center for Charitable Statistics.

***The National Philanthropic Trust's Philanthropy Statistics 2006, based on information from the Internal Revenue Service.

APPENDIX 2

Development Audit

Adapted from audit developed by Dallas Center for Nonprofit Management

AGENCY DESCRIPTION

Agency mission statement:

Does this mission reflect who you currently want to be? ☐ Yes ☐ No

Why was the agency founded?

What year was the agency founded? What has been the most significant change over the years?

What are the services offered by the agency?

If everything else is changing, what are we not willing to change? What are our core values?

Are there other agencies offering the same services in the area?

How is your agency unique?

What are possible strategic alliances?

Number of participants/contracts served each year: ________

Growth of client base for last three years:

BOARD OF DIRECTORS

What is the size of the board? Is this the right size to accomplish its work?

How are board members identified, recruited and oriented?

Are there board subcommittees? Are they functioning effectively in development/fundraising?

Is there an effective communication link between the development and the finance committee? ☐ Yes ☐ No

What does the board understand its role to be? Does the board understand its role in fundraising?

How active have individual board members been in fundraising?

Do most board members contribute financially at or near their capacity? ☐ Yes ☐ No

Does 100 percent of the board contribute annually? ☐ Yes ☐ No

Do you have board members from the corporate business sector? ☐ Yes ☐ No

Do you have board members with access to funding? ☐ Yes ☐ No

Do you have board members with special event expertise? ☐ Yes ☐ No

Do you have board members with knowledge of annual giving? ☐ Yes ☐ No

Do you have board members with experience with membership campaigns? ☐ Yes ☐ No

What other skills are needed to raise sufficient dollars to advance the organization's strategic directions?

STAFF

How large is the staff?

Is there a director of development? ☐ Yes ☐ No

Is there development staff? If not, which staff members are responsible for fundraising?

How long have key staff leaders been in place?

What are the strengths and weaknesses of the executive director's experience?

What are the strengths and weaknesses of the development director's experience?

Do you offer competitive salary and benefit packages to attract the necessary talent to your organization? ☐ Yes ☐ No

What is the turnover rate?

What does the organization see as critical staffing issues over the next three years? How will these costs be addressed?

Does your organization have a succession plan developed for key staff changes? ☐ Yes ☐ No

Does the organization have adequate space in which to do its work? ☐ Yes ☐ No

How do volunteers fit into the organization's utilization of human resources?

ANNUAL BUDGET

What is the annual operating budget?

Do staff and board leaders have access to timely and accurate financial statements? ☐ Yes ☐ No

Are the statements in a format that is meaningful and provides information to drive decisions?

What percentage of the annual budget comes from a fee from service?

What services are provided for a fee?

What percentage of the annual budget comes from contributed income?

What percentage of the contributed income comes from the following? (Give percent / dollar amount.)

☐ Government grants? ______

☐ Foundations? How many foundations? ______

☐ Corporations? How many corporations? ______

☐ Individuals? How many individuals? ______

What constitutes a major gift? What is the procedure for securing a major gift?

______

______

Does the agency expect a dramatic loss in any of the donor categories (loss of government grant, foundation or corporate grant)?

______

Does the organization generally have enough cash on hand to meet operating needs? ☐ Yes ☐ No

Does the organization have a relationship with a bank or other outside source of cash to allow necessary borrowing?

______

What is the average age of payables? Of receivables?

______

How would you rate the financial sophistication of the staff and board?

______

WRITTEN PLANS AND GUIDELINES

Is there a written long-range plan for the agency? When was it developed?

______

Did both board and staff participate in the development of the plan?

______

Does the plan reflect an external focus / research-based decisions / an emphasis on the customer? ☐ Yes ☐ No

Is there a 3–5 year fundraising plan? ☐ Yes ☐ No

Are there fundraising guidelines? ☐ Yes ☐ No

Is there an annual fundraising calendar? ☐ Yes ☐ No

Is there a written menu of benefits tied to gift size (for consistency of response)? ☐ Yes ☐ No

REACHING DONORS: INDIVIDUALS

How large is the database for individual donors?

What information do you capture?

Is there an annual campaign? If so, when does it take place?

Are there special events? When do they occur?

Is there a direct mail campaign? If so, when?

Is there an agency newsletter? If so, how often is it produced?

Is there a membership campaign? What is the retention rate? What are the outreach strategies?

Is there an auxiliary/volunteer group? What is their role in fundraising?

Is there a capital campaign? Is one being planned?

How is technology being used to reach donors? E-philanthropy?

How are donors thanked?

WHAT IS THE MOTIVATION FOR GIVING?

Individuals and social contacts:

- ☐ Emotional cause?
- ☐ Volunteer opportunities?
- ☐ Partner to important community efforts in economic development/education?
- ☐ Replacing government services?
- ☐ Other?

How specifically does the board assist in these efforts?

Are there specific programs or projects that appeal to certain donors?

Who determines fundraising goals?

Who determines fundraising activities?

Who determines fundraising prospects?

What methods are employed to document results? Evaluation practice?

How clearly do you articulate your agency's success?

WHO IS RESPONSIBLE FOR IMPLEMENTING FUNDRAISING TASKS?

Special events ______________________________

Direct mail ______________________________

Proposal writing ______________________________

Major gift solicitation ______________________________

How does the board receive progress reports on fundraising goals?

____

____

How does evaluation of development efforts occur?

____

____

After completing the Development audit, use the insights gained to begin a three-year development plan that annually evaluates opportunities and ruthlessly eliminates unproductive activities.

APPENDIX 3

Worksheets for a Diversified Funding Base

As the operating budget is prepared every year, an organization should consider whether or not a goal should be set in each of the categories listed below. Few small organizations have opportunities to raise funds from every category. Care must be exercised to select the fundraising techniques that will yield the greatest return on investment of money spent to raise the funds, and to not exhaust small staffs and devoted volunteers with activities that don't raise much money.

When setting goals, always take into consideration what has occurred the previous year (or three) with that type of activity. Learn all that you can about other organizations' experience. But communities change and opportunities may occur. Also, it's important to consider whether it may be time to stop doing some event or other form of fundraising. Make carefully considered strategic choices that balance opportunity with the realities of time and talent available to your organization.

CONTRIBUTED INCOME

In each category, list prospects and estimated amount of individual gift.

Individual Giving	Last Year's Actual	This Year's Goal	Next Year's Goal	Third Year's Goal	Time of Execution
Membership / Friends of…					
Annual Campaign					
Special Appeal					
Memorials					
Major Gift Campaign					

Business/ Corporate Donations	Last Year's Actual	This Year's Goal	Next Year's Goal	Third Year's Goal	Time of Execution
Support for Core Operations					
Project Support/ Cause-Related Marketing					
Matching Employee Contributions					
In-Kind Donations (Goods and Services)					

Foundation Support	Last Year's Actual	This Year's Goal	Next Year's Goal	Third Year's Goal	Time of Execution
Support for Core Operations					
Project Support					
Major Gifts					
Special Appeals					

PLEASE CONSIDER AS YOU PLAN:

- Are these goals challenging, yet realistic for this time and this place? The best words in a fundraiser's vocabulary are: *"We exceeded our goal!"* Motivation for the future starts there.
- Are these successful events in your community?
- Are the events a source of in-kind donations? (Spend as little out-of-pocket as possible!)
- Do you have leaders with proven success in fundraising already on board? Or is there a recruitment plan?
- Are there possible partnerships that would strengthen your case to funders?
- Have you put all activities on a calendar? Don't over-schedule—remember, all activities have a beginning, a middle, and a thank-you clean-up time! Be realistic about the availability of small, stretched staff, and busy committee volunteers.

APPENDIX 4

Creating a Comprehensive Road Map for Your Organization

Strategic Planning + Strategic Marketing = Changed Lives + Financially Sustainable Nonprofit Organizations

The following is an effective model for an organizational self-assessment process is based on the work of Peter F. Drucker, the father of modern management.

WHAT IS YOUR MISSION?

Analysis of Your Mission Statement

What problems in the world does your organization exist to solve?

What are the driving values of your organization?

How will the world be better because of your organization's work? List strengths, weaknesses, opportunities, and threats. Limit critical issues to no more than five.

WHO IS YOUR CUSTOMER?

WHAT DOES YOUR CUSTOMER VALUE?

Customer Research

Does anybody need / want what we're proposing to do?

Is there something we should stop doing?

WHAT ARE YOUR RESULTS?

Budget analysis: Can we afford what we're proposing?

What other sources of revenue might support this activity?

WHAT IS YOUR PLAN?

Notes

ABOUT THE AUTHOR

Peggy Morrison Outon is founding Executive Director of the Bayer Center for Nonprofit Management at Robert Morris University in Pittsburgh, Pennsylvania. Prior to establishing the Bayer Center, Peggy founded similar institutions in Austin, Texas and New Orleans, Louisiana.

Peggy's work in the nonprofit sector spans three decades, including both professional and volunteer leadership roles, with a true passion for fundraising. She has consulted with more than 600 nonprofit organizations facing a variety of challenges and has served on 32 boards, chairing seven of them.

A frequent speaker and trainer, she has taught graduate students at the University of New Orleans and Robert Morris University and is a founding member of the Peter F. Drucker Foundation international training team, as well as a trainer and advisor to the Institute for Global Ethics. In July 2006, she was named to the Nonprofit Times Power and Influence Top 50.

ABOUT THE BAYER CENTER FOR NONPROFIT MANAGEMENT

Established in 1999, the Bayer Center for Nonprofit Management at Robert Morris University provides and develops tools necessary for nonprofit organizations to effectively manage and compete in today's society. The Center works with clients to assure that all investments of time and money are efficiently and effectively spent to advance their missions.

The Center strives to be a comprehensive resource for area organizations. Classes and consulting cover a range of topics including board development, business planning, financial management, marketing, fund development, organizational effectiveness, human resources, legal issues and technology planning. Research is conducted in several areas, including nonprofit technology usage, wage and benefit information for nonprofit employers in the region and the impact of civic engagement on community organizations. In addition, national thought leaders are invited to Pittsburgh to discuss a range of topics and emerging issues.

Nonprofit professionals can also complete a Master of Science in Nonprofit Management, offered in conjunction with Robert Morris University's School of Business.

The Center believes in the possibility and potential of strong nonprofit organizations to create lasting change in the community, and strives to provide the support, encouragement and guidance leaders need to realize their goals.

ALCOA FOUNDATION

Generous funding for this publication was provided by Alcoa Foundation.