

Hi. Marc Pitman from FundraisingCoach.com and TheNonProfitAcademy.com. Welcome to Fundraising 101.

I am thrilled that you're here to learn the high level overview of fundraising, the types of things that you should be thinking about, and the types of terms you need to know. Whether you're a board member, an accidental fundraiser, or a CEO, I want to say thank you. Thank you so much for making this time available for your nonprofit and the cause that you're trying to fundraise for. We are going to cover a lot of good stuff, so let's just jump in on this lesson.

First of all, the goals for this particular part of the course are to give you fundraising basics. I want to tell you where the money comes from, where you should be investing your time in fundraising, the funds you should be building in your nonprofit, and some standard approaches to asking and how they can make them effective.

First of all, when it comes to fundraising, and thinking about donors, and asking for money, most of us don't realize that it used to be 80/20, 80% of the money comes from 20% of the donors. I have the 90/10 up here, because many cases, especially for capital campaigns, it's 90% of the money comes from 10% of the donors, or even worse, it's 95% of the money comes from 5% of the donors. What that means is, if you feel like you're focusing on the same amount of donors all the time, there's a good reason for that, but there's a constant tension, isn't there?

We need to be not only focusing on the same donors, but we also need to be expanding the base and focusing on the other 90% of the people, even though they only bring in 10% of the money. So we need to continue doing both the high touch, high value activities, and we need to do the broad base support that will help us find the next 10% of donors. It's constant tension, but it's something you need to be aware of.

So let's look at "Where does the money come from?" There are really only three sources of donations, amazingly. It seems hard to believe that, but there are only three. And when I share this slide with board members, it's really fun to ask them what area they think each part fits. So let's look at the three types. The reason I only say three is, the four types that we study are bequests, individuals, foundations, and corporations and I say three because, and as far as I know, only individuals can give bequests.

So if you look at those as individuals, foundations, and corporations, just where do you think that biggest piece of the pie is? That orange part? Many people say foundations, and many other people say corporations. The surprising truth is that it's individuals. Individuals and bequests, they give 80% of the over 300 billion given in the most recent year that we have statistics for. Foundations gave 15%, and corporations gave 5%. They're the smallest sliver, and they've gone down. They're trying to figure out other ways to give other than money. They're trying to give volunteering or give some time.

Now, some of you I know are looking at this thinking, "Ah, that's just an anomaly, Marc. That's not the norm. This is just an off year. Maybe it's because of the recession or something." So what I've done is, we have been studying this World War II with Giving USA. So I've taken snapshots of Giving USA's pie charts that I paid for, so it's all licensed and it's all perfectly ethical. And

you just check this out. In 2005, just about the same pie chart. 2006, about the same pie chart. 2007, look at how big individuals are. 2008, 2009, 2010, 2011, 2012, 2013. Individuals gave the largest amount of the money each year. Even in years where the actual overall giving went down, individuals still gave by far about 80% of that money.

So if this is the case, why not use your time this way? For whatever amount of time that you have for fundraising, why not make it so that 80% of your time is focused on individuals, and 15% of your time is focused on foundations, and 5% of your time with corporations? This can be challenging because foundation grants, if you've ever had to write one, they can be arduous and time-consuming. And corporations have webpages you have to go to and hoops you have to jump through to try to even have a privilege of competing for the money that they're giving away.

So those are time consuming tasks, but look at the individuals. If 80% of that money is coming from individuals, why not get really good at fundraising letters, major gift solicitation, and you know the best part? Who runs corporations and who runs foundations? Individuals. So as we get better at learning to communicate with individuals, we may actually find that we're developing inside advocates in our foundations and our corporations for us.

Last thing I want to put up on this slide is just remember that if you're an executive director or a CEO and you're overseeing a fundraising program, or if you're on a development committee, just remember these percentages and consider having your entire nonprofit's fundraising time spent this way. But if you're a volunteer without direct oversight for a staff member, consider your own time. How much time do you have to put into your nonprofit's fundraising? Is it 10 hours a week? Is it an hour a day? Is it two hours a week? Whatever it is, consider using these same percentages, 80% for individuals, 15% with foundations, and 5% with corporations. You will definitely find that your fundraising time is used the best this way.

Now that we know where the money comes from, hundreds of billions given every year in the United States, let's move on to the types of goals that your nonprofit needs to have, or should consider having. There are three types of fundraising goals. There's the annual fund. There's the capital funds, or capital projects, or capital campaigns. And then there are endowments. What I want to do is just walk through each of those so you have a better understanding of what each of those is.

First of all, annual fund. It's mostly characterized by mail. We send out letters and we try to do things like raise money for our operating budget. We typically send multiple letters a year to do that. Annual funds can be anything that happens annually. So it's often seen as lights and salaries, projects that happen annually. Things that are in the normal operating budget are part of your annual fund.

Capital campaign, on the other hand, are different. You can see with the blueprints here that they tend to be building something. They're often special projects. They could be purchasing equipment. One time at one of the places I worked, we purchased, through a generous donation from a donor, we purchased robotic patients so that nurses could get better training. They're often major gift focused. You may send letters for these, but it's usually, typically for a higher dollar

amount. And they're also characterized by well understood beginning and end dates. Annual funds are ongoing, they're constant.

Capital funds tend to have a start date. If it's going to be building a building, you're breaking ground at one point and you're cutting a ribbon at another time. So there's usually a start and end date to capital campaigns, which can be very comfortable for donors. Many don't want to be on the hook forever, so this can be a great way to raise funds. Plus, it can feel more tangible than annual giving, which can be a benefit to them, too.

The third type of fund I talked about is an endowment. The reason I have a picture of this ship here is because an endowment is like a keel. It helps our fiscal health. You might have noticed in the slides of where the three types of money come from, that some of years were lower than other years. We had some rough years in the last decade. Your endowment can help steady those rough years when donations aren't coming in as strongly as they have in the past years. What they are, they're for your long-term fiscal health. Endowment funds are a bit more complex. Basically, it's an invested sum of money that throws off interest. And half the interest goes to funding your operational standings or whatever the endowment is specified for, and the other half goes into rebuilding the base of your endowment. So it can be a little bit hard to explain to people.

Typically, if you have a focus group and you have donors together, typically donors say it's the top importance. "Oh yes, we need to build our nonprofit's endowment. Let's do it." But typically, they don't give to it. In our experience, donors like giving to tangible things like a capital project more than an annual fund and more than an endowment, even though they'll say it in reverse order. They'll say the endowment is most important.

One of the things that we found over the years is that matching gifts can be very helpful in motivating donations to the endowments. This is where a board member or some other generous donor, maybe a foundation that wants to expand capacity for a nonprofit, would say, "We'll match dollar for dollar every gift that goes into the endowment." And that can be something that would be really helpful for your nonprofit, because donors get really excited and motivated.

Here's a free aside. In my personal experience, I've found dollar-to-dollar matches to be the most effective. When you start matching two-for-one or three-for-one, that math doesn't seem to help motivate any more donors to give. And the math is a little confusing, but if you just say, "For every dollar you give, a generous outside donor is matching it," that tends to motivate people to get off the dime and actually give to whatever your fundraising for, especially endowment.

Now a word of warning. With all of these gifts, but particularly with endowments, you need to be careful about the strings that are attached. They're called restrictions, and in endowments it could look like a scholarship fund, that had a restriction for people with red hair from Iowa. Well, if that's what the donor really wants, to help people with red hair from Iowa get to your college, that's great. But it's really important to not restrict it to just those types of people, because, you may know this, but there are Episcopal churches all around the country that are in disrepair -- roofs are falling in, plumbing is falling -- but they're always going to have fresh flowers at Easter in memory of dear Aunt Edna, because the endowment fund was just for fresh

flowers on the altar at Easter for dear Aunt Edna, not for the overall care of the building that's supposed to be housing those flowers.

So when you're doing it, use words like 'if possible' -- or just try to have a good conversation with the donor as much as you can to find out what they're intent is and also let them know you need a little bit of flexibility in funding it in case they're aren't red-haired people from Iowa. Or in case there's a need for the building to be protected so that the flowers can be there for Easter.

All right. I promised to do an overview. I promised to make this digestible for anyone, whether you're a professional or a volunteer. So this is the end of the first class, and I want to just cover what we've done and then I'm going to give you homework. The first part is we looked at where the money comes from in the sense that we need really hyper-focused major gift donor relations, but we also need a broad base of appeal to find the next major gift donors that are going to help us fund our causes.

We also looked at the three sources of donations. And for me, this is particularly exciting, because it takes the mystery out of so much of fundraising. It's not, "Where's the money?" It's, "Who are the individuals we need to be talking to? And foundations and corporations?" But when we talk with board members, they often say, "Well, let's find a grant for that," or, "Let's talk to those corporations. They're rich." The evidence over the last 40, 60, or 80 years doesn't show that to be the case. It shows that it's generous people like you and me, with maybe deeper wallets, but regular people that make the most gifts.

And we now will look at the homework. First of all, I've given you a form: the three funds exercise. Print out this sheet that's in with your course materials and look at all the things that you fundraise for now. It could be items in your budget. It could be things that you see coming across as the story in your appeals. There's all sorts of ways we try to communicate what we're fundraising for, but I want you to gather them all together in one place and list them out. Are they annual? Are they capital? And are they endowment?

And as you're doing this homework, also I want you to look at, "What areas do we need to have more in? Maybe we could have a capital project. Or maybe something that we're putting in capital is really annual." If you're buying something every year, then maybe it's just more of an annual budget expense than a capital expense. So those are interesting questions you could have. Please feel free to post in the forum, get our input on that. You're not alone in this class. All of the students are able to interact, and I'll be in the forum, too.

The other thing I want you to do though is to look at the time audit. I want you to see where, if you're a volunteer, for your own time, are you talking to individuals? Or are you trolling the Internet looking for corporations and foundations that might be able to give a gift? And then if you're an employee, especially if you're an executive director or CEO, I would challenge you to put 50% of your time to fundraising. I know that that's a little steeper than many people expect to. But look at it and say, "How much of your time is going to individuals? How much of your time is going to corporations? And how much of your time is going to foundations?" And figure out how to make it so that 80% of your time is going to individuals. That is the best use of your time.

And in the next class, we're going to talk about how you actually communicate to those individuals. What messages, what forms you should be using, what tools. And three very distinct messages that are important in the process for fundraising. But until then, look forward to seeing you in the forum, and get doing your homework. This is what's going to make the class really worthwhile for you.