

Staying Afloat in Tough Times

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Learning Objectives

Participants will explore various approaches to surviving the economic crisis by strengthening capacity.

- Focus on mission
- Strengthen relationships
- Advocate
- Identify alternative funding sources

Why we are offering this session

"The economy depends about as much on economists as the weather does on weather forecasters."

Jean-Paul Kauffmann

Uncharted economic territory

- Not at a standstill
- Past performance does not guarantee future results

Choices:

- Reactive or Proactive
- Fear begets fear, begets a self-fulfilling prophecy
- What are the areas you can control? Focus there.

The Challenges

- Rapid Growth
- Fraud & Scandal
 - Madoff
 - Fake disaster websites
 - Recovery Act websites
- Other?

The Result

Rapid Growth

+Fraud & Scandal

- Increased regulation & IRS Oversight
- Broad-range media coverage
- Increased competition for funds
- Donor skepticism
- Heightened transparency (restricted vs. unrestricted funds)

On the Positive Side:

- We are resilient
- Benefit from the power of emotion and purpose
- Naturally culture of doing more with less
- Already operate with cash-flow irregularities
- Experience managing shifting funding sources

How is the Not-for-profit sector coping?

- 49% indicated their organization's income is below expectations
- Top challenges:
 - decline in total revenue
 - decline in revenue from individual gifts
 - increase in expenses

Study Report by Chronicle of Philanthropy
October 2008
1412 survey respondents

Greatest Impact as a result of the economy

Decline in:

- Individual gifts-61%
- Corporate gifts-46%
- Endowment/stock value-38%
- Foundation grants-27%
- Government grants-10%
- Bequests-4%

How will they address expenses?

- Put expansion plans on hold-32%
- Scaled back programs-28%
- Cut marketing/fundraising expenses-24%
- Other
- Lay of staff
- Renegotiate pay
- Cut benefits

What are you doing?

How will they increase income?

- Additional personal asks with major donors-64%
- Improve communication with donors-54%
- Increase number of private grant applications to increase funding-52%

What are you doing?

Other options?

- Consider merger/consolidation-10%*
- Diversify funding sources-66%

Most useful tool?

- Donor management system

Making every \$ count

Beware of little expenses

A small leak will sink a great ship.
Benjamin Franklin

How do we cut?

Profit Center Analysis

Identify those activities or programs that should be retained, expanded or eliminated based on:

- How well the activity supports the core mission of the organization
- The ability of the organization to deliver the activity?
- How vital the activity is to the community
- Availability of funding to support the activity
- Analysis of how well the activity is funded
 - Direct costs fully covered ? - not covered ?
 - Indirect costs full covered ? - not covered ?
- When possible, renegotiate with funders to cover both direct and indirect costs

Where can we cut?

Staffing

- Analyze how well staff is being utilized
- Ensure that every staff member is “being paid for”
- Restructure staffing to multitask and increase productivity
- Convert overhead staff to productive staff
- In small non-profits, everybody, including the ED has to produce (become changeable to
 - direct billable costs)
- Look to volunteers to carry some of the workload to reduce need for paid staff

Where can we cut?

For Real Estate Operations

- Cut property taxes property taxes by utilizing abatement programs.
- Shop carefully for all services - insurance, utilities, contractors, supplies
- Shed unproductive assets

Working smarter

- Not every dollar spent yield the same return
- Opportunity cost: Use staff at the highest return level—Grant vs. stuffing envelopes
- Data is useless without the ability to analyze it

Are you considering a merger/consolidation?

Understand:

- There will be board conflict
- You may not cut costs—at should lead to efficiencies
- Find people who understand the goal of mission alignment

Examples: Good, Bad & Ugly...

Consider partnering & resource sharing

Grants asking for increased community partnering

- Have honest conversations with leaders, grant writers
- Ensure both sides can support their end of the agreement

Opportunities to share resources

- Group health insurance
- Coordinate timing of printing and/or mailing for discounts
- Normal business operational costs, e.g. office supplies, sharing space
- Or pool funds for purchases, e.g. ad space for arts groups

Diversifying funding sources

How diversified is your funding?

- Reliance on a single source of funding is dangerous
- Over-diversification can be just as bad
- How do you strike a balance? Discussion

Myths of diversification

- Let's make this a part of Sally's job
- The Board will (or can) (or should) do it.
- People already know who we are
- ABC Charity raises tons of money with a special event, so we should have a golf outing, gala, garage sale...
- Let's crank out a couple of private grants and be done with it.
- The Smiths are wealthy and give to other organizations. They should be willing to give to us.
- An urgent direct mail or e-mail campaign will secure individual donations quickly
- 123 Company is a natural fit. They will support us...
- Putting a donation link on our Web site will make the cash flow.

What are other not-for-profits doing?

- Additional personal asks with major donors—64%
- Increase number of private grant applications—52%
- Ask board to increase contributions—34%
- Hold a special event fundraiser- 15%
- Utilize existing endowments—13%
- Emergency direct mail appeal to individuals—12%
- Emergency email/online appeal—11%
- Some special events on the decline (unless established)
- Improving donor retention & major gifts
- Reaching new donors cost-effectively e.g. Web tools
- Back to Return on Investment in Fundraising

What can you do?

First, what ARE you doing?



What can you do?

Start with a SWOT analysis

Consider:

- Public perception
- Internal resources & partnerships
- Organizational culture
- Organizational audit
- Community audit

Organizational audit

Review:

- All funding sources
- Longevity and predictability of each funding source
- Current funding gaps
- Gaps that could occur 1,2, or even 3 years down the road
- What is the organizations culture?

Community audit

- Who is your competition?
- What is your community's culture?
- How do you fit?
- How are you perceived within the community?

Involve the Board in assessment, decision-making and planning

- Build on strengths & opportunities
- Plan to address challenges

Think like a donor



What Donors Want Most:

- Acknowledgement that the gift was received & you were pleased to get it
- Assurance that the gift was used as intended
- Confidence that the project is having the desired effect

If these conditions were met...

- 87% would give again
- 64% would give more
- 74% would continue to give indefinitely

Interesting...

- 41% of people with a will said they would give a portion to a charity IF asked.
- Only 9% list a charity in their will.
- 71% of respondents said they have much more money to give but are holding back due to fundraising practices

The Power of Thanks!

- 95% of respondents would be very appreciative if a member of the Board called within a day just to say thanks
- 85% would definitely or probably support the charity again if this happened
- 86% would definitely or probably give a larger gift

When Making Calls...

- Answering machines count—call once, follow-up and leave a message
- Callers don't need to know the amount of the gift
- Leadership volunteers are the most effective callers

What Makes a Great Letter?

- 51% personalized—feels like it was written to the donor
- 33% acknowledges how the gift will be used
- 16% hand written
- 13% signed personally by a member of the Board

Why Donors Stop Giving...

- 41% stop giving due to over-solicitation
- Too many charities asking
 - A single charity asking too many times
 - Being asked to give again before I'm satisfied with what the charity did with the last gift

Donor Communications...

- 68% of donors would prefer to receive a short, one-page bulletin about the program or service their donation had targeted
- 12% would prefer the one-page bulletin most of the time, rounded out with an annual newsletter that was more comprehensive
- 19% are satisfied with the current length of charities' newsletters (59% are 8 pages & up)

Donors agreed with the following:

- 91% say newsletters provide information on charities they support
- 71% agreed that newsletters provide useful information on specific programs/services to which their contribution was directed
- 64% said they are too long
- 60% don't have time to read newsletters thoroughly
- 31% believe there is too much fundraising content in newsletters
- 53% are concerned about the cost of newsletters

How could newsletters be improved?

- 54% said provide more targeted information on how donations are being used
- 12% Said include more human interest stories
- 9% encourage charities to reduce newsletter size

E-mail...

- 47% of individual donors &
- 59% of corporate donors would like to receive information from charities on their gifts at work by e-mail

Invitations to visit charities...

- 72% of study donors have been invited on site to one or more charities they support to see their work first hand
- 77% of this group said that this is appealing and that the invitation is appreciated even when they are unable to go

Communications with planned gift prospects

- 54% of charities make personal calls
- 61% make personal visits to keep planned gift donors informed about their work

Versus

- 26% make calls to other donors
- 19% make personal visits to other donors on a regular basis

Donor recognition

While 66% of charities publish lists of donors' names in their newsletters:

- 81% of individual donors and 71% of corporate donors say that having their names published has no influence on whether or not they will give again.
- Donors disliked categorizing by gift value —platinum level givers hated it most.

Donor thoughts on gifts:

- 28% of individual donors say they are inappropriate under any circumstances
- 21% felt they were appropriate in cases of exceptional giving
- 17% said that gifts are acceptable if they are obviously inexpensive

Among corporate donors:

- 79% felt they were always inappropriate
- 14% felt they influence future giving in a positive way

Thoughts on token gifts (address labels & fridge magnets)

- 86% of individual donors expressed negative views about token gifts.
- These included comments that:
 - token gifts were worthless,
 - not an incentive to give,
 - a waste of money and
 - that they sent the wrong message to donors.
- 100% of corporate donors agreed

Plaques & Certificates

- 76% of individual donors receive plaques or certificates that acknowledge their philanthropy
- Only 5% display them
- 73% either throw them out immediately or store them in a cupboard and dispose of them later
- 12% keep a few and throw the rest away

Among corporate donors...

- 72% display them
- 71% are displayed in high traffic areas
- 29% are displayed in Executive offices

Recognition donors like...

- 76% of individual donors and
 - 94% of corporate donors
- Say that photographs or personal letters from people who have benefited from the charity's work are very meaningful & play a role in maintaining their support.

Recognition events...

Donors like:

- Learning more about the charity's work (28%)
- Seeing others who support the same cause (20%)
- Socializing or networking with other guests (19%)

What else?

- Write it down
 - Organizational memory must be captured
 - Offers transparency
 - Saving grace in periods of staffing or board turnover
- Keep it simple
 - Doesn't need to be perfect; fine tune over time
- Involve your board

The Board Role in Fundraising

Strong participation:

- Giving
- Identifying prospects
- Cultivation
- Solicitation
- Recognition
- Stewardship



Easiest Board Tasks

- Structure your board appeal (personal solicitation)
- Thank you calls to top donors
- Host a reception at their home or the agency
- Write personal notes on appeals & invitations
- Provide names of friends & associates; mailing lists from clubs

Easiest Board Tasks

- Identify relationships to corporations/ foundations
- Bring in invitations—note HC members
- Recruit event sponsors
- Bring people to events
- Greet guests as events

Easiest Board Tasks

- Provide information about prospects' charitable interests
- Introduce staff to people with wealth or connection
- What else do you have YOUR board do?

On the bright side...

- What other sector can benefit from unemployment or declining industries
 - Opportunity to recruit high-quality volunteers
 - Donations of (appropriate) excess inventories
 - Potential opportunities with freelance consultants
- Ability to have messages and needs heard
- Can't run around saying the sky is falling

Actions with Impact

- Choose to be **PROACTIVE**
- Have **HONEST** conversations
- Focus on **STAFF** morale
- Be **CREATIVE**
- Embrace **TECHNOLOGY**
- Set **REALISTIC** but aggressive expectations
- Implement **SUSTAINABLE** changes
- Don't be a **VICTIM** to the economy