# Operational Guide

## Fundraising Plans

AMERICAN HUMANE

*Protecting Children & Animals Since 1877*

# About the Author

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## Introduction

Most animal shelters need to raise an ever-increasing amount of money. That means organizations now compete for the same donors more than ever before. Where fundraising once was the domain of humane societies alone, today many other organizations seek the animal dollar, including breed placement groups, animal control agencies, foster care programs, and others. While this boom of effort may enhance the overall level of animal services in your community, you are still responsible for raising the funds your organization needs to thrive. That's why effective fundraising takes specific planning.

Fundraising plans provide a much-needed focus for attracting these critical funds. Most humane organizations would never launch a spay/neuter program or mobile adoption program without careful planning. Yet, raising money for these vital services is often seen as the "evil" work foisted upon the executive director. An effective fundraising plan helps allocate resources like money, staff, and volunteers to obtain the best results and to move your organization toward its vision. In addition, a fundraising plan is the best way to respond to well-meaning people who constantly suggest new fundraising ideas. (Simply tell them that a fundraising plan is already in place and that their ideas will be considered for the future, when new fundraising plans are created.) An effective fundraising plan also increases your organization's overall professionalism in the eyes of current and potential donors.

This guide includes ways to increase the levels of support from your community, which provides you with future funds and reduces the need to increase fees for adoptions, spay/neuter, training, and other programs to meet the organization's annual budget. Raising service fees indeed may be the appropriate strategy, but our goal is to allow you to make that decision independent of budgetary pressures.

### *Board of Directors Role*

The support and participation by 100 percent of the organization's board of directors is central to the success of any fundraising plan. Each board member must contribute money. Why? It is tough to ask for donations from prospects if all board members are not active donors to the organization. In fact, these board contributions are as important to a fundraising plan as soliciting "outside" prospects, work often done by the executive director, development director, and board members themselves. While many organizations face low participation by board members and still raise sufficient funds, the total amount potentially raised would increase with all board members giving. Therefore, when board members choose not to donate or donate minimal levels, they restrict the organization's ability to raise funds needed to achieve its mission.

#### How Much Should Board Members Give?

Board members should make sacrificial donations that are dependent on their financial situation. Clearly, some people have significantly more resources than others, yet the level of personal wealth does not in itself identify the "best" board members. Many methods are used to determine the level of board contributions. These include a set annual amount, a percent of income, participation in events, and others. The key underlying concept is that the level of giving needs to be “sacrificial,” or reflective of a significant, ongoing commitment to the organization. Basing the amount on a percent of income (such as one or two percent of annual income) may be more equitable across various income levels. Giving at the minimum level possible to maintain membership in the organization would not be considered a sacrificial gift in all but the rarest cases.

Board members must commit to be active participants in fundraising implementation efforts. In addition to a sacrificial gift, organizations should expect board members to be leading contributors to all fundraising events. Examples include buying a table at a dinner auction, having a team at walks, and entering a foursome in a golf tournament. Being on a board is a major financial commitment. A major benefit of expecting board members to participate financially in each event is its effectiveness in focusing efforts on a limited number of significant events. This prevents organizations from trying to fund budgets through numerous events.

Volunteering time at events or shelter activities does not eliminate the obligation of board members to contribute. Even if a board member has contacts with wealthy and influential community members, they’ll have more success approaching these people if they can say they personally contribute to the cause.

The old expression “Give, get, or get off” may need an update. The new expression might be: “Give sacrificially, get effectively from others, and if you can’t, won’t, or don’t, then you have an ethical obligation to get off.”

Organizations should expect a commitment of both time and money from all board members because it reflects their real support of the mission. Such visible commitments by members of the board have an enormous impact on other potential donors and the community at large.

### Involvement in the Fundraising Plan

Executive directors should involve board members at the conceptual level of a fundraising plan, whereas strategies and implementation should be done at the executive staff level. The executive director, with possible help from selected board members on committees, will work on both the conception of the plan and the strategies to implement it. Board work guided by the executive director focuses on broader strategies, such as determining resources dedicated to areas of fundraising, including how to balance events, mass appeals, and major gift work.

## *How Much Do We Need to Raise?*

Develop a fundraising plan after the organization’s strategic plan is approved. If you have a strategic plan, determine how much non-service related income (exclude projected revenue from adoptions and other services) will be required to fund the budget on an annual basis for the next three to five years.

If your organization does not have or follow a strategic plan, fear not. Many organizations are in the same boat, making fundraising plans even more important.

The annual budget, regardless of the level of strategic planning you have done, will tell you the amount of needed funds. To determine the amount needed from fundraising activities, subtract revenue from services, contracts, and investments from the annual budget. For example, assume an organization has an annual budget of $500,000. This year it expects to raise $100,000 from adoption fees, $25,000 from training classes, and $25,000 from the low-cost spay/neuter program – totaling $150,000 in services. In addition, the organization has a contract with a local municipality for housing lost pets for $50,000. Revenue from investments is expected to account for another $50,000. Therefore, services, contracts, and investment income total $250,000, or half, of the $500,000 needed this year. The remaining $250,000 must be raised. The fundraising plan will be the guide for obtaining these funds.

An alternative strategy is to set goals in the fundraising plan higher than the figures in the annual budget. Our example organization needs to raise $250,000 to balance the annual budget. However, our fundraising plan may increase that figure by 10-20 percent, making the goal for the annual fundraising plan $275,000. Then each activity, such as the dog walk, would have its fundraising goal increased by 10 percent. For example, while the budget states the dog walk must raise $20,000, our fundraising plan shoots for 10 percent more, or $22,000. There are several reasons for this strategy. First, events and activities never raise the exact amount stated in the budget. Some will be above, others below. The higher goal should assist in exceeding the annual budget figures overall. Second, the additional funds could further program development, offset unexpected expenses, or grow the endowment. Third, this forces an organization, even a nonprofit one, to behave more like a business, trying to achieve a positive operating margin.

### How Much Can Be Raised?

Although there are occasional stories of organizations achieving tremendous fundraising success, some common guidelines should assist in developing realistic fundraising goals.

First, how much can an animal care and control organization raise on a yearly basis? A review of many organizational financial records shows that approximately $2-$5 per capita is possible. This depends on a number of variables, including other similar organizations operating in your area or community. For example, let’s assume our example organization is located in a county of 100,000 people. The potential amount they can raise is determined by multiplying $2-$5 with the population of 100,000 residents. Therefore, our organization should be able to raise $200,000-$500,000, giving it a good chance of meeting its goal.

To determine this reasonable fundraising amount in your community, get census data from local entities or online at www.census.gov and multiply that population number by $2-$5 to obtain your result.

In the longer term, a goal for a major gifts campaign is determined by taking the amount of funds raised annually, doubling it, and multiplying the result by five to obtain a five-year goal. For example, assume our example organization is exactly meeting its annual budget by raising $250,000 per year. When a major gifts campaign is instituted, the goal is determined by taking $250,000 and doubling which equals $500,000, then multiplying it by five for a total of $2.5 million raised in the next five years beyond the annual budget.

### The Message

The message used in requesting donations should be simple and focus on how you save and change lives for the better. Make the outcome of your work, not the process, the main message. Avoid talking about needs and tax breaks. Although a minority of donors cares about needs or tax advantages, most people will contribute if they believe in the cause and mission of your work and in your vision of what you can accomplish.

## Developing the Fundraising Plan

### *Phase 1 – Board of Directors Commitment*

The board of directors must determine the level of board support in the following areas:

#### Commitment to the Plan

The board must commit to supporting the plan by agreeing to require that all board members make sacrificial gifts, support events, and assist in cultivating prospects.

#### Sacrificial Gift

The board must define a sacrificial gift. This could be a stated amount, a percent of income, or other amounts. Make it clear that a sacrificial gift for all board members is not the minimum membership donation. Board members are on their honor to complete this gift.

#### Participation

The board must determine and commit to their expected level of participation in the following:

**Sacrificial gifts.** Determine when these gifts should be completed on an annual basis.

**Events.** Determine the expectations to attend events in a leadership capacity. At any approved event, board members must commit to contributing to that event by attending and purchasing items such as a table at the dinner auction, a foursome in the golf outing, or a team at the walk.

**Appeals.** Determine if the board should contribute to each mail and telephone campaign. If board members have agreed to and are completing annual sacrificial gift, the need to give to these appeals is normally not required. However, establish expectations in the plan.

**Major Gifts.** Board members must assist the major gift campaign in a variety of ways, including providing information on prospects in the community, helping narrow down prospects, and assisting in asking other donors for large gifts.

#### Ethical Considerations

The board must agree that each member has an ethical obligation as an elected leader of the organization to contribute at a sacrificial level and to not expect community financial support if they do not show leadership by being the first to donate at appropriate levels. If agreements can not be reached on these ethical considerations, the process should not move on to the next phases.

### *Phase 2 – Fundraising Goals*

The organization's leadership must determine and set a goal for the total amount of dollars to be raised in the following areas:

#### Annual Budget

Determine this amount by subtracting all funds projected to be received from sources such as services, contracts, and investments from the total projected revenues.

#### Capital Expenditures

Determine the portion from fundraising for capital expenditures, including small items such as computers and large items like new buildings.

#### Cash Reserves

Determine the amount that fundraising should add to the cash reserves of the organization. These are normally non-restricted funds.

## Restricted Funds

Determine the amount of fundraising that will be for restricted funds. These are normally for programs or services such as humane investigations, spay/neuter, and others.

## Endowment

Determine the amount of funds that will be added to the organization's endowment.

## *Phase 3 – Fundraising Strategies*

In this phase, determine the fundraising strategies to be used. This section provides a very brief overview of the major funding activities, including events, mail and phone contacts, and individual major gift solicitations.

Do not try to balance a growing budget by adding a number of small events. Instead, outsource very small events, such as bake sales and coin drives, to community or school groups, if they are conducted at all. Also, limit the number of large events.

The benefits of mail and phone campaigns include that they can be outsourced to businesses that provide those services for a fee that is normally much less than tying up scarce staff time.

Major gift solicitation offers a tremendous amount of opportunity. By limiting events and outsourcing mail campaigns, staff and board members can focus on the lucrative activity of direct solicitations.

## Events

### Considerations

Evaluate events by their expected return of funds. If modest contributions by board members total more than an event can bring in, it may be best to select another activity. However, school children often have coin drives and car washes; senior groups hold bake sales, and so on. These are excellent outside "offers" to help, while saving your time and keeping your organization actively connected to the community.

Because large events often become trendy, the competition therefore increases. Currently, dinner auctions, walks, and golf tournaments are popular for a number of different causes in every community. It does not preclude you from such an event, especially if your expected return is high. But the popularity of these events requires you pay extra attention in planning to make sure your event has its own identity or doesn't overlap with other similar events.

Finally, although many believe "friend raisers" enhance your organization's status, they often are not worth the effort when measured against their immediate return. Hold these events only when cultivating specific groups of people to approach later for support in other ways.

### Categories

<u>Small Events</u>
Small events with a small expected return normally raise $0 to $2,000. These include bake sales, car washes, friend-raisers, costume shows, and others. These are best conducted by an outside group that donates the funds raised to your organization. Just be sure to properly thank them for their extreme generosity and effort. Even small organizations should resist doing these events themselves because they are time consuming, and the board members of any size organization could more easily contribute the same amount of money.

Mid-Sized Events

Mid-sized events can bring in a modest amount, usually up to $10,000. These activities often include pet portraits and some rummage sales. Events such as pet portraits can be used to identify new donors and provide existing donors and adopters a perk. Limit these events to one per year or use them only if other larger fundraisers are not established.

Large Events

Large events bring in from $10,000 to $100,000 or more. These often include dinner auctions, walks, golf outings, and large rummage sales and thrift shops. These events often bring public awareness to the organization as well as funds. Nonetheless, limit them to two per year for several reasons. Normally these events are very time consuming for executive staff and board members. For example, at our example organization with a $500,000 budget, an event has to raise more than $40,000 to account for one month's worth of expenses. It normally takes several months of planning to accomplish these events successfully.

Donor Receptions

Some organizations hold receptions to cultivate donors. These can and should be held at regular intervals and will be directly related to major gift solicitations. These do not count in your number of fundraising events.

### Suggestions

Limit the number of events per budget year. A suggestion would be a total of two to four events per year. For example, a dinner auction, dog walk, and holiday pet portraits. These three events, done well, would occupy event staff and board members for a year.

## Mail, Telephone, and Web Based Methods

### Considerations

Normally these funding methods are used for annual campaign giving. The donor is contacted through the mail, by phone, or online and asked to make a gift by self-selecting an amount from a list of choices. The focus of the appeal should be on the mission and cause of the organization (saving the lives of homeless pets), not a particular need such as a piece of equipment. Benefits include a relatively predictable stream of income and a modest amount of time by staff. This type of fundraising can also be outsourced to a company for a fee. However, outsourcing may be the most effective selection when accounting for staff time. This is also effective for list building and identifying potential major gift donors. Drawbacks include that it can be costly and with a potentially low response rate.

### Types

Direct Mail

Direct mail should deliver a simple message that often includes a story with a happy ending as a demonstration of your services.

The frequency can and should be four to eight times per year, sometimes more. Make one direct mail piece a holiday appeal that is sent to donors at least one month prior to the end of the calendar year. Several donors will complain about getting too many appeals and wasting money. However, most donors will not complain, and repetition leads to increased giving, pending the reputation of your organization.

Mail to all donors from the past two years, and supplement this by purchasing a list of prospects based on income, neighborhood, or similar interests, which can be identified by the companies selling the lists. Adopters normally do not make good donors shortly after adopting, but they should be included for later cultivation.

Respond to donors with as many thank you notes as reasonable. Recognize all gifts. A potential system could send a postcard with a stamped thank you up to $25, a letter signed by the development director up to $100, and a letter signed and personalized by the executive director for $100 or more. (Accomplish this by writing a short note on the bottom of a form letter.)

<u>Telephone Campaigns</u>

Phone campaigns usually stir up debates about alienating donors more than helping. If you choose to conduct these types of campaigns, hire a reputable firm rather than expecting volunteers to perform this task. Also, outsourcing relieves the executive and development staff from using their time overseeing this activity. Organizations that do use reputable firms (that are considerate to donors) report effective campaigns in terms of the numbers of donors and total funds received. Make sure your organization receives 50 percent or more of the total dollars donated.

<u>Web-Based Fundraising</u>

Web-based fundraising, although still in its infancy, continues to account for a greater portion of total funds raised. For many organizations, it is now in the one to two percent range of total giving and continues to climb. This is in part because of the computer generation now reaching the age when they begin to donate to causes. Web-based fundraising could become a significant source of income in the near future, so every organization should review its web-based plan on a regular basis.

**Suggestion**

Every fundraising plan should include direct mail, should consider a telephone campaign, and should offer a web-based option for donors.

## Major Gift Solicitation

**Considerations**

All animal care and control organizations, regardless of size, should place more emphasis on major gift solicitation. A major gift is defined differently by all organizations. Some organizations may consider $250 a major gift while others consider $10,000 a major gift. Regardless, the process stays the same, and the results have the potential to significantly improve the health of your organization.

Fundraising research and experience shows that people give to people. Cultivation is the key. This is a timely process that uses only narrow lists of prospects selected for cultivation.

**Prospects**

Although anyone, current donor or not, may make a major gift to your organization, time restrictions require us to focus on those most likely to give. In all types of organizations, generally the top 10 percent of donors give 90 percent of the total. If your organization is not close this ratio, it may be because of a lack of a major gift campaign.

To establish your list of prospects to cultivate, segment the top 10 percent of all your donors. From that list identify a number (approximately 10 to 20) that are known personally by board members, executive staff, or other key supporters. After identifying these people, rate them on a grid using two variables: capacity to give and interest in your organization. Review prospects until you identify the top 10 or 20 who have a connection to the board or executive, who have resources to give, and who have an interest in your organization. Interest can be determined in various ways such as if they adopted, attended events, currently give, and others. In other words, focus on those most likely to give, not the richest person in town who doesn't know about your organization or care about your cause.

### Cultivation

Here is where board members can play a major role in fundraising without actually asking for a gift. For each of the prospects identified, determine who should make contact. The initial contact can be by phone, mail, e-mail, or in person. It should provide some information about the organization (such as an invitation to tour the shelter) and request a response from the prospect. This is a "move," and if it's successful, you are closer to a major gift. Make such move contacts monthly. In the future, for example, the prospect can be asked for advice, told how the shelter is helping with a disaster, or other key messages. At this time, board members will be relieved that they can help with funding but do not have to ask for money.

### The Ask

When the time is right, ask for a gift. This usually means when the money is needed and when the person seems fully accepting of the information provided over several months to more than a year. Identify the person to make "the ask" based on whom the prospect is least likely to tell "No" – a board member who is a friend and a donor, a business associate who gives, or others. If none are willing to ask, although not as effective, the executive director or development officer can ask.

### How Much To Ask For

There is no definite answer. However, there are two general approaches: one for a short cultivation period and one for a long cultivation period.

A short cultivation period may be only one move, or it may be several. Because it is not a year or two worth of contacts, seek a lower amount. The benefit is that this gift will provide resources now, and as soon as this gift is received cultivation can begin toward a larger gift. For this gift, establish three giving groups, such as a $500 silver paw, $1,000 gold paw, or $2,500 diamond paw giving groups. This prospect will be asked to join a group, most likely the one that is directly above the current giving level. For example, a donor giving $250 is asked for $500.

A longer cultivation period, with moves lasting up to three years, seeks a larger gift. The size of the gift should be 10 times the individuals' response to a mail campaign. For example, a donor who gives $500 to the annual mail campaign, with successful cultivation, can be asked for a gift of $5,000 in addition to the annual gifts of $500.

### Suggestion

All organizations should establish a major gifts campaign. Even if there is only time to cultivate five prospects, the eventual payoff will be a wise investment. This is how large organizations build significant resources.

## Conclusion

All organizations should have a fundraising plan to maximize resources, to maximize donations, and to maximize opportunities to accomplish their mission. A plan should include the amount of funds to be raised, established or approximated through information provided in this guide. Focus on events that produce significant income. Do not attempt to raise operating revenue through a series of small events that yield little return. Include mail and web-based components in your fundraising plan, and review telephone campaigns with an open mind to determine if they could be a part of your plan. Shift your fundraising focus to major gifts solicitations. It is an effective way to focus board members and executive staff in a common effort to significantly impact the future of the organization. Finally, remember to connect with the needs of your donors. They are the ones responsible for your successes. If you thank them repeatedly for their gifts and support, you can raise more funds, to save more pets, and to help more people and pet owners.