



Chapter 5

Fundraising

CHAPTER OUTLINE

1. Roles & expectations
2. Planning & systems
3. Communications

Chapter 5 Summary: Fundraising

INTRODUCTION

Board members help nonprofits secure adequate resources for the organization in ways that allow for financial stability over time. Fundraising provides the essential resources to fulfill an organization's mission. Activities related to fundraising can also expand the community supporting a nonprofit's mission and connect more people to the larger cause the organization addresses. The board needs to conduct fundraising activities in a manner that upholds the public's trust in the organization's stewardship of contributed funds. Conducting fundraising in an ethical, professional way that follows local, state, and federal law is crucial for nonprofits.

1. ROLES & EXPECTATIONS

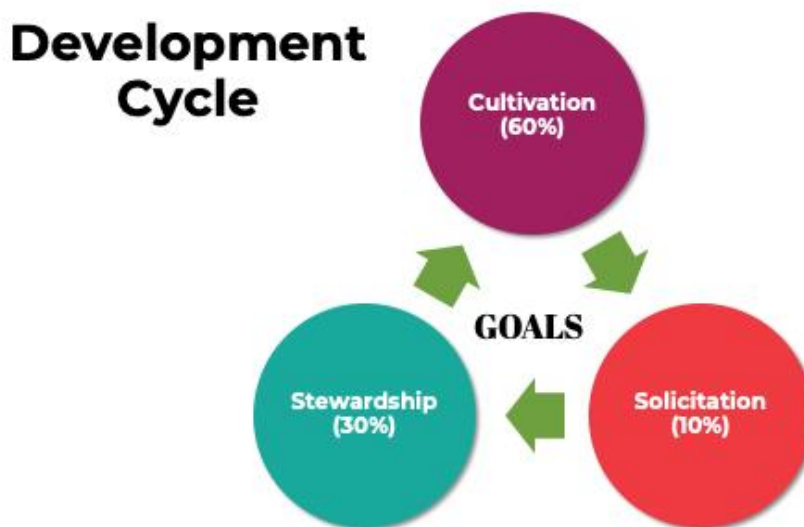
Each board member plays a role in fundraising and providing stewardship through budgetary accountability. Practices of board giving and engagement may include monetary and non-monetary contributions. The practices identified for individual board member giving and any other engagement indicators should align with the board and organization's stage of development, creating pathways for all board members to actively contribute to fundraising efforts.

Fundraising expectations need to be explicit and clearly shared during the board recruitment process. Ensure fundraising is part of ongoing financial discussions. A nonprofit's board members should feel accountable for the organization's budget and fundraising implications associated with securing adequate resources.

2. PLANNING & SYSTEMS

Guided by a plan or strategy that reflects budgetary and organizational goals, fundraising is a system of activities, events, and solicitations that require effort on multiple levels. There are many variations of development cycles presented in fundraising spaces, and each approach includes three major steps: cultivation, solicitation, and stewardship. Generally, in fundraising work, approximately 60% is cultivation (building relationships), 10% is solicitation (asking for gifts), and 30% is stewardship (managing gifts and relationships). Therefore, anchoring fund development by building relationships with current and potential donors is critical.

As a board, take time to discuss all the ways you can accomplish cultivation, solicitation, and stewardship in relation to your fundraising goals and the organization's mission. Work with each board member to identify their comfort area(s) in the cycle. Based on each board member's comfort area(s), develop an individualized plan for how they can best support the organization's fundraising activities. Remember to celebrate successful fundraising in all forms as a positive addition to the budget and organization!



As you think about planning, the board needs to know what kind of solicitations the organization is making as well as understand their individual solicitation activities are part of a larger fundraising plan or strategy. Explore and discuss multiple ways in which board members can participate in fundraising. Also in your planning, review your nonprofit's funding sources and discuss as a board if you feel there is currently adequate diversification to ensure organizational stability. When looking at funding sources, think about the consistency and reliability of the source as well.

To bring your fundraising plan to life, you need systems and policies in place across the organization to ensure fundraising happens in compliance with the law and best practices. Alignment of fundraising and financial reporting is essential for effective and timely information to reach individuals and institutions funding your nonprofit's work. The IRS regulates the donor documentation requirements needed to claim

a deduction as a charitable contribution, so having a system set up to process and acknowledge gifts properly is imperative.

As contributions come in from all your fundraising efforts, nonprofit accounting standards require organizations to classify contributed income in one of two ways: with donor restrictions and without donor restrictions. Reviewing financial statements monthly will help the board ensure a commitment to honor donor intent and comply with conditions and restrictions placed on donations.

Lastly, there may be times a nonprofit should not or may not want to accept a gift offered by a donor. Some gifts may create more difficulty or unanticipated expense than actual benefit for the organization. A nonprofit should consider adopting a gift acceptance policy that clearly states what types of gifts the organization will and will not accept. A gift acceptance policy helps manage donor expectations and provides direction to board members, staff, and volunteers who may support fundraising efforts.

ACTIVITY



Your turn: Think about all the possible ways your organization brings in funds including support (e.g., donations, grants, and special events) and revenue (e.g., admissions, earned income, and return on investments). Here are some questions to ask yourself. Use the space provided to write down your answers and any action steps.

Ask yourself...

- Where does the organization’s funding come from now?
- What percentage of the budget does each funding source make up (e.g., 30% is from foundation grants)? Over the next few years, would you like the percentages to change in some way?
- For funds with donor restrictions, do you know what the reporting and accounting requirements are? Is the organization following through on required reporting and complying with the funding conditions?

Notes & Next Steps

3. COMMUNICATIONS

Board members must have the tools, systems, and stories needed to be effective ambassadors and relationship-builders for the organization. Ideally, board members can share stories and outcomes to help communicate the value of the organization's work. To support fundraising efforts, board members need adequate training and resources to accompany their individualized plans and assigned tasks.

Training should help board members clearly speak to the organization's mission, values, programs, and fund development procedures. Procedures should include communications between board members, key staff, and/or fundraising leads following contact with a donor as well as a process for capturing any relevant information. Board members should know how to access current materials and resources for use in donor outreach. In addition, board members are given information on current and potential new donors, including background and history, to prepare outreach efforts appropriately.

Learn more about financial and legal considerations around giving and fundraising through Nonprofit Association of Washington's *Finance Unlocked for Nonprofits* and *Let's Go Legal* guides.

FINANCE UNLOCKED *for* NONPROFITS

- 1 Balance Sheet
- 2 Income Statement
- 3 Nine-Ninety
- 4 Giving
- 5 Oversight

Chapter 4. Giving



Chapter 3. Fundraising



- 1. Each board member has a role in fundraising and stewarding the organization through budgetary accountability.
- 2. The board uses planning to help map out and achieve fundraising goals.
- 3. Implementing policies and systems helps the board ensure the organization’s fundraising happens in compliance with the law and best practices.
- 4. Board members need training, tools, systems, and stories to be effective ambassadors for the organization and to make progress on assigned fundraising tasks



Here are some questions to think about:

Reflections

- What would greater board engagement in fundraising look and feel like at your organization?
- How could greater board engagement in fundraising improve the oversight of funds received and allow your organization to be more strategic with fundraising?
- How can you use fundraising to grow the community committed to advancing the cause for which your nonprofit works?



Next steps:

- ☐ Learn more about ethical fundraising practices and donor rights through the Association of Fundraising Professionals (AFP) resources on ethics, which includes [AFP’s Code of Ethical Standards](#) and [The Donor Bill of Rights](#).
- ☐ Explore the National Council of Nonprofits [Gift Acceptance Policies resource](#) to help you review your current policy for improvement areas or to get you started (samples included).
- ☐ Organize a thank-a-thon to call, write notes, or record short video messages to update donors on your organization and the impact their gift has made.



Additional Resources

Boards in Gear draws on the information and insights found in the following resources. Explore these resources to continue your board's learning.



Other Nonprofit Resources

National Council of Nonprofits

- Everyday Advocacy: <https://www.councilofnonprofits.org/everyday-advocacy>

Stand for Your Mission

- The Power of Board Advocacy – A Discussion Guide for Boards: <https://standforyourmission.org/wp-content/uploads/2019/08/S4YM-Discussion-Guide-Web.pdf>

BoardSource

- Leading with Intent – BoardSource Index of Nonprofit Board Practices: <https://leadingwithintent.org/>

Social Venture Partners

- SVP Organizational Capacity Assessment Tool: <http://www.socialventurepartners.org/san-diego/wp-content/uploads/sites/54/2013/06/Organizational-Capacity-Assessment-Tool-OCAT.pdf>

501 Commons

- Best Practice Materials for Nonprofit Boards: <https://www.501commons.org/resources/tools-and-best-practices/boards-governance/501CommonsBestPracticesforBoards.doc/view>

Minnesota Council of Nonprofits

- Principles & Practices for Nonprofit Excellence: <https://www.minnesotanonprofits.org/resources-tools/principles-practices-for-nonprofit-excellence>

Nonprofit Association of the Midlands

- Guidelines & Principles: <https://www.nonprofitam.org/page/GuidelinesandPrinciples>

Colorado Nonprofit Association

- Principles & Practices: <https://coloradononprofits.org/principles-practices>

After you work through *Boards in Gear*...

Take a moment to capture items you want to remember and action steps you want to take. For action steps, think about specifics related to the task (who, when, where, and how).

Connection to Cause	
Items to remember	Action steps
Responsibilities	
Items to remember	Action steps
Composition & Development	
Items to remember	Action steps
Board Operations	
Items to remember	Action steps
Fundraising	
Items to remember	Action steps
<p>Help your board identify where you are now and create a path to your ideal goal with the <i>Boards in Gear Pathways Worksheet</i>.</p>	