



## Fundraising: Good Strategies, Best Practices, and Useful Resources

### Good Strategies

- The more diverse your sources of funding, the more you will be able to achieve financial sustainability. These sources can include such revenue streams as individual donors, foundations, small and large businesses, earned income, government grants, contracts, and federated campaigns such as United Way, N.C. Community Shares, or Earth Share of North Carolina. Some key points to remember:
  - Beware of “mission drift” where organizations chase whatever money is available instead of seeking funding that is congruent with their missions.
  - Do your homework when seeking grants and donations. Too many funders say they turn applicants away because the groups’ missions and the funders’ giving priorities do not match.
  - Individual donors are the stakeholders who often best understand financial needs, including the fact that general operating support is critical to carrying out programs and services. Creating an individual donor program is a *must* for a diverse funding base. According to the most recent *Giving USA*, a whopping 75% of nonprofits’ private donations are from individuals (plus 7% from bequests). Of the \$307.65 billion contributed in 2008, the rest was from foundations (13%) and corporations (5%).
  - Successful fundraising is based on strong relationships, and these require cultivation, management, and good stewardship.
- Fundraising is a primary responsibility of *all* board members. Each board member should contribute in a way that is appropriate to his or her situation. Funding sources, especially foundations, ask applicants about their board giving. The rationale is that if your board isn’t contributing to the cause, it’s hard to ask others to do so. An ideal goal is 100% board giving. Remember, participation by the *full* board is more important than actual amounts.
- Special events are not the panacea that many nonprofits think. While they can play an important role in increasing an organization’s visibility, they can be labor intensive and the costs often outweigh the proceeds. Be judicious about how you use a special event. Be clear about whether it’s a volunteer-led effort or if you will also rely on staff. Be sure you count *all* direct costs (printing, food, prizes, etc.) and indirect costs (staff time) in determining *net* proceeds.
- Planned giving is not just for large organizations. Any nonprofit can introduce simple planned giving elements into its fundraising and use the counsel of professional advisors (e.g., attorneys, CPAs) and encourage donors to do the same.

### Best Practices

- There are two IRS rules that relate to substantiating and disclosing charitable contributions:
  - A donor must obtain a written acknowledgement from a nonprofit for any single contribution of \$250 or more before the donor can claim a charitable contribution on his or her federal taxes. Nonprofits should make it standard procedure to provide these acknowledgements to donors.

- A nonprofit must provide a written disclosure statement to a donor who makes a payment exceeding \$75 that is partly a contribution and partly for goods or services provided by the organization (an exchange for goods or services is a *quid pro quo* contribution).
- State laws also govern nonprofits' fundraising activities. If a nonprofit receives more than \$25,000 in grants or contributions in one year, it must obtain a Charitable Solicitation License, register any paid fundraising consultants, and use a disclosure statement on all fundraising materials. Certain exemptions do apply.
- Many donors want to know that nonprofits' fundraising costs are reasonable. However, no one set percentage or ratio of costs to expenses is appropriate for all nonprofits. Factors that affect fundraising costs include: the age of the organization (a young nonprofit may need to spend more money as it acquires new donors and creates fundraising procedures and systems); the amount of time an organization has used specific strategies (e.g., amortizing direct mail costs over time); the nonprofit's mission and the overall "ease" of raising money for that cause (e.g., it's generally harder to raise money for advocacy than for direct services); and an emergency or crisis that requires additional resources (e.g., a natural disaster).
- The confidentiality and anonymity of donors should be protected whenever requested. Nonprofits should ensure that donors' contact information will not be shared, traded, or sold without their permission.
- Gift acceptance policies are highly recommended for board and staff to use in accepting donations of cash, securities, real estate, in-kind contributions, or others.

### **Fundraising Resources**

- Association of Fundraising Professionals (AFP) ([www.afpnet.org](http://www.afpnet.org)), and the AFP Chapters in North Carolina: Charlotte ([www.afp-charlotte.org](http://www.afp-charlotte.org)); Northwest (<http://afpnwnc.afpnet.org>); Triad ([www.afptriadchapter.com](http://www.afptriadchapter.com)); Triangle ([www.afptriangle.org](http://www.afptriangle.org)); Western ([www.afpwnc.org](http://www.afpwnc.org)).
- BBB Wise Giving Alliance ([www.give.org](http://www.give.org)).
- Board and Staff Helpline, a confidential service for organizations that are Members of the N.C. Center for Nonprofits. Members can also access hundreds of Frequently Asked Questions on the website. Visit [www.ncnonprofits.org/infocenter.asp](http://www.ncnonprofits.org/infocenter.asp).
- The Foundation Center (<http://foundationcenter.org>).
- Internal Revenue Service (IRS) with rules and regulations for nonprofits ([www.irs.gov/charities/index.html](http://www.irs.gov/charities/index.html)).
- N.C. Secretary of State ([www.sosnc.com](http://www.sosnc.com)).
- Nonprofit Genie ([www.compasspoint.org/askgenie/index.php](http://www.compasspoint.org/askgenie/index.php)).
- N.C. Center for Nonprofits ([www.ncnonprofits.org](http://www.ncnonprofits.org)). To join, visit [www.ncnonprofits.org/joindonateaffiliate.asp](http://www.ncnonprofits.org/joindonateaffiliate.asp), or call 919/790-1555, ext. 100.
- *Principles & Practices for Nonprofit Excellence: A Self-Help Tool for Organizational Effectiveness* ([www.ncnonprofits.org/principles.asp](http://www.ncnonprofits.org/principles.asp)), published by the N.C. Center for Nonprofits. Provides 108 specific benchmarks for well-managed and responsibly-governed organizations.

HandsOn Northwest North Carolina and the N.C. Center for Nonprofits have created a close partnership to provide a seamless continuum of support services to Winston-Salem/Forsyth County nonprofits. These partners work closely together to ensure that services to local nonprofits tap all existing statewide and local resources and avoid duplication and the waste of resources. Visit HandsOn Northwest North Carolina at [www.nonprofit-connections.org](http://www.nonprofit-connections.org) (or call 336/703-3029) and the N.C. Center for Nonprofits at [www.ncnonprofits.org](http://www.ncnonprofits.org) (or call 919/790-1555, ext. 100) to learn more.