

Virginia G. Piper Charitable Trust

Phoenix • April 14-15, 2016

Part II

Getting Governance Right *Building A Strong Nonprofit Board For Effective Fundraising*

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Exercise 1: Assess Your Board's Fundraising Culture

1. Are prospective board members talked to about their fundraising responsibilities before they are elected to the board?
_____ yes _____ no _____ sort of / maybe / not certain

2. Are fundraising responsibilities and personal giving included in the board member expectation agreement?
_____ yes _____ no _____ sort of / maybe / not certain

3. Do close to 100% of your board members make a yearly personal "stretch" gift to your organization's annual fund?
_____ yes _____ no _____ sort of / maybe / not certain

4. Does the board chair personally solicit board members annually to insure appropriate board giving?
_____ yes _____ no _____ sort of / maybe / not certain

5. Does your board's fundraising committee organize the board's fundraising rather than actually doing the fundraising itself?
_____ yes _____ no _____ sort of / maybe / not certain

6. Does the board chair take time to personally cultivate and steward appropriate higher level prospects and donors?
_____ yes _____ no _____ sort of / maybe / not certain

7. Does the CEO take time to personally cultivate and steward appropriate higher level prospects and donors?
_____ yes _____ no _____ sort of / maybe / not certain

8. Is your organization's mission statement clear, concise, and compelling?
_____ yes _____ no _____ sort of / maybe / not certain

9. Can at least 80% of your board members recite your organization's mission statement?

_____ yes _____ no _____ sort of / maybe / not certain

10. Beyond just reciting your organization's mission statement, can at least 80% of your board members convincingly articulate your case for support?

_____ yes _____ no _____ sort of / maybe / not certain

11. Does the director of development (or other staff person) identify appropriate cultivation and stewardship opportunities for board member participation?

_____ yes _____ no _____ sort of / maybe / not certain

12. Has the CEO and director of development clearly presented the organization's fundraising strategy to the board?

_____ yes _____ no _____ sort of / maybe / not certain

13. Do the CEO and board chair organize the meeting agenda to clearly prioritize the importance of fund raising?

_____ yes _____ no _____ sort of / maybe / not certain

14. Do the CEO and board chair plan annually for board training opportunities in fundraising?

_____ yes _____ no _____ sort of / maybe / not certain

15. Do the CEO, board chair, and director of development each appropriately publicly acknowledge and recognize board members fulfilling their fundraising responsibilities?

_____ yes _____ no _____ sort of / maybe / not certain

2014 Giving = \$358.38 Billion

Sources of Contributions:

- 72.0% Individuals
- 15.0% Foundations
- 8.0% Bequests
- 5.0% Corporations

Where the Dollars Went:

- 32.0% Religion
- 15.0% Education
- 12.0% Human Services
- 12.0% Gifts To Foundations
- 8.0% Health
- 7.0% Public-Society Benefit
- 5.0% Arts, Culture, Humanities
- 4.0% International Affairs
- 3.0% Environment/Animals
- 2.0% Foundation Grants To Individuals

The Development Team

The Mission

The Board

The Staff

*Which is the weakest part of your team?
Which will be the weakest part next year?*

Exercise 1: Individual Articulation

List some unique characteristics your charitable organization? Why are you worthy of philanthropic support? What are your key selling points? Why do you bring value to the community? Why are you unique? Why should a donor invest in your work?

1. _____

2. _____

3. _____

4. _____

5. _____

6. _____

7. _____

The Development Process

Cultivation

Solicitation

Stewardship

*Do you do the entire process well?
Are you missing a step?
How can you improve?*

What Donors Want

- prompt personal gift — acknowledgement

- confirmation that their gifts have been set to work as intended — information

- measurable results... what effect the donor's gift has had — information

Special Events

SHOULD MAKE A TON OF MONEY!



or they better:

- **raise community awareness**
- **get volunteers involved**
- **cultivate new donors**
- **steward existing donors**
- **be part of the "process" and the "plan"**

A Donor Must Have

Linkage

Ability

Interest

*Are you soliciting people with linkage and ability,
but no interest?*

How are you measuring ability?

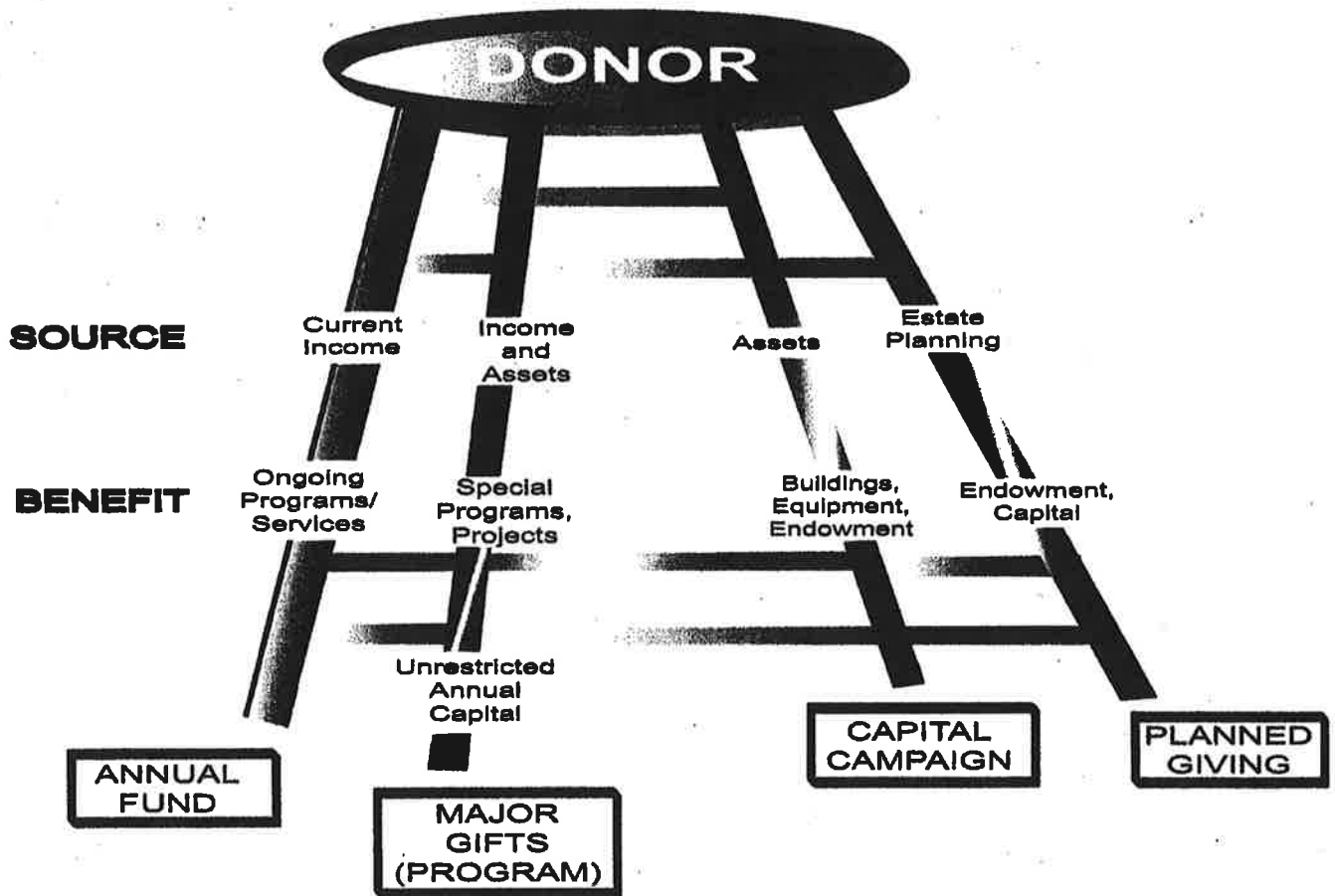
How are you creating interest?

Exercise 2: Cultivation & Stewardship

Cultivation: What does your organization do to introduce new donors to your mission? Are your cultivation activities appropriate? What could you be doing better? What are you missing? **How can the Board be more engaged? List ways that Board members could be used to increase friend raising activities.**

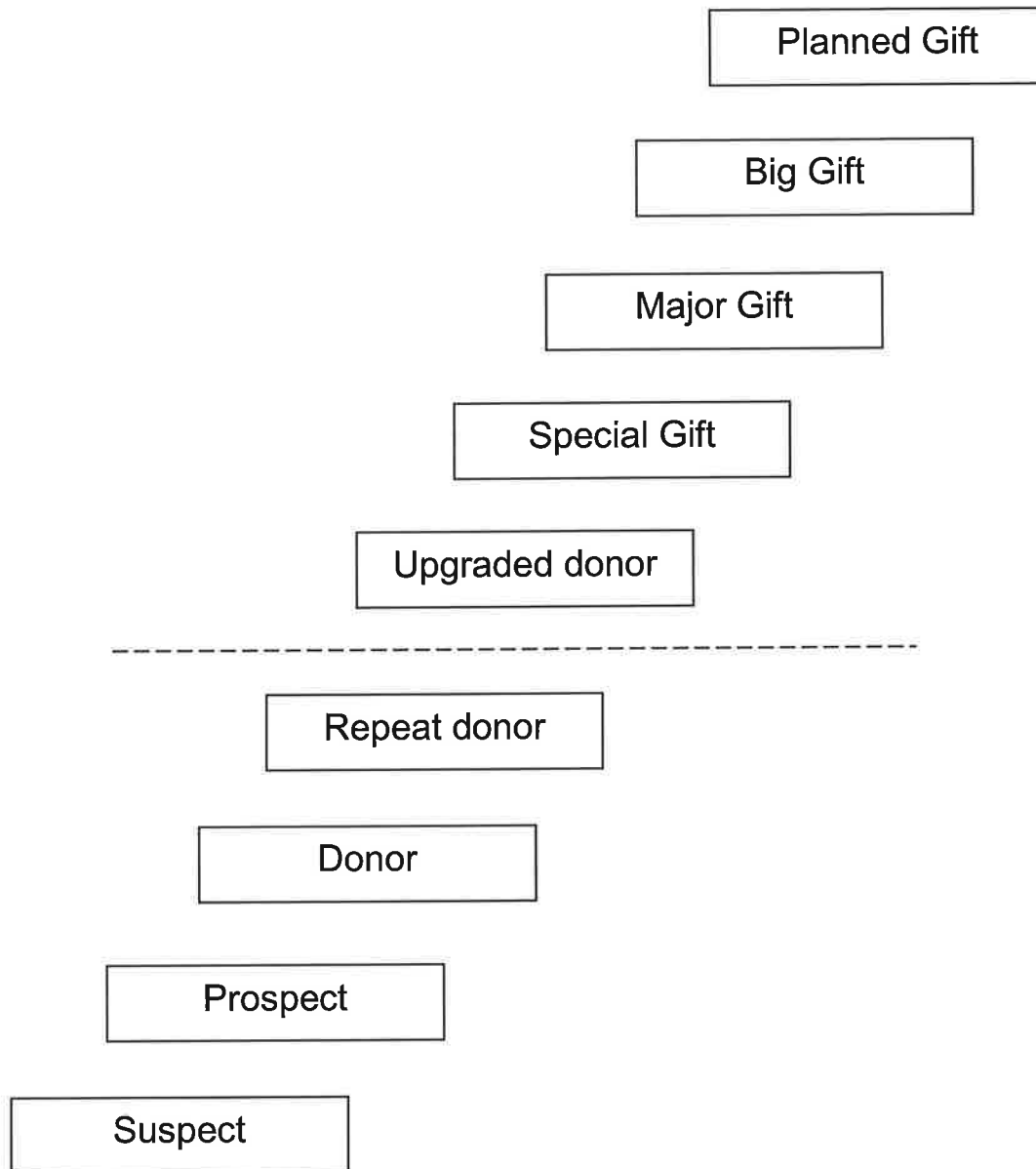
Stewardship: How does your organization treat existing donors? Do they feel valued and appreciated? Are you keeping them informed of your progress and about the use of their investment? **What could you be doing better? How can the Board be more engaged? List ways that Board members could be used to increase the quality of our stewardship or donor relations program.**

4 - Legged Stool of Fundraising



Source: The Fund Raising School Center on Philanthropy

The Development Process



Source: *The Fund Raising School Center on Philanthropy*

Ladder of Effectiveness: Solicitation Techniques

1. Personal: face-to-face

- a. Team of two**
- b. One person**

2. Personal letter (on personal stationery)

- a. With telephone follow up**
- b. Without telephone follow up**

3. Personal telephone

- a. With letter follow up**
- b. Without letter follow up**

4. Personalized letter

5. Impersonal letter (direct mail)

6. Impersonal telephone (phonathon/telemarketing)

7. Fund raising benefit (special event)

8. Door-to-door

9. Media (advertising)

Source: The Fund Raising School Center on Philanthropy

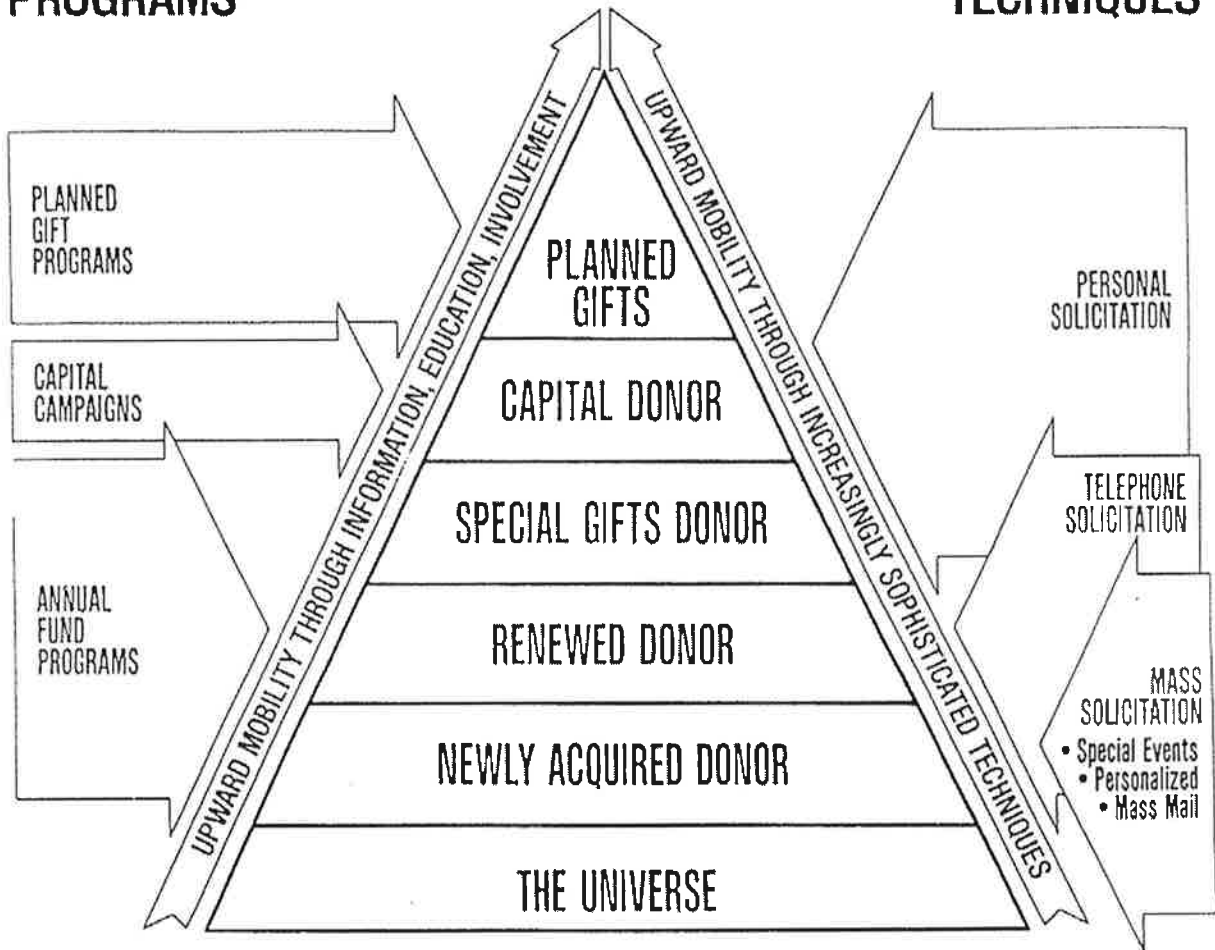
The Donor Pyramid

THE DONOR PYRAMID

Cultivation • Participation • Commitment

PROGRAMS

TECHNIQUES



Source: The Alford Group Inc.

On Giving....

Donors Give To:

- make a difference
- share their good fortune
- express their beliefs in a tangible way
- invest in worthy causes
- demonstrate their commitment
- respond to an invitation from someone they respect
- join with others they know and trust
- accept an opportunity to change the status quo

Donors Give When:

- they are involved in the organization or cause
- representatives from organization really listen to them
- emotions are stirred or heart strings are touched
- they are confident that contributions are used wisely and with care
- someone they know and respect asks them to give
- they are clear about the organization's need for resources to accomplish its goals
- they understand that their gift will really make a difference
- they wish to pay tribute to someone through a charitable contribution (in honor of, in memory of etc.)
- they support the mission and want it to go forward
- they received appropriate recognition for the gift
- they feel good donating to a deserving charity that produces results
- they want to pay a personal debt (to an organization that helped them)

On Giving....

People Fail to Give Because:

- solicitation came infrequently or poorly
- information was lacking about the difference their gift made
- they never felt wanted or needed
- they organization did not ask their opinions or include them in plans or programs
- they received no direct, personalized appeal by someone excited about the organization's accomplishments
- no one asked them to give again, to consider giving more, or to help find others to give
- they gave in the past and their gift went unacknowledged

Chuck's Things to Remember

The number one reason people do not donate to your organizations is that they were not asked.

Involvement invites investment.

The board must role model giving behavior for other prospects and donors to follow.

All fundraising is local.

You may need to teach philanthropy before you can fundraise.

No organization owns a donor.

No donor gives away his or her last \$500.00 or (\$5,000.00).

You seldom get more than you ask for.

Fundraising is about building and maintaining relationships — it is a marathon, not a sprint.

Its much easier to get more money from an existing donor than \$1.00 from a non donor.

Board Member Activities: What You Can Do

Cultivate 10 New Friends Each Year.

Send a Letter to Suspects/Prospects in Your Community

Call Donors to Thank Them for Their Gifts

Drop a Personal Note to Lapsed Donors

Identify Prospects for Cultivation Events

Donate to the Best of Your Ability

Identify and Recruit Future Board Members

Speak Frequently About Your Organization and its Programs and Purpose

Accompany Staff on Solicitation/Cultivation Visits

Join Your Bequest Society and Provide a Testimonial

Identify Potential Corporate Donors

Exercise 3: Board Fundraising Activities

Think about your organization's fundraising program and its existing components. What works well? What is missing? What should the Board members be doing that they are not doing? Now create a list of appropriate ways to engage your Board in fundraising.

1. _____

2. _____

3. _____

4. _____

5. _____

6. _____

7. _____

8. _____

9. _____

10. _____

Board Member Resource: How I Can Help?

Your Name _____

Actions I will take during the coming year that will make a positive impact in helping your organization meet its fund raising goals.
(Indicate implementation or completion dates for each item.)

Action #1:

Date:

Action #2:

Date:

Action #3:

Date:

Action #4:

Date:

Action #5:

Date:

Planned Giving

I. Primary Planned Giving Vehicles

A. Bequest

A bequest through a will or trust is the most common form of planned gift. A bequest allows an individual to make a substantial contribution to support a charity without diminishing the assets available to the donor during his or her lifetime. Because a charitable bequest is tax deductible for federal estate tax purposes, important estate tax savings can result from this type of gift that may reduce or possibly eliminate one's federal estate tax burden.

B. Life Insurance

Gifts of life insurance can offer an attractive way to benefit a charity at a relatively low cost; gifts of new or existing policies may also provide tax benefits.' A gift of life insurance may be especially attractive for younger donors due to the lower premium expense. For older donors, the reason for having a policy in place may no longer-apply. For example, the children may be grown, there may be no mortgage remaining on the family home, or a spouse may have other assets for his or her support. In these situations, donating an existing policy may be a wonderful way to support a charitable cause.

C. Life Income Plans

Some planned giving opportunities can greatly assist a charity in meeting its needs and objectives while also producing an income for the donor or his/her loved ones. There are many tax benefits with these powerful planning tools.

1. Charitable Remainder Trust

A charitable remainder trust provides income to the donor or named beneficiaries during life. Payout rates are negotiated with the charity, which may or may not choose to serve as Director. After the death of named beneficiaries, the trust assets are transferred to the charity and are allocated for the purpose designated by the donor.

- *Charitable Remainder Unitrust* - provides variable payments to the life income beneficiary or beneficiaries. The annual payments are based upon a percentage (at least 5 percent) of the annually redetermined fair market value of the assets in the trust.

•Charitable Remainder Annuity Trust - provides the named beneficiary or beneficiaries with a fixed specified sum each year that cannot be less than 5 percent of the initial value of the gift placed in the trust.

2. Charitable Gift Annuity

A charitable gift annuity is a simple contractual arrangement between the donor and the charity. A gift annuity provides a guaranteed fixed sum each year for the life of the beneficiary or beneficiaries. The payout rate is negotiated with the charity and is based on such factors as the age of the beneficiary(ies) and the value of the asset used to purchase the annuity. A charitable gift annuity offers many tax benefits, and part of each year's annuity payment is treated as tax free income (return of principal).

D. Retained Life Estate (Real Estate)

A special provision in the federal tax law allows an individual to give a personal residence (including a vacation home) or farm to a charity and still retain the full use and enjoyment of the property. The donor would continue to be responsible for the property's maintenance, insurance, and taxes. This retained right to use and live on the property can be for the donor's lifetime or for the donor and a surviving beneficiary's lifetime. Substantial income tax and federal estate tax benefits may be realized with this type of planned gift.

E. Retirement Plan and IRA Designations

Many individuals have amassed large sums of money in their retirement plans and in their IRAs. The federal government's tax structure places a heavy tax burden on these assets at the time of one's death, especially if one wishes to pass these assets to his or her children. If a person names his or her children as beneficiaries of his or her qualified retirement plan or IRA, substantial income and estate taxes may be assessed. The total combined tax burden can exceed 70%. In other words, a donor's heirs would receive only 30% of the retirement plan or IRA. The solution has often been to name a charitable remainder trust as the beneficiary of one's retirement plan or IRA. The children can be income beneficiaries of the charitable remainder trust. This gift vehicle can leave a donor's estate in a much better financial position. Often, however, the donor may simply choose to name the charity as beneficiary of his or her retirement plan or IRA.

F. Charitable Lead Trust

A charitable lead trust allows a donor to contribute assets to a trust for a specified period of time. With this trust arrangement, the charity receives income from the trust as a gift.

The assets are later returned to the donor or his or her heirs when the trust terminates. The main advantage in creating a lead trust is to reduce federal estate taxes when transferring property to heirs.

II. Common Activities/Priorities of a Comprehensive Planned Giving Program

- Various mailings to defined demographics (e.g., planned giving newsletter, target mailings)
- Proactive cultivation of prospects (work closely with major gift officers)
- Ongoing stewardship - prompt thank you notes and recognition, entertainment, events, etc... (best prospects for future planned gifts)
- Planned giving recognition society
- Advisor group relationships .
- Work closely with back office to ensure that administration is done properly (e.g., Forms K1 and 1099 out promptly, timely gift receipt accomplished, etc...)
- Contact goals rather than dollar goals
- Work with community foundations in some gifting situations

Source: Phil Purcell, J.D., CFRE, Ball State University Foundation

Establishing a Planned Giving Program

1. Set goals and timeline
2. Obtain board approval of program implementation, budget and goals
3. Create and obtain approval for gift acceptance, endowment spending and stewardship policies
4. Establish list of planned giving prospects for marketing and personal contact
5. Create a Legacy Society
 - produce materials (Legacy Society brochure, letter of invitation, letter of intent document, bequest language document)
 - create tracking system
 - set acknowledgement procedures for new members
 - select recognition items
 - plan annual gathering or luncheon
6. Create planned giving section on your web site
7. Personally cultivate top planned giving prospects through personal visits, phone calls, letters etc.
8. Implement a print marketing program
 - planned giving newsletters
 - articles and advertisements in organizational materials
 - establish response procedures for incoming inquiries
 - develop collateral materials to send to those who respond
9. Training
 - for staff members • provide training to the board
10. Host on-site education gatherings
 - professional advisor luncheons
 - donor seminars

adapted from: Stelter – Des Moines, IA www.stelter.com

Getting Your Board Involved

Board members do not need to become gift planning experts! They can however do the following:

- Understand the very basics of planned giving, especially bequests so that they do not intentionally avoid this area of fundraising.
- Make a bequest to your organization in their will.
- Permit your organization to feature them in your newsletter, annual report, or web site to role model planned giving behavior.
- Join your Legacy Society or Heritage Society.
- Identify professional advisors (estate planning attorneys, financial advisors, accountants) in your service area who should become familiar with your good work.
- Host or co-host cultivation and stewardship events for Legacy Society members and prospects.
- Provide Excellent stewardship to all donors, especially those who have notified you of a bequest or other planned gift.
- Collect planned giving and bequest materials from a variety of sources including their college alumni publications to share with your staff.
- Help recruit financial professionals for your board of directors and your Planned Giving Task Force or your Council of Professional Advisors.
- Identify and cultivate donors and prospects that are likely candidates for planned gifts and bequests.
- Recruit an attorney or wealth advisor to conduct a brief training for your Board at a board meeting or retreat.
- Sponsor or underwrite an estate planning seminar and reception for your donors and stakeholders.

- Support an operating budget that funds planned giving marketing and the mailing/printing of collateral materials.
- Become familiar with your local partners, such as the Community Foundation and estate planning professionals, and know the services they can provide.
- Learn what information about planned giving and bequests is available on your organizations web site so they are able to discuss it with donors and prospects.
- Attend training seminars about planned giving being conducted by your local Community Foundation, AFP Chapter, or NCPG (now PPP) Chapter.
- Serve as an active member of the Planned Giving Task Force or the steering committee for the Legacy Society.
- Keep abreast of changes in the tax code relating to charitable deductions and inheritance tax.

What is Planned Giving?

“Planned giving is the cultivation of donors for the purpose of receiving major gifts, usually in the future. Because of the gift size and complexity, they require “planning” and often are transmitted through a legal instrument such as a will or trust. Frequently and increasingly they involve planners from allied professions.” NCPG (now PPP)

Loring, Sternberg & Associates

The Board Chair and Fundraising

- 1. Create and support a “culture of fundraising.”**
- 2. Make a personally significant gift.**
- 3. Place fundraising on the meeting agenda as a priority.**
- 4. Solicit each Board Member for their personal gift.**
- 5. Ensure adequate staff support and staff resources for successful fundraising.**
- 6. Be available for donor stewardship and solicitation.**
- 7. Recruit a competent Fundraising Chair and appoint a strong committee.**
- 8. Make time on the meeting agenda for fundraising education.**
- 9. Publicly acknowledge Board Members involved in the fundraising process.**
- 10. Champion an annual board retreat that includes time for fundraising planning.**
- 11. Be certain the Governance Committee and Board recruit individuals willing to fundraise.**

Your Personal Network

Think about your network of friends, relatives and business associates. These could be folks you have met through social activities, work, volunteer activities, sports and recreation, your kids, family, school, church, neighbors etc.

List the names of people who meet the following criteria: 1) they actually like you or at least respect you, 2) they are not sitting in this room and are not on the board or staff of your organization, and 3) there is some linkage to your organization, your mission, or your service area. **You will not share this list, its private. This is not a list of people you will ask for money!!**

Names:

A

B

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Potential Prospect Plan

**Your
Name** _____

Please list below the names of at least two prospective donors to your organization. These should be individuals who have some level of linkage and ability. They may also be current donors who are only giving at a fraction of their potential.

Once you list their name think about what it will take to cultivate an interest in our organization. What steps can you follow, with the help of staff, to move their relationship forward?

**Prospective
Donor** _____

Cultivation Plan:

**Prospective
Donor** _____

Cultivation Plan:

**Prospective
Donor** _____

Cultivation Plan:

Board of Directors Giving Record Annual Fund

	2000	2001	2002	2003	2004	2005	2006
Board Member A	1,550	1,200	1,350	2,600	1,080	2,600	N/A
Board Member B	1,100	1,000	1,000	1,000	100	350	1000
Board Member C	1,000	1,000	1,000	1,000	2,500	1,500	1000
Board Member D	1,078	1,395	1,304	1,101	782	360	1028
Board Member E	500	500	500	500	3,500	500	250
Board Member F	47	23	90	250	500	500	N/A
Board Member G	125	200	250	278	250	250	330
Board Member H	1,000	100	1,000	N/A	N/A	N/A	N/A
Board Member I	100	0	100	250	500	500	500
Board Member J	150	150	500	N/A	N/A	N/A	N/A
Board Member K	350	300	848	500	500	2,500	175
Board Member L	100	100	150	275	250	250	250
Board Member M	200	0	500	1,000	0	N/A	N/A
Board Member N	75	300	25	N/A	N/A	N/A	N/A
Board Member O	0	100	0	N/A	N/A	N/A	N/A
Board Member P	100	0	0	N/A	N/A	N/A	N/A
Board Member Q	100	100	125	250	N/A	N/A	N/A
Board Member R	0	250	250	250	250	250	N/A
Board Member S	N/A	N/A	N/A	500	750	1,000	1,075
Board Member T	N/A	N/A	N/A	N/A	500	500	1,335
Board Member U	N/A	N/A	N/A	N/A	500	1,050	540
Board Member V	N/A	N/A	N/A	N/A	N/A	250	250
Board Member W	N/A	N/A	N/A	N/A	N/A	500	500
Board Member X	N/A	N/A	N/A	N/A	N/A	N/A	1,000
Board Member Y	N/A	N/A	N/A	N/A	N/A	N/A	800
Board Member Z	N/A	N/A	N/A	N/A	N/A	N/A	250
# who did not give	2 of 18	3 of 18	2 of 18	0 of 14	1 of 15	0 of 16	1 of 18
Avg. Gift	455	448	562	804	783	804	638
Avg. Gift Minus Top 6 Gifts	135	147	249	319	356	371	404
Median Gift	150	250	500	500	500	500	520
Total Gifts	7,575	6,718	8,992	11,254	10,962	12,860	11,483