

Grassroots Fundraising Journal

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Fund Raising Events for Non-Profits

Benefit concerts, cocktail parties, fundraising luncheons and dinners, raffles, dances, film screenings... If your organization has ever thought about new ways to raise money, they have probably considered producing some form of a fundraising event. Events can be extremely effective ways of raising money while at the same time increasing an organizations' visibility in the community. Yet, many groups choose not to include events in their fundraising plans for good reasons. They require specific resources and skills to which many organizations do not have access, and they have a reputation for being risky ventures. For every event that makes money, there are probably three that do not. And those that lose money do so primarily because of poor planning. This does not mean that any event that lost money could have turned a profit had it been better planned. A large number of those "failures" should, simply, never have been produced.

Most of the mistakes that are made in event production can be avoided by 1) choosing an event that matches your organization's resources, time limitations and needs, 2) making a careful assessment of the event's potential as a money-maker through research about the drawing power of the attraction and a thorough budgeting process and 3) careful planning, coordination, and use of consultants when necessary. There is no step-by-step guide to making an event a sure success - only suggestions and information that can help you avoid the loss of time and money. Appearing in this issue of the *Journal* is an article on how to decide what kind of event your organization can do success-

fully to raise money. (See Page 6)

Future articles will discuss various aspects of events planning such as budgeting, choosing a place and date, developing a production schedule, how to promote your event, and in-depth looks at concerts, dances, raffles, cocktail parties, dinners, luncheons, and film screenings as particular kinds of events that most non-profits consider producing at one time or another. The articles will be written primarily as general overviews. Readers should keep in mind that every event and every organization is different and that the planning must incorporate those differences.

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Dear Joan,

Joan Flanagan is the author of *The Successful Volunteer Organization* 1981, Contemporary Books) and *The Grass Roots Fundraising Book* (Second Edition, Revised and Expanded, 1982, Contemporary Books) available through your local book store.

Questions for Joan Flanagan should be sent to the *Grassroots Fundraising Journal*, marked "Flanagan Column". Ms. Flanagan regrets that she cannot answer questions personally.

The views expressed in this column are not necessarily the views of the publishers or other contributors to the *Grassroots Fundraising Journal*.

Dear Joan: We have been told that raffles constitute gambling and are therefore illegal. Is this true? Is there any way to get around this?

New Fundraiser

Dear New,

Bingos, lotteries, raffles, and sweepstakes are regulated by state and local governments. Some, like the City of Chicago, have stringent regulations and a high license fee of \$100 per raffle. Others, like the State of Wisconsin, have simple regulations and a low raffle license fee of \$5 per year. Check with your lawyer, city Department of Finance, state Department of Regulations and Licensing, and local non-profit organizations that have run raffles this year. Ask the Legal Department of your local Post Office if you want more information on the postal laws and regulations on raffles.

Honesty is always the best policy for a fundraiser. If your community has laws regulating gambling, you and your organization must *always* follow the letter of the law. Even if you know of big charities and churches that cheat and get away with it, you must obey all of the laws. Especially if the purpose of your organization is to organize or advocate for reform, the city or state can and will retaliate by checking your fundraising events with a fine tooth comb. So stay legit. If you cannot run a gambling event according to the local laws, choose a different way to raise money: such as dues, pledges, or donations.

Dear Joan, Until last October we got all of our budget from grants. When the grants started to run out, I told my Board of Directors that they had to start raising money. But they haven't done anything yet. How can I get them to try fundraising – SOON?!

Scared Staff

Dear Scared,

Get your board started by asking what *they* want. Ask them what they want that they could not buy with their grant monies. A day care center in Baltimore got their mothers to raise money for a swing set; after that success they went on to raise more money for the center. Once the board finds that they can get what they want, they will find a way to raise the money.

Reverend Timothy Knauff used this example with his congregation at St. Luke Lutheran Church in Stevensville, Michigan:

"In 1974, there were 270,000 drill bits sold in the United States – but nobody wanted a drill bit. What they wanted was a hole.

That's what your money is. We don't want your money – we want what your money can do."

This church did not want to raise money. But they did want to pave the parking lot after two ladies fell down. Once they realized they could get what they wanted, they raised \$5,600 in a few months – and got their parking lot!

Making Self-Sufficiency a Reality in a Rural Organization: The Lisbon Area Community Organization Recreation Center

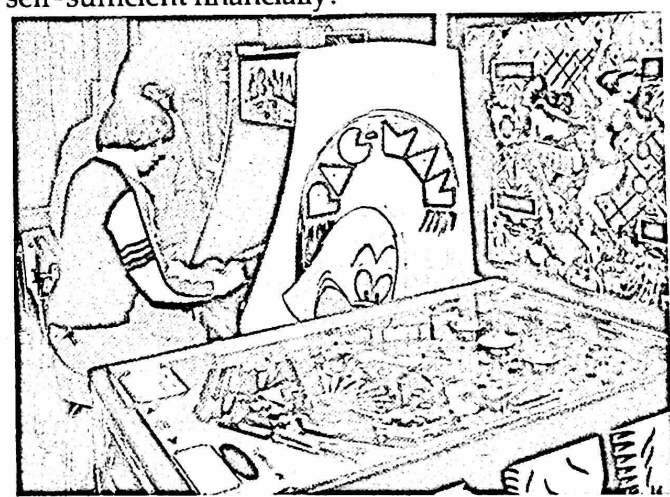
by Ellen Fleischman

At first glance, the Lisbon Area Community Organization's Recreation Center (LACO Center) in Lisbon, New Hampshire is unimpressive. Probably dirtier than many commercial recreation centers, the LACO Center exudes an atmosphere of controlled confusion. In the large store front room that houses video machines, a pool table, juke box and pinball machines, teenagers are everywhere: playing the games, smoking cigarettes, sitting and chatting at the table where Rocky Pickens, 24, the center's sole employee, sits in his wheelchair keeping his eye on the general scene.

The only thing which makes this rec center unusual is the fact that the profit from it supports a direct-action, local chapter of the statewide citizens' organization, the New Hampshire People's Alliance (NHPA). Run by the members of LACO, the rec center has given the group the proud distinction of being NHPA's first self-sufficient local organization. This is particularly unusual due to the fact that fundraising in rural communities tends to be more difficult and limited than in urban areas. Distance, isolation, sparse populations with little expendable income have made rural organizations particularly dependent upon external sources of funds, such as grants and government agencies. Any element of controversy in an organization's image with the local power structure can add problems to fundraising in smaller communities - especially if the local businesses and newspaper are run by local officials, a common situation in northern New England.

The Lisbon Area Community Organization has never been well-received by the Lisbon town fathers, one of whom, Earl White, has been a selectman (equivalent to a city councilman) for over 40 years. However, a campaign (which a year

ago seemed doomed to failure due, in large part, to the selectmen's opposition and total control of the town) has resulted in increasing the organization's strength to the extent that it will test the selectmen in the next election. This campaign gave LACO strength because it also enabled LACO to be totally self-sufficient financially.



Inside the Recreation Center. Photo courtesy of LACO

***The only thing that makes
this rec center unusual
is that it supports a
local chapter of a statewide
citizen's organization.***

The casual tourist passing by on Route 302 would hardly think that the tiny town (population 1900) of Lisbon would harbor a feisty community organization planning to take local power from

those who have held it unchallenged for 40-plus years. Lisbon is located on the scenic Lower Ammonoosuc River which flows down from Mount Washington, the highest peak in the Northeast. It is one of many small, pretty towns in northern New Hampshire whose physical beauty conceals the poverty and economic depression which besiege the state's poorest region.

LACO was started over two years ago as an NHPA chapter, and has proven to be one of NHPA's strongest chapters in leading statewide campaigns and developing innovative local strategies on campaigns as well as fundraising.

LACO's new, highly successful recreation center had an inauspicious beginning. It all started in the summer of 1980, when members of the organization routinely went from door-to-door around the town to identify and prioritize their constituency's local issues.

"The major issue was that there was nothing for the kids to do," says Noreen Massey, a LACO leader. "There were a lot of kids just hanging out on the street."

Parents were concerned about the lack of recreation for teenagers in the summer, and local merchants were interested in keeping the kids off the street.

"We tried to set up a recreation program through the town initially," says Scott Hill, NHPA organizer for LACO and the North County. "There was an arrangement with CETA we had all worked out, and the town fathers were about as open to that as I don't know what. Earl White (head selectman) fought it tooth and nail, saying there weren't any rec programs when *he* was a kid. He was so adamant against it that, during a selectman's meeting he called people in from a volunteer fire department meeting being held in the same building to vote against it.

"So the next year we didn't even go to them. We kind of just snuck it in and did it. I think now that if they made any move to close it, we'd have a revolution on our hands."

LACO, rebuffed by the selectmen, sought \$500 each from the local community action agency and a small foundation. Their proposals were funded, and the organization used the money to defray start-up costs of renting a building and putting down deposits for security, damages and utilities. The center, initially run by LACO members on a volunteer basis, opened its doors in the summer of 1981.

"At first it was very hard to get machines in summer," explains Scott Hill. "The operators were going around to all the campgrounds. So we started with only two machines and a jukebox. In

the first two weeks, we pulled in a gross of \$500.00, of which our net was \$250.00 and it paid all our expenses."

The way the recreation center runs is simple, LACO members explain. The group rents a building on the main street of the town. This houses video and game machines, owned by an amusement company which comes to the center once a week to cash out the coin-operated machines and service them. Sometimes the company will change the machines to put in new games if the kids seem tired of playing the old ones. The company gets 50% of the money in the machines, and LACO gets the other 50%. The Center grosses \$1200-1300 per month. After overhead items (rent, salary for their part-time employee, utilities and incidentals) are subtracted, LACO nets \$600 to \$700 per month.

The members of LACO decide how the money will be spent. "Basically, the money goes to NHPA activities in the North Country," says Scott Hill. "We're probably running someone for selectperson, so some of the money will go for that campaign." (LACO and other North Country NHPA chapters are involved in a campaign to extend local, rural calling areas.)

"In the first two weeks, we pulled in a gross of \$500, of which our net was \$250, and it paid all our expenses."

LACO members decide what hours the center will be open and who may use the building. Members envision a day when they might use the center, not only as a moneymaker, but also for an office and campaign headquarters.

Not only has the center made LACO self-sufficient in a remarkably short time, but it also has improved the youth problem in Lisbon.

"You don't see the kids hanging out on the street any more," says Noreen Massey. "Vandalism's gone down at the laundromat because of the center. Before, the only things open in this town after six o'clock were the grocery store and the laundromat."

"The kids are real good here," says Rocky Pickens, whose job it is to keep the center clean, keep the peace, and make change for the machines. "They really see this place as theirs. This isn't like the old poolhalls where the rednecks hung out. Any parent could come down here and have a good time. The kids get along with each other and take care of the place."

The New Hampshire People's Alliance is a democratically-run, statewide, membership-based organization of low and moderate-income people, dedicated to building power for its members through direct action. NHPA has worked on a broad range of issues: winning reforms in New Hampshire's generic drug prescription law, Lifeline electric rates, and mobile home tenant protection laws. NHPA currently has over 40 local neighborhood and community organizations throughout the state and over 3,000 dues paying members. Membership dues are \$10 per year for families and individuals. (NHPA, 8 North Main Street, Concord, New Hampshire 03301.

"Because I'm in a wheelchair they help. They take care of me and I take care of them."

Rocky has many brothers and sisters, and knows most of the kids who come to the center. He thinks this helps make the center run smoothly and cooperatively.

LACO members report that they now have active participation of teenagers in the organization. Recently, the younger members of LACO held a car wash to raise money for the organization, although, as Scott Hill proudly points out, LACO doesn't really need to do any other fundraising events with the center operating well in the black. The center is doing so well that LACO voted at a recent meeting to buy two of the machines, which would allow them to keep 100% of the gross.

"Basically, the rec center is set up to build LACO and the things we stand for," says Noreen Massey. "It's our own building. People recognize it as their own building: they have a say in and control over how it is run - not to mention the fact that it supports all of our activities."

"It's the hub of the wheel, so to speak," says Scott Hill.

In these troubled economic times, the Lisbon Area Community Organization's self-sufficiency is something of a seven-day wonder to the rest of the New Hampshire People's Alliance. Encouraged by LACO's success in their rec center, other NHPA groups plan to try setting up similar centers in their towns.

Being located in a small town is an advantage, members say. Because there has traditionally been nothing for the kids to do and there is nothing else going on, the rec center has no competition. It has evolved from a store front with game machines into a social center. Added to this fact is the sense of ownership and investment on the part of kids and parents. Kids made the LACO Rec Center sign in one of their shop classes at school, Rocky is starting a pool team for girls, and the center held a Christmas party for the town of Lisbon. The center

is much more than a mere fundraiser.

The whole story of trying to start the center has also opened up the possibility for another local campaign for LACO. Because of the obstacles that the town erected against LACO opening their center, members of LACO are looking into the problems individuals face when trying to start small businesses in Lisbon. Presently, the selectmen and their families run most of the businesses in Lisbon, and individuals outside of these clans have had difficult times getting necessary licenses and permits to start businesses.

The Lisbon Area Community Organization, coming from the failure of one approach in a campaign for youth recreation, unintentionally found themselves innovators in discovering simultaneously a solution to their issue and a gold mine to support their organization. Members and organizers report that the center has brought the community together, the opposition of the local selectmen notwithstanding. LACO thinks it has hit on something up in northern New Hampshire, and plans to be around to enjoy the fruits of its labor and organize for a long time to come.

LACO members have some advice for other community organizations that are interested in trying to set up rec centers. For this type of venture they recommend that groups:

- ★ Deal with the local officials as little as possible. (Minimize red tape).
- ★ Have some money at the front end for deposits, such as security and rent deposits. This money could be raised through local fundraising.
- ★ Go to a realtor to find a place to rent; don't spend time running around to do it, as they can do it best. (They usually get a cut from the landlord.)
- ★ Set up in a good location. (Often not difficult in small towns with one main street.)
- ★ Don't operate the center during school hours; this avoids putting the organization in the embarrassing position of giving kids an incentive to cut school.

About the Author:

Ellen Fleishman is the Co-Director of the North Country Institute, a training and resource center specializing in serving the needs of those organizing for social and economic justice in smaller cities and rural communities. Other articles by Ms. Fleishman have appeared in various community organizing journals including *Community Jobs*, *Rural America*, and *National Catholic Rural Life Magazine*.

Fundraising Events:

Part One

Step One: Clarifying Your Goals

As with any activity that your organization chooses to undertake, the first step in event planning is to clarify your goals. The goals of an event need not be limited to fundraising. For many, bringing attention to an issue or to their organization is sufficiently important that the event could break even or make very little and would be judged a success because of the value of the publicity it attracted. For others, a secondary goal is to increase their organization's ranks.

In listing your objectives, think carefully about what are the absolutes. Will it be worthwhile if your event makes nothing but attracts 50 new members or 10 new volunteers or generates a list of 100 new supporters who you could solicit for contributions later on? Is publicity only secondary because primarily you want to raise money? Are you willing to produce an event that might only make a little money, knowing that you will gain experience that will be useful in making future events more lucrative? It is important to decide not only what your objectives are, but how flexible or absolute they are, and these decisions will impact both on the kind of event you pursue and how you plan that event.

At first you will want to look at your objectives in a fairly general way, simply agreeing, for example, that making money is an absolute necessity, and publicity is not that important or vice versa. Then you need to specify each of your goals with more detail.

RAISING MONEY

If you want to raise money, how much money do you want to raise? It is helpful to define a range of figures rather than a specific figure for your monetary goal. The low figure should be the minimum amount that, if raised, will make the event worth doing. It could be zero (breaking even), or it could be as much as \$10,000. The high figure should be what you would like to raise. This is the point at which many mistakes are made. Keep in mind that a good fundraising plan includes many sources of income and events should only be one of the components. While it would be nice to raise \$25,000 from a fundraising event, there are very few

organizations for whom that would be a realistic goal. You may find that the high figure in your range will have to be adjusted as you become more aware of the actual money making potential of various kinds of events you can pursue given your resources.

It is important to decide not only what your objectives are, but how flexible or absolute they are.

PUBLICITY

Publicity both as a primary and a secondary objective is rarely given enough forethought. The same is true of expansion of your ranks as a goal. Unlike foundation fundraising and major donor programs, events are extremely public. If you are working on an issue that needs publicity, you can use an event to create a media item. If that is a priority, you should be clear about it in advance, so that you don't produce an event that does not attract any media attention. Similarly, if increasing your ranks is a goal, you should be clear about what kinds of people you want to attract. If you want to attract more business women to your cause through an event, a raffle or a dance will probably not be the kind of event you will want to do.

TIMING

A third issue that needs to be addressed in clarifying your objectives is that of timing. By when do you want to achieve the objectives you have outlined. This is an easy question to answer if you have a specific date by which you need the money or publicity being generated. It is harder if you are trying to use a benefit event as one component of a year-long fundraising plan. Then the timing of the event needs to be coordinated with other activities of the organization. A common mistake is to misjudge the amount of time required to produce an event. You must allow yourself plenty of time for production of promotional materials, and simply getting the word out, in addition to the time you

will need for logistical arrangements. The "advance time" needed for events can be anywhere from 6 weeks to 6 months.

When you have clarified your objectives and



listed them in order of priority, look at Chart I. This chart identifies, in a general way, which kinds of events can be used to achieve which goals. If your organization has decided that your primary goal is to raise \$5,000-\$10,000 in 4 months, you can see that dances, raffles and film screenings are not worth pursuing, but that a concert, luncheon, dinner or cocktail party might work. If you have identified as your primary goal raising \$25,000 in 2-3 weeks, you will see that no event can realistically achieve this goal and that you must either change your objective or find another way of raising that money.

Continued next page

Chart One: Goals

	Fundraising Potential	Factors Affecting Income (other than ticket sales)	Ability to Attract Publicity	Advance Time Needed
Concerts	Large (more than 2000 seats) \$2,000-\$75,000 Small (less than 2000 seats) \$1,000-\$10,000	Ability of performer to attract a large crowd, ability to sell special high-price tickets, sales of ads in programs, T-shirts & food sales	med-high	minimum: 2 months up to 1 year
Dances	\$25-\$1,000	Ability to attract a large crowd	low	4-6 weeks
Dinners/ Luncheons	\$3,000-\$80,000	Ability to attract sponsors, patrons, particularly from the corporate community, who will buy tables at high prices.	low-med	3 months
Cocktail Parties	\$500-\$25,000	Ability to attract individuals who will respond to a fundraising "pitch" with large contributions.	low-med	6 weeks
Film Screenings	\$50-\$5,000	Ability to attract a large crowd.	low	6-8 weeks
Raffles	\$100-\$100,000	Degree of visibility in the community and ability of volunteers to sell large number of tickets.	low	4 weeks-4 months

Step Two: Resources Assessment

Once you have established your goals and have determined which kinds of events can realistically achieve them, look at Chart II. This chart lists, in a very general way, what resources are needed to successfully produce various kinds of events. This chart can be used in two ways. If you have already determined what kind of event you want to produce, you can use the chart as a checklist to determine what resources you will have to spend some time developing. You can also use the chart to determine what kind of event you *can* produce given your current available resources. As indicated by Chart II, the key areas that must be looked at in your resources assessment are contacts, front money, lists and personnel.

Contacts are individuals who can offer resources that you don't have but need. For example, to produce a benefit concert or a dance with live music you need to have contact with a band or a performer or know someone who does. It also helps to have contacts in the media who can help with free advertising. To produce a raffle, you need to find merchants or individuals who will offer items or services as prizes. For cocktail parties, you need to know someone or find someone with a home that can accommodate the event.

Front money is the money that is needed to pay for the ongoing expenses that occur before the event takes place. Different events require different amounts in advance. If you don't have any money to invest in an event, you may want to look for someone who can lend it to you. However, if you do take a loan, be sure to have a written agreement with the loaner spelling out how the loan will be repaid. You should include in the agreement an understanding as to what will happen if the event loses money or does not make enough to pay back the entire loan. Also be sure to be clear about how much interest, if any, you will pay on the loan.

Lists are a vital resource for some kinds of events. They are essential for cocktail parties, luncheons and dinners because it is through a mailing to individuals that the event is publicized. Concerts, however, don't require lists of potential attendees, particularly if the performer or entertainment is sufficiently well-known that a crowd will be attracted through posters and ads. Effective use of free advertising cannot happen without a complete and up-to-date media list.

Personnel resources are needed for all events, and a look at that area should focus on how many people (paid and unpaid) are available to help, how much time those people have and what skills they have to offer. The more people available to

work, the fewer outside people you will have to hire. This is an area that almost never gets looked at closely enough in advance. Events almost inevitably take more person time to put together than expected. Often organizations realize that the amount of money made from an event did not justify the amount of staff time that was spent on it. It is also frequent that in the last week, the coordinator(s) of an event realize how many volunteers they are going to need to help with little tasks such as security, food serving, ticket taking, decoration and clean-up. Often the success of an event depends on the phone calls being made to follow-up invitations that were sent out. If no one is available to make those phone calls, the event will probably end up being poorly attended.

As you look at the resources available to you, you will find that for almost any event you choose to produce, there are some resources you don't have. That does not mean that you should not produce that kind of event. It simply means that you will need to take the time to develop that resource, or enlist the services of someone who brings that resource with them. As you put together a schedule, be sure to allocate time to develop necessary resources that are lacking.

***Events almost inevitably
take more person time
to put together
than expected.***

The final step in choosing what kind of event you want to or can produce is to educate yourself about various kinds of events. You know how much you want to raise and by when, and what you have to work with. You need to find out more about what kinds of events can raise what amounts, in how much time and with what resources for success. Future articles in the *Journal* will provide some of that information. You will also want to try to find people who have produced events for other organizations. In some areas there are individuals or companies that produce benefit events as their business. Be sure to talk to other organizations in your community about events they have produced. Find out how much other groups have made through events, and what techniques were used to generate the income. Ticket sales or donations for admission are not the only way to generate income at events. Other possibilities include no-host bars, food sales, T-shirt sales, sales of ads

in programs, and making a special fundraising pitch during the event. Some of these techniques work better in some communities than in others. It is not unrealistic to try to raise \$25,000 in Los Angeles or New York through a fundraising pitch at a cocktail party, but that amount would be extremely difficult to raise anywhere else.

A few words of caution: organizations are not always willing to admit the extent that their efforts have failed. Many success stories mention the gross income rather than the net. When you add up the expenses, you might find that the event actually only broke even. Also remember, what works for one organization might not work for

another. It is best to use the information you gather as guidance, not gospel, when you make your own assessment as to what will work for your organization.



\$

Chart Two: Resources Needed

	Contacts	Front Money	Lists	Personnel
Concerts	Performers and media contacts	\$2,000-\$20,000	Helpful, but not necessary	Coordinator(s), people with technical production skills and promotion skills, lots of volunteers for security, catering, ticket takers, ushers, posterers, runners, etc.
Dances	Club Owner or manager, performers if you want live music	\$200-\$500	Mailing list needed to publicize	Volunteers to poster, flyer, prepare food, decorate, clean-up, make tapes of music, bartend, etc.
Dinners/Luncheons	People to honor, speaker, committee chairs, sponsors, patrons, etc.	\$5,000-\$10,000	Lists of potential sponsors and attendees necessary	Coordinator, volunteers for mailings, addressing invitations, making follow-up phone calls
Cocktail Parties	Houseowner, guest of honor, hosts/hostesses and sponsors	\$200-\$1,000	Lists of potential attendees necessary	Coordinator, volunteers to send out invitations, be bartenders, prepare food, sell drink tickets, clean-up, etc.
Film Screenings	Theatre owner, company willing to provide film	\$200-\$500	Mailing list needed to publicize	Coordinator, committee to sell tickets, runners, etc.
Raffles	Merchants or individuals to donate goods, a hall or home for drawing to be held	\$200-\$1,000	Not necessary	People to sell tickets, and coordinator for the drawing.

Use of a Fiscal Agent: Another point of view

In the last issue of the *Grassroots Fundraising Journal*, the *Dear Joan* columnist, Joan Flanagan, responded to a question about the use of an umbrella organization to act as a conduit for funds. The answer was that using an umbrella organization is not a good way to start an organization because it allows an organization to begin receiving funds before it is ready. It is true that community organizations often seek fiscal agents to avoid the difficult and time-consuming work involved in obtaining tax-exempt status from the Internal Revenue Service. It is also true that to achieve and maintain a tax-exempt status, an organization must establish a structure and a dependable and responsible bookkeeping system. However, this does not mean that these responsible structural tasks cannot be performed by organizations who have not applied for and/or obtained tax exemption from the IRS. In fact, there are some instances when it is either preferable or necessary to use a fiscal agent, and the publishers of the *Grassroots Fundraising Journal* felt it was important to mention them.

By way of background, it is important to know that most foundations and corporations make grants only to organizations with letters of exemption. Individuals prefer contributing to organizations with that exemption as well. A letter of exemption is supposed to accomplish several things. Most importantly, it provides a good insurance (i.e. governmental approval) to donors that their donations are, in fact, tax-deductible. The law does not state that a foundation, corporation, or individual must make grants only to groups with IRS exemption letters; it is merely easier, safer, and therefore preferable to do so. As a result, the IRS maintains a tremendous amount of power in deciding who is able to get these kinds of contributions. If the federal government is not particularly sympathetic with the work of certain kinds of organizations, they can make it very difficult, if not impossible, for those kinds of groups to obtain tax-exempt status.

An additional problem is that the process of obtaining tax-exempt status from the IRS can be a very lengthy one. The time period between application and receipt of the letter can vary from several weeks to two years. Sometimes the delays are due to the IRS questioning whether the group applying really meets their guidelines for tax-ex-

empt status. Sometimes the problem is simply due to "red tape".

One solution for groups having difficulties obtaining an exempt status from the IRS is to get an organization that does have tax-exempt status to sponsor the project before they submit a proposal to a foundation or ask someone for money. The IRS frowns on sponsor arrangements if the only connection between a group and its sponsor is money. To avoid this, it is best to get a sponsor whose activities or goals parallel the project's closely enough that both the groups can fairly say that one is a *project of the other*.

If the Federal government is not particularly sympathetic with the work of certain kinds of organizations, they can make it difficult . . . for those groups to obtain tax-exempt status.

Public charities and public foundations are the best kinds of organizations to have as sponsors because they have fewer restrictions and reporting requirements than private charities and foundations. (Public and private foundations and charities are the kinds of organizations recognized by the IRS for tax-exemption.) When a public foundation or charity acts as a sponsor for a grant proposal or contribution request, this means, in effect, that the sponsor asks for the grant or contribution. In the past, many organizations using sponsors have gone directly to foundations for grants and then asked that any checks be made out to the sponsoring group. The IRS has recently begun to look more closely at sponsoring arrangements, making that kind of procedure less acceptable.

The sponsoring agency must accept legal and fiscal responsibility for whatever the project does. The sponsoring group must receive the funds for the project, insuring a safe, tax-deductible grant from the donor. The sponsor in turn pays the expenses of the project. Since they receive the money

directly, sponsors must also provide any required written reports and financial statements to the foundation or donor on how the project funds were spent. For this work, some sponsors take a small percentage of the grant as a fee for their trouble. That percentage can range from 3-10%.

Another reason for using a fiscal agent is to give an organization a chance to find out whether it is feasible, fundable and needed before spending the time or money on incorporating and applying for tax-exempt status. Far too often, groups get together with a lot of enthusiasm to work on an issue and then use up all of their energy and available funds attempting to get incorporated and applying for tax-exempt status. By the time they have finished this process, many of the original volunteers are "burnt out."

Nonetheless, any organization that intends to exist for any length of time should incorporate and apply for tax-exemption.

*Thanks to the Regional Young Adult Project for allowing the Journal to borrow so liberally from their book **The Bread Game** in preparing this article. —LH \$*

Thinking of Starting a Small Business?

Many non-profits are exploring the idea of starting profit making ventures to support themselves. There is a tremendous amount of free or low cost information to help you decide whether or not this is feasible for your group and what type of business you might start.

One source of excellent introductory materials is the **Small Business Administration**. They publish "Management Assistance Publications". Some are free, and some have a nominal charge. For a list of available publications, write:

Small Business Administration
Office of Management Assistance
Washington D.C. 20416

You can also visit the SBA office nearest you. To find their address, look in the telephone book under "U.S. Government". You may also obtain publications by calling toll free 800-433-7212.

In California, Bank of America acts as a distributing center for these publications. Simply walk into any Bank of America branch and ask a teller for any SBA publication you want.

The SBA has suffered budget cutbacks, and there are probably going to be fewer free publications, but even the ones that cost are nominally priced.

In addition to the resources of SBA, you may want

to see what other consulting services for the small businessperson may be available in your area. For example, local chambers of commerce often have packets of information on all the licensing and registration procedures you must comply with. Retired businesspeople, often working in tandem with SBA, offer counseling to the new entrepreneur. In the latter instance you would be directed to a businessperson with years of practical experience in your field of enterprise. This kind of networking can prove invaluable to your group: helping foresee the "rough spots" in your plans.

Your local bookstore offers a variety of self-help books on this subject. Don't neglect this resource, as these books are usually written by people who have started and maintained at least one small business.

As your group discusses profit making ventures, you will want to keep certain basics in mind. New businesses are failing at a staggering rate in these hard pressed times, and the number one reason is poor planning and/or poor management.

Time: From the outset everyone concerned with the operation of the business must be committed to giving lots of time. Time for planning, making policy decisions, going through the red-tape of opening a business, and meeting regularly to discuss the progress of the business. Even the recreation center of the Lisbon Area Community Organization took time to plan and keep running. There are supplies to purchase, books to keep, tax forms to file, checks to be written, etc. In addition to the obvious work during business hours there are always chores waiting when the doors close. In advance, then, count on the fact that there is always more to do than meets the eye.

Seed money: After you determine the basic costs of opening the business, add in extra monies for "miscellaneous". Likewise, once you know what your business will cost to run each month, add to that base figure. If you can, have enough money on hand to open and run your business for six months as if it didn't take in a single dime. Give your business vital lead time to stand on its own. Very few small businesses can pay their own way from day one.

Logistics: Plan carefully the service or product you plan to sell and your location. Take special care when planning the cost of your service or product, and when calculating your profit margin. Don't undercut yourselves before opening the doors by underestimating the cost of doing business: the intangible overhead.

Planning ahead will keep your doors open and your business healthy. \$

Profile of a Donor

There is no such thing as a "typical large donor." Because those who are capable of making substantial contributions to community organizations vary so much, the Journal has decided to begin a series of profiles of such individuals" people who can and do make major contributions to community organizations. The profiles will not provide names of individuals or information about the kinds of organizations to which they give. Rather, they will describe the kinds of approaches that work and don't work, the ways in which various donors decide how much they will donate each year, what kinds of expectations they have of groups to which they have contributed, and other elements of personal giving that would be of interest to fundraisers in thinking about approaching major donors.

The donor interviewed for this first profile is a man in his thirties who lives in San Francisco. He is active in community work, and therefore frequently finds himself wearing both the funder's and the fundraiser's hat. Due to a sizable inheritance, he is capable of and does make contributions to community organizations as large as \$15,000 at one time. However, his contributions are also sometimes as low as \$1.00. How does he decide when and how much to give?

"It helps to make him feel that the size he would give is meaningful relative to the overall needs of the organization."

Unlike some major donors, this man has a formula which he uses to determine how much he gives away per year. While the formula is not used as a hard and fast rule, it does provide him with a basis for setting some "giving" limits. It is as follows: 25% of his income is spent on himself, 25% is used to "take care of" his wealth (i.e. lawyers, accountants, etc.) and 50% is given away. Over the years this donor has found that he makes an average of twenty contributions per year. Approximately half of those contributions are to tax-exempt organizations and are therefore, tax-de-

ductible. The other half are made to more political groups or causes which have not obtained tax-exempt status. In terms of dollars, however, the major portion of his money is given in the form of tax-deductible contributions.

This donor does not decide in advance what contributions he will make in a given year. He generally responds to requests as they come to him. He does, however, try to anticipate upcoming issues or activities that he will want to support, such as elections or referendums, and budget other contributions to allow himself enough to fill those needs that will come later in the year.

For this donor, the most effective approach is the combination of a personal letter, a phone call and a meeting. He likes a letter first, because it gives him time to think about the request at his own pace before being put on the spot to respond. The letter should be 1-2 pages in length, ending with a statement indicating that the writer will call to set up a meeting. He prefers to have the writer state that the intent of the letter is to ask for a contribution, but does not mind if that statement does not come until the end of the letter. The letter should include a brief statement of who, what and why, and should be accompanied by support materials that provide more in-depth information.

This donor likes to have a specific figure mentioned to give him an idea of the size of the contribution being sought. He likes a "case" to be made for the size of the contribution being asked for. He does not necessarily like to be told that his "x" amount will buy so many shoes or meals, but prefers to be told the size of the budget for the project and how his contribution would be used to offset some of the anticipated expenses. It helps to make him feel that the size he would give is meaningful, relative to the overall needs of the organization or project.

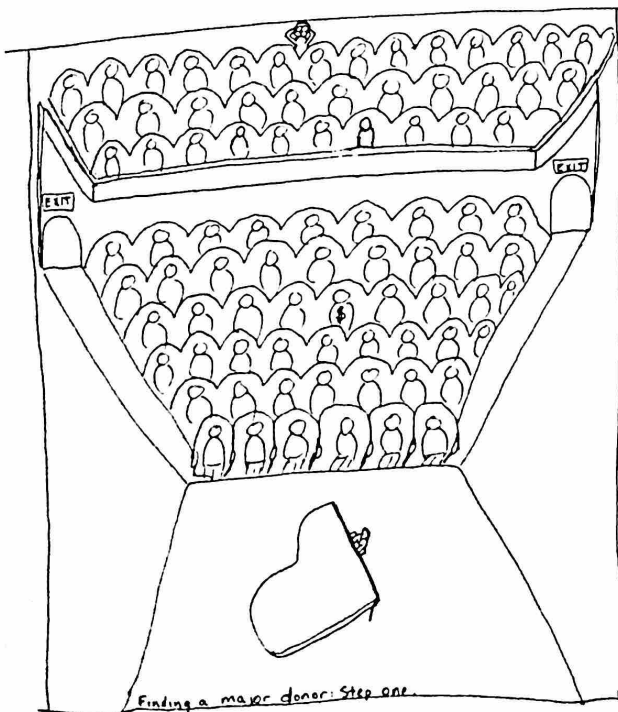
The phrasing of the "case" being made for the contribution is important. While the donor prefers a specific figure to be mentioned, if he feels that the group is looking only for contributions of a size that is larger than he can afford or larger than he would consider giving, he probably won't give anything. At the same time, he probably will not give any more than he is asked for. He mentioned that it is sometimes helpful if a range of figures is suggested, the lowest being the smallest contribution that would be meaningful and the largest be-

ing the ideal contribution being sought. He acknowledged, however, that he would probably lean towards giving the lower figure depending, of course, on how sympathetic he was with the cause.

When a meeting is set up to ask this donor for money, he likes it to be set at a time and a place that is convenient to him as well as to the fund-seekers. He likes to know who will be at the meeting, and if a letter has not preceded the meeting request indicating that the meeting is about a contribution, he likes to be told that before he gets to the meeting. In talking to representatives of organizations, he does not like obsequiousness or name-dropping to be used as methods of establishing rapport.

In response to other forms of fundraising, this donor said that he does not respond well to parties, and, in fact, rarely attends them. When he does attend fundraising events, he does not respond to pitches with large, spontaneous contributions, and generally prefers to make his contributions more privately, either before or after an event. He does not like making pledges. He does not make large contributions through direct mail, but does respond to direct mail appeals, as well as some other forms of fundraising with smaller contributions.

This donor's giving is not based on whether he knows the person or group approaching him. While he feels that he is more open to responding when there is someone he knows involved with the group approaching him, it is primarily the issue rather than the people that attracts him.



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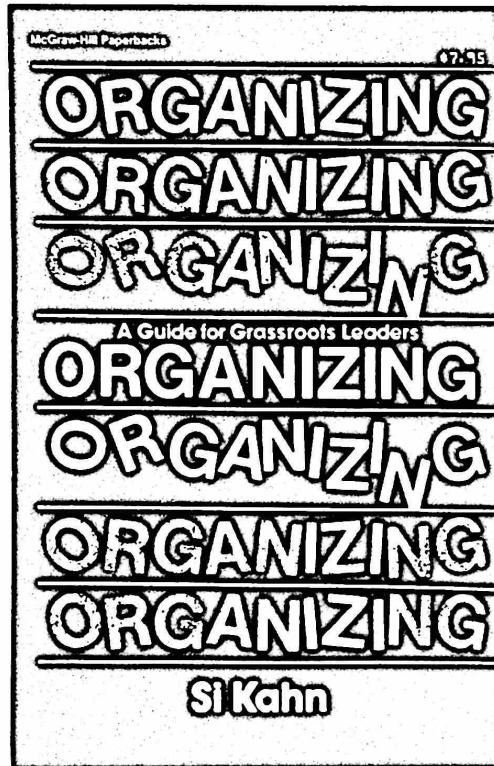
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Book Review

Organizing

by Si Kahn



The basic premise of Si Kahn's new book, *Organizing*, is that an organization is only as strong as its leadership. Effective leaders are particularly crucial in grass roots organizations, which are usually at a disadvantage in confronting large, influential, well-organized corporate and government adversaries.

This book is not about fundraising, and does not pretend to be. But because it is about grassroots organizing, which is impacted by, and impacts grassroots fundraising, it is an important book for social change organizations to know about.

This book is probably the easiest book to read that has ever been written on this subject. In fact, the use of simple language, idiomatic English phrases, and one syllable words, makes the book seem oversimplified. *Organizing* is a good starting point, written for people with no organizing experience. It has many useful reminders for organizers, but it probably will not provide new insights for people with organizing experience.

There is one chapter on fundraising called, simply, "Money." (All the chapters have one word titles, "Meetings", "Tactics", "Media", etc.) It describes the process of setting up fundraising programs, the need for accountability to membership, and how essential it is to have leaders and members make program and policy decisions. Also, Si Kahn notes time and again the vital importance having members understand the finances of an organization. He says, "In a people's organization, ... it's important for everyone to have a good sense of what's happening with the money. Nothing can break up an organization quite as fast as suspicion over money because nothing raises suspicions quite as quickly as money does. ... Most often the problems come not because the money is being spent badly but because people just don't know how it is being spent."

Si Kahn's emphasis is correctly on self-sufficient, grassroots fundraising. Although he does not explain any method of fundraising in enough detail for someone to implement it, he does convincingly argue that organizations are foolish to rely on outside (government, corporate or foundation) money for ongoing financial support. He makes the clear link between grassroots fundraising and grassroots organizing – a point which should be engraved in the hearts and minds of anyone working in a social change organization. "Grassroots fundraising works so well because the money is raised by the members of an organization for the organization. It not only raises money, it raises expectations by involving people in the process of building the organization. It not only stabilizes the budget, it stabilizes the organization by giving people a more concrete and specific sense of what that organization does. Grassroots fundraising is so effective because it's not simply a fundraising technique. It is also an organizing technique which develops leadership within the organization."

Si Kahn draws on many years of organizing experience for this book. His first book, *How People Get Power*, has been a basic manual for organizers since it was published in 1970. *Organizing* is an important book to know about, and will be useful to groups just starting or with leaders who have little or no organizing experience.

Organizing is available in most bookstores, or from McGraw-Hill Paperbacks, 1221 Avenue of the Americas, New York, NY 10020, \$7.95. –KK \$



Because of severe budget cuts, shelters are turning to innovative survival techniques such as merging with other agencies and profit making ventures.

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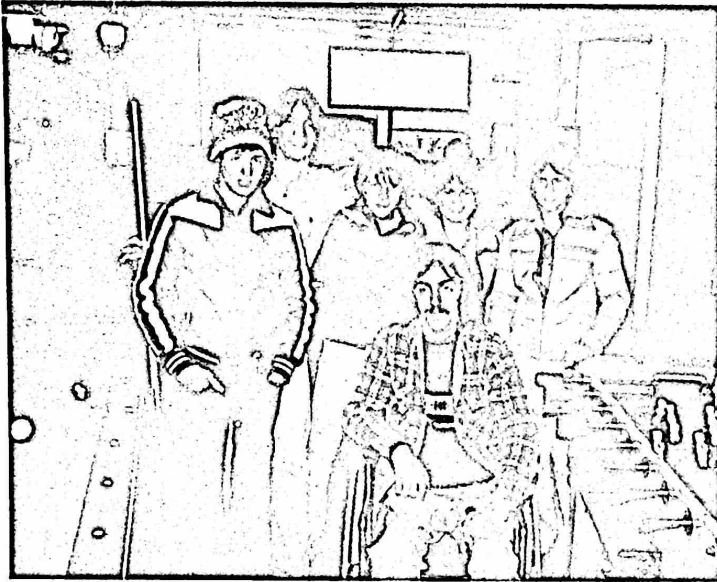
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Rocky Pickens and friends at the Lisbon Area Recreation Center, a profit making venture for a people's organization. Article on pg. 3

Advertising Rates

The *Grassroots Fundraising Journal* is now accepting display and classified advertising.

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Classified: \$.50 a word, minimum 10 words.

Display: 1/8 page, 3 1/2 inches wide x 2 1/4	\$ 25
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