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In This Issue

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Budgeting for Fundraising

by Kim Klein

One of the most common questions I am asked by donors and organizations alike is, "How much should a group spend on fundraising in terms of their budget?" When I give a complete answer, which takes some time, I see a glazed look develop in the eyes of the questioner. They want a simple answer, such as "10%" or "not more than 25%." I see simple answers given to this question even by reputable consultants (who are probably tired of trying to give an accurate answer), and, more shocking, I see percentages given in grant guidelines of some foundations: "Fundraising must not exceed X% of total budget."

Giving these percentages with no other context or variables is like telling a parent what percentage of the time he should spend with his teenager in comparison to his first grader, or telling an artist what percent of the time she should spend painting compared to shopping for materials.

Life is rarely so simple. So, at the risk of glazing readers' eyes, I will give a more complicated and truer anser to the question of what an organization should spend on fundraising.

It Depends

The truth is that the percent of your total budget you spend on fundraising will depend a great deal on what strategies you are using, how old your group is, and what you are trying to do with your fundraising program—such as start an endowment, implement a planned giving program, or build a donor base with direct mail. Rather than seeking a formula of total fundraising costs compared to overall expenses, you should look at fundraising costs compared to income on the basis of fundraising strategy. And, best of all would be to look at each strategy over the long term, say three to five years.

Brand-new organizations may spend $.90 out of every dollar on fundraising until their fundraising strategies begin to pay off. Similarly, organizations with an all or mostly volunteer staff will seem to have a disproportionate amount of money spent on fundraising because the program work is done at such a low cost.

As you prepare your overall budget, then, develop a separate budget for each fundraising strategy. By totalling the costs of all your fundraising strategies, you will have a clear estimate of how much money it will take to raise the money you need. Because fundraising strategies can take several years to pay off, you will need to evaluate your investment over an appropriate amount of time before making a judgment as to whether the strategy worked or not. Let's take some examples.

> ***Fundraising has to be understood in a larger context than year-to-year income and expense figures.***

Direct Mail: Returns to Sender

An organization that helps women know their legal rights called Women's Rights Under Law (WRUL) is heavily supported by foundations. Of their $300,000 budget, $250,000 comes from foundations and $50,000 from fees and the sale of publications. Their foundation sources tell them they must become more self-sufficient, so they launch a direct mail campaign to build a donor base. A simplified analysis of their expenses and income looks like this:

50,000 piece mailing × .50 per unit	$25,000
Return: 500 new donors (1% considered excellent), at median gift of $25	12,500
Amount of investment over return	12,500

Three months later, a second mailing is sent to those 500 donors asking for an extra gift.

Cost of this mailing:	$ 500
Income: 10% response (considered normal), yielding a wide variety of gifts from $10–$250. Gross income:	$2,500
Gain	$2,000

This request for extra gifts is repeated every three months for the year, for a total net gain of $6,000.

WRUL's direct mail in the first year gained 500 donors with a net loss of $6,500. Some would advocate abandoning a program with such a huge loss. But watch what happens at the beginning of their next fiscal year. They take their 500 donors and ask them to renew their membership in WRUL. 66% renew (an average renewal rate). These 330 renewing members give $16,500 (a median gift of $35, with several gifts of $100 and $250, and one gift of $500). This renewal mailing costs $500, for a net gain of $16,000 on this mailing.

Current donors are the bread and butter of an organization.

So, taking the two years together, WRUL has a net profit overall of $9,500 on their direct mail program as well as a list of donors, some of whom have indicated their willingness and ability to give significantly.

WRUL elects to use some of their direct mail profit to invest in another prospect mailing. They also follow up on the major donors that surfaced from their repeat and renewal mailings with letters and visits to solicit more and larger gifts.

Special Events: Not for Money

Direct mail is fairly easy to understand once you see the whole picture. A grayer area is the cost of special events. Here the first question to be asked is, "What are you trying to accomplish with this event?" Money should rarely be the main priority of a special event. Appropriate priorities for events are visibility, outreach, publicity, cultivation, getting new donors, getting money from people who would not give otherwise, building morale, and raising consciousness.

Once you establish the priority, then you must decide how much you are willing to spend on that priority and what the follow up to the event will be. A special event should always be conceptualized as part of a larger process—often the beginning of a campaign or the beginning of a larger organizing or fundraising effort, or the reward for a job well done. What does this look like in budget terms?

Citizens for Better Schools (CBS) advocates for students' needs at three schools. In analyzing its membership, CBS learns that 90% of their members are parents from two schools and the third school they advocate for has almost no representation. They call a meeting for parents from that school to be held at that school. Only four people come, but one says she will have a houseparty to try to get more people involved; however, she cannot afford to incur any costs. CBS agrees to give her $200 for food, postage and the like. Membership dues in CBS are $5, and the point is to have more people rather than more money. Thirty people come to the event and 15 join on the spot for a net gain of 15 members, and bring their number to 20% of the total CBS membership. Although the party incurs a net loss of $125, it succeeds in its purpose.

Friends of Hospice sponsors a "Wills Seminar." The purpose is to increase peoples' understanding of estate planning, which is one of the Friends of Hospice program areas. They also hope to make money, so they charge $25 per person for the four-hour evening seminar. Because of the amount of materials their speaker distributes and a misunderstanding with the hotel where the event is held about how much the room and refreshments would be, the seminar actually costs almost $30 per person. Friends of Hospice loses $500, when they had planned to make $1,000.

The Board later rails against any more such events; however, the staffperson designs and implements a follow-up plan. She mails those who attended the seminar more information about including Hospice in one's will. The mailing costs $60. She includes the group's newsletter, the cost of which is already covered in the newsletter budget. Two years later, one of the participants dies and leaves Hospice $5,000. She had not known the Hospice program previous to the seminar in question.

This gift needs to be understood as the gain against the costs of the event and the follow-up mailing: $5,000 in for $560 out. In a budget, you can't line up figures like that. That's why fundraising has to be understood in a larger context than year-to-year income and expense figures. In the case of the Hospice, the payoff was very quick. Generally, it takes five years for a planned giving program to produce, and costs for planned giving programs need to be projected over at least five and up to twenty years for an accurate picture to emerge.

You Still Gotta Ask

So far we have discussed strategies that cost more money than they produce in the beginning. Let's examine the opposite phenomenon—losing money when you would expect to make money. An organization advocating for the rights of the disabled called Access Now hires a development director. He begins a mail program and upgrades the newsletter. The group operates on a tight budget, but he is able to persuade them that "You have to spend money to make money." The things he does are all of excellent quality and could lead to new donors and upgraded donations, except the newsletter and most of his mail appeals do not directly solicit funds, and he does not visit any donors, nor does he organize the Board to do so. Soon the group is operating at a deficit.

They call in a consultant who points out that the backbone of any giving program is direct solicitation: people must be asked to give. Excellent letters and publications merely set the stage and confirm the wisdom of the donor's decision. The development director defends his actions, saying, "This is cultivation." As it turns out, he suffers from the same anxiety about asking for money as most of us; however, he is unwilling to admit it. In this case, the group has spent an inordinate amount of money without proper follow-up—without reaping what they had sown.

Look Ahead

Current donors are the bread and butter of an organization, and of course the money spent on them should be a fraction of what they give. The whole function of fundraising is to recruit and maintain a loyal base of donors who give as much as they can to your group.

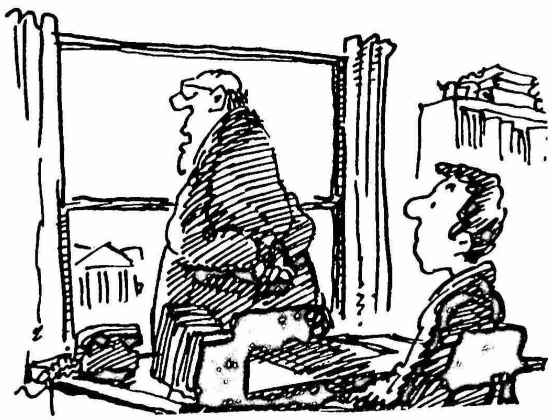
Obviously, fundraising costs cannot operate outside the controls for all costs, but it is helpful if costs can be seen in two- or three-year cycles, and fundraising plans created for that length of time. Clearly, groups that only have money to pay next month's rent will be hard pressed to think in long-term ways, but even in that case, try to create your plan to give yourself breathing room.

When you next evaluate your budget and fundraising costs, in addition to the important questions of the actual costs, add these questions before making any final decisions about the budget:

- ☐ What is the follow-up plan for these strategies?
- ☐ How many personal visits to major donors and major donor prospects are planned and by whom?
- ☐ How long will this strategy take to make money?
- ☐ Does this strategy bring us loyal donors or increase the loyalty of our current donors?
- ☐ What is the primary purpose of this strategy and is this what we need at this time?

When fundraising strategies are used appropriately—as part of a larger picture—they pay off. Some pay off immediately, others pay off much later.

So the short answer to the question, "How much should a group spend on fundraising in terms of their budget?" is, "Enough to get the job done." ■



Corporate Philanthropy:
Getting Down to Business

by Stephen Maita

This article continues a series of chapters reprinted with permission from Reversing the Flow, A Community Guide to Bay Area Corporate Giving Programs, *edited by Nancy Johnson and published by Applied Research Center. For a complete copy of* Reversing the Flow, *contact the Center for Third World Organizing, 3861 Martin Luther King Dr., Oakland, CA 94609.*

"The business of business," economist Milton Friedman has long argued, "is business." And in today's harsher economic climate, corporations are taking a more strategic, bottom-line approach to every phase of their business—including charitable spending. This has meant fewer corporate dollars for good causes; after double-digit increases in the 1960s, '70s and early '80s, corporate grantmaking nationwide has leveled off in recent years. The Conference Board estimates that such support reached five billion dollars in 1989, up just four percent from 1988.

At the same time, large corporations and corporate foundations are changing the way they dole out their contribution dollars. Among the changes:

1. Businesses are becoming increasingly more selective in picking the activities in which they get involved. This is a far cry from the "shotgun" approach of the past.

The era of hostile takeovers cut not only the workforce at target companies, but grant-making activity as well.

2. They are more likely to take on specific social issues in their communities (e.g., homelessness, education, etc.) than to simply support traditional charities, such as the symphony or Boy Scouts.

3. They are more apt to get involved in areas that have some connection to their business interests, a so-called "enlightened self-interest" approach.

4. Some corporations are making larger grants, but they are making them to fewer organizations in order to get the most bang for their charitable buck.

5. Many businesses are leveraging their monetary contributions by offering volunteers—their own employees and retirees.

6. Finally, companies are gradually beginning to collaborate with each other and with non-profits to attack major problems.

Over the past decade, there has been a growing demand on companies to be "good corporate citizens," meaning that companies are now expected to provide more funds for social programs and to charity. At the same time, "there is increasing competition for corporate dollars, and economic pressures are forcing companies to be more strategic in their giving," explains Carolyn Tower, Executive Director of the Northern California Grantmakers.

This pressure comes from several sources. Since the Reagan administration came into office, the federal government has steadily reduced support for social programs in an effort to begin balancing the astronomical budget deficit. More recently, taxpayer revolts have spread from California to New York, forcing financially strapped state and local governments to tighten their belts. In both cases, nonprofits have looked to corporate America to help bail them out.

But such expectations aren't entirely realistic. On average, companies give away only one to two percent of their pre-tax profits. And at best, corporations and foundations account for less than 10 percent of the $100 billion spent on social problems each year.

Corporations Need a Helping Hand Too

In addition, heightened demands for corporate giving comes at a time when many corporations themselves can use a helping hand. Company profits are being eroded by unprecedented global competition and a slowing economy, and the era of hostile takeovers cut not only the workforce at target companies, but grantmaking activity as well.

A recent survey of 255 chief executive officers and 100 "future CEOs" of large corporations by the Daniel Yankelovich Group found that most are "deeply committed" to corporate charitable giving. However, the majority felt that the current business climate is "a powerful force working against an easy environment in which to act on giving initiatives."

In response to changing circumstances, corporate giving programs have changed their focus somewhat to a more professional and strategic approach to grantmaking activities, in a trend the *California Management Review* has described as a shift away from traditional giving and towards "a more market-driven strategic-management, bottom-line approach to philanthropy. The underlying strategy of this new-style philanthropy is for companies to obtain a tangible return for their contributions."

Previously, it wasn't unusual for companies to simply divide up a pot of money equitably among all the well-known organizations that asked for funds. But such a shotgun approach had little visible impact on a given problem, and the goodwill it bought usually didn't extend beyond the recipients. Now, corporations are looking for organizations or projects in which they can have a significant impact—and that may give the company higher visibility in the process. Firms are also more likely to channel dollars to issues that specifically concern their employees or the communities in which they do business. Finally, the Yankelovich survey found that CEOs "need to see benefits in terms of image, ability to attract good employees and, generally, a salutary effect on their business environment."

Over the past decade, there has been a growing demand on companies to be "good corporate citizens."

From the perspective of community groups seeking corporate funding, they have a better chance of getting money if their projects "intersect between the goals of the corporations and the needs of the community," according to Tower of Northern California Grantmakers. For instance, B Dalton Booksellers has targeted, not too surprisingly, illiteracy as one of its areas for funding. Similarly, Safeway Stores spends a good deal of money on fighting hunger.

Focus on Education

Many corporations are also paying more attention to education these days—not just at the university level, as they did in the past, but at the kindergarten through high school (K-12) level as well. Such social activism is a common example of enlightened self-interest. As taxpayer revolts began taking their toil on public school funding, businesses found it harder to hire, train and keep qualified employees with basic skills. "Both higher education and K-12 need dollars, but K-12 is in a crisis situation," explains Tom Donahue, president of Pacific Telesis Foundation. "It's having a more immediate impact on business and the future of our country."

Education is the Telesis Foundation's top priority, receiving about $2.5 million in 1989. Nearly 50 percent of that went to K-12, up from 30 percent of the education budget in 1988. This year, K-12 funding should account for 55 percent.

Telesis isn't the only company with its attention on the classroom. Apple Computer and Wells Fargo Bank have also targeted education as one of their first priorities. In fact, the Yankelovich survey of CEOs found three in four are giving more attention to education. "For the business community, it's a critical area," said Karen Wegman, executive vice president for Wells Fargo. "Besides everything else, we're going to be drawing our future employees from the schools."

From the point of view of community groups, more focused corporate giving programs means that proposals have to be tailored to fit each company's specific funding areas. It should be kept in mind, however, that proposals can be changed to emphasize different aspects—without substantially changing the actual program or project itself. A project to bring art to the public schools, for example, can emphasize either the art and culture side, or the educational impacts, depending on the corporate giving program in question.

Corporations are looking for projects in which they can have a significant impact.

As corporations become more conscious of their bottom line, many are looking to employee volunteers to complement their monetary contributions. Some companies stop short of allowing employees to volunteer on company time, but others encourage it. At Apple Computer, for example, new employees undergo a two-day orientation program and receive a brochure entitled "There's More to Life than Work." About 650 Apple employees tutor elementary-school students on personal computers, read to residents at senior citizen homes and hold clothing drives for the needy.

Employees at the Hard Rock Cafe in New Orleans come in early every other Friday to prepare lunches for the homeless. Wells Fargo Bank allows employees with three years' service to apply for a six-month paid leave to work for a non-profit organization. And 75 Pacific Bell employees each spend two hours a week teaching in San Francisco schools, on company time.

Recruiting Retirees

Some employers are even recruiting volunteers from their retired labor pool. AT&T, Pacific Bell and the other Bell companies throughout the United States, Northern Telecom and Bell Canada are all members of the Telephone Pioneers of America, a volunteer organization with 800,000 members—nearly half of whom are retired phone company employees. Pioneers in the San Francisco Bay Area serve meals at homeless shelters, host sporting events for disabled children, organize anti-drug programs for local schools and make teddy bears for police and fire fighters to use in dealing with traumatized children.

Clearly, doing well by doing good continues to be a popular concept throughout corporate America. Many companies are finding that volunteer programs are not only a cost-effective way to channel giving programs, but also an important route to an improved public image.

While relatively few companies have organized programs, the number that send workers into community service has doubled to an estimated 1,200 in the past five years. For employees, it represents a company-supported means to do good deeds. For the company, it offers a cost-effective way to provide community service.

"It allows us to put back some of what we take out of the community," said Will Rigney, a community relations manager at Pacific Bell, who oversees the company's school volunteer program. "Additionally, it enables us to work closely with an important constituency in the community. And certainly, it helps our company's image."

Cause-Related Marketing

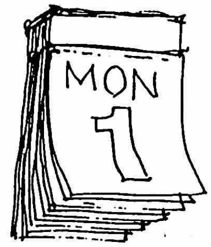
Critics of the new direction of business contributions occasionally raise questions about corporate motivations. In particular, there has been sporadic controversy over "cause-related marketing." Launched by American Express with its funding of the Statue of Liberty restoration, cause-related marketing involves companies making contributions based on usage of its products. Critics argue that companies should not be profiting from their philanthropy, and say that charitable spending should truly cost a company something.

On the other hand, proponents say the motives of a contributor are irrelevant, as long as money is raised. "In any charitable fit, there are probably 30 reasons for giving—self-interest, tax deductions, you name it," said Tower of Northern California Grantmakers. And proponents say the more professional attitude corporations are taking with respect to philanthropy means that each charitable dollar may now provide greater benefit to society.

Advocates say such an approach can be a win-win situation for the community and the company. William Woodside, former CEO of Primerica Corp., told the Council on Foundations that his company previously gave on the "principle of the squeaky wheel. You get screams loud enough, and you give them some money." Today, Primerica focuses its giving more effectively on fewer problem areas that have greater needs.

Although bottom-line considerations are still paramount in the corporate world, and many companies are feeling a squeeze on profits, from the corporate perspective there are more ways than one to look at the bottom line. As one CEO put it in the Yankelvich survey, "You can't really be a top-notch company today without being active in the community. People want to work for that kind of a company. People want to do business with a responsible company." ■

Stephen Maita is a former business writer for the San Francisco Chronicle. *He is currently the Manager of Media Relations for Pacific Bell.*



Keeping Track of Information

Part 2: Calendars and Action Plans

by Kim Klein

In the August, '92 issue ("Keeping Track of Information, Part 1"), I discussed how to organize an office so that you can find anything you need, and so you have control over information. In this article, I discuss the other half of the effective office: keeping track of time and commitments.

This is not an article on time management, but readers are encouraged to look up Vol. 9, No. 5 (Oct. '91) for an article called "Time Management Tips for Fundraisers." Effective time management often marks the difference between a good fundraiser and someone who is never going to make it in this field.

Understanding information as time-related is integral to running an efficient office. Once you have organized your office, files, and desk in a way that allows you nearly instant access to the information you need, and provides a sensible system that someone else can follow, you now need to assign a time by which you will have used or acted on the information you are so effectively keeping track of. There are two principle methods: calendars and action plans.

Calendars

Buy or make three calendars:

1) A "year-at-a-glance" calendar. This calendar needs to be big enough to hang on the wall, showing all twelve months at once, with each month divided into 1″ × 1″ boxes for the days.

2) A "month at a glance" calendar. Some people get these calendars as desk-top blotters. You can also buy a desk-top calendar from a worthy group so you have uplifting stories or fabulous nature photos to look at. Just be sure that the box for each day has enough room to write a few lines.

3) An appointment calendar to carry with you in your purse or briefcase. This is a simple daily calendar, with all the days of the year laid out two or so to a page.

Buy or make three calendars.

While you can certainly invest lots of money in fancy calendar systems that have places to record your expenses, birthdays, car mileage, meeting notes, priority to-do's, meeting agenda items, tax information and the like, I have yet to meet anyone who actually used all those systems. Further (and this is not a judgment of these calendars, simply an observation of people who use them), in my experience the fancier the calendar, the less reliable the person. I always know when someone pulls out the ten-pound, multi-colored and tabbed calendar, and turns to the special section for "commitments made" to write something they just said they would do, that it will probably never happen. On the other hand, when someone takes the free calendar they got from their insurance agent or an inexpensive one bought at an office supply store and writes what they have committed to on the day they made the commitment, I am reasonably certain it will get done. In terms of calendars, then, the simpler the system, the more workable it is likely to be.

Now, take your "Year at a Glance" calendar and put X's through the following:

- major holidays, and one or two days before and after those holidays
- your vacation
- your birthday (don't work on your birthday)
- the day (or two, if you wish) after any work meeting or conference that you know will be grueling or that you have to travel a long distance to attend.

What you have left is the true number of days you could get work done.

Now put a large dot on the dates of Board meetings, annual meeting, special event, proposal deadline, newsletter deadline and any other meetings or deadlines that you can anticipate. Take a fine-line marker and draw a line from each deadline back as many days as you think it will take you to prepare for it, and if there is work generated by the event, then extend your line for one or two days after the event. Whatever work days don't have lines, dots or X's are days you can do the rest of your work.

You now have a clear visual picture that allows you to assess quickly, "Can I take on this commitment?" "Does it make sense for me to attend this conference when I will be exhausted from our annual retreat?" "Should we conduct our major donor campaign during our audit?"

Remember also that some of the days of the year will be used up by illness (yours, your children's etc.), by goofing off or not working efficiently, and by other emergencies that take precedence.

Now take your "Month at a Glance" calendar and write down the major task areas that have to be taken care of each day in order to keep on schedule. This calendar does not take the place of a to-do list. However, most people do not keep the relationship of their "to-do" list and their calendar clear enough. For example: someone calls you and asks for an appointment. You look at your calendar and, seeing a clear day, make the appointment, only to realize later that the day was kept clear because of the approaching deadlines covered by the to-do list. Whenever possible, set your meetings, appointments, lunch dates, and so on by referring to your yearly or monthly calendar. A day does not stand alone. Do you really want to have a 7 a.m. breakfast meeting with a major donor the morning after a Board meeting that will run until 10 p.m.?

Your daily calendar that you carry with you is used for appointments, addresses, phone numbers, making future meetings and appointments when you are not in your office, notes from meetings, etc. However, every two or three days (some people do this at the end of every day), move all relevant information from your daily calendar onto the monthly one or onto a to-do list. Note in your daily calendar deadlines and days that are filled with writing work or preparation. Make appointments with yourself also.

One man who had a hard time saying no to anything would make up names of people and then assign meeting times to them in his calendar. He pointed out to me the obnoxious habit some people have of looking at other people's calendars and finding open space. Often at meetings, he said, someone would say, "How's Wednesday at 2?" Leaning over to my friend and peering at his calendar, the person would say, "Bill, looks like you have an open afternoon." So when Bill knows he has a hard day of work, even though it involves no appointments, he writes in fake appointments and puts the letters "hh" beside these, which stands for "ha-ha." He knows they are fake, but they jar him into not saying yes. He can say, "I have a meeting" which for him, like most people, is easier than saying, "I have to write the campaign brochure." It also spares him the agony of someone saying, "This will only take 20 minutes—it will be good for you to have a break."

Understanding information as time-related is integral to running an efficient office.

Things to avoid about calendars:

1) Avoid having a home calendar and a work calendar. People who do that almost always miss their Monday morning appointments and are constantly trying to recall whether they can make an evening meeting on Thursday, because they think it is Jill's soccer match, or is it Wednesday? Your daily calendar shows your whole day, from home to work and back home. Put your important home-life appointments and activities in your single daily calendar.

2) Avoid saying to yourself or others, "I am so busy," or "I don't know how I'll get everything done." Both these statements could be true, but they also become self-fulfilling and they don't accomplish anything except to use up time. Most people are busy and few people get everything done. Tell yourself instead, "I can get this done. I have enough time."

3) Skip meetings or conferences that you do not need to attend. In the last article I discussed how this is the information age. Conferences, trainings, workshops, seminars, classes, are the order of the day. They are both expensive and time consuming and rarely worth it. Choose these events where you will really learn something or see people you truly want to see. Then go, and be there. Too often we decide to attend a conference half-heartedly and spend most of the plenaries and workshops making notes or to-do lists for when we get back. A

sign that a conference is not worth it for you is when you have to phone your office more than once a day while you're gone.

Action Plans

One of the hard things about working with individual donors is that this work has no externally determined deadlines, so you have to create your own. Once you have your calendars set up, you are ready for the next step in organizing your fundraising office.

Whenever you work with a donor or a prospect, make a note in their file of what you intend to do next. This is called your "action plan." It can be recorded in a separate field in your computer data base or a separate entry on a donor information card. An "action plan" is brief, such as, "Invite to houseparty," or "Call with outcome of organizing effort in Roane County," or "Send report on toxic waste dumping as soon as available." Then add a date to the action you plan to take. Now take this date and put it in your "month at a glance" calendar. Note the donor's last name or some identifying phrase, which will remind you to check their file for what you were going to do on that date.

If you are systematic about your donors, each donor or prospect will have a date on which you are going to work with them and move the process along. By spreading these dates out over the year, you can give more personal attention to donors, and not get jammed with donor meetings during a campaign or at the end of the year. If you have thousands of donors, obviously you will have to decide which ones you want to work with personally, but the action plan concept can be used for group activity also, such as "Oct. 1: all \$50–\$100 donors receive news alert mail appeal."

Conclusion

A fundraiser's job is often compared to the circus performer who balances plates on sticks by keeping the plates twirling, and runs from stick to stick to keep the spin going. If she misses, the plate falls and may break. The calendar is the stick, and the action plans are the plates. This is how you keep your plates spinning and not falling. The overall idea is to have as little to remember as possible. You shouldn't have things in your memory that you could write down or enter in your computer. This frees you to use your mind to be creative or to learn new details about new people, and write those down later.

The wide variety of tasks involved in fundraising are both exciting and one of the many difficulties in the job. You can minimize the difficulty by relatively simple procedures to keep your office running efficiently. A calendar and action plan system allows you to use the information you accumulate and raise maximum dollars for your work. ■

Gifts with Strings Attached

by Kim Klein

There is no such thing as a gift freely given, without attachment, except perhaps a bequest left by a person unknown to the receiving institution. All other gifts are given with expectations. The expectations that take on the character of strings or, worse, that become almost nooses, are the ones to avoid.

Most people give their money expecting that the group that receives it will use it properly to further a mission the donor agrees with. There is an implicit contract with the donor that the gift will not be wasted or used on something with which the donor disagrees. This is appropriate and it is not onerous for the organization to fulfill its side of the agreement, keeping faith with the donor.

But when a donation comes loaded with expectations or even demands, then the donor must be understood to have broken faith with the organization. A non-profit organization is not a hobby for a person; it is not a vehicle to express an individual or a corporate political, artistic or commercial agenda. Organizations with non-profit status are publicly supported and must meet a "public support test"—which is that no more than one-third of your income can come from one person or corporation.

Demands attached to gifts—or seeming to endorse social or political values associated with specific givers—has always been an issue organizations grappled with, particularly around issues of "clean" and "dirty" money. Some easy examples of money tainted by the giver's political or social involvement are grants from the Playboy Foundation to women's groups, or from Coors Beer Company. Recently, however, there is a dangerous and more subtle trend that all non-profits should be aware of. This is taking place most blatantly with gifts at the corporate level, but it does not stop there. Here are some examples:

- The Los Angeles County Museum of Art put on a 4,000-square-foot exhibit in the spring of 1992 to display exotic shoes made by Salvatore Ferragamo. Along with the exhibit was a fundraising event for the Costumes and Textiles Department of the museum with a generous gift of $100,000 from Ferragamo to help the campaign. Ferragamo held a cocktail reception for the opening of the exhibit at their Rodeo Drive store and a mini boutique that sold Ferragamo handbags, scarves and jewelry was installed in the museum's gift shop. A great deal of uncritical publicity was given to the exhibit, and Ferragamo reported that sales in Los Angeles increased by 20% while the exhibit was on display.

> ***When a donation comes with demands, the donor has broken faith with the organization.***

- Pennsylvania State University recently signed a $14 million deal that will make Pepsi the official beverage on the campus, allowing Pepsi to advertise widely on the campus.

- Public schools have become targets for "free samples" of items ranging from candy and toothpaste to videos.

- Whittle Communications "Channel One" lends schools video equipment with the tacit understanding that Channel One's programming will be shown to the 7.5 million schoolchildren in 11,000 secondary schools that receive the equipment.

Independence Threatened

These examples from the corporate world are probably more blatant than in other kinds of giving. On a smaller scale, however, organizations with support from the Catholic Church or its left-leaning grant source, The Campaign for Human Development, are often afraid to take a stand on issues of reproductive choice or gay and lesbian rights for fear of losing that funding. Some of these organizations have not allowed gay and lesbian staff to speak out on these issues for the same reason. The Vatican's recent directive to American bishops to campaign against new gay rights legislation and for the repeal of existing gay rights legislation means that self-muzzling and censorship will be even more profound.

Individual donors are not exempt from exerting these types of influence either. More and more organizations tell me that "they can't do this program" or "the only reason we are doing this other program" is because a "Big Donor" wanted it that way.

Because the *Journal* doesn't cover getting money from the government, I will only mention in passing the chilling effect of recent regulations of the National Endowment for the Arts, the National Endowment for the Humanities, and many other government funding sources, particularly on the arts.

Non-profit organizations' independence, creativity, and ability to respond to real need are seriously threatened by these barbed-wire garrotes attached to gifts.

All organizations must be clear that no amount of money is worth the organization imposing censorship, not taking a stand when you otherwise would have, silencing your staff or Board, or doing anything else that you wouldn't have done except in relation to how it affects your receipt of money. This is from the most minor attitude of "I have to act like I am her friend—she gives us so much money," to the blatant bribery described above.

It's true that survival means raising money—but survival means surviving as you are, true to your mission, doing the work that is called for by your goals and objectives. Changing your program goals or giving in to commercial demands doesn't mean you survived—it means you died and were resurrected as another gutless group.

There is still enough money from a broad base of donors to get your work done.

Despite the recession, there is still enough money from a broad base of donors to get your work done.

Resisting the temptation to be bought takes place not only by each individual organization; it also requires an alliance in which non-profits join to help one another resist by exposing those who make unfair demands for their money. For example, it is illegal for the Catholic Church as a 501(c)(3) organization to seek to influence legislative activity. The fact that it has done so for dozens of years, particularly on issues of reproductive choice, does not make it any more legal now. Corporations, similarly, by the IRS rules governing what is a gift, are not allowed to use their philanthropic gifts as advertising gimmicks and should not be allowed to deduct those gifts on their taxes. If organizations reported them to the Internal Revenue Service rather than accepting the gift they could help stop this behavior.

A healthy non-profit sector is the only hope America has of being a decent place where all people have health care, housing, education, food, a clean environment in which to live, and in which arts and culture at all levels of society are valued. Let's not let big money ruin this sector. We don't need to. There is enough money given by ordinary people with the simple expectation that an organization will do its work. ■

Announcements

Credit Card Use Among Non-Profit Organizations

FOR A RESEARCH PROJECT on fund raising techniques among small, locally based not-for-profit organizations (NPOs): I am gathering information on the prevalence of these NPOs to establish a merchant account with a bank in order to accept credit card transactions via MasterCard, Visa, Discover, and/or American Express.

The NPO may use credit cards to charge for services rendered, for direct mail fund raising, or to accept payment for merchandise sold by the NPO. I am very interested in learning what difficulties the NPO may have had in establishing the merchant account, in processing sales slips, and accounting for income received from credit card transactions. My research hopes to show how the use of credit cards changed the organization's ability to increase its revenues.

J. G. Wandres
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Book Review

We Gave Away a Fortune

Christopher Mogil and Anne Slepian

New Society Publishers
182 pages. 1992.
$17.00 (includes postage)
Order from: Funding Exchange
666 Broadway, #500
New York, NY 10012

Most people in our society give 1–3% of their income to support causes they care about. Even wealthy people who write substantial checks to charity are usually giving only a modest percentage of their income from investments. The people interviewed in *We Gave Away a Fortune* are different.

"We gave away all of the money. I have never regretted it—it was one of the wisest things that I ever did," said Millard Fuller, founder of Habitat for Humanity (an international volunteer organization building homes for those who need them), who gave away over a million dollars.

We Gave Away a Fortune, a provocative new book by Christopher Mogil and Anne Slepian, features stories of 16 wealthy people who have given away much, even all, of their wealth to help create a more livable world. The interviewees include George Pillsbury (Pillsbury Flour heir), Ben Cohen (of Ben & Jerry's Ice Cream), Millard Fuller (of Habitat for Humanity), and Sallie Bingham (Standard Oil heiress).

Instead of giving to charity, these 16 men and women gave to social change. Phil Villers (computer entrepreneur) started a foundation for the elderly. Chuck Collins (Oscar Mayer heir) gave to a national network funding grassroots organizing. Tracy Gary (heiress from the invention of the dial telephone) helped start the Women's Foundation and the National Network of Women's Funds.

Traditional philanthropy sometimes helps the "disadvantaged," but it usually ignores the root causes of social problems. In contrast, social change philanthropy works to change the political, economic, and social structures that create the problems in the first place. By funding social change, these givers aimed to help change the very system that endowed them with special privileges and resources.

The importance of *We Gave Away a Fortune* is that its inspiring interviews, complemented by theme chapters and guided exercises, create a step-by-step handbook for re-thinking our society's view of wealth, power and privilege. It helps us all, rich and poor, gain powerful insights into the role of money in our lives, culture and economy. ◘

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Number 1 (February 1989): The Alternative Fund Movement; Looking Good, Part III: Just the Words That Matter; State of the Journal.

Number 2 (April 1989): Lessons from Grassroots Groups; Case Study of a Small Social Action Alternative Fund; Financial Management 101.

Number 3 (June 1989): Board Members: How Hard Should They Work?; Recycling for Profit and Public Service; Raise the Bid for Funds

Number 4 (August 1989): How to Conduct Your First Capital Campaign; Assigning Fundraising Tasks; Gearing Up for Fall Fundraising.

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Number 6 (December 1989); When Board Members Wriggle Out of Fundraising; Alternative Fund Movement Challenges United Way; Trading Mailing Lists.

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