

De-Coding the World Of Giving

A GLOSSARY OF FUNDING TERMINOLOGY, METHODS, AND PRACTICES

There is a lot of lingo in the world of fundraising. This tool defines some of the most common terms, gives examples of each and identifies some steps that should be taken to be ready to undertake the tasks.

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Annual Fund

Gifts to an Annual Fund are “unrestricted,” and can be used for general operating support. Appeals may happen once a year or more frequently, but should occur on a regular, predictable schedule.

Examples:

Your organization may choose to conduct your Annual Fund campaign through direct mail appeals, phone-a-thons, or personal visits to individual donors.

Steps To Readiness:

- Identify the Annual Fund Goal
- Identify how the Annual Fund will support your organization
- Decide how you will solicit gifts (i.e., mail, phone)
- Decide on the timing of your appeal(s)
- Clean up your mailing list
- Identify who will receive the appeal
- Be ready to record and process Annual Fund gifts
- Have a thank-you mechanism in place
- Identify who will manage the Annual Fund process.



Capital Campaign

Capital Campaigns are intensive fundraising efforts designed to raise a specific sum of money within a specific time frame in order to build critical assets for an organization. While capital campaigns have a defined time period, they often span several years. Capital campaigns require an extraordinary effort on the part of board and staff and are generally run with the assistance of professional fundraising counsel.

Examples:

Funds raised through capital campaigns often fund the physical (often known as bricks-and-mortar) needs of an organization such as a new building or a revitalization of a historic property. However, they can also be created to fund a significant endowment to ensure the future of the organization.

Steps To Readiness:

- Has your organization clearly defined a need for funding beyond yearly contributed income revenue?
- Is your organization well known and respected in your area?
- Does your organization have a strong leadership bench of senior staff and board members with fundraising experience?
- Can you identify community leaders who would be potential members of a campaign cabinet?
- Do you have strong annual giving programs in place?
- Have you solicited the assistance of outside fundraising counsel for a feasibility study of major prospects and the creation of a strong case statement?

Catalytic Philanthropy

Catalytic Philanthropy is the use of free markets and capitalistic principles to address issues that otherwise go largely unaddressed. Instead of just giving money, this approach takes a vested position, fueling ideas that work, discarding those that don't and expecting a tangible return on investment measured in social impact. Bill Gates was among those who helped pioneer Catalytic Philanthropy



Corporate Giving

Community-minded businesses often donate a portion of their profits or resources to a nonprofit organization to support a cause, project, or community resource that aligns with their corporate culture and philosophy.

Examples:

While most corporate giving is done through gifts of cash, some companies will also make "[in-kind gifts](#)". Corporate giving is often handled through a company foundation via a grant process, but it may also be determined by a committee of employees, or by a staff person solely devoted to managing the company's charitable gifts.

Steps To Readiness:

- Identify a list of corporate prospects
- Identify the appropriate contacts
- Research the types and amounts of the gifts a company historically makes
- Schedule in-person visits or phone calls
- Set up a means of recognizing corporate support
- Implement a process for soliciting and tracking corporate giving and acknowledging gifts.
- Identify board and staff responsible.

Cultivation

Cultivation, one of the most important pieces of fundraising, consists of all those steps - large and small - that result in a charitable gift. Cultivation allows you to learn about your donors and gives them the opportunity to learn about you! The ultimate goal is to create an atmosphere that makes it easy and gratifying for a donor to support your organization.

Examples:

Every interaction you have with a potential donor is part of the cultivation process and should be shared by the entire staff and the board of directors. One word of caution: cultivation can go on forever if you don't remember to ultimately ask for the gift!



Steps To Readiness:

- Identify a list of donors you want to bring closer to the organization.
- Brainstorm ways to cultivate interest and support.
- Create a cultivation worksheet or add fields to your database so you can track how you communicate and connect with these prospects.

Create a culture of cultivation with board and staff. Give them easy examples of how to cultivate donors and “assign” them prospects you want to bring closer.

Digital Fundraising

Fundraising has expanded to include the on-line frontier, with many nonprofits seeing significant results from “digital” fundraising efforts. Most digital fundraising is accomplished through an organization’s web site, but can also be done via e-newsletters, social media, and offline communications designed to drive traffic - and ultimately giving - to the web site.

Examples:

Digital Fundraising primarily results in transactions via your organization’s web site that can include one- time gifts, membership renewals, registrations for special events, or tickets and admissions.

Steps To Readiness:

- Analyze your organization’s web site.
 - Is it set up to accept donations easily?
 - Is there a user-friendly clear interface that makes transactions easy?
 - Is there a visible “donate now” button on each landing page or does a potential donor have to hunt or the proper page for giving?
- Review your offline appeals to see if they will work as an emailed or social media appeal.
- Identify a group of staff responsible for digital fundraising work.

Earned Income

May nonprofit organizations have expanded into the field of Earned Income in a way that connects with their missions. This is also known as “related business activity.”



Examples:

Earned income streams should have a connection to your organization's mission, such as tickets to performances if you work at a theater, museum admissions, or a thrift shop that supports an organization dedicated to helping the homeless move into affordable housing.

Steps To Readiness:

- Is there a source of earned income that makes sense for your organization?
- Is anyone else doing something similar in your area? Reach out to them and see if they are agreeable to sharing information with you on how their earned-income line is structured and managed.
- Do you have enough staff to devote to managing this income stream?
- Have systems in place for recording and reporting earned income.
- Get the formal support of your board of directors.
- Enlist any legal or accounting counsel necessary for the start-up phase.

Endowment

An endowment fund is often created with the purpose of securing the financial future of an organization. The fund can be comprised of cash gifts, or [planned gifts](#), and can be managed and invested by the organization itself or a partner such as a law firm, bank or charitable foundation. Endowments have specific requirements that the principal of the fund remain intact for a specified length of time while the interest is either "re-invested" back into the fund each year or used to support the operations of the organization.

Examples:

Donors may create an endowment as a way to leave a legacy for an organization with which they have a strong connection. They are also often established in memory of a loved one, or to honor the work of someone connected to the organization. Endowments can be restricted to a specific purpose, or they may provide general operating support.

Steps To Readiness:

- Assess whether your organization ready to handle an endowment
- Identify a committee of board members who can serve as advisors to the endowment's creation and management.



- Write and adopt a spending policy for the endowment.
- If your endowment is modest to begin with it may be wise to “reinvest” the income each year to help the principal grow.
- Determine who may authorize drawing funds from the endowment.

Foundations And Grants

Foundations are non-governmental entities that have been established for the specific purpose of making grants to organizations.

Grants can also be made by local, state, and national government agencies, as well as through the foundation division of corporations. Successful grant applicants will frequently be asked to complete a grant report following the term of the award.

Examples:

Foundations generally require a written proposal, which can take the form of a simple letter or a more complex document following specific guidelines. Government grants require detailed proposals. Many proposals these days are only accepted on-line. Grants may be made for specific projects, operating or unrestricted support, capital needs, endowment, seed money for new projects or organizations, or even a challenge grant to leverage other private giving.

Steps To Readiness:

- Identify key local and regional foundations in your area.
- Research foundation guidelines, giving priorities, deadlines, and key staff.
- Schedule introductory phone calls with key program staff to discuss your organization and project.
- Enlist your board of directors to identify potential sources of foundation support.
- Meet with the staff of elected officials to explore sources of government grants.
- If you are new to grant writing, consider attending grant writing workshops and informational sessions.
- Ensure that your organization has the basic attachments ready such as your letter of nonprofit certification, your most recent 990, a list of your board and professional affiliations and the most recent operating budget.
- Set up a system for tracking grant proposals, recording grant awards and reporting.



In-Kind Giving

As important to an organization as cash gifts, “in-kind” gifts are donations of goods or services by a corporate or individual donor. In-kind donations relieve pressure on the budget by providing critical needs free of charge. In return the donor receives tax benefits equal to the value of the in-kind gift.

Examples:

In-kind donations can be the unsung hero of your fundraising program! They may take the form of critical services such as legal or accounting counsel, or as simple as flowers for table centerpieces, catering, or even pizza for your volunteers! Seeking in-kind donations is also a good way to build relationships with businesses in your community.

Steps To Readiness:

- Identify areas of need either for the organization (do you need a good on-call lawyer for example? Or on-call tech support?) or for a specific event (flowers, food, prizes, auction items).
- Identify potential donors.
- Make sure you have a means of recording on-line donations that accurately reflects their value, and a means of thanking and recognizing on-line donors.

Major Gifts

Major gifts consist of gifts of significant amounts by individual donors. They can be given for a specific purpose or special project or for unrestricted support. The amount needed to qualify as a major gift differs from organization to organization. Many mid-size nonprofits consider any gift over \$5,000 from an individual to be a major gift.

Examples:

Major gifts are often a component of the Annual Fund, or it may be a separate budget goal altogether. Major gifts may also be solicited for specific projects as well as unrestricted support.

Steps To Readiness:

- Identify what constitutes a major gift (i.e.: \$1000, \$5000, \$10,000 etc.)
- Ensure that there is 100% Board giving either to the annual fund or in the form of membership.
- Identify your top prospects from your list of current donors



- [Cultivate](#) prospects and get to know them. Enlist your board for this as well
- Train your board, if necessary, on asking for a major gift in person.
- Set up a schedule of visits and a method for follow up.
- Identify a process for recording gifts and tracking solicitation progress.
- Identify Board and Staff responsible.

Membership

Membership campaigns are a good way of raising consistent and reliable funds from a base of loyal donors or patrons. In return for their dues, members receive recognition and a sense of belonging. Organizations that have strong membership programs often have modest annual fund campaigns as well.

Examples:

Theaters, museums, orchestras, and historical organizations often offer memberships as a way of building individual support. Membership benefits can include discounted tickets or admission, special members-only events, discounts at gift shops and bookstores or even private use of the facilities for special occasions. Many organizations get creative with naming their membership levels and identifying benefits that are unique to their focus.

Steps To Readiness:

- Identify your membership goal
- Identify and name levels of membership and benefits for each level
- Identify how members will be recognized
- Identify terms of membership (i.e.: do all members renew at the same time each year)
- Identify and implement a process for soliciting, recording, tracking, acknowledging, and thanking members
- Identify and implement a process for following up with lapsed members (postcards, letters, email, calls)
- Identify Board and Staff responsible for the effort.

Planned Giving

Planned Giving enables a donor or donors to make a “legacy” gift to an organization after their death. Planned Giving can be quite complex and is generally only tackled by organizations with a fairly



sophisticated development program and sufficient staff. Many nonprofits will seek outside counsel to assist in setting up a planned giving program. However, even small shops can offer their donors the option to make a bequest to the organization in their wills.

Examples:

There are many different types of planned gifts, several of which benefit the donor during their life and the organization after their death. The more structured the gift the greater the impact will be on the donor and the organization. Types of planned gifts include bequests, gifts of life insurance, charitable annuities and charitable remainder trusts that provide lifetime income for the donor while also providing for the organization.

Steps To Readiness:

- Evaluate your current fundraising program. Do you have a solid base of support and room to incorporate planned giving into your fundraising activities?
- Research types of planned gifts, attend planned giving workshops and seminars and learn the “lingo” associated with planned giving.
- Identify a committee of staff and board to write a gift acceptance policy for planned gifts. In other words, if your organization can accept bequests but is not in a position to handle a complicated annuity, then craft a gift acceptance policy that reflects that.
- Identify local sources of counsel such as trust officers or estate attorneys who support your organization and can assist with this effort.
- Identify a list of planned giving prospects.
- Write, design, and produce planned giving materials.

Special Events

Also known as benefits or fundraisers, special events raise money for a nonprofit with the NET proceeds of the event going towards operating needs or a special initiative of the organization. Special events are a great way to recognize key donors and partners, generate publicity, introduce your organization to new donors, and identify major gift prospects.



Examples:

Special events can take many forms including silent and live auctions, performances such as concerts, galas or balls, dinners with a featured speaker, and sport events such as golf tournaments. Organizations maximize their net profit from special events by seeking corporate sponsorship to underwrite hard costs. Funds are usually raised through registration fees, tickets, or bids on auction items.

Steps To Readiness:

Identify an event that fits for your organization. In other words, if you're a performing arts center, then a golf tournament may not be the best event for you. If you're an animal shelter, look for events that allow you to incorporate animals up for adoption such as a "dog walk."

- Do your research and see if any other organization is holding a similar event.
- Research other events happening in your community that might present a conflict for potential attendees.
- Identify, cultivate, and seek corporate support.
- Identify a committee of staff and board to oversee the event, set deadlines and fundraising goals, and handle publicity.

Stewardship

In simple terms, stewardship is taking care of your donors, from the moment they make their first gift and throughout their entire relationship with your organization. In many ways stewardship is the step after the cultivation process, ensuring that your donor's experience with your organization is a positive and personal one. Stewardship should be as much a part of your development plan as appeal letters and special events.

Examples:

Because stewardship is essentially the care and feeding of those people closest to your organization, it can take many forms. A primary method is through regular and often very personal communications, such as updates on the organization via a letter, newsletter or phone call, invitations to special events, or special services such as personalized help with registering for an event or obtaining tickets to a show. When done well stewardship should be highly personal, often invisible, and tailored to the personalities of your different donors and supporters.



Steps To Readiness:

- Identify your closest donors and supporters and create a personalized folder for each. Keep copies of all correspondence and track attendance at any events so you can get to know your donor's interests and personalities.
- Create a culture of stewardship in your organization. It does not have to be limited to the development staff or CEO. Don't underestimate how important a personal greeting from the receptionist can be!
- Enlist your board in stewardship! Encourage them to write personal thank you notes, extend personal invites, and help your donors feel welcome and cared for.

