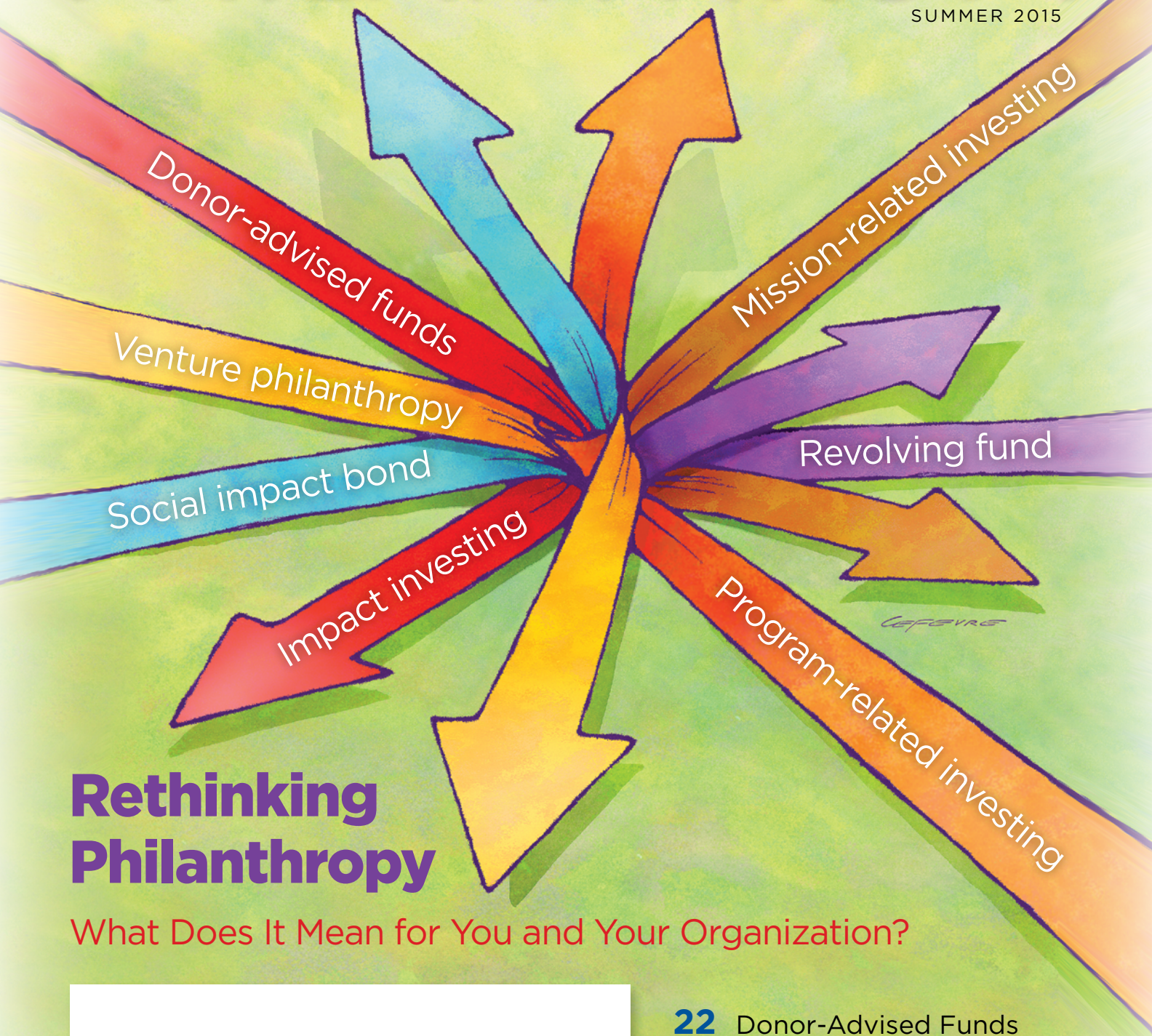
AFP Association of Fundraising Professionals

Advancing PHILANTHROPY

SUMMER 2015



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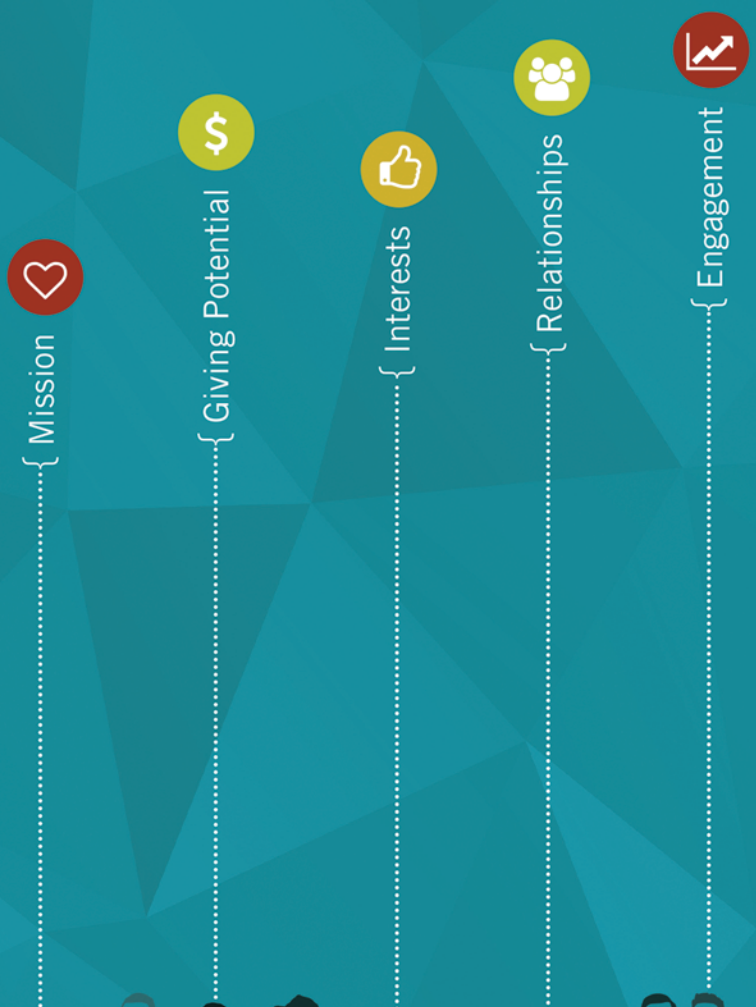

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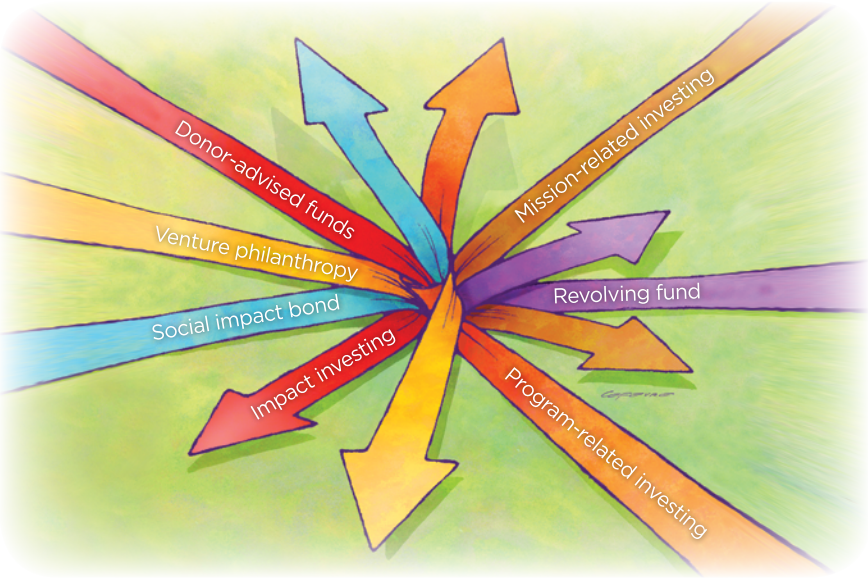

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Reflecting the World

By Patrick J. Feeley, MBA, CFRE

On a recent Air Canada flight, an article from the airline's president and CEO, Călin Rovinescu, "Reflecting Our World," caught my eye. In it, Rovinescu highlighted the following bold, strategic corporate objective: "From promoting diversity and inclusion to building a workforce made up of people from a wide array of cultures, traditions and languages, Air Canada aims to reflect the nation's social and cultural fabric—that of unity in diversity."

I really like the idea of "reflecting our world" because it drives home the point that if fundraising and philanthropy are going to remain relevant and vibrant—and continue to best serve our communities—we must reflect what's happening in our communities and the world around us.

Like Air Canada, many of the most recognized brands in the world are embracing diversity and connecting it to their overarching goals of growth and expansion. In the same spirit, AFP has embraced diversity and inclusion as a key strategic plan objective that will advance not just the association but our entire profession and philanthropy overall.

To illustrate, *The New Faces of Fundraising,* launched by the AFP Cincinnati Chapter, gives a small group of diverse participants introductory classes on fundraising, site visits to nonprofit organizations, a mentor and a 120-hour internship. To date, five of the graduates are actively involved in fundraising, three are working in nonprofits and one has returned to school to get a degree in leadership.

Building on the success of its three-year *From Diversity to Inclusion in Philanthropy: An Action Plan for Ontario's Charitable Sector* project, the AFP Foundation for Philanthropy–Canada has received another grant from the government of Ontario to launch its own fellowship program in the province. This project will support 70 fellows, each of whom will receive intensive professional development and mentorship opportunities and participate in organizational policy development on inclusion and equity issues.

Public policy and awareness are two other important areas. Our work does not exist in a vacuum, and the actions of others—whether business, government or other charities—can make a difference on the impact we have. We can't simply say, "Charities are good, so support us!" when different facts and stories are being presented to the public and others.

"Reflecting our world" is about being the most effective fundraisers we can be and giving our organizations a competitive advantage. We have an opportunity to be more inclusive, attract and train future fundraisers and make our organizations more effective. However, that happens only if we understand what is happening in our communities by looking outward and being prepared to change so we truly reflect our world.

Patrick J. Feeley, MBA, CFRE, is executive vice president and chief development officer at Caron Treatment Centers (www.caron.org) in Wernersville, Pa.

AFP, an association of professionals throughout the world, advances philanthropy by enabling people and organizations to practice ethical and effective fundraising. The core activities through which AFP fulfills this mission include education, training, mentoring, research, credentialing and advocacy.

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ADVANCING PHILANTHROPY © 2015
Volume 22, Number 3

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Printed in the U.S.A. *Advancing Philanthropy* (ISSN 1077-2545) is published quarterly by the Association of Fundraising Professionals, 4300 Wilson Blvd., Suite 300, Arlington, VA 22203-4168. The annual subscription rate for U.S. nonmembers is $100. Periodicals postage paid at Arlington, Va., and additional mailing offices. POSTMASTER: Send address changes to *Advancing Philanthropy,* 4300 Wilson Blvd., Suite 300, Arlington, VA 22203-4168.

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Independent Sector Launches New Edition of Ethics Principles for Charitable Organizations

Independent Sector has released the 2015 edition of *Principles for Good Governance and Ethical Practices*, a set of 33 principles to help charities' and foundations' self-governance. The release marks the first substantive changes to the guide document since the initial October 2007 publication of the *Principles*.

The 2015 edition of the *Principles* contains legal background and principles on a broad range of topics including legal compliance, effective governance, financial oversight and responsible fundraising. Changes in the 2015 edition include eight areas in which the ethics and governance landscape has transformed since the Panel on the Nonprofit Sector first convened to develop these standards nearly a decade ago. Updated content in the *Principles* includes new implications for nonprofits and foundations:

- How technology affects giving in a digital world and risk related to data security
- New charitable business and social change models, such as donor-advised funds and social impact investing, and their opportunities and pitfalls
- The need to balance organizational transparency and individual privacy
- The evolving debate on overhead costs

More than 20 nonprofit leaders served on the advisory group last year to update the guide. Organizations supporting the new guide include such groups as Americans for the Arts, Camp Fire, GuideStar USA, the William and Flora Hewlett Foundation, Lutheran Services in America, YMCA of the USA and United Way Worldwide.

Independent Sector released the 2015 edition of the *Principles* to the public in a bipartisan event on Capitol Hill, led by honorary co-chairs Senator Chuck Grassley (R-IA), Congressman Mike Kelly (R-PA), Congressman Earl Blumenauer (D-OR) and Congresswoman Debbie Dingell (D-MI). At the event, leaders in the nonprofit community from around the country lead a discussion of the implications of these principles, highlighting the impact on issues such as executive compensation, earned income, fundraising and whistleblowers. Panelists at the Capitol Hill event included:

- Diana Aviv, president and CEO, Independent Sector
- Ron Kagan, executive director and CEO, Detroit Zoological Society
- Bernard Milano, president, KPMG Foundation
- Angela F. Williams, executive vice president, YMCA of the USA
- H. Art Taylor, president and CEO, BBB Wise Giving Alliance
- Andrew Watt, FInstF, president and CEO, Association of Fundraising Professionals

A standard edition and an extensive legal reference edition of the *Principles* are available for sale, as

well as access to an online resource center, a self-assessment tool for charitable leaders and board members, a database of governance resources and more. Both print and digital copies are also available on Amazon. For more information, visit **www.principlesforgood.com**.

Funding for Black Male Achievement Is Growing

Quantifying Hope: Philanthropic Support for Black Men and Boys, a report jointly released by the Foundation Center (**http://foundationcenter.org**) in New York City and the Campaign for Black Male Achievement (**http://bmafunders.org/campaign-for-black-male-achievement**), shows a distinct trend toward increased U.S. foundation funding for organizations and programs that are working to improve the life outcomes of black males. Education historically receives the largest share of this support, but giving in other areas, including human services and public affairs, has grown. In addition to analyzing U.S. funding trends, *Quantifying Hope* describes recent initiatives in the field of black male achievement.

The study found that, in 2012, the latest year for which data are available, 98 foundations made grants worth $64.6 million explicitly designed to benefit black men and boys. This figure was up from $40.4 million in the previous year and continues an upward trend. More than half of all foundation funding for black males from 2003 to 2012 was distributed in the last three years.

The research also identified some quantifiable shifts in giving patterns for black men and boys. For example, even though the field of education, which has historically garnered the largest share of grants, continued to be a top funding priority, grant making for public affairs has significantly increased. Moreover, the top 10 grant recipient organizations consisted of a mix of national civic, policy and advocacy organizations, in addition to the educational institutions that dominated the list in the past. Half of the top 10 list are black-led organizations.

In addition to giving data from 2012, the report describes a selection of more recent philanthropic investments, including foundation and corporate support fueled by President Obama's My Brother's Keeper initiative, as well as efforts by municipal governments. The report includes essays by Tonya Allen, president and CEO of the Skillman Foundation, and Greg Fischer, mayor of Louisville, Ky., who contribute their insights and reflections about their work to improve outcomes for black men and boys. It also identifies future opportunities for philanthropy and recommends an increase in funding in the area of health and wellness, in Southern states, and for general operating support.

The report follows up on baseline data presented in the 2012 report *Where Do We Go From Here? Philanthropic Support for Black Men* and *Boys and Building a Beloved Community: Strengthening the Field of Black Male Achievement.*

To read *Quantifying Hope,* visit **http://bmafunders.org**.

Are Your Emails Getting Through?

If you are using email for any of your fundraising efforts, you are not alone. Email accounts for about one-third of fundraising revenue, according to M+R's *2014 Benchmarks* research (**www.nten.org/research/the-2014-nonprofit-benchmarks-study**). However, most nonprofits' email programs raise substantially less than they could due to an often overlooked metric: the percentage of email that actually makes it to recipients' inboxes, or email deliverability.

Nonprofit marketers and communications professionals often report on email list size, open rates, click rates, page views and money raised through email channels, and deliverability affects each one of these metrics substantially. In fact, the percentage of emails never making it to inboxes is almost as high as the percentage of emails that are opened. Furthermore:

- of all the emails sent by nonprofits in 2014, 12.29 percent were delivered to spam folders;
- a nonprofit loses on average $14,795 each year because of spam;
- each year, a nonprofit loses $1,204 for every percentage of its email that goes to spam; and
- nonprofits could increase email revenue by 14 percent if they reduced their spam rate.

What explains such a high rate of emails ending up as spam? Reasons include not including a single-click unsubscribe link, using an out-of-date email list or simply sending irrelevant emails. Nevertheless, you and your organization can help your emails get to their intended recipients. Focus on who is not getting your messages. How many inactive email addresses do you have? Do you opt-in addresses and confirm them?

For the *2015 Nonprofit Email Deliverability Study*, 55 leading national nonprofit organizations with email lists of 100,000 or more were analyzed. Nonprofits using a variety of ESPs (email service providers) were used so that the results would be applicable to the nonprofit community at-large.

To read the report, visit **http://act.everyaction.com/get-2015-nonprofit-email-deliverability-study**.

Are Nonprofit Leaders Too Complacent About the Risk?

When asked to name their top challenges, leaders of nonprofits were most likely to say "raising funds in a competitive environment with higher expectations for ROI" (74 percent), "leadership capacity deficit" (54 percent) and "populating the board with the people with the right fit" (51 percent), according to the findings of *Nonprofit Pulse: A Leadership Study*, a national survey of 103 nonprofit leaders by accounting firm Marks Paneth.

However, only 1 percent named "fraud by staff" as a top challenge, according to the survey, which was fielded during the fourth quarter of 2014 and whose respondents included presidents, executive directors, CEOs, board chairs, chief operating officers, chief financial officers, treasurers, development directors, vice presidents and board members at nonprofits with annual revenues between $10 million and $100 million.

When asked, nonprofit leaders said they have established practices to reduce the risk of fraud. Eighty-five percent of nonprofit leaders said that their organizations "have appropriate separation of incompatible duties"; 84 percent have a "clear code of ethics" that is emphasized throughout the organization; and 72 percent employ background checks upon hiring. Nevertheless, only 20 percent of leaders said their organizations have a "facilitated fraud risk assessment process."

A third-party analysis of federal filings shows that more than 1,000 nonprofits said they had discovered a "significant diversion" of assets between 2008 and 2012. And another study concluded that nonprofits and religious organizations accounted for one-sixth of all major embezzlements, placing the nonprofit sector second only to financial services.

When pressed, nonprofit leaders said that there are significant issues when it comes to preventing and identifying instances of fraud. Many leaders (43 percent) said the cost associated with facilitating fraud risk assessment represents a real challenge in that regard. And almost a third (32 percent) admitted that background checks only go so far in prevention, as many fraudsters are first-time offenders. Further, 37 percent of financial officers listed collusion as a top challenge to preventing fraud, compared with only 5 percent of other executives.

To read the report, visit **www.markspaneth.com/assets/AUL/publications/Marks_Paneth_-_Nonprofit_Pulse_-_3-30-15_.pdf**.

Diversity in Giving

Nearly three-fourths of donors today are non-Hispanic whites, despite the fact that whites make up only 64 percent of the population, according to findings from *Diversity in Giving: The Changing Landscape of American Philanthropy* from Blackbaud. Conversely, the study finds that both African Americans and Hispanics are underrepresented in the donor universe, and Asian donor participation appears congruent with the Asian population size. This does not suggest that whites are "more generous" than other racial and ethnic groups, however. Analysis of the data shows that factors such as income and religious engagement are far more significant predictors of giving behavior than race or ethnicity.

The underrepresentation of African Americans and Hispanics suggests that organized philanthropy is not doing an adequate job of engaging nonwhite communities, the study's authors point out. To illustrate, African American and Hispanic donors say they are solicited less frequently. Furthermore, they suggested they would give more if they were asked more often.

No matter their ethnic background, donors agree on the important things. There are three core values of civic engagement and giving that cross all lines, according to findings from the study:

- **The impulse to help those in need is universal.** Majorities across all subgroups believe it is important to support nonprofits. Roughly one in three donate time volunteering as well as money.
- **Religion and faith are drivers and indicators of giving.** Religious organizations capture a significant proportion of all money donated. Moreover, donors who report being actively engaged in a faith community are more likely to give—and to give more—to the full spectrum of nonprofits and causes.

- **Wealthier individuals donate more in absolute terms than those with midlevel or lower incomes.** Analysis suggests that household income is a primary predictor of how much individuals give, regardless of race or ethnicity. This is based on total amount donated, as opposed to percentage of income donated. Other studies suggest that middle- and lower-income donors generally donate a higher percentage of their income than do wealthier individuals.

The report shows donor priorities, values and habits differ somewhat within specific ethnic or racial donor subgroups. In most cases, the differences are subtle, while in a few cases they are significant. In all cases, however, they are useful pointers toward a more inclusive approach to fundraising, according to the research findings.

The appendix includes tables summarizing giving habits, channel preferences and priorities for the full donor universe, as well as for each of the study subgroups (Whites/Caucasians, African Americans, Hispanics and Asians).

To read *Diversity in Giving: The Changing Landscape of American Philanthropy*, visit **www.blackbaud.com/nonprofit-resources/diversity-in-giving-study**.

More Than Half of U.S. Nonprofits Cannot Meet Demand

Demand for critical services continues to climb despite indicators of economic recovery, finds Nonprofit Finance Fund's *2015 State of the Nonprofit Sector Survey*. In this seventh annual survey, more than 5,400 respondents from nonprofits nationwide shared details of the financial challenges and opportunities that underpin their ability to create positive social change. The survey was supported by longtime partner the Bank of America Charitable Foundation.

1. Demand for the services nonprofits provide, such as health and human services, workforce development and childhood education, continues to grow.
   - Seventy-six percent of nonprofits reported an increase in demand for services, the seventh consecutive year that a majority have reported increases.
   - Fifty-two percent could not meet demand, the third year in a row that more than half of nonprofits could not meet demand.
   - Of those who reported that they could not meet demand, 71 percent said that client needs go unmet when they cannot provide services.
2. Nonprofits identified critical needs in their communities, including
   - affordable housing (35 percent);
   - youth development, such as after-school and mentoring programs (26 percent);
   - job availability (23 percent);
   - job training (16 percent);
   - access to healthcare (21 percent); and
   - access to strong, well-performing schools (19 percent).

There were some signs of improved organizational strength. Seventy-six percent of organizations reported ending 2014 at break-even or with a surplus, the highest percentage in the survey's history. However, even those reporting some financial cushion reported significant financial challenges.

3. Many nonprofits are chronically underresourced. When asked to identify up to three top challenges, nonprofits cited the following:
   - Achieving long-term sustainability (32 percent)
   - The ability to offer competitive pay and/or retain staff (25 percent)
   - Raising funding that covers full costs (19 percent)
4. Funders routinely cover only a portion of the full costs of the programs they intend to support. Of organizations receiving each type of funding,
   - 70 percent report that the federal government never or rarely pays for the full costs of delivering services,
   - 68 percent said state government never or rarely pays for the full costs of delivering services and
   - 47 percent reported that foundations never or rarely cover these costs.

While 89 percent of nonprofits are asked to collect data to capture the effectiveness of programming,

68 percent of funders rarely or never cover the costs associated with measuring program outputs or outcomes.

5. Nonprofits are navigating a time of immense need and change while pursuing ways to build long-term sustainability and viability. In fact,

   - 74 percent are collecting data that measures how services improve the lives of clients or audience members. This is important as the outcomes-based funding movement gains traction.
   - 51 percent collaborated with another organization to improve or increase services offered.
   - 44 percent hired staff for new positions.
   - 33 percent upgraded hardware or software to improve service or program delivery.
   - 29 percent conducted long-term strategic or financial planning.

To read the full survey results, together with an interactive survey analyzer and a look at trends over the past seven years, visit **www.nff.org/survey**.

Nearly 75 Percent of Charities Met Fundraising Goals in 2014

The latest survey by the Nonprofit Research Collaborative (NRC) finds that 73 percent of charities met their fundraising goals in 2014, the best result since the group began asking the question in 2010 and a marked increase over the 63 percent that met their goals in 2013.

In addition, 63 percent of 2014 respondents saw growth in funds raised (most nonprofits increase their annual fundraising every year), the best result since the annual surveys began in 2010.

The NRC's winter 2015 report asked organizations to compare their 2014 fundraising results with what they raised in 2013. The NRC survey collected data from more than 1,200 organizations in the United States and Canada about charitable receipts in 2014. The winter 2015 report is the fifth annual report using the same methods and same questions.

Canadian organizations in the survey were less likely to report meeting their fundraising goals and less likely than American charities to see growth. Even so, using both measures, Canadian charities fared better in 2014 than they did in 2013. Two-thirds (66 percent) of Canadian respondents said they met fundraising goals in 2014, markedly above the 52 percent of responding Canadian organizations that met fundraising goals in 2013.

While one region showed slower growth in giving in 2014 compared with 2013, one method of giving—social media—showed a dramatic shift from prior NRC surveys. Among the 46 percent of organizations that reported using social media for fundraising, 79 percent reported an increase in the amount received. Typically, only about half of organizations using social media experience an increase.

Social media was one of 15 fundraising methods discussed in the survey. While used by less than half of all respondents, it was the method most likely to raise more funds among those organizations using it. The social media question asked about receipts from appeals raised via Facebook, LinkedIn and other forms.

Other key findings:

- Seventy percent of participating arts charities reported an increase in gifts received in 2014, compared with 2013. This is the first time since NRC began collecting data in 2010 that more than 55 percent of arts organizations have seen growth in charitable gifts. The arts subsector was the most likely of all subsectors to see growth in the amount received in 2014.
- Just 56 percent of health charities reported an increase in gifts received in 2014, a marked decline from the 65 percent that reported growth in 2013. This subsector was the least likely of all studied in 2014 to see growth in the amount received.
- Approximately 60 percent of bequests are from known, consistent donors. Among surveyed organizations, on average, 41 percent of bequests received were from people who had made three or more gifts in the prior five years, and an average of 17 percent came from the estates of people who had made one to two gifts in the prior five years.

The NRC conducts surveys twice a year, and reports are available at **www.NPResearch.org**. This survey was conducted online, and respondents form a convenience sample. There is no margin of error, as it is not a random sample of the population studied. Reported results are statistically significant using chi-square analysis.

The NRC is a coalition of fundraising and charitable organizations dedicated to gathering and analyzing the most accurate data possible to help charities become more effective at fundraising. NRC members have direct experience collecting information from nonprofits concerning charitable receipts, fundraising practices and/or grant-making activities. NRC partners are the Association of Fundraising Professionals, the Giving Institute, CFRE International, Campbell Rinker, the Giving USA Foundation, the Partnership for Philanthropic Planning and the National Center for Charitable Statistics at the Urban Institute.

Foundation Center Introduces *Foundation Landscapes: Education*

New York-based Foundation Center has introduced *Foundation Landscapes: Education*, a new online portal that serves as a hub of information about education philanthropy.

The website draws from a variety of Foundation Center information resources to provide a central, comprehensive source for the most current education-related reports, news, case studies, funding data and other digital content. The data-driven tools and content-rich platforms are designed for funders and their networks, consultants, advisers and grantees. A new section of Foundation Center's website, **foundationcenter.org/knowledgeservices**, makes it easy to review and explore the full set of offerings, including *Foundation Landscapes.*

Education is one of the largest program areas within the philanthropic sector. U.S. foundations dedicate on average more than 20 percent of their overall grant making to education-related purposes each year. Education funders, policymakers, educators and others can now access a wealth of high-quality information resources all in one place—a convenient, efficient way to find quick facts and figures, receive alerts and stay informed about education funding.

Foundation Landscapes: Education, which was made possible through generous support from the Arthur Vining Davis Foundations, can be accessed at **education.foundationcenter.org**.

Corporate Responsibility Executive Institute Launched

The Association of Corporate Contributions Professionals (ACCP, **www.accprof.org**) in Orlando, Fla., and the University of Notre Dame, Mendoza College of Business (**http://mendoza.nd.edu**) in Indiana, have formed the Corporate Responsibility Executive Institute (CREI). CREI (**www.accprof.org/events/CREI**) will deliver business-based executive development programs tailored for seasoned corporate responsibility (CR) professionals who have an emphasis on social value creation and business integration.

CREI is a highly interactive, three-part program that provides the essential skills and competencies necessary to tackle the complex

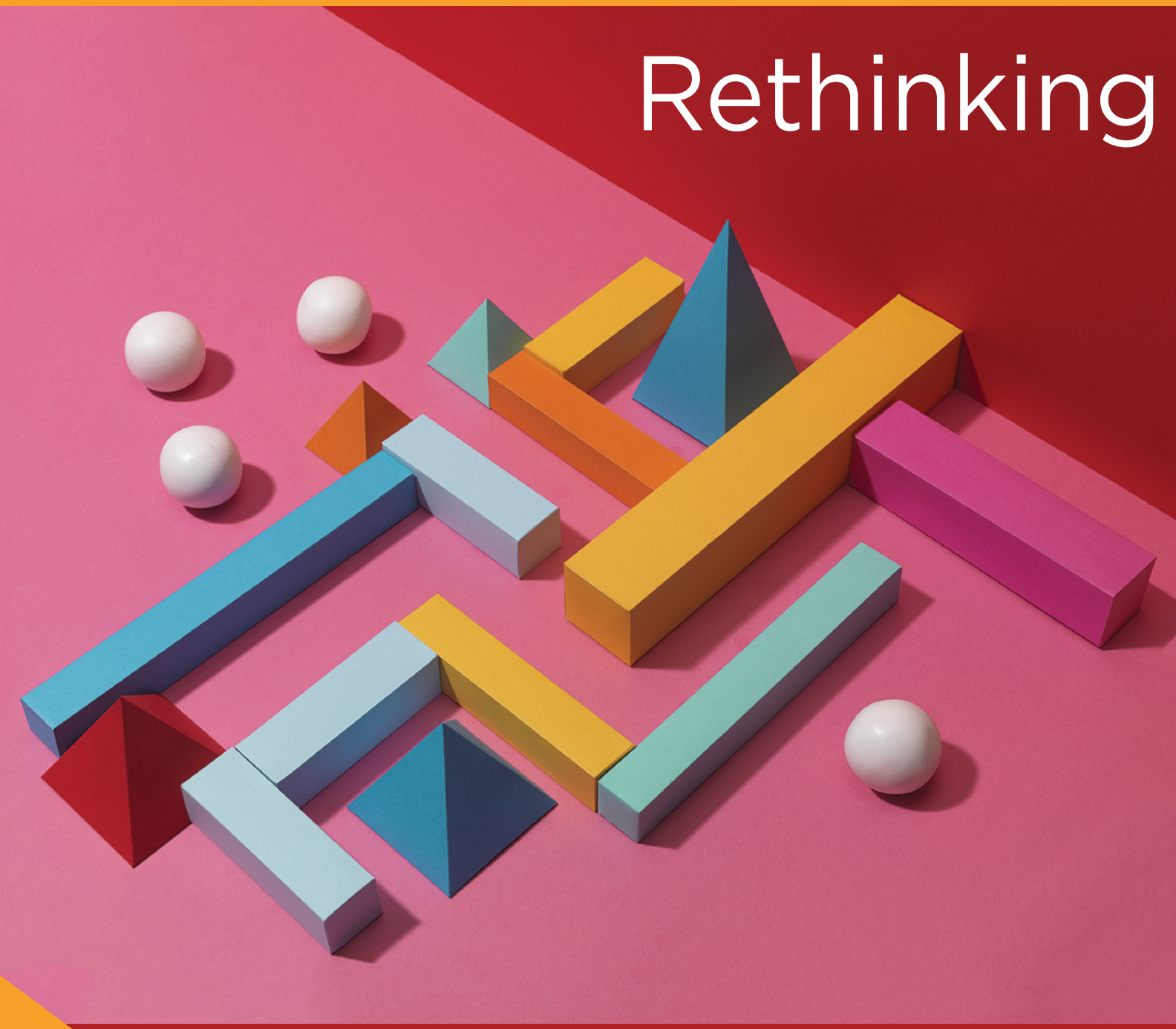
issues of corporate and societal interaction. Focused on providing professionals with an understanding of the external forces that impact their role within their organization and an awareness of how their role can significantly contribute to their organization's success, CREI offers instructors from the University of Notre Dame, Mendoza College of Business faculty, as well as global subject matter experts.

The three sessions are advanced business acumen, strategic business leadership and understanding internal stakeholders. Participants will receive a Notre Dame Executive Education Certificate of Session Completion for each module completed. Those completing all three modules will receive a Notre Dame Executive Education Certificate of Program Completion.

Funding for the development of CREI was provided for by the CREI Trustees: Amgen, Capital One, ConAgra and KPMG. Experienced corporate executives with a social investment, philanthropic or volunteer engagement focus and at least five years of experience are encouraged to apply.

Founded in 2005, ACCP is the sole membership-based organization chartered to champion the corporate philanthropy professional. ACCP connects members to information, peers and resources (such as trend reports, **www.accprof.org/Industry-Center/Trend-Reports.stml**) and cultivates educational opportunities that promote better stewardship of corporate philanthropic resources, thereby magnifying social and business impacts. For more information, email Erica Bader Sorrell at **erica@accprof.org** or visit **www.accprof.org**.

Rethinking



Philanthropy

How social finance is helping build knowledge for future leadership

By Susan Raymond, Ph.D.

These are days of innovation in social problem solving. A playing field that used to be dominated by traditional public charities funded by selfless gifts of largess working quietly and without public demands on generations-long problems has changed. The rules are different. Solutions are required. The players are also different. There seem to be as many bankers as social workers on the playing field. The ball itself seems to be oddly shaped—covered in some combination of gifts, earned revenue and market finance.

And, where there is innovation tied to new sources of money, there is the natural tendency to want to lace up the cleats and get a hand on the ball. But before you do, it is best to understand the field and the rules.

Understanding the Definition

Terms such as "social finance," "venture philanthropy," "social investment," "impact investing" and the like are rife in the nonprofit (and quasi-nonprofit) world. In *The New York Times* between 1990 and 1995, there was only one article on impact investing, social enterprise or venture philanthropy. Twenty years later, from January 2010 to January 2015, there were 140 such articles—or more than one every other week.

Yet, the terms have many meanings and connotations, so the first task is to understand what they mean. (See the sidebar on page 16, which provides a brief glossary of some of the key terms and funding strategies.) Volumes have been written on the topic of social finance, but there is considerable variation and constant change and innovation in how the pieces are put together.

In general, however, innovations in the social finance space build out complexity in two directions: a difference in the kind of resources that are flowing and a difference in the institutions involved.

1. Resources: The resources that flow can be cash from disposable income or grant allocations as we normally think of them. One-third of the "venture philanthropy" of the Omidyar Network flows in the form of grants. But they also can be grants or loans or guarantees from an institution's corpus. Or they can be actual investments used so that a foundation's giving and its investment or corpus are consistent with its mission, in which case the resources may not flow to a nonprofit at all but rather into mission-consistent private enterprise or mission-consistent social enterprise.

In this sense, social finance is actually very exciting because it is additive. Some of these resources would not flow as traditional grant making, and so the opportunity to move other kinds of resources to social problem solving means that these resources are totally new to the sector. Absent these new innovations, the resources would not flow at all. So, social finance is actually making the resource pool for social problem solving bigger than philanthropy otherwise could.

The problem, of course, is that there is no reliable information on exactly what and how big this new resource pool is. We simply do not know, although it is clearly not loose change out of the sock drawer. The 2010 report *Impact Investments: An Emerging Asset Class*, sponsored by the Rockefeller Foundation and the Global Impact

HOWARD GEORGE/GETTY IMAGES

Investing Network and conducted by J.P. Morgan, estimated that impact investing had the potential to be $400 billion to $1 trillion. However, there are no reliable data on the current level. Program-related investing data out of the most recent report are from 2009 (*Leveraging the Power of Foundations: An Analysis of Program-Related Investing,* Indiana University, 2013). The list goes on, but it is clear that the boundaries between institutions are gradually eroding.

2. Institutions: Traditional approaches to funding social problem solving involved a cash (or in-kind) flow from donating institutions or individuals to nonprofits. Those "institutions" were foundations. And those "nonprofits"

Brief Guide to Social Finance Terms

Mission-related investing: Investments from the capital corpus of a foundation or other nonprofit (e.g., a university or health system) that promote the organization's mission and also produce market-competitive financial returns.

Program-related investing (PRI): Use of the program-dedicated funds of a foundation for loans, loan guarantees, equity investments or other recoverable financial commitments to nonprofits that are consistent with program mission and objectives.

Impact investing: Commercial-grade investments that meet investor financial demands as well as social and/or environmental objectives. The term covers many types of financial relationships, but all have financial and social performance as their requirement.

Social impact bond: Drives funding to demonstrated success, but only after that success has been proven. Bonds are mostly used to align government funds with measured program successes, but engaging in the programs themselves requires external up-front capital (often venture philanthropy) to be repaid with final success fees because government payments will not flow until success measures are met.

Revolving fund: A mission-driven investment fund in which repayments to the fund do not flow back to philanthropists who have provided the capital. The fund is usually capitalized by gifts and flows money out as PRIs, but the return on those investments stays in the fund for further investment in the mission area.

Venture philanthropy: Grant-based philanthropy that ties funding to clear and purposeful impacts on problems, usually directly involving the funder in decisions. The grants are usually for new or innovative ideas with transformative potential.

ESG screening: A method for guiding socially responsible investing that establishes a set of positive "screens" for environmental, social and governmental behaviors and investment effects, channeling investors to those with the most positive impacts.

Social venture funds: Similar to private venture capital funds, these sources flow capital to businesses that have a social mission embedded in their business model ("social enterprises"). The enterprises may be for-profit or nonprofit in their registration and organization. The fund is usually professionally managed by an investment firm.

Angel investing: In the social sector, these are social venture flows that emerge from individual philanthropists or networks of philanthropists.

were public charities. Now, we have a redefinition on all sides.

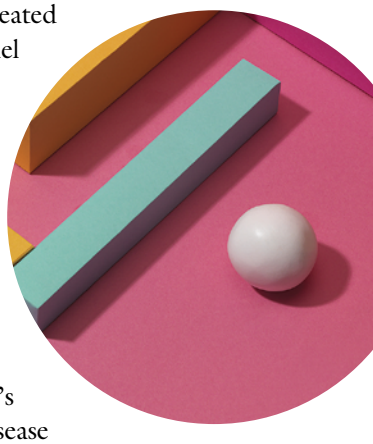
"Donor" institutions are, indeed, still foundations. However, they are joined by corporate marketing departments, corporate human resources departments, donor-advised funds inside private banks and investment funds, entirely new impact-investing funds created with market-grade capital that places financial, social and environmental return on par with each other. Furthermore, in the case of mission-related investing, the institutions involved may, or may not, have any participation by anything approaching a "nonprofit" in any meaningful way, except that the product or service involved addresses a market opportunity whose dimensions have a larger social good (e.g., the production of a more efficient solar-powered cooker).

Many, perhaps most, of these new institutions are not places where traditional fundraising has relationships, and hence the new institutional members of social finance are largely unknown to and opaque for CFRE-type fundraising. We shall return more forcefully to this point later.

"Nonprofits" are also changing. Traditional public charities now often have social enterprises embedded within them that are, in effect, providing a product or service to a commercial market. This is true even in the most traditional charities. For example, more than 20 Catholic charities around the country have created social enterprises as part of their structures in order to provide goods or services that are embedded in their social mission (*Innovation and Catholic Service to Community* by Susan Raymond, Changing Our World, 2013). The use of social finance to support a mission, even in very traditional nonprofits, is not a phenomenon found only in the United States. Clann Credo in Ireland (**www.clanncredo.ie**) is a social investment fund set up by the Presentation Sisters in 1996 to provide loans for organizations focused on training programs for drug addiction and job creation. Since its creation, it has received capital from a variety of Catholic religious communities and has invested in more than 150 nonprofit projects.

3. Hybridization. Furthermore, all of this change and innovation provides fertile ground for the emergence of hybrids. What is happening in disease research is a perfect example, and it is likely to be replicated in other areas of research in progress that will require major capital infusions but where success will create market opportunity. Two examples will suffice to make the point.

The Research Acceleration and Innovation Network (TRAIN) was established by *FasterCures* (**www.fastercures.org**), itself created by venture capital investor Michael Milken, to disrupt the conventional nonprofit and biomedical research process to push for transformational discovery in shorter periods of time. TRAIN comprises more than 50 nonprofit foundations that fund research. They are results-oriented and singularly focused on getting quickly from the research bench to the patient's bedside. The organizations are disease foundations, but they work in deep partnership with biotechnology and pharmaceutical companies and often share, at least in part, the rights to the intellectual property and consequent licensing fees that come with discovery. They take in pure philanthropy but also venture funding with repayment terms based upon research success. By 2012, *FasterCures* found that the TRAIN network had funded half a billion dollars in research grants in a single year, with a potential value of $2.2 billion (*Honest Brokers for Cures: How Venture Philanthropy Groups Are Changing Biomedical Research, FasterCures,* 2012). They themselves had evolved from nonprofits to venture philanthropists.



In another example, the Global Health Investment Fund (**http://ghif.com**) is focused on product development projects that can improve global health. The Bill & Melinda Gates Foundation and the Swedish government development agency SIDA provide partial downside risk protection, LHGP Asset Management manages the fund and the capital comes from a combination of institutional investors (such as AXA and J.P. Morgan), strategic investors (pharmaceutical companies), governments (SIDA, Grand Challenges Canada) and foundations. Together, this coalition of funders and fund managers has raised more than $100 million for the fund to support research and development projects.

Clearly, this not your grandfather's dollar in the fireman's boot at the stoplight on the corner of Main and Elm.

Understanding the Rules

One of the most important differences in social finance compared with traditional philanthropy is that the relationship between the provider of funds and the user of funds is one of clear and explicit mutuality. That mutuality can be an exchange of expectations, but it can

also be contractual. It is an exchange with clear terms. No one is giving anything to anyone.

The expectations are for results. The results are usually very clearly spelled out; they are quantitative, not qualitative. Indeed, with strategies like social bonds, the results actually need to precede the resource transfer. Social finance is investment, and, as with all investments, it expects a return. That return may not be financial—it may not mean a flow of funds back to the investor—but it will mean a documented result that was a condition of the transfer itself. In *Giving Through the Generations*, a Changing Our World study of global high-net-worth individuals conducted with Campden Research and BNP Paribas, survey responders made it clear that results were expected and that the nature of the measurement was similar to that expected from their own businesses. (See Figures 1 and 2.) Stories are important, but funders expect to see more. They expect to see measures of success.

Often, the expectation is also for engagement. Funders who provide social capital often look at these resources as a fundamental extension of their own expertise. They are interested in opportunities that use what is between their ears as well as what is between the sides of their wallets. They expect to be engaged in decision making and to be regularly and personally apprised of the progress of their investments. In the case of the TRAIN foundations noted above, the foundations themselves embedded in their own organizations the deep scientific expertise needed to work closely with research grantees in setting research priorities. It is common for venture philanthropists to expect regular and detailed reporting not only on their philanthropic investment but also on overall organizational progress toward the goal.

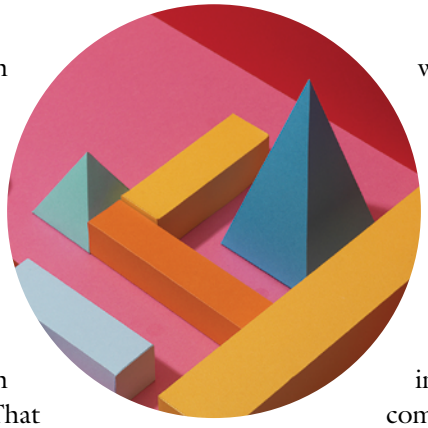
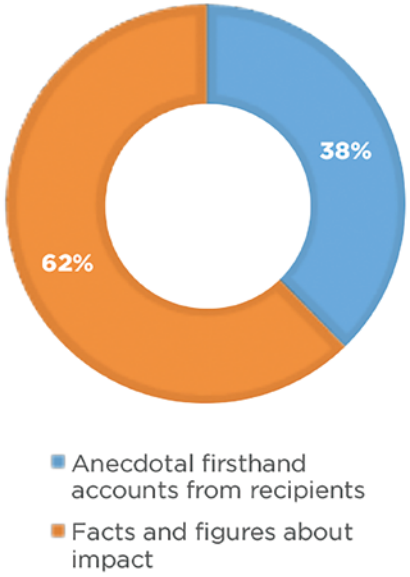


Figure 1. What kind of feedback do you want?



Results and expectations mean that funding is often incremental. There are mile markers of progress, and passing those mile markers on time and on budget is a prerequisite for continued funding. The "rules" assume mission and passion. They are designed to bring money on-stream in line with accomplishments.

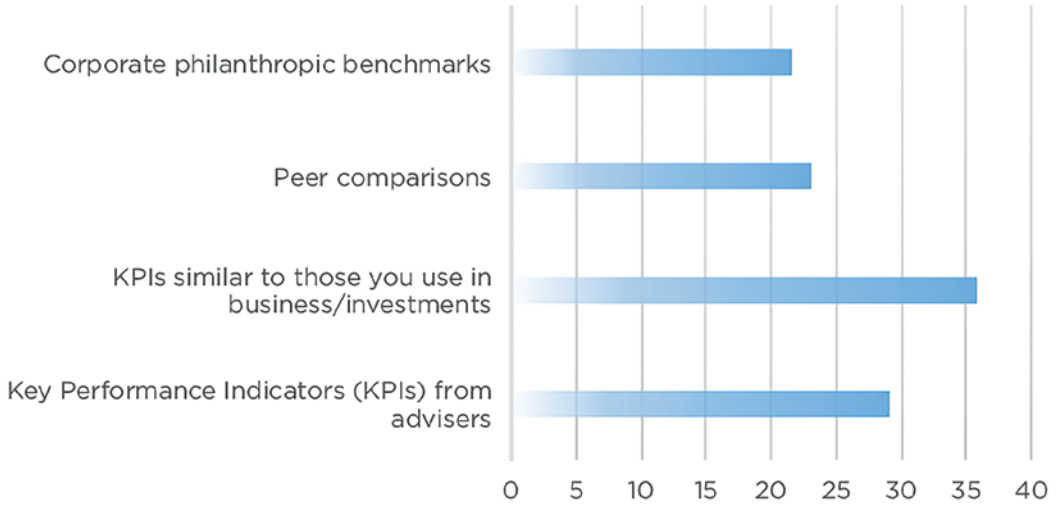
Understanding Yourself

Significant portions of the resources flowing under one or more of the social finance rubrics would not have flowed at all absent innovations in social problem-solving relationships. These are net additive resources available, often at a significant scale, to address social problems. However, because they are newly flowing does not mean they will, or even should, flow to you. They are resources that come with great institutional and management challenges. If you are not prepared and organized to build a relationship with these resources, the result will lie somewhere between dissatisfaction and disaster. You can divert your attention, antagonize your supporters, disappoint the expectations of your leaders, chase programs to satisfy money rather than to execute mission and generally waste both time and credibility.

On the other hand, social finance can, in fact, bring both resources and results to problem solving. How can you know whether these resources are right for you? There are six critical prerequisites to examine.

First, the resources must **enable the mission**. Complex finance has no value in and of itself. Complex finance is destructive if it diverts from the mission. It is appropriate only if it enables the mission. It is a very, very bad idea to chase the money, to undertake something simply because the money will flow if you do. The first threshold is the mission. Will this finance enable the mission—its scale, its reach, its sustainability, its evolution? Social finance is not capital to fund a revenue stream apart from the mission. This is not about the university gift shop. Social finance is

Figure 2. What type of benchmarks do you use for feedback? (% Response)



capital to enable problem solving that is at the heart of an organization's mission. This is capital for the university R&D laboratory that produces a disease breakthrough. Social finance is a tool, but it must be applied to the right type of problem.

Second, the resources will require **skills and expertise**, especially in finance and marketing. You must have that expertise or have access to it. Do not underestimate the complexity of the funding process or the constant need to measure and report. Social finance resources are not gifts. They are investments, and they require expertise.

Third, the resources will require a **long-term view**. Social finance is no solution for a financial crisis, and it will not flow to financial instability. Social finance is not impressed with weakness. It requires an organization with demonstrated budgetary stability such that overall operations are secure, and the new financing will power new or scaled solutions over time without destabilizing the existing resource base. Social finance forms do not look to solve past funding shortfalls. They look to power future successes.

Fourth, resources require a **business plan**. This is one of the hardest tests for many nonprofits. A business plan is not a strategic plan that sets out the vision and approach to a mission. A business plan details the "how" of what you want to do. In great detail, how will the strategy be executed via programs, management and finance? And how will that business plan markedly affect the problem? How will the business plan empower the strategy that will solve the problem? More specifically, what is the role of the desired social finance method in funding the business that solves the problem, and how does the social finance method relate to other revenue and funding flows?

Fifth, the process of acquiring and satisfying social finance investors requires a focus on **data and analysis**. Social finance in its cultivation, acquisition and stewardships is deeply, even overwhelmingly, data-informed. It may not be totally "data-driven," in that the mission relative to social problems remains at the heart of its purpose. Nevertheless, evidence and analysis are the building blocks that must be used upon that mission platform.

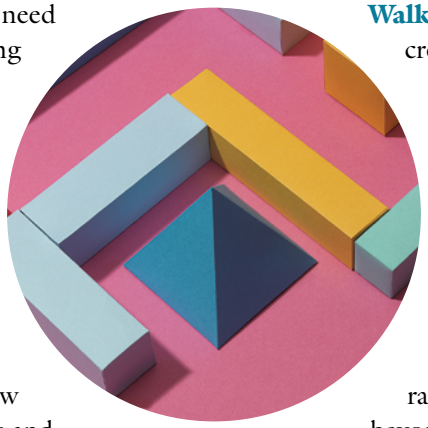
Sixth, resources want to see the right people at the table in the **right relationships**. Social finance will not flow to an organization that sees itself as the one and only relevant actor. Problems that attract social finance are significant and complex. Addressing such problems requires many skills and many institutions—government, for-profit, commercial, nonprofit and professional. The seats on the money side of the table want to see the seats on the implementation side of the table filled by people and institutions that have the power to get the job done. Successful nonprofits that attract innovative finance are ones that show the wisdom, willingness and ability to bring to the "deal" everyone who will make a material contribution to the solution.

You can expect increasingly intense competition for innovative resources, just as there is for conventional philanthropic resources.

The Fundraising Professional's Problem

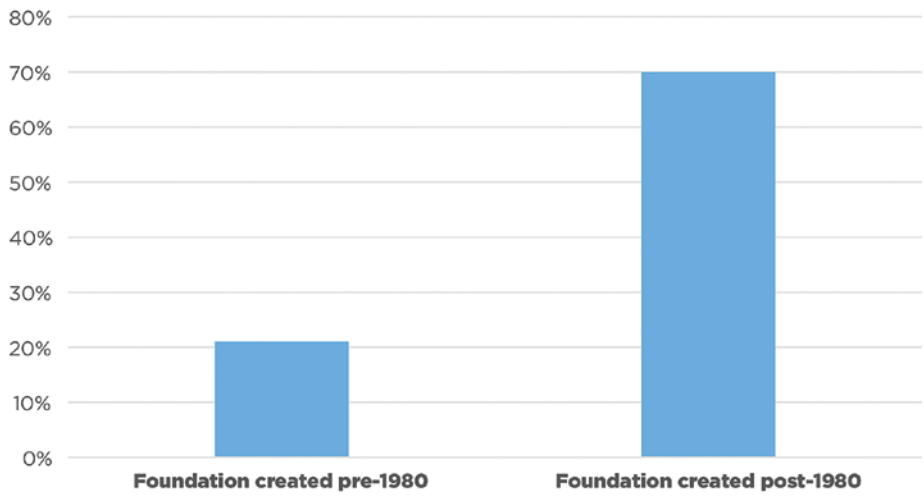
For the fundraiser, the proliferation of funding mechanisms on today's social finance scene represents a challenge on four fronts.

Tear down the walls. Fundraisers need to think about funding in different ways. They need to have a set of criteria for determining when conventional philanthropy is the correct type of money to fund a program and when entirely new sources of funding could be tapped in entirely new ways. That means both understanding the concepts of social finance and deeply understanding the internal programs of the nonprofit organization. Fundraisers need to become steeped in programs, understanding how they may fit into social finance categories and how they may be pivoted or adjusted to meet social finance opportunities. Fundraisers cannot simply be the recipients of program requests. They must be program partners to understand how new funding may align with program content. These are challenges in many organizations, where fundraisers are seen as passive recipients of program budget demands. You will need to tear down walls. Fundraising will need to bring into its midst highly qualified, technical expertise in relevant program areas so that a realistic assessment of the appropriateness of, or lack of, innovative social finance can be determined.



Walk in new networks. You can expect increasingly intense competition for innovative resources, just as there is for conventional philanthropic resources. This will be especially true as a new generation of younger philanthropists takes the reins. As Figure 3 demonstrates, foundations founded more recently are more likely to be interested in investing in innovative ways than foundations founded decades ago. Fundraising will need to broaden its networks beyond the passionate and charitable-minded into the world of finance, where being committed to doing good is accompanied by a more steely-eyed, skeptical, numbers-driven set of expectations. These new networks will need to be built not simply on the traditional case for support that describes the problem and the nonprofit's commitment to it. The new case for sup-

Figure 3. Family Foundation Interest in Mission-Related Investing



port will be one of financial management and financial return, one that binds finance with Shakespeare's "hoops of steel" to specific and measurable problem solving.

Acquire technical skills. The greatest danger in social finance is that the nonprofit world will not be able to capitalize on the new sources of support due to a lack of skills. Philanthropists and social investors who are moving new kinds of resources and capital into nonprofit social problem solving do not need to do so. There are other ways to use their money, from commercial investment to personal lifestyle and consumption. There is no law or regulation forcing them to innovate. They can always buy a new Bentley. So, if the nonprofit sector does not acquire the skills to understand and partner with their ideas, the money could simply go away. And that could mean hundreds of millions of dollars of possible problem solving lost. Fundraising must develop the skills to form those partnerships. This is an absolute priority in the fundraising profession. New approaches to social finance are certainly not right for all nonprofits or applicable to all problems. They do not supplant traditional fundraising. However, they *can* be right for certain organizations and certain problems, and you must develop the technical skills to build robust and lasting partnerships with these philanthropists and their social finance institutions.

Expand association reach. By definition, innovation is a process, not an objective. In order to continually build those skills, associations and institutions upon which nonprofits and fundraising rely for thought leadership and professional development must expand their reach. They must include skill building in these new areas as a fundamental part of what they do. Annual conferences need to have social finance skill-building tracks. Organizations that are not nonprofits need to be invited to speak. Experts from social investment funds, ESG (environmental, social and governance) fund managers, foundations with strong PRI (program-related investment) portfolios, social enterprises and venture philanthropists all need to be major speakers and trainers at fundraising conferences. This is not to say that traditional skills should be abandoned. But the insularity of fundraising from institutions that are the hubs of new ways of flowing money to social causes, whether or not they are nonprofit, needs to end. The funding world has changed. Professional development needs to change with it. The alternative is to risk increasing marginality and the danger of failing to attract the next generation of innovative, creative leaders to this sector.

Do not lose sight of the mission. Of course, the added challenge—if an additional one is needed—is to maintain identity. A successful nonprofit is mission-driven, even as it seeks to bring the full but appropriate reservoir of possible finance to its work. The point is not to be J.P. Morgan, but to learn from J.P. Morgan, to take innovation and use it or adapt it constantly to serve the mission. It is a mistake to try to be what you are not. The bigger mistake is to not try to be fully and constantly all that you have the ability to be.

Looking Ahead

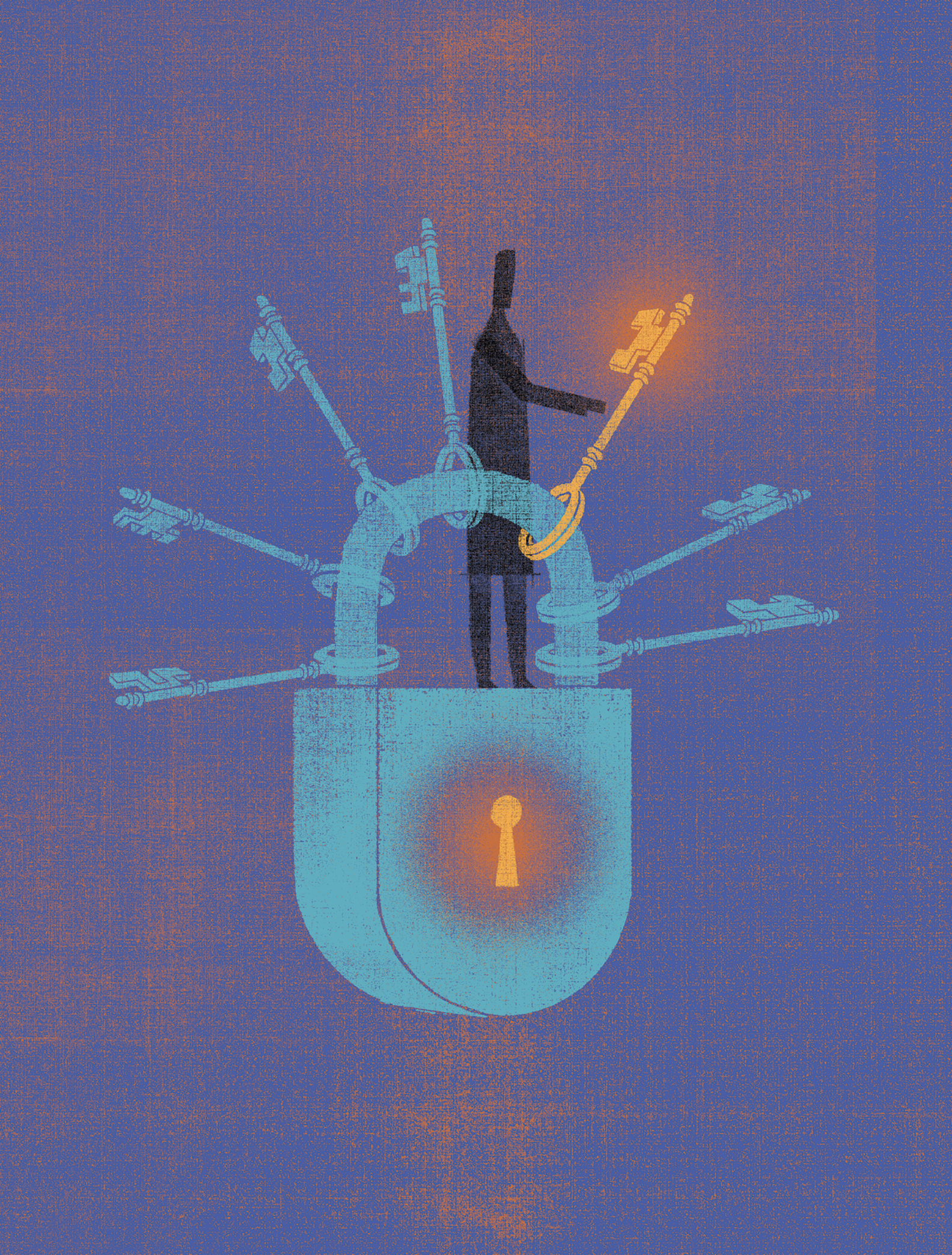
The future of fundraising needs to rise to these challenges. We are at the end of definitions in the nonprofit and philanthropic sector. Traditional ways of conceiving of institutions, resources and structures will be partnered with entirely new approaches. We cannot see the contours of the future clearly, but they certainly will not look like the past.

Leadership in the future will go to those who constantly adapt, who reach widely into every possible dimension of entrepreneurship, finance and enterprise to look for robust and sustained ways to deepen and broaden social problem solving, whether those individuals are in nonprofit organizations or private commerce. These boundaries are blurring. Fundraising needs to understand and embrace this future and navigate toward it in ways that are clear-eyed and appropriate, adapting what fits and rejecting what does not. However, that decision must be made out of knowledge and constant awareness of change. This means that fundraising must build awareness and skills, because only from that capacity will the decision about how to use innovation be wise.

Wisdom in the midst of rapid change requires knowledge and experience. It is time to build both.

Susan Raymond, Ph.D., is executive vice president of Changing Our World Inc. (www.changingourworld.com) in New York City.

Fundraising needs to understand and **embrace this future and navigate toward it in ways that are clear-eyed and appropriate**, adapting what fits and rejecting what does not.



Accessing the New Philanthropy

Donor-advised funds—cursed or celebrated—are here to stay, so how can you work to most effectively take these assets into account?

By Kay Sprinkel Grace

Few things have swept our professional world with more confusion and discussion than the rise of donor-advised funds (DAFs). During the recent recession, when philanthropy was plummeting to depths not seen in decades, donor-advised funds experienced robust growth. Why is this happening, and what strategies can you use for riding the wave of what could be the biggest impact on philanthropy seen in generations?

According to the National Philanthropic Trust's *2014 Donor-Advised Fund Report,* which uses 2013 data, more than 217,000 donor-advised funds exist, up 34 percent over the past seven years. Charitable assets in donor-advised fund accounts totaled more than $50 billion for the first time in 2013, an increase of 20 percent from the previous year. Donors receive an immediate tax deduction when they make a charitable contribution to a DAF—up to 50 percent of adjusted gross income for gifts of cash and up to 30 percent of adjusted gross income for gifts of appreciated securities, mutual funds, real estate and other assets. However, what do these statistics mean for philanthropy? The National Philanthropic Trust

JIM FRAZIER/ILLUSTRATION SOURCE

WHAT IS A DONOR-ADVISED FUND?

According to the IRS (**www.irs.gov/Charities-&-Non-Profits/Charitable-Organizations/Donor-Advised-Funds**), a donor-advised fund "is a separately identified fund or account that is maintained and operated by a section 501(c)(3) organization, which is called a *sponsoring organization.* Each account is composed of contributions made by individual donors. Once the donor makes the contribution, the organization has legal control over it. However, the donor, or the donor's representative, retains advisory privileges with respect to the distribution of funds and the investment of assets in the account."

The IRS goes on to say that it is aware of a number of organizations that appear to have abused the basic concepts underlying donor-advised funds. "These organizations, promoted as donor-advised funds, appear to be established for the purpose of generating questionable charitable deductions, and providing impermissible economic benefits to donors and their families (including tax-sheltered investment income for the donors) and management fees for promoters."

The IRS continues its statement with a description of the measures it has taken to prevent such abuse.

collected data from 1,012 charitable organizations that revealed the rapid growth and impact of DAFs over the past several years.

- Grants from donor-advised fund accounts to qualified charities reached a record high of $9.66 billion.
- Contributions to DAFs totaled more than 5 percent of all U.S. giving.
- Grants from DAFs reached a 20 percent level. (The requirement for private foundations is 5 percent.)

The *2014 Donor-Advised Fund Report* also states, "Every dollar in donor-advised fund accounts is destined for charitable organizations. These record highs are good news for charities, their beneficiaries and other donors who support them."

More recently, *The Chronicle of Philanthropy* ran an opinion piece ("Nepal Response Shows Why Donor-Advised Funds Are a Boon to Philanthropy," May 1, 2015) by Howard Husock, who compared previous sources of disaster response, such as the Red Cross, CARE, etc., with what happened in April: "A handful of umbrella organizations holding reserves of charitable funds for thousands of donors were able to direct that money to recommended relief organizations at the online direction of donors, with no checkbooks involved. The grants were directed from thousands of individual donor-advised funds managed by the charitable-foundation arms of some of the nation's largest financial services firms."

Just five days after the earthquake, these organizations jointly reported nearly 3,000 individual grants of more than $3.5 million. The author concluded his article by advancing the idea that DAFs are part of the democratization of philanthropy, citing the small investments some have made, and added, "As their response to events half a world away in Nepal makes clear, they are a robust new arm of the storied American philanthropic tradition."

So, with all this growth and good, why are there issues with DAFs?

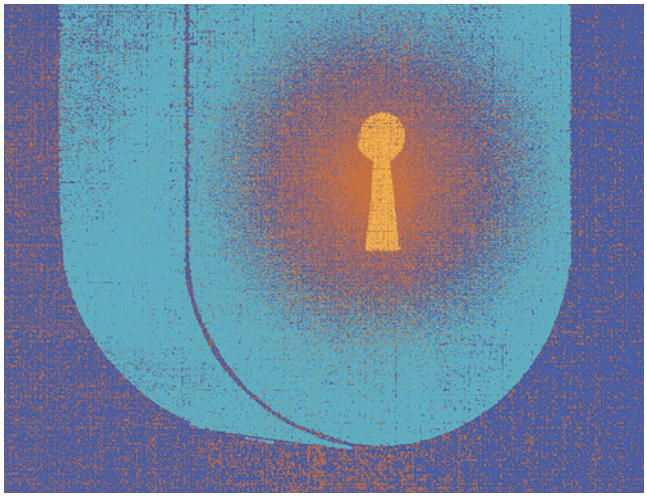
Enthusiasts and Critics Have Their Say

When Facebook founder Mark Zuckerberg and his wife, Dr. Priscilla Chan, set up their donor-advised fund at Silicon Valley Community Foundation with two gifts totaling more than $1 billion, the reaction was mixed. For some, the investment in the donor-advised fund effectively put the Zuckerberg-Chan money out of circulation. For others, the gift represented an opportunity for thoughtful distribution of this incredible wealth to organizations that fall within the donors' guidelines.

Critics lament that the money put into donor-advised funds is not being put to work in the community, where the needs seem to grow exponentially for every segment of our work. Enthusiasts say that donor-advised funds capture the philanthropic spirit of people who are uncertain about where to give but know they want to give. Thus, they turn to their community foundation or organizations such as Fidelity Charitable (which has the largest assets of any nonprofit organization) or their religious foundations (such as the Jewish Federations) and give them the money to manage while they make their social-investment decisions. Critics point out that the money can just stay there, with no timeline for distribution. Enthusiasts respond, "Well, at least it is there, and we just may be able to get some of it."

Critics rally behind every proposed piece of legislation that comes before Congress that would require a spend-down of donor-advised funds within five years of the investment, except in special circumstances.

Enthusiasts seem less concerned. Emmett D. Carson, Ph.D., CEO of Silicon Valley Community Foundation in Mountain View, Calif. (**www.siliconvalleycf.org**), which has more than $2 billion in DAFs, sees them as a way for donors to even out their philanthropy over a lifetime. "Farmers store grains for a reason," he observes in the article "The Great DAF Debate: Timing of payouts continues to spark discussion" (*The NonProfit Times,* March 13, 2015). Carson goes on to explain that donors themselves decide when the funds will be distributed, not someone or something else. "Each individual gets to determine what's important to them." He concludes by saying, "We are seeing a renaissance in American philanthropy where literally thousands of people are becoming engaged in philanthropy through donor-advised funds. We ought to celebrate that as a nation."



These two diverging opinions—critics and enthusiasts—have been the source of countless articles in professional journals and the popular press. Perhaps the most vocal critic is a 95-year-old businessman and philanthropist in New York City, Lewis B. Cullman. In his article "Stop the Misuse of Philanthropy!" (*The New York Review of Books,* Sept. 25, 2014), he calls attention to "little-known ploys in U.S. philanthropy that rob our society of hundreds of millions of dollars earmarked for important charitable causes—leaving money stashed away in financial institutions and doing no good for anyone except money managers and other financial intermediaries." (This article is a follow-up to an article he wrote in 2003, "Private Foundations: The Trick," also for *The New York Review of Books,* where he strongly criticized the practices of private foundations.)

Cullman is a generous man (he has given away $500 million over the past 20 years) whose ire has been aroused by the creation of DAFs. He cites the work of Professor Ray Madoff at Boston College Law School, who has long argued for laws that require timely payouts from DAFs. In his article, Cullman writes that Madoff says there are now "more than $60 billion tied up in them, and that the amount of money involved is growing at a high rate. Rather than the American people benefiting, it's Fidelity and others who are thriving."

Near the end of his article, Cullman says, "Before I hit one hundred, I'd like to see all money designated as 'charitable'—which the American government and its people underwrite through tax deductions—get into the hands of those who really need it. … I urge all those who believe that charitable donations can make a difference in this world to make sure that tax-deductible gifts be given to operating charities in a timely fashion."

Navigating the New Waters of Philanthropy

DAFs are not new. However, they received little attention until the 1990s, when wealth was growing exponentially and Fidelity introduced its Charitable Gift Fund, opening the door to other commercial money managers to do the same. In the article "Donor-advised funds: Where charity goes to wait" (*The Boston Globe,* Dec. 1, 2013), author Leon Neyfakh describes how a director of the Humane Society complained to *Barron's* in 1998, "Charity is being sold as a way to lock up tax breaks and to control your money." He also reports how a representative from The Salvation Army said that Fidelity's Gift Fund "sure seems different from the rest of us who work for a cause we ask the public to support."

The controversy continues, and as Neyfakh explains, a new law was imposed in 2006 affecting financial institutions with charitable funds to prevent donors from self-dealing. The biggest continuing criticism is that the funds undermine the basic bargain of the charitable deduction, one of the biggest tax breaks the U.S. government offers. The deduction is given, but there is no legal requirement that the money flow at all. And, in another twist that must be interesting to Lewis Cullman, Neyfakh points out that as part of their 5 percent payout, " … private foundations contributed a total of $92 million to their donor-advised programs in 2011—a significant chunk of which might have otherwise been put to work."

As a veteran of philanthropic practices—a member of the Silent Generation but a self-described "Millennial Thinker"—I have been more of a critic of DAFs than an enthusiast, but I do find that there are aspects of the dialogue that have not been as developed as I believe they should be.

I believe that part of the problem with this money languishing in donor-advised funds for years is that, as a sector, we do not present big ideas to donors. Too many of our fundraising appeals are for closing an operations gap or an annual fund or another kind of campaign. These are not big ideas that incite imagination or incredible response. I believe we are not exciting potential investors about how they may be a catalyst for change, a partner with us, a problem-solver.

In so much of my work over the past seven years, I have admonished organizations to "dare to dream." I am not sure we do that well. And our inability to inspire these donors is something we need to tackle if we are to move these billions of dollars into organizations that are solving our communities' most pressing problems. I met a lawyer at a board workshop I was giving who looked puzzled when I described DAFs. When I questioned him privately, he said he had just realized that he had been putting $100,000 a year for five years into his DAF *and had not given any of it away.* I could not help but think how much even part of that money would have meant for the vision and work of the organization on whose board he was serving.

The tide is high for DAFs. Their visibility is cresting everywhere. And the profile of those who are putting their money into such funds is not single-generational. It is crossing all demographics. The lure is strong. Schwab invites you to benefit from "a flexible, tax-smart way to manage your giving" (from an Internet advertisement). Silicon Valley Community Foundation (which also leads in opportunities for international giving, a major change for community foundations) advises people shopping for this service, "Your gift qualifies for an immediate tax deduction and you can take your time deciding which organizations to recommend for grants."

I am not a hand-wringer. I think all of this money in these DAFs is the biggest opportunity we have seen in decades. Do I wish there were timelines for investing the money in our communities? Absolutely. But even more, I want our sector to figure out how to partner productively with donors whose DAFs could work miracles in our communities. And what is our role? We must become dream brokers so we can draw this money forward into programmatic impact at a faster rate.

Toward the Future

So, how can we encourage these donors to "dare to dream" with us and truly address the issues of America's inequality, chronic health issues, need for support for the arts, environmental awareness and strategies, social problems in our communities and other increasingly chronic issues?

The tide is high for DAFs. Their visibility is cresting everywhere. And the profile of those who are putting their money into such funds is not single-generational. It is crossing all demographics. **The lure is strong.**

1. As nonprofits, we must position ourselves as community benefit corporations. Most of the people with DAFs want a "charitable deduction," but they just do not think in terms of "charity" and all that implies about organizations as being needy. These donors do not invest in needy; they invest in successful. (Stanford University raised $6.2 billion in a campaign during the recession.) They speak of their gifts as social investment, and they are looking for a solid return in terms of community impact and success.
2. Stop focusing on your needs and promote your impact. My two most-quoted principles are "People give because you meet needs, not because you have needs," and "A gift to you is really a gift through you into the community." We are not the end-users of the gifts we receive. We are investment vehicles through which people realize their values and their dreams. Lives saved, futures changed, arts flourishing—make sure your messages are such that those hearing them will want to be part of the success you are having.
3. Imagine the biggest idea for your organization, craft it into a vision and set it out for people to hear and evaluate. One small environmental organization I worked with named its campaign "Making Big Ideas Work" and is raising more money than it dreamed possible (and some from donor-advised funds) once it began telling its story of leveraging resources with a variety of strong partners and making a major impact on the environment.
4. Work with DAF managers and foundation CEOs (you cannot apply for funds from DAFs, of course), but the fund managers and advisers are the people who will recommend your organization if asked. Let them know what you are doing. Share your dreams and big ideas. The environmental organization mentioned above did just that with great success.
5. When you do get a gift from a DAF, respect whatever rules come with it about contacting the donor. No end runs. That is a spoiler for donors. One of the unexpressed reasons for setting up a fund is said privately, "This way, I don't have nonprofits hounding me for money." If the donors are not to be thanked personally, honor that and send the note to the financial adviser or foundation. They will still be watching you and just may step out from behind the wall if they see you are doing great things.

It Is Up to Us

Philanthropy is changing at a breathtaking rate, and as professionals, we need to lead that change in our organizations. As a whole, we still are a bit slow for this 24/7 world, and part of the reasoning, I believe, behind DAFs is a "wait and see" belief regarding our sector. Will we catch up in technology, innovation, decision making, governance and vision? Will we, in the words of Bob Waterman in *The Renewal Factor: How the Best Get and Keep the Competitive Edge* (Bantam, 1987), figure out how to "surrender the memories" as we "take the best, and leave the rest"?

It is up to us. DAFs exist. The money is there. How will we position ourselves as incredible investment opportunities? How will we bring these donors in as partners in forging solutions to the key issues that keep our society from being all that it can be? Tell your story. Describe your impact. Reach out.

I believe a partnership that will benefit all philanthropy is possible.

Kay Sprinkel Grace is founder and principal of Transforming Philanthropy LLC in San Francisco (www.kaygrace.org).

Resources and Additional Reading

"Donor-advised funds: Where charity goes to wait" by Leon Neyfakh
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"Stop the Misuse of Philanthropy!" by Lewis B. Cullman
www.nybooks.com/articles/archives/2014/sep/25/stop-misuse-philanthropy

2014 Donor-Advised Fund Report, National Philanthropic Trust
www.nptrust.org/daf-report

2014 Giving Report: A Look at Fidelity Charitable Donors and How They Give
www.fidelitycharitable.org/giving-report

Deciphering DAFs

How the simplicity of donor-advised funds may be creating complex issues for fundraising professionals

By Paul Lagasse

"Donor-advised funds [DAFs] are changing the face of giving, and we can't underestimate their impact," says Michael Moody, Ph.D., the Frey Foundation Chair for Family Philanthropy at the Dorothy A. Johnson Center for Philanthropy at Grand Valley State University (**www.johnsoncenter.org**) in Grand Rapids, Mich., and co-author of *Next Gen Donors: Respecting Legacy, Revolutionizing Philanthropy,* a research project on giving trends among young donors undertaken by the Johnson Center and 21/64 (**www.2164.net**). "I think Mark Zuckerberg is ahead of the curve."

Moody is referring to Facebook co-founder Mark Zuckerberg's two gifts of stock valued at $1.5 billion to

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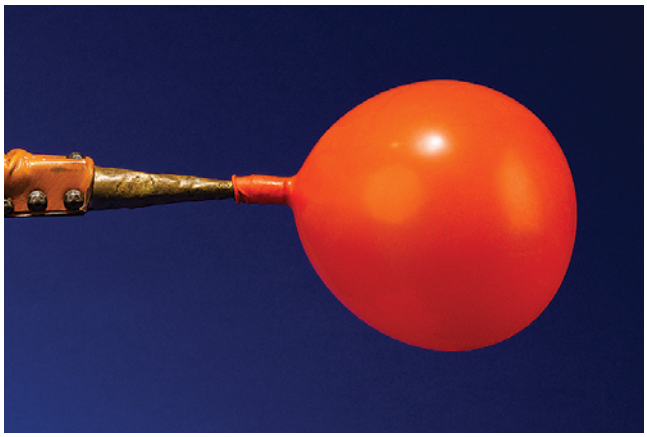


Like their parents, Generation X and Millennial donors are values-driven, but they are also deeply interested in strategies that are hands-on, innovative and the result of due diligence.

the Silicon Valley Community Foundation (SVCF) in 2012 and 2013. In many ways, the billionaire was acting like a typical member of his generation. Many affluent Generation Xers and Millennials use DAFs, such as those managed by SVCF, to administer their philanthropic giving. And because younger donors stand to inherit an estimated $59 trillion in wealth from their parents, the way they choose to manage their giving will have an enormous impact on philanthropy—and fundraising professionals.

DAFs and Younger Philanthropists

Donor-advised funds are charitable accounts established by donors and managed by public foundations, such as a community foundation or a foundation set up by a commercial brokerage. When a donor contributes money, stock or other liquid assets into a DAF, the foundation takes ownership of the deposits and invests them. The assets in a DAF can be used only for charitable purposes, and a donor recommends/advises their disbursement to nonprofit organizations of his or her choosing. In turn, the foundation provides value-added services such as due diligence on recipient charities and investment advice and allows the donor to claim a full charitable tax deduction upon deposit of assets into the fund. Unlike private foundations, public foundations in the United States are not legally required to distribute a minimum portion of their assets every year.

Donors may choose to set up advised funds for any number of reasons. Malcolm D. Burrows, the head of philanthropic advisory services at Scotia Private Client Group in Toronto (**www.scotiaprivateclientgroup.com**), has identified four.

1. **Convenience.** Public foundations handle day-to-day administrative and management burdens, freeing up donors to focus on other things.
2. **Tax benefit.** By turning over control of deposited assets to a foundation, donors can take the charitable tax deduction right away and make disbursement decisions later.
3. **Support for causes, not charities.** Donors who support causes, such as land conservation or inner-city education, can use advised funds to take a long-term view with their giving.
4. **Flexibility.** If a donor's charitable interests change, the fund can be used to support more, fewer or entirely different organizations right away.

Another selling point of DAFs is their low initial contribution, explains Jo-Anne Ryan, vice president of philanthropic advisory services at TD Waterhouse Canada Inc. in Toronto and executive director of its Private Giving Foundation (**www.tdwaterhouse.ca/privategiving**). This is particularly appealing to young, early-career professionals who are looking for ways to engage in philanthropic activities with their own growing wealth.

Ryan points out that the wealth of two-thirds of her foundation's clients is self-made, whereas just a decade ago, the majority of the wealth had been inherited. Furthermore, savvy young donors are more familiar with how finances work and are comfortable using investment vehicles. "They want to be more hands-on, and they want to engage more in their giving," Ryan explains of a typical advised-fund user. "The more options they have, the wider the net is, and ultimately, that's going to represent more money going to charity."

Like their parents, Generation X and Millennial donors are values-driven, but they are also deeply interested in strategies that are hands-on, innovative and the result of due diligence. "If donor-advised funds make it easier to be a donor now, and without the administrative

requirements of a foundation, then I can see how they would appeal to that kind of mindset," Moody says.

Jeffrey M. Gorris, a partner at the Wilmington, Del., law firm of Friedlander & Gorris, P.A. (**www.friedlandergorris.com**)—and a Millennial—uses a DAF to manage his philanthropic activities. He says that DAFs offer several advantages for early-career professionals like him. Because of their lower financial thresholds and ease of use, DAFs appeal to young donors who want to support their favorite charities but for whom traditional foundations are not a feasible option. The low threshold allowed Gorris to establish the fund and start giving in meaningful amounts earlier than if he had had to wait to set up a foundation. Another advantage of the fund is that it helps even out his giving over time. "In certain years, the tax deduction may be worth more to me as my income fluctuates," he explains. "If I'm going to contribute to a charity, I'd rather not have the gift fluctuate up and down, too."

Gorris says that his donor-advised fund suits his giving preferences, which may differ from those of others, and he considers that another advantage. "I think it makes me more willing to give to a charity that I like," he says.

At the same time, DAFs are also increasingly popular with older donors.

Simplifying Giving

Neil and Elizabeth ("Betsey") Cullen understand the financial needs of nonprofits. Both are retired from positions at an independent coeducational high school, where Betsey was the leadership gift officer and Neil served as CFO. Around the time they retired, the Cullens decided to set up a donor-advised fund with Vanguard Charitable as a way to streamline the process of managing their charitable giving. "Instead of having to sit down with 20 envelopes every December, now we have a single fund that takes care of all the administration," Betsey explains.

The Cullens chose to set up an advised fund with a public foundation for a variety of practical reasons. "We don't have the name recognition to set up a foundation," Betsey says. "Also, you need a sufficient corpus in order to make that a wise move." By handling the legal and administrative burdens, the fund approach saves both of them a lot of time.

"It's no different from having a savings account," Neil adds. "We do some modest giving outside of the fund when a last-minute thing comes up, but normally, if the gift is going to be at least $500 [the minimum donation allowed by Vanguard], we give through the fund."

The Cullens also have used their fund to instill the value of philanthropy in their children and grandchildren. "It offers a way to steward the funds so that we can pass them on to our heirs," Betsey says. "I look at it as a way to fulfill our objectives of helping organizations that are meaningful in our lives." The fund will receive a significant portion of the Cullens' estate, with 5 percent of the estate going to their children and the rest to be distributed to charities according to their instructions.

One problem that they have noticed when using their DAF is that some of the charities they support do not properly acknowledge the gift. Fundraisers may mistakenly assume that since foundations disburse gifts from DAFs, acknowledgments and solicitations should be sent to the foundation, not to the donor. While that may be true for many traditional community foundations, it may not be the case for funds managed by other types of public foundations. "Before you give, make sure that the charity can account for transactions directly and acknowledge the real donors," Betsey suggests.

The Cullens say they still feel close to the nonprofits they support, and the advised fund has not come between them. Nor is it threatening to make stewardship obsolete.

In practical terms, the explosive growth of DAFs means that while a lot of money is still being designated for charities, a lot less of it is being distributed to them.

"We're still making our decisions every year based on those relationships," says Betsey. "Fundraising is still a person-to-person activity, and this doesn't make those relationships less important. I'm sure we've become more philanthropic because of the ease of using this method. For us, it's been a win-win."

However, not everyone shares this view.

Tough Questions

Many are concerned about the as-yet still largely unknown impact of DAFs on the philanthropic economy, particularly their ethical and policy implications. "I think the discussion about donor-advised funds, like the discussion of overhead, is long overdue," says Karla A. Williams, M.A., ACFRE, principal of The Williams Group in Charlotte, N.C. While there may not be an economic argument against saving money instead of spending it, Williams believes there are other, more compelling arguments against doing so. "Given the historically low patterns of charitable distribution in this country, we need to look at the charitable distribution of donor-advised funds," she says. "If the money is not being distributed, is it or is it not a charitable act?" The available evidence suggests that DAFs may not, in fact, be boosting charitable giving as much as advocates have hoped.

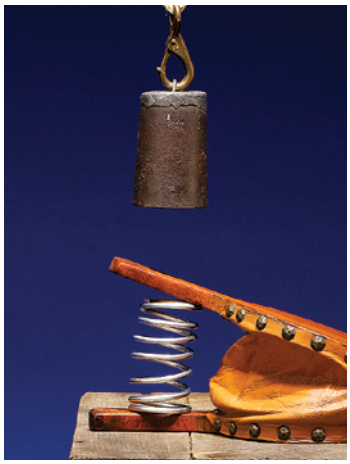
While public foundations report that the average annual disbursement of advised funds is significantly higher than the federally mandated 5 percent floor required of private foundations, this number is an aggregate of the entire corpus of donor-advised funds. According to the 2012 study *An Analysis of Charitable Giving and Donor-Advised Funds* from the Congressional Research Service, more than 70 percent of DAFs paid out less than 5 percent annually, and more than half made no payments at all. In practical terms, the explosive growth of DAFs means that while a lot of money is still being designated for charities, a lot less of it is being distributed to them.

"In a world of urgent needs, we are encouraging the saving of money, not the spending of it for charitable purposes," Williams says. The rapid rise of charitable savings accounts, she argues, is forcing the profession to confront a novel, but vital, ethical question: Do the benefits of saving money outweigh the benefits of spending it?

One way to ensure that donor-advised funds are distributed would be to set a time limit on them. When he was chair of the House Committee on Ways and Means, Michigan Representative Dave Camp proposed a five-year cap on DAFs. In his article "Avoiding Misuse of Donor-Advised Funds"(*Cleveland State Law Review*, 2010), Michael J. Hussey of Widener University argued for reforming DAFs along the lines of IRAs, requiring penalties if regular distributions are not made after a certain period and termination of the account four years after the death of the donor.

Alan Cantor, principal at Alan Cantor Consulting LLC (**www.alancantorconsulting.com**) in Concord, N.H., is an advocate of the required payout approach. "Donor-advised funds serve a purpose, but ultimately, the money has to go out the door to fulfill that purpose," he says. "I don't think the money should be kept in perpetuity. I believe in investing in people and mission now."

Cantor also argues that savings vehicles such as DAFs, endowments and private foundations are being oversold to donors at the expense of the nonprofits they are designed to support. He argues that, ultimately, the issue is one of public policy, not of economics. "Investing money now lessens the need to invest even more later," he says.



Fundraisers, advocates say, should treat donor-advised funds as simply another means of directing charitable gifts to nonprots, no different from monthly and annual giving, online donations, bequests, family foundations or major gifts.

He encourages fundraisers to see DAFs as a way for donors to find more ways to get involved with the causes and charities they support, not to set up intermediaries between them.

In addition, Cantor is calling for greater transparency and accountability in public foundations with ties to commercial financial firms to ensure that the interests of the fund advisers are not at odds with the philanthropic interests of the donors or the ethical standards of the fundraising profession. For example, do the management fees that fund advisers receive violate the *AFP Code of Ethical Principles*? Without proper oversight, Cantor says, fundraisers cannot be certain that they do not.

Are such solutions feasible?

"All the proposed solutions either don't address the problem or address it badly," says Eugene Steuerle, Ph.D., an Institute Fellow and Richard B. Fisher Chair at the Urban Institute (**www.urban.org**) in Washington, D.C., and former Deputy Assistant Secretary of the Treasury for Tax Analysis. According to Steuerle, there are three key questions that must be answered before an effective solution can be determined.

- Do the objections make sense?
- Do the proposals align with the objections?
- Can the proposals be implemented reasonably and fairly?

And, where does this leave fundraising professionals?

Make the Case to Donors Who Use Advised Funds

Proponents of donor-advised funds, especially commercial funds, often describe them as "philanthropic savings accounts," allowing donors to manage their charitable giving in much the same way, and with the same ease, as they manage their household finances. Fundraisers, advocates say, should treat donor-advised funds as simply another means of directing charitable gifts to nonprofits, no different from monthly and annual giving, online donations, bequests, family foundations or major gifts.

"For a seasoned fundraiser who understands the landscape, donor-advised funds are probably the best news in the nonprofit sector in the last 20 years," says Ted Hart, CEO of Charities Aid Foundation of America (**www.cafamerica.org**) in Alexandria, Va., which specializes in grant support for international charities. "For the average fundraiser, on the other hand, they are still a mystery."

Fundraisers have expressed concern that, like money in a bank account, assets in a DAF are essentially out of circulation until disbursed. Hart counters that it is a fundraiser's job, not the law's, to get that money into circulation. He explains that asking donors to recommend a gift from an advised fund—assuming the foundation makes that information available to recipients and that the donor has not chosen to remain anonymous—is no different from asking a donor to make a bequest or a monthly gift. "The money is already in a charitable bank account, and the donor can advise that money to you at any time," he tells fundraisers. "So make the case. What discussion are you having with your donors to make the case that they should advise their fund to you?"

Steuerle agrees. He describes DAFs as "time-delayed philanthropy." "There's no economic argument against saving the money as opposed to spending it," he says. "The main alternative to donor-advised funds is not other charities. It is people's consuming money or else giving money to their children to consume." Donor-advised funds, he says, are a way for donors to set money aside to spend on others instead of on themselves.

Good prospect research and stewardship, he says, will meet donors at least halfway.

Furthermore, Steuerle says, DAFs let donors try things with their charitable gifts that they otherwise might not do, such as allowing fund assets to accumulate to the point where they can make larger, more impactful gifts. "It's a way to get donors to think about giving from their wealth, not from their income," he says. While high-net-worth donors often give from their wills and estates after their deaths, Steuerle says donor-advised funds allow others to play that game a little earlier.

Jason Franklin, Ph.D., the first W.K. Kellogg Community Philanthropy Chair at the Johnson Center for Philanthropy, agrees. "With the rise of donor-advised funds, you have to treat your mid-level donors more like your major-gift donors," he says.

Indeed, DAFs symbolize a change in the way fundraisers think about relationships with tomorrow's philanthropists, according to Danielle Oristian York, a director at 21/64 in New York City. Until now, she says, fundraisers have had the benefit of efficiency, thanks to tools such as relationship management software that allows them to manage donors in the aggregate, while donors were left to deal with the complexities of setting up and managing foundations. However, tools such as DAFs have flipped that power relationship on its head. Now, it is the donors who have the convenience.

Nevertheless, none of this means that the role of fundraisers will diminish. "I think there's a false fear that somehow fundraisers are losing relevance," Franklin says. "Donors have always been in control of their giving. The difference is that more donors now have a vehicle for their giving beyond just writing checks." Good prospect research and stewardship, he says, will meet donors at least halfway.

As Burrows explains, "We tell people that [setting up a donor-advised fund] isn't a shelter. It's about giving more thoughtfully and having more time to engage." He encourages fundraisers to see DAFs as a way for donors to find more ways to get involved with the causes and charities they support, not to set up intermediaries between them. "Don't assume that it's about damming funds," he says. "It's about opening up the flow."

Paul Lagasse is a freelance writer in Annapolis, Md. (www.avwrites.com).

Resources and Additional Reading

An Analysis of Charitable Giving and Donor-Advised Funds by Molly F. Sherlock and Jane G. Gravelle, Congressional Research Service, 2012
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www.nextgendonors.org

"Next Gen Donors and Their Plan for Greater Impact" by Michael Moody, Ph.D., and Sharna Goldseker, *Stanford Social Innovation Review,* Feb. 12, 2013
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Donor-Advised Funds Explained

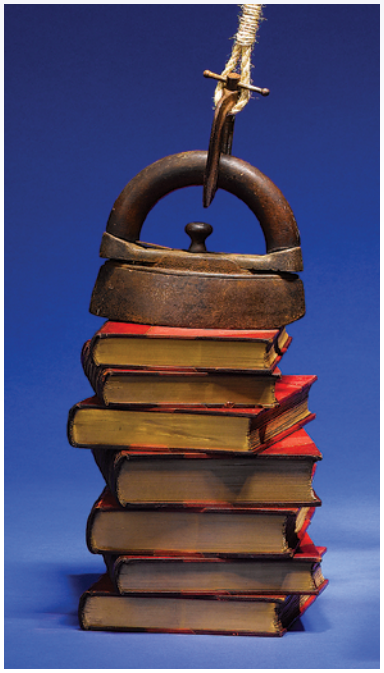
By Eileen R. Heisman, ACFRE

Philanthropists are increasingly looking at donor-advised funds (DAFs) as a preferred charitable giving vehicle. In fact, DAFs now outnumber U.S. private foundations by more than three-to-one. In 2013 (the most recent available data), grants from DAFs totaled more than $10 billion and held almost $54 billion in charitable assets.

Many donors are making charitable gifts from their DAFs—and fundraisers do not always know it. To capitalize on the charitable dollars in DAFs, fundraisers must understand what DAFs are, why they are so popular and who is using them.

What is a DAF?

A DAF is like a charitable savings account managed at a public charity. Donors irrevocably contribute assets to their DAF, invest the assets (which can grow tax-free) and recommend grants to their favorite qualified charities over time. Public charities manage DAFs, which means that donors receive an immediate tax deduction when they make a contribution.



Donors can advise how the assets in their DAF are invested and where they are granted (thus, the term donor-*advised* fund), but the public charity that manages a DAF has ultimate authority over the assets, investments and grants. While donors relinquish control over certain aspects of their DAFs, they gain freedom from a variety of time-consuming and burdensome administrative services. Charities that manage DAFs handle all administrative tasks, such as gift receipting, recordkeeping and executing grant checks.

DAF donors can select from a range of charities to manage their DAFs. Some have a national footprint, while others are primarily community- or religiously oriented. Some have thousands of donors with low account values, while others have just a few donors with larger balances. Some are broad in their grant-making focus, while others support a narrow cause.

Why Am I Hearing So Much About Them Now?

In the United States, the first DAFs were started in the 1930s at community foundations. Today, they are the fastest-growing type of charitable-giving vehicle, increasing in both popularity and size and managed by charities of all types. Charities that manage DAFs are also managing the charitable $54 billion in them.

The number of individual donor-advised funds has jumped almost 35 percent from 2007 to 2013. In 2013 alone, donors contributed almost $17.3B to DAFs—a 23.5 percent increase over the prior year and a 152 percent increase from the amount contributed just five years earlier.

Grants from DAFs totaled almost $10 billion in 2013. As charities receive grants from DAFs, fundraisers and other charitable executives are paying more attention to them.

The rapid growth of DAFs underscores the benefits that donors see: simple set-up, easy use, low cost, maximum tax benefits and almost no administration. DAFs have attracted new donors—and new criticism—as they have become more popular.

Who Uses a DAF?

Active philanthropists of all types use DAFs—individuals, families, corporations, private foundations and other organizations. The entry point for DAFs has a wide range based on the managing charity's policies. Some allow donors to open a DAF with $1,000, while others start at $100,000.

Individuals and families are the most common types of donors establishing a DAF. Multiple people can advise the DAF, which makes them a tool that families can use together to execute their shared philanthropic goals. Many charities allow donors to appoint successors to their DAF after their lifetime, creating a family legacy of charitable giving.

DAFs are becoming more popular for companies as well. The administrative ease, along with the risk and due diligence the charity assumes, can help companies simplify their corporate philanthropy.

Private foundations and other nonprofits also turn to DAFs for very specific needs. If a private foundation wants to make a grant to a charity that is outside of the foundation's stated mission, it can use a DAF. The private foundation makes a grant to the DAF, and then the donor recommends a grant from the DAF to the intended charity.

If a donor wants to contribute a charitable asset that a nonprofit cannot accept, many DAF charities can accept the asset, liquidate it and grant the proceeds to the charitable recipient. The fact that DAFs can work in tandem with other charitable-giving vehicles or other charitable recipients is something that makes DAFs unique.

What Are the Biggest Changes in the DAF Arena?

In the last century, the way DAFs function as a giving vehicle has not changed, but their prevalence certainly has. As they have become more popular and better understood, a number of interesting things have happened.

1. ***The number of charities sponsoring DAFs has increased.*** DAFs were originally housed at some of the nation's earliest community foundations. Now, more than 600 community foundations offer DAFs. Community foundations are the oldest type of charity offering DAFs. They have been and remain one of the preeminent sources of identifying and serving local needs. In the 1990s, seeing an opportunity to manage DAFs with national scope, a number of national charities, including the largest DAF charities by assets (Schwab Charitable, Fidelity Charitable, Vanguard Charitable and National Philanthropic Trust) opened their doors. These national DAF sponsors hold the highest amount of DAF assets but number the fewest, with only 43 national DAF charities.
2. ***Professional advisers became a referral network to charities.*** Tax and estate lawyers, financial advisers and accountants have all come to better understand DAFs and the advantages they offer to their clients. With that knowledge comes an instant development force for charities that offer DAFs and charities that can benefit from grants from a DAF.
3. ***Donors began to think of illiquid assets as potential charitable gifts.*** As a result, some of the largest DAF charities became experts in accepting unusual or complex assets and turning them into charitable dollars. Cash and securities are still the most common charitable gifts, but now a vacation home or antique collection can support a donor's favorite cause.

What About the Critics?

Rising popularity and rapid growth shines a spotlight on DAFs, and with that spotlight has come criticism and, recently, legislative attention.

The most common criticism is that DAFs are not being actively granted to charities that provide direct services. The data state otherwise. The grant payout rate for DAFs averages 20 percent. As a point of comparison, payout from private foundations is closer to their legally required 5 percent payout, which also includes overhead.

Interestingly, during the economic downturn, payout rates from DAFs stayed nearly flat, while contributions to DAFs dipped significantly. Those facts illustrate that donors were using their DAFs to provide a source of stable support to their favorite charities. Payout rates from single-issues charities in particular, which include religious charities such as the Jewish Federations, are extremely high, with payout rates at or above 35 percent for the past three years.

After major financial events such as receiving an inheritance or selling a business, recipients can realize tax benefits by donating to charity. However, if donors have not considered their philanthropic goals before, deciding where to direct a large amount of money quickly may not be strategic or prudent. DAFs provide a sensible alternative.

Every dollar in DAFs is earmarked for charity. Unlike private foundations, which can count overhead (such as paying staff or legal fees) in their 5 percent payout, DAFs cannot do that. The 20 percent payout from DAFs is all going to charity.

Finally, some ignore one of the most appealing features of a DAF, which is anonymity. DAFs are the only charitable-giving vehicle that can offer complete anonymity. Because the funds being granted legally belong to the DAF charity, donors can choose whether they want their name to appear on the grant check or not. Anonymity is a valuable tool for donors who may not want recognition from their peers or to be solicited often. In certain cases, donors may not be inclined to make a charitable gift without the protection of their privacy.

How Can Fundraisers Work with DAFs?

DAF donors are not a unique species. They should be cultivated the same way fundraisers cultivate any major-gift donor. Fundraisers should make it as easy for donors to recommend gifts from their DAFs as they do from a personal checkbook.

DAF charities can work in tandem with nonprofits. Many DAFs can accept illiquid asset contributions, as previously mentioned. Fundraisers can take advantage of this feature by partnering with a DAF charity that can liquidate the unusual asset. A donor can then recommend a grant to the nonprofit from the DAF. Using this strategy, fundraisers can minimize the risk and cost to their organization.

DAFs have grown rapidly in the past two decades, with no indication of slowing down. Thus, fundraisers would be wise to prepare for the growing impact of DAFs on charitable giving as a whole.

To read the *2014 Donor-Advised Fund Report,* visit **www.nptrust.org/daf-report**.

Eileen R. Heisman, ACFRE, president and CEO of the National Philanthropic Trust (www.nptrust.org) near Philadelphia, was among the first fundraising professionals to earn the ACFRE certification and was the recipient of AFP's 2014 Outstanding Fundraising Professional Award.

DAF donors are not a unique species. They should be cultivated the same way fundraisers cultivate any major-gift donor. Fundraisers should make it as easy for donors to recommend gifts from their DAFs as they do from a personal checkbook.

How philanthropic businesses and charitable organizations are effectively working together to meet community needs

Doers, Not Donors

By Mary Ellen Collins

Corporate support for nonprofits used to be a simple philanthropic proposition. An organization had a project that needed funding, a fundraiser solicited the business for a gift and the business wrote a check. However, there has been an undeniable shift in the way businesses have defined their role in relationship to the nonprofit sector.

"Corporations started talking about philanthropy in the 1950s, and a lot of corporate foundations were formed then," says Timothy J. McClimon, president of the American Express Foundation in New York City and vice president, corporate social responsibility (**http://about.americanexpress.com/csr**). "In the 1970s, there was a move to make philanthropy more strategic, with a focus on helping the business as well as the nonprofit. In the '80s and '90s, corporations started to focus on what they do rather than what they give. The definition of corporate social responsibility (CSR) has remained the same, but the practice or implementation of CSR has broadened."

That breadth is illustrated by the following Harvard University definition: "Corporate social responsibility encompasses not only what companies do with their profits, but also how they make them. It goes beyond philanthropy and compliance and addresses how companies manage their economic, social and environmental impacts, as well as their relationships in all key spheres of influence: the workplace, the marketplace, the supply chain, the community and the public policy realm."

Companies are becoming more strategic in how they can achieve their goals as profit-making entities while also embracing their commitment to social responsibility. Perhaps the biggest change in their approach is their desire to be much more hands-on in solving social problems of concern to nonprofits. In order to be effective in this new paradigm, nonprofits must understand the changing landscape and adapt to the trends, motivations and other factors supporting the corporate sector's desire to be "doers, not donors."

Corporate support for nonprofits used to be a simple philanthropic proposition.

Narrow the Focus and Increase the Impact

Businesses today are less likely to see the differences between their motivations and those of the nonprofit sector and more likely to see themselves as equal players in solving societal problems. "It's not just about nonprofits having an idea and coming to companies for money," McClimon says. "We both have resources, and that requires development people to be more about negotiation and discussion."

This change in the way the corporate sector sees itself necessitates a different approach by their nonprofit colleagues. "A lot of fundraisers think, 'How can I build the right relationship or write the right grant proposal?'" says James Temple, corporate responsibility leader at PwC Canada (**www.pwc.com/ca**) in Toronto. "They're a little lax in saying, 'Here's where we're going, and here's how we can align with you.' They need to listen to understand, not listen to respond. They need to hear about the time, talent and treasure a corporation can bring to a partnership.

CHAD J. SHAFFER/ILLUSTRATION SOURCE

"At the end of the day, businesses are made up of people in the community. Nonprofits and businesses are working within the same ecosystem, so there's a shift to thinking, 'Here are two sectors that both have capabilities.' We're either moving forward together or being left behind."

The days of companies making small grants to many organizations are coming to an end. According to findings in the *Giving in Numbers: 2014 Edition* report, published by the New York City-based Committee Encouraging Corporate Philanthropy (CECP) in association with The Conference Board, the median number of nonprofit partners per corporate grantmaker declined each year from 2010 to 2013, whereas grant sizes increased each year as companies focused societal investment

Partners Creating Maximum Impact

When Tammy Zonker, founder of Fundraising Transformed (**www.tammyzonker.com**) in Detroit, became the senior director of corporation relations on contract for the United Way for Southeastern Michigan, she could not have foreseen her involvement with what she calls the most remarkable gift of her fundraising career.

"Two years before I came on the scene, United Way President and CEO Michael J. Brennan, with the support of a very courageous board and leadership team, came up with a BHAG (big, hairy, audacious goal): to make Detroit a top-five city in which to live and work by 2030," she says. "One of four strategies to accomplish this was to increase high school graduation rates to 80 percent or more."

At first, the idea was talked about only internally, but eventually, it became part of a wider, public discussion. In late summer 2010, Zonker was part of a group that went to meet with Mark Reuss, at the time president of General Motors North America (now executive vice president of global product development at GM's Global Purchasing and Supply Chain organization). The company had conducted United Way workforce campaigns for decades but was in bankruptcy at that time and working to turn things around.

"We told him we hadn't come to ask for money," Zonker explains. "We said, 'We're here to get your advice. We're working to turn around the state of the community with this BHAG, and the leadership it takes to transform a company is exactly what we were looking for.' We had a very juicy conversation!"

They invited Reuss to visit a United Way 2-1-1 call center, which offers free local resource information on issues ranging from child care and veterans' services to human trafficking and disaster relief.

"He put the headset on and listened to a few calls, and he was visibly moved," Zonker recalls. "He is a leader who really has a heart for this community."

The dialogue with Reuss continued, with the United Way reporting on how much progress they were making on the four prongs of their BHAG. "The more we talked about what we couldn't quite get done, he opened up about GM and employee morale," Zonker says. "He talked about the heartbreak the bankruptcy and layoffs had caused in the community and was vowing to make it up to people."

At one point during the ongoing cultivation process, Reuss asked what it cost to turn

dollars on strategic community partners. "Our interests are narrower," McClimon says. "We want to be an active player and focus on fewer, more impactful partnerships."

Indeed, Hasbro, which was named one of America's Top Community-Minded Companies by *The Civic 50* three years in a row, chooses several initiatives on which to focus its efforts. "We ask ourselves how we can make the most significant impact for children based on who we are and the resources we can bring to support an issue," says Karen Davis, senior vice president of global philanthropy and social impact at Hasbro (**www.hasbro.com/corporate**) in Pawtucket, R.I. "Once we have identified the issues that we believe we can be most helpful with, we look at who is working in the space and proactively begin a dialogue with them. We tend to work with fewer organizations in order to make the biggest impact possible, both on a global level and locally where we have a presence."

Expand the Partnership Model

Paul Klein, president and founder of Impakt (**http://impaktcorp.com**) in Toronto, believes businesses should

around one high school, and the United Way contingent explained what they had already done in five pilot schools. They brought in a turnaround partner and divided a class of 1,000 freshmen into four academies, each with its own principal. (The five-year process begins with a year of planning and goes through the students' senior year.)

"It costs $250,000 per academy per year, plus the cost of putting an early childhood center in each community to ensure that children started kindergarten ready to learn," Zonker told him.

Reuss asked for a proposal for what it would take to turn around five schools, and while it was being prepared, he toured Cody High School to see the turnaround in action. "After the tour, we sat in the teachers' lounge, and all four principals came and talked about how transformational it was," Zonker says. "Then some of the kids came in and shared their stories, including Destiny, who said, 'I come to school because they know my name. If I don't come in, they call me and say, "Are you OK?" They care about me.' There wasn't a dry eye in the room."

When presented with the proposal for $27.1 million to turn around five schools, Reuss paused for a moment before saying, "Let's do it. I have no idea how we're going to do it, but we are."

And they did. Several months later, GM was out of bankruptcy and held a press conference at Cody High School to announce the gift, which was the largest gift in the GM foundation's history and the largest gift United Way Worldwide had ever received for a single initiative.

In addition to the impressive financial support, GM employees regained a sense of pride in what their company was contributing to the community, and they responded by getting involved with the turnaround schools by tutoring, conducting supply drives and providing internships, externships and opportunities for job shadowing.

The partnership of an ambitious nonprofit and a socially responsible corporation was truly a meeting of the minds and hearts that changed the educational landscape in their city in a way that neither one might have imagined. "When we were in that room and Mark said, 'Let's do it,'" Zonker says, "it was a holy moment."

not assume that nonprofits are the most likely partners for creating social change. In fact, he encourages them to make their CSR decisions in the same way they make business decisions, and he is seeing more companies embracing this mindset.

"Companies should think about more creative ways to use their capital for the social good," he explains. "In the business world, if you need a new IT supplier, you look for who can provide the best service for the best value. There's been a default feeling that charities have a lock on social change, and that's not necessarily true. Maybe a company is interested in creating STEM [science, technology, engineering and math] learning in the United States. There may be a nonprofit that's remarkably good at this, but maybe there's a social enterprise business that is doing it with better outcomes. My view is that if a corporation has decided that addressing an issue is important, how they do it shouldn't matter."

Although Klein realizes that some nonprofits may take issue with his viewpoint, he knows that his is not the only voice in favor of welcoming entities outside the nonprofit sector into the social change arena. "This raises the bar for everyone," he says. "It focuses on choosing the best and fastest way to make the biggest difference at the lowest cost. Nonprofits need to be more focused on outcomes and should be thinking about ways to monetize what they do whenever possible. Corporate *irresponsibility* is when corporations don't use capital for social change in a way that is being effective."

In a similar vein, Rachel Hutchisson, vice president, corporate citizenship and philanthropy, at Blackbaud Inc. (**www.blackbaud.com**) in Charleston, S.C., agrees that there are growing opportunities for companies to solve problems that traditionally would have been the purview of the nonprofit sector. She cites the Clinton Global Initiative (**www.clintonfoundation.org/clinton-global-initiative**) and the Social Innovation Summit (**www.socinnovation.com**) community as two groups Blackbaud has joined, both of which rely on partners from a number of sectors to collaborate on solutions to major issues. "It's unfortunate that people often ascribe positive and negative qualities to nonprofits versus for-profits and sometimes even look at business itself as 'evil,'" she says, "In the end, some of the best stuff is often done through collaboration involving both sectors."

Put a Value on Stakeholder Engagement

Companies' decisions to be more hands-on in solving social issues are probably related to how important their involvement is not only to their employees but also to their customers. "Consumers didn't use to talk about nonprofits, but now they're much more aware when they're making buying decisions," Hutchisson says. "Whether buying products or services, people will pay attention to whether the company involved is acting ethically."

Similarly, a company's corporate social responsibility platform is critical in employee recruitment and retention for Millennials as well as baby boomers, according to McClimon. "People want to work for socially responsible companies that provide opportunities to be engaged with the community on *company* time, using *company* resources," he says. "Once they're here, it's a way to retain them. They stay because they feel the company cares about the community."

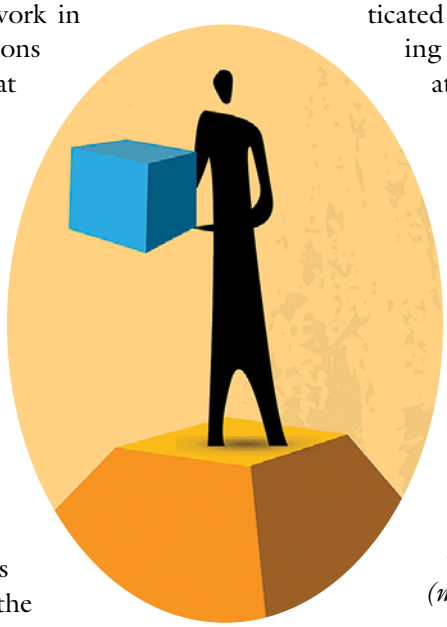
Hutchisson agrees. "We have people joining us from other companies who often say they really want to work for a business where they can actually see that the company is giving back," she says. "To help us understand what our associates think, we added a question to our annual employee engagement survey about how the company acts as a good corporate citizen. What did our people say? That our role as a good citizen ranks in the top five most important things they care about as employees. We wouldn't have thought to ask that question 15 years ago. Also, 84 percent of our employees told us that the fact that we work with nonprofits mattered to them when they joined the company."

Corporate *irresponsibility* is when corporations don't use capital for social change in a way that is being effective.

Although **many companies have supported their employees**' pitching in on local volunteer efforts, such as cleaning up a park or working in a food kitchen, McClimon reports that **there has been a huge upswing in skills-based volunteering**.

Although many companies have supported their employees' pitching in on local volunteer efforts, such as cleaning up a park or working in a food kitchen, McClimon reports that there has been a huge upswing in skills-based volunteering. It is a way to more closely link employees' expertise to the needs of their communities, and it is yet another reason for them to feel positive about their employer.

At Hasbro, where 81 percent of the 5,000 employees did some type of volunteer work in 2014, Davis says one of the top reasons why people come to work there is that they feel as though they have a bigger purpose. "Volunteering often takes advantage of our employees' tremendous skills in ways that can help to both solve a problem in our community and save our nonprofit partners money. For example, our in-house studio production team has created a beautiful video for City Year Rhode Island (**www.cityyear.org/rhodeisland**) that otherwise would have cost thousands of dollars to create. By producing the video, our employees came to understand and appreciate the challenges inner-city children face daily. As a result, they also became advocates for City Year after witnessing how hard they work to help these children. It is a true win-win experience."



Who Will Lead Us Forward?

The younger members of today's workforce appear to be blurring the lines between the corporate and nonprofit sectors, which provides a glimpse into what their approach will be when they assume leadership positions. "When I got out of school in the '80s, there were two paths: You either went the Gordon Gekko 'greed is good' way or you wanted to help the world. Now, it's not an either/or proposition," Hutchisson says. "Many people are going into business with a socially minded lens. Students are going to graduate school and saying, 'I can get an MBA and be socially responsible.' It's become much more common in the last five years to hear them say, 'I want to create a business that is socially minded.' If they want to produce a product, they include the fundamental belief that they will do this in a socially responsible way. This desire to drive positive change is at the heart of who they are."

For their part, nonprofits are much more sophisticated now because they have to be, according to McClimon. "The younger generation of leaders is more attuned to the corporate environment and less susceptible to thinking that nonprofits are good and business is bad," he says. "They are thinking of their career as moving between the for-profit and nonprofit sectors. They easily see themselves fitting into both and are more attuned to collaboration and partnerships. They are building careers with purpose."

Mary Ellen Collins is a freelance writer in St. Petersburg, Fla. (mecollins123@yahoo.com).

Resources and Additional Reading

Corporate Social Responsibility: Doing the Most Good for Your Company and Your Cause by Philip Kotler and Nancy Lee (Wiley, 2004), hardcover, 320 pages

Giving in Numbers: 2014 Edition, published by CECP in association with The Conference Board **http://cecp.co/research/benchmarking-reports/giving-in-numbers.html**

The Market for Virtue: The Potential and Limits of Corporate Social Responsibility by Daniel Vogel (Brookings Institution Press, 2006), paperback, 222 pages

The ABCs of the

AFP Salary Survey

By Cathlene Williams, Ph.D.

Here are the highlights from the *2015 AFP Compensation and Benefits Study*—from A to Z!

Average salary overall for U.S. respondents? That was $75,913 in 2014, an increase of approximately 1 percent from 2013 levels. (See Chart 1.) The top 25 percent of U.S. fundraisers reported being paid $89,000 or more in 2014, while the bottom 25 percent reported salaries of $48,440 or less.

Bigger budgets mean bigger paychecks. Larger organizational budgets and funds raised correlate with higher salaries. Average salaries in the United States ranged from $54,702 in organizations with budgets less than $250,000 to $115,162 in organizations with budgets of $75 million or more. In Canada, the range was C$62,682 in organizations with budgets less than C$250,000 to C$103,282 in organizations with budgets in the range of C$10 million to $50 million. Also, salaries ranged from $51,212 in U.S. organizations that raised less than $100,000 to $102,307 in organizations that raised $100 million or more. In Canada, the salary range based on funds raised was C$60,809 in organizations that raised C$250,000–$500,000 to C$107,443 for total funds raised of C$10 million to $100 million.

Certification pays! In the U.S. sample, CFREs reported average salaries that were more than $30,000 higher than the average for respondents with no professional certification. Those who hold the ACFRE reported average salaries that were $59,000 higher than the average salaries of noncredentialed individuals. In Canada, CFREs reported average salaries more than C$16,000 higher than the average for respondents with no professional certification.

Demographic trivia: Did you know that only 18 percent of U.S. respondents and 17 percent of Canadian respondents are aged 55–64? On the other hand, 31 percent of U.S. respondents are under 34 years old, compared with 23 percent of Canadians. Also,

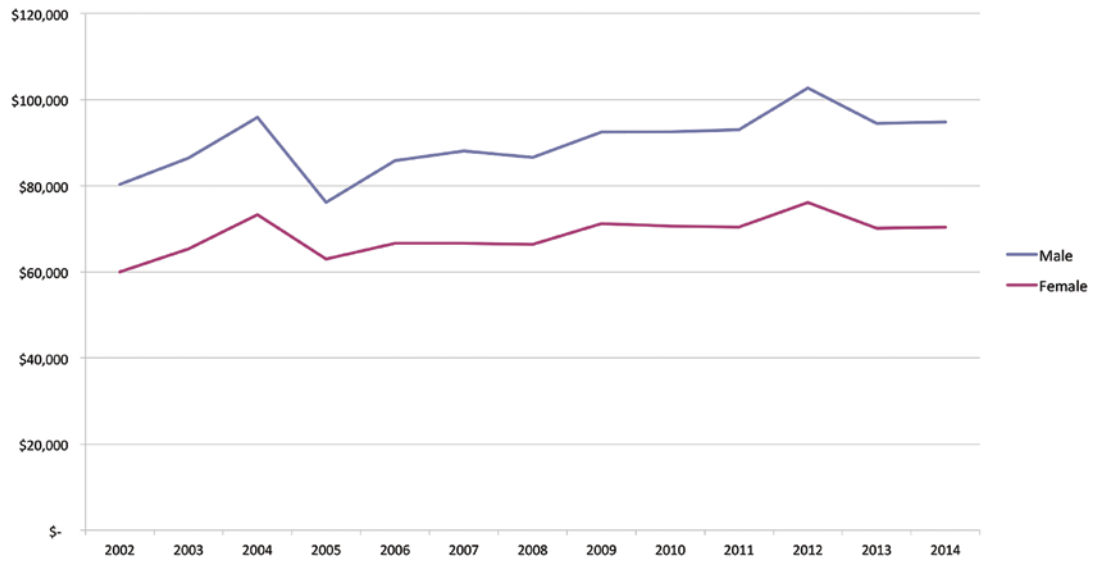
- More than half of respondents (58 percent in the United States and 56 percent in Canada) said their primary area of responsibility is "overall multiple fundraising management."
- Thirty-seven percent of U.S. respondents have six years or less of professional experience compared with 32 percent of Canadian respondents.
- More than half (53 percent) of U.S. respondents entered the profession when they were under the age of 30 (28 percent were under age 25), compared with 51 percent of Canadians (with 24 percent under age 25 entering the profession).

Eh? The overall average salary for Canadian fundraisers in 2014 was C$82,666, an increase of 5 percent from the average salary in 2013. (See Chart 2.) The salary for the top 25 percent of Canadian fundraisers was C$95,000 or more. Those in the bottom 25 percent earned C$57,000 or less.

Former positions vary greatly. In both the United States and Canada, the top fields or backgrounds from which fundraisers come to the profession are public relations/marketing (16 percent), school/student (15 percent), education (10 percent) and business (10 percent).

GERALD BUSTAMANTE/ILLUSTRATION SOURCE

Chart 1. Gender Differences in Pay, U.S. Fundraisers



Gender salary differences still persist. Despite the fact that women make up 78 percent of AFP members (as of January 2015), men continue to earn more than women in both the United States and Canada. (See Charts 1 and 2.) Why? No matter the gender, taking time off to stay home and raise children, leaving a position to follow a spouse's relocated career and resigning a position before getting a new one were cited as contributing factors to lower earnings potential. (For more on this subject, read "Women Leaders Excel in the Nonprofit Sector in Every Way, Except Pay!" at **www.tccccat.com/gender-salary-inequality**.)

How did fundraisers find their current position? The information source cited most often was an ad on a website (22 percent). Other information sources cited were "organization CEO asked me to join" (16 percent), "a tip from an associate in the field" (14 percent) and "promotion from within the organization" (13 percent). Twenty-one percent of U.S. respondents and 32 percent of Canadians have used a recruiter to get a fundraising job.

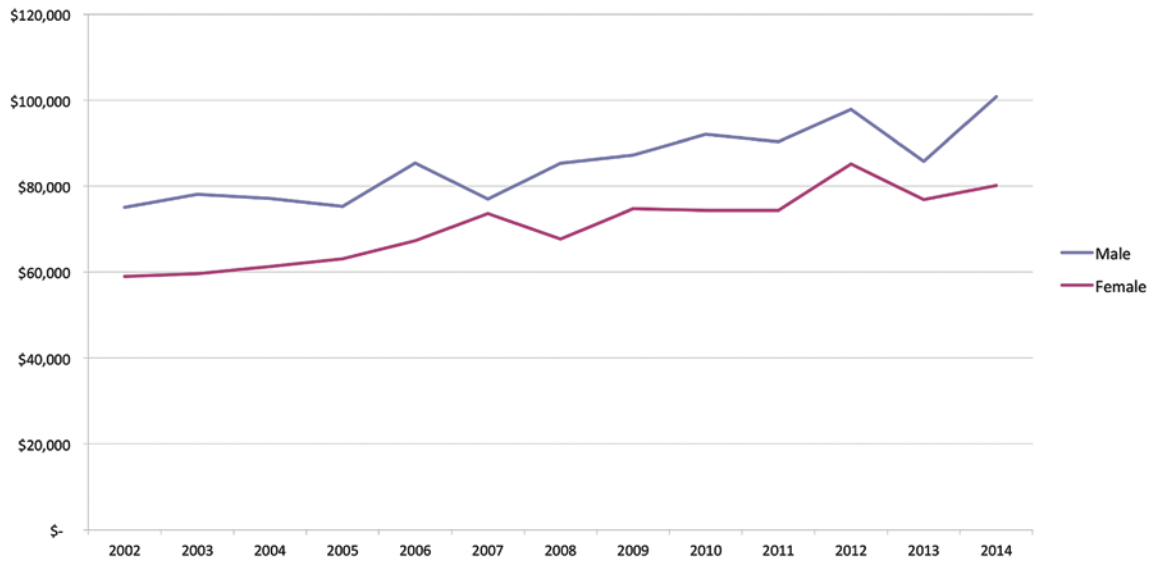
International focus pays more for U.S. fundraisers. Development officers in the United States working in international and national organizations reported average salaries higher than those affiliated with local or state/regional entities. In Canada, those working for national and local organizations had the highest average salaries.

Job satisfaction is very good overall. In general, respondents are very committed to the nonprofit sector and feel that career advancement opportunities in the sector are good. Nearly 30 percent of respondents from both countries feel very committed to working in the nonprofit sector. However, nearly half say they would not work for less pay than they could receive elsewhere in order to stay in nonprofit work.

Knowledge is worthwhile. There was a strong positive correlation between average compensation and level of education. In the United States, those with a law degree had the highest average compensation at $107,361. In Canada, the six respondents with a law degree were the highest earners, with an average salary of C$209,350. Furthermore, 43 percent of U.S. respondents and 42 percent of Canadian respondents have taken continuing education programs or graduate courses (certificate, master's, Ph.D.) related to fundraising, nonprofit management or philanthropy at a college or university, and 10 percent in both countries said they plan to take courses in the near future.

Leave policies are available to most respondents. In response to a question on leave policies, U.S. respondents said they receive annual leave (94 percent), medical leave (85 percent), bereavement leave (67 percent), professional development leave (28 percent), unpaid parental leave (27 percent), paid parental leave (23 percent),

Chart 2. Gender Differences in Pay, Canadian Fundraisers (in Canadian dollars)



sabbatical leave (6 percent) and other leave (5 percent). In Canada, respondents said they receive annual leave (94 percent), medical leave (86 percent), bereavement leave (72 percent), professional development leave (45 percent), paid parental leave (44 percent), unpaid parental leave (34 percent), sabbatical leave (11 percent) and other leave (5 percent).

Medical and health benefits are provided to most fundraising professionals through their organizations. Ninety percent of U.S. and 100 percent of Canadians reported their organizations provide medical insurance or other medical payment plans. In addition to basic medical coverage, dental insurance was provided to 79 percent of U.S. respondents and 85 percent of Canadians. Prescription drug coverage was offered to 61 percent of U.S. respondents and 84 percent of Canadian respondents. More than 60 percent of respondents in both countries were offered vision insurance. Sixty-five percent of U.S. respondents and 74 percent of Canadians said that half or more of their medical insurance costs were paid by their employer.

Negotiating a salary successfully? Approximately 60 percent of U.S. and Canadian respondents feel they negotiated effectively for their current salary. At the same time, 66 percent believe they could increase their salary anywhere from 10 to 30 percent if they were to move to the private sector.

Organizations do not all pay the same! In the United States, fundraisers working for consulting agencies enjoyed the highest average salary of $107,137, followed by association foundation fundraisers ($91,956) and individuals working in higher education institutions ($90,556). In Canada, fundraisers working in religious or religion-related organizations had the highest salaries (C$120,000), followed by scientific or research organizations (C$112,625) and federated appeals (C$100,472).

Position affects salary. No surprise there! Since the responsibilities of any given job title may vary by organization, the survey asked respondents to identify their position according to general level of responsibility. Senior-level consultants reported the highest average salaries in the United States. Consultants who were principals in their firms earned an average of $112,446. In Canada, the highest earners were CEOs, with an average salary of C$103,184. (See Charts 3 and 4.)

Quitting the daily commute is increasingly desirable. Approximately 73 percent of U.S and 78 percent of Canadian respondents telework at least occasionally. This compares with 66 percent of U.S respondents and 67 percent of Canadians in 2012. Eighty-seven percent of U.S. respondents consider teleworking a desirable benefit, while 81 percent of Canadians consider it a plus.

Chart 3. Average U.S. Salaries by Fundraising Position (with percentages by number of respondents)

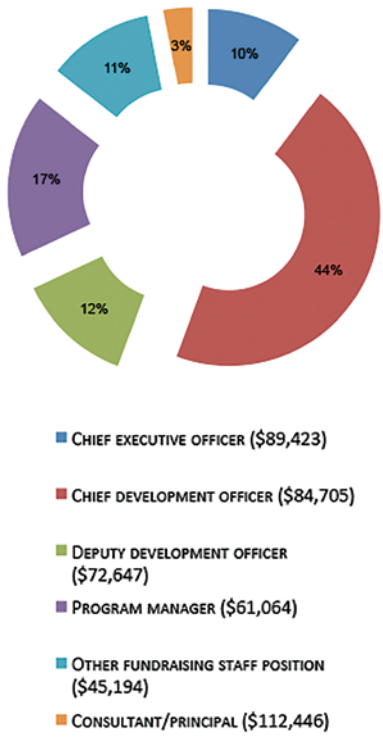
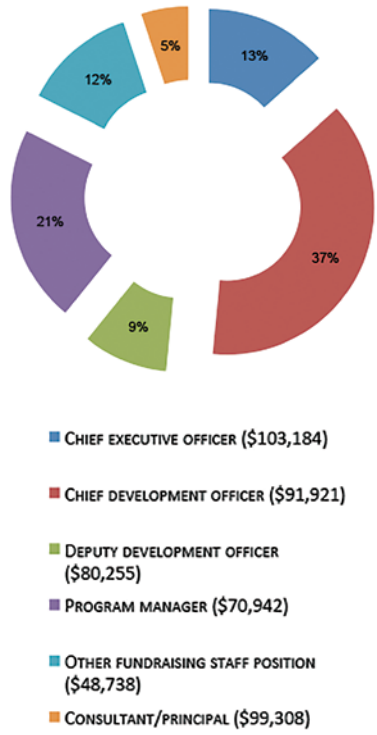


Chart 4. Average Canadian Salaries by Fundraising Position (with percentages by number of respondents)



Regional differences reflected salary differences. Within the six regions of the United States, average salaries for all survey respondents ranged from $70,825 in the Southwest area to $83,194 in the Northeast region. Within the three regions of Canada, average salaries for all respondents ranged from C$77,125 in the Eastern provinces area to C$88,399 in the Central provinces. Also, as one would expect, fundraisers employed in larger metropolitan areas reported higher salaries than those working in less-populated areas.

Succession planning is still not a priority for many nonprofits. In fact, only 31 percent of U.S. respondents' organizations have a succession-planning policy, and only 24 percent of Canadian respondents' organizations have such a policy.

Turnover may be improving. Sixty-five percent of respondents said they have thought about leaving their jobs in the last year. However, when asked whether they looked for a job with another employer in the last 12 months, only 47 percent of U.S. respondents and 44 percent of Canadian respondents said yes. About half plan to serve in their present position indefinitely. The average U.S. respondent has held 3.4 fundraising positions in his or her career. In Canada, the average is 3.3 positions. The average number of years per employer (the turnover rate) is 4.1 in both countries.

Unpleasant aspects of fundraising include insufficient staff personnel, leaders who do not appreciate fundraising and competition from other assigned duties, according to survey respondents.

Venturing overseas for work is not commonplace. The survey findings indicate that most respondents' organizations do not have an office that conducts fundraising in more than one country. The majority of respondents (95 percent of U.S. respondents and 86 percent of Canadians) are natives of the country in which they work. About 78 percent of U.S. and 70 percent of Canadian respondents have held fundraising jobs in just one country, and nearly 20 percent would not consider relocating out of their current geographic area.

Will fundraisers work until they drop, or are they able to retire when they wish? Eighty-three percent of U.S. and 71 percent of Canadians said their organization offers a retirement plan. Fifty-three percent of U.S. respondents indicated that they had received retirement planning advice within the last three years, but only 43 percent of Canadians said they had received such advice. Also, less than half (47 percent) of U.S. respondents said they were able to retire when they wish, compared with 58 percent of Canadian respondents. Forty-two percent of U.S. and 51 percent of Canadians are somewhat or very confident their resources will cover their retirement years.

X-ray vision is not needed to see that there is a general correlation between age and fundraising salary. In the United States, average salaries showed a steady increase with age, from $35,214 for individuals under the age of 25 to $115,538 for those who are age 65 or older. In Canada, the average salary for those under age 25 was C$45,000, and average salaries increased to C$118,671 for those aged 65 or above.

Years of experience affect compensation. U.S. fundraisers with less than 10 years of experience reported average salaries of $48,628–$70,007. Those with 10–24 years of experience reported average salaries of $79,969–$105,256. Those with 25 or more years of experience reported averages of $118,103–$123,365. In Canada, there was a similar pattern. Those with less than 10 years of experience reported average salaries of C$58,266–C$75,873. Those with 10–24 years' experience averaged C$78,212–C$109,710. The highest salaries were reported in the 25–29 years of experience range, with an average of C$185,179.

Zero in on what is important. Respondents cited the following reasons for considering a job elsewhere:

- To earn a higher salary (44 percent)
- To have more responsibility and authority (35 percent)
- Frustration by the work environment (32 percent)
- To engage in more interesting or challenging work (25 percent)
- Greater opportunities for career advancement elsewhere (25 percent)

For more information about the *2015 AFP Compensation and Benefits Study* and detailed reports, visit **afpnet.org/2015SalarySurvey**.

Cathlene Williams, Ph.D., is a consultant specializing in curriculum development, project management and business writing. She is a former AFP staff member and is currently a consultant to AFP for ACFRE and research programs and other professional advancement projects.

Who Was Surveyed?

In the first quarter of 2015, the Association of Fundraising Professionals (AFP) conducted its 15th annual *Compensation and Benefits Study.* For the study, conducted via a Web-based survey instrument, respondents were asked to report on their salary, benefits and job satisfaction for the calendar year 2014.

The sampling frame for the study was AFP membership in the United States and Canada as of Jan. 1, 2015. At that time, there were 32,815 active members in the member database. All active members in the United States and Canada with email addresses were polled. A total of 23,437 members in the U.S. and 3,143 members in Canada successfully received the emailed survey. (Note: There is some chance of bias in that those with no email address were not surveyed. The decision to limit the survey to those with email addresses was based on cost-effectiveness and efficiency in data collection.)

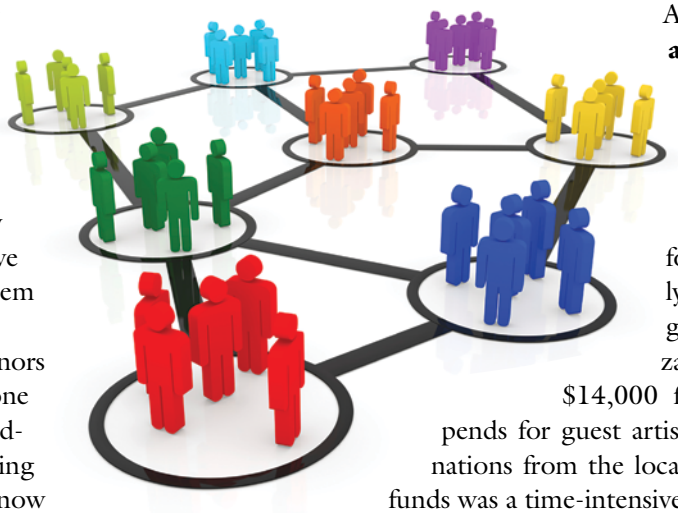
A total of 2,051 AFP members (1,773 in the United States and 287 in Canada) submitted usable responses by the time the survey closed, a response rate of 7.6 percent for the United States and 9.1 percent for Canada. An analysis of the demographic characteristics of both groups of respondents indicates that they are fully representative of the AFP members in the United States and Canada.

We would like to thank the AFP members who took the time to complete the survey to make the *2015 AFP Compensation and Benefits Study* possible.

The Value of Cross-Sector Partnerships

By Bruce Burtch

Imagine two pieces of leather connected by one single thread. When you pull the two pieces away from each other, the thread breaks easily. Now imagine the leather pieces connected by 10 threads. This time, you have to pull a lot harder to get them apart, if you can do it at all.



Even the most reliable donors and funders comprise only one thread of a nonprofit's fundraising efforts. As a fundraising professional, you already know that many different types of circumstances can break that one thread, especially a sluggish economy.

Weaving multiple "threads" into fundraising means supplementing your focus on annual drives and events to include cross-sector partnerships with for-profit companies. These partnerships are defined by the many connections, or threads, that they create between nonprofit organizations and for-profit corporations, connections that can produce many tangible and often monetarily profitable benefits for each partner.

The resulting bond is strong, often strong enough to withstand changes in the economy, corporate budget cuts and even leadership changes. That is because both partners gain multiple benefits on many different levels throughout their respective organizations when joined in a cross-sector partnership. In other words, when times get tough, it is far more likely that a for-profit company will cross line-item charities off its philanthropy list than it will cut a multifaceted, cross-sector partnership that is continually providing it with improved employee loyalty, free publicity, beneficial branding, community goodwill and increased sales.

Furthermore, cross-sector partnerships benefit nonprofit organizations of all sizes—even very small ones. One case in point involves a small nonprofit in northern California named Art from the Heart.

Art from the Heart (**www.artfromtheheartmarin.com**) was founded in 2009 by two women who saw a need for art and music at a local elementary school, where funding for the arts had been entirely eliminated. By 2011, this growing two-person organization needed approximately $14,000 for supplies and small stipends for guest artists. However, soliciting donations from the local community to raise these funds was a time-intensive process.

Although the founders could not imagine that any large corporation would be interested in their small program, they were able to get a meeting with the employee grants committee at Autodesk (**www.autodesk.com**), a multibillion-dollar, 3-D design software company headquartered near the school.

What happened next was remarkable. By initiating a cross-sector partnership with Autodesk, Art from the Heart not only secured a $5,000 grant but it also began a long-term partnership and source of funding, new volunteers, community connections, publicity and credibility with other donors.

How did such a small, nonprofit organization secure all these benefits? And why did a multinational corporation like Autodesk sign on in such a big way with it? Several steps were needed. First, the founders of the nonprofit needed to change their mindset about fundraising. Next, they had to do their homework about their potential partner and get an in-person meeting with the right people.

Finally, they presented a win-win opportunity that spoke to the corporate goals of the company. Julie Wilder, Autodesk's employee impact manager, says this approach fit well within Autodesk's community involvement philosophy. "Nonprofits have the potential for long-term partnerships through employee board service and skill-based volunteering," she says.

AYDIN PERÇEM/GETTY IMAGES

Steps You and Your Nonprofit Can Take

Step 1: Update your mindset. The first step for any nonprofit organization as it begins a cross-sector partnership strategy is to focus on its self-image and reevaluate its actual worth to aligned for-profit companies.

The facts about current fundraising can help nonprofits see their organizations in a different light. A 2012 research study by Cone Inc. serves to explain why nonprofits can be uniquely valuable to for-profit companies. The study found that

- 92 percent of the public has a more positive image of a company that supports a cause they care about;
- 85 percent of the general public wants to buy a product that supports a cause; and
- 87 percent of the general public is likely to switch from one product or service to another if the other product or service is associated with a good cause.

The numbers are even higher with younger consumers born in the 1980s and 1990s. Millennials are even more likely than the general public to try a new product because of a cause affiliation, and they are the most socially conscious population segment to date.

This is also important information for for-profit companies, because no other form of marketing can stimulate this type of customer loyalty, brand awareness and sales. For-profit corporations take this information very seriously, so nonprofit organizations are wise to keep it in mind when considering ways to increase funding.

What your nonprofit brings to the table is very valuable to the right corporate partner. As a matter of fact, in most cases, nonprofits actually offer *more* benefits to for-profits than the other way around. What are some of the benefits for-profit organizations can gain from partnering with a nonprofit?

- Increased sales of products or services
- Increased employee engagement, morale and retention
- Increased customer and brand loyalty
- Media attention and free publicity
- A motivating purpose for their company and employees
- Increased shareholder return
- Increased employee skill development, team building and leadership
- New business partners and relationships
- Public recognition for the good they create in the community
- Tax deductions for their contributions

Autodesk's employee grants committee fell in love with the idea of helping underserved children in their community. In return for its initial $5,000 grant, its employee volunteers and its community connections, Autodesk gets priceless positive publicity, community goodwill and employees who are more engaged, energetic and loyal due to their volunteer work with Art from the Heart.

Step 2: Find well-aligned potential partners. If you work for a small nonprofit, how can you find the right company to approach for a cross-sector partnership? Start by doing an Internet search to find companies headquartered in your area. Check with your local Chamber of Commerce, business associations and journals. Talk to people you know who are in some way connected to these companies. Ideally, you will find people who can support your effort to approach these companies, help you make contact and serve as your connection in the introductory meeting.

Now zero in on the two or three companies that could potentially provide a good fit for your nonprofit's goals, and research them on LinkedIn and Hoovers.com. Learn their marketing goals and sales strategies, and read their annual reports, press releases and brochures. Compare these with your own organization's goals, and think about creative ways you could partner with the businesses. Always keep in mind that even small nonprofits can offer and gain multiple long-term benefits from such partnerships.

One example of an excellent cross-sector alignment is the Halo Award-winning partnership between Barefoot Wine (**www.barefootwine.com**) and Surfrider Foundation (**www.surfrider.org**) in California. Surfrider's mission is the protection and enjoyment of oceans, waves and beaches. Together with Barefoot Wine, Surfrider created the Barefoot Wine Beach Rescue Project to keep America's beaches "barefoot-friendly." This partnership hosted beach cleanups and restoration events nationwide, with volunteers cleaning the shorelines, planting native greenery and collecting litter along the beaches. At the end of each event, volunteers enjoyed Barefoot Wine and surf-inspired food. A perfect match.

Finding the right company and brand can inspire ideas that will benefit both partners, but it is wise not to rush

headlong into a meeting with a potential partner until you have analyzed all the information you can find about these companies. This will avoid potential problems down the line.

Use the following list to determine whether a company is worthy of a meeting:

- Its mission is well-aligned with yours.
- Its marketing region is approximately inclusive of yours.
- It is not controversial.
- It is financially stable and preferably growing.
- It has a primary audience (age, gender, geographic, interests, etc.) that is similar to your audience.
- It is one with whom your team would be excited and passionate about forming a long-term, strategic partnership.

Step 3: Approach a potential partner. Even the most brilliant cross-partnership ideas can fall flat if not proposed in person. So, it is important to get a face-to-face meeting. And be prepared with a well-researched list of beneficial outcomes.

For each potential partner, ask for a meeting with the person in charge of community partnerships, marketing or public relations at the potential partner organization. These departments usually have the ear of the CEO and far larger budgets than the philanthropy or foundation departments. If you have a champion from your company research (see Step 2), it is important to have that person also attend the meeting, and be sure that he or she is enthusiastic about the value of this partnership to the company.

Be prepared for your introductory meetings by learning whatever you can about the company's current and long-term goals, sales strategies and branding efforts, which will all come in handy as you develop your business value proposition. Be flexible during this and all meetings with your potential partners, and listen carefully to any ideas that come from their side.

During all cross-sector partnership meetings, nonprofits need to keep in mind that they are offering a partnership, not requesting donations or grants. Remember, you are offering multiple tangible benefits to a partner through a mutually beneficial partnership. Rather than focusing on your organization's needs, be ready to speak positively about each benefit the company will gain from this partnership.

For example, consider the following: *We have a wonderful opportunity to develop a team-building event for your employees by having them volunteer on the new homeless shelter we are building. As you know, the press loves to cover this type of community event, and we'd love to explore this further with you if you think it could serve to benefit your company.*

Notice how two major benefits—employee engagement and free publicity—are presented, with no direct mention of the nonprofit's needs. The nonprofit also opens the door to further exploration (which could include grants, in-kind donations, staff or project management and more), always stressing the benefits to the for-profit.

The 2012 Oakland Health and Wellness Fair got started with precisely this kind of in-person meeting and presentation of mutual benefits. The Apothecary (**www.apothecaryetc.com**), a community pharmacy in a low-income neighborhood of Oakland, Calif., had held several annual health fairs in the past but wanted to reach more underserved and homeless people. Coincidentally, both the local state assembly member and the local county health department also had held their own separate health fairs in the past but had abandoned them due to staff and budget limitations.

In-person meetings with the Apothecary, representatives from the government groups and a fourth partner, a nonprofit senior center, were held. All partners stood to gain a great deal of free local publicity and community goodwill from the partnership. The meetings were very productive because each partner communicated transparently about his or her organization's objectives and motivations while always keeping in mind the greater good goal.

The result of this four-member, cross-sector partnership was the extraordinarily successful 2012 Oakland Health and Wellness Fair, which in only one day provided free health services to more than 600 low-income and homeless people in Alameda County, Calif. Each partner's goals were stated and met, and all partners received benefits that they could not have received on their own. It was a win-win-win-win!

Step 4: Create the business value proposition. Once you have had your first in-person meeting and obtained the interest of a corporation (or even a small business) by showing you understand its objectives and are offering multiple ways to reach them, it is time to create your business value proposition (BVP). This is a presentation that shows that by working with your organization, multiple benefits toward the other's business or mission ob-

jectives can be achieved through a partnership with you. It is the most successful way to create a lasting cross-sector partnership.

Why a BVP? Imagine you are a for-profit executive who listens to typical nonprofit pitches all day long. When someone walks in with a well-thought-out BVP clearly showing how partnering will bring multiple benefits to your organization, wouldn't your ears prick up a bit?

The corporate world runs on well-researched plans such as a BVP—the integration of the research you have done about your potential partner, both sides' objectives, descriptions of the multiple benefits and projected outcomes and your slam-dunk creative ideas—all framed in a business mindset that speaks to for-profit marketing objectives. By understanding the business value mindset and presenting a solid, well-researched cross-sector partnership plan, you have a big advantage over other nonprofits vying for funding and support.

Companies are continually looking for cost-efficient revenue generators and image enhancers. In fact, cause marketing, a subcategory of cross-sector partnerships, is "the fastest growing area of corporate sponsorship spending" according to IEG, and it is estimated that in 2013, $1.78 billion was spent on cause marketing campaigns in North America alone.

For-profit companies know that their customers notice when they are supporting a worthy nonprofit. Their employees also notice and often become more engaged and loyal to their company. Shareholders notice, the public notices and the media notice. And they all like what they see.

How do you create a successful BVP?

- Using your research and knowledge of your potential partner's business objectives and priorities, closely assess ways that your organization's objectives tie into your potential partner's goals.
- Go through the full list of cross-sector partnership benefits, and describe how each benefit from the partnership provides concrete benefits to the company.
- Stay focused on the greater good you are striving to attain. This is what provides the magic that drives the success of any cross-sector partnership, and this is why Art from the Heart's BVP presentation to Autodesk was successful.

Art from the Heart built its BVP on its background research and understanding of Autodesk's community relations goals. In the meeting with the employee grants committee, Art from the Heart explained how Autodesk employees could work with the low-income schoolchildren in Art from the Heart's program, how fun and valuable it would be to them and how this program would provide highly favorable publicity and goodwill all over the community. In a heartfelt and convincing presentation, it showed Autodesk's employee grants committee photos of the kids painting murals and described how artistic expression is important for each child's personal growth and educational success.

By the end of the presentation, each of the five members of the Autodesk Employee Grants Committee wanted to volunteer for Art from the Heart, and a few weeks later, the program received the donation of $5,000—several times more than Autodesk normally gives to a first-time grantee. This allowed the nonprofit to expand its program to approximately 300 students in five different, deserving area schools.

The key lesson from the Art from the Heart/Autodesk partnership is that while they were immensely different in size and organizational focus, they had the advantage of providing multiple benefits to each other. Art from the Heart was able to receive funding and enthusiastic volunteers from Autodesk. Additionally, the partnership has given significant credibility to the small nonprofit, increasing its attractiveness to other for-profit benefactors.

What did Autodesk get? Happier, more fulfilled and more loyal employees; great community goodwill; and the ability to meet its own corporate social responsibility objectives.

When nonprofit organizations, and the fundraising professionals who support them, change their mindsets about corporate fundraising—from the traditional "we're worthy" philanthropy pitch to a bona fide cross-sector partnership approach that shows an ability to meet a for-profit's own business objectives—they can expect to do the good they want in the world with a long-term, sustaining partner. When they do their research on potential partners, find the best-aligned prospect and present a well-planned BVP, the resulting partnership can create significant benefits (money and so much more) throughout all facets of their organizations, benefits that they otherwise never would have enjoyed, all while the magic of the greater good continues to spread and multiply.

Bruce Burtch is a consultant (www.bruceburtch.com) in San Francisco helping for-profit and nonprofit organizations develop win-win partnerships. He is the author of Win-Win for the Greater Good.

Large Gifts, Major Impact

By Melissa S. Brown

Does your inbox overflow with promises of the new, best thing in fundraising? These keywords scrolled across my screen this week: Retention! Generation Y! Games! Stories! They seem to focus on donor recruitment. What about households that make gifts of $1,000 or more to a single charity in a year? What matters to higher-dollar donors?

JOHN BERRY/ILLUSTRATION SOURCE

New university-based research about higher-dollar giving encompasses the Lilly Family School's series on *High Net Worth Philanthropy* plus studies from Australia and the U.K., to name a few. Such research offers critical insights and suggests ways to apply the work to improve major-gift programs.

How Many Larger-Gift Donors Are There?

Larger gifts can be paid from accumulated assets such as real estate, retirement funds, appreciated stock holdings and more. However, since much of the publicly available data about giving in the United States comes from tax returns, income is commonly used as a definition of capacity. Thus, with the caveat that this analysis excludes people with high assets but low income, I will start with tax data to guesstimate the share of the population that could probably make a gift of $1,000 or more to a single organization.

In 2012, there were nearly 145 million individual tax returns. Of those, almost 21 million reported income of $100,000 or more. Based on itemization records, 80 percent to 90 percent of those higher-income households are donors. That is approximately 11 percent to 13 percent of all tax returns that might be in the $1,000 or more gift range for a single organization.

Estimate of Gifts From Higher-Income Donors As a Share of All Giving

Tax data are annual and cover all U.S. residents. However, many more people give than actually claim a charitable deduction, so the estimates here are on the low end. Also, this analysis focuses on higher-income groups, leaving out high-asset, low-income donors who are also prospects for larger gifts.

Itemized deductions for charitable contributions from returns with incomes of $100,000 and up totaled more than $141 billion in 2012. This amount equates to 71 percent of all itemized charitable contributions ($199.3 billion) for 2012. Thus, more than 70 percent of contributed dollars in the tax record came from 11 percent of all tax returns.

What Do Higher-Income Donors Support?

In the Lilly Family School report on high-net-worth philanthropy, nearly every responding household gave philanthropically in 2013. Two-thirds or more gave to religion (67 percent), health (67 percent), the arts (70 percent), helping meet other people's basic needs (81 percent) and education (85 percent). Other types of charities received support from 50 percent or less of the respondents.

On average, households in the survey gave $68,580 in 2013. The survey reached households with incomes of $200,000 or more or assets of $1 million or more, or both. Note that for four in 10 survey responses, the largest single gift the household made in 2013 was less than $5,000. For less than one in 10, the largest single gift made in 2013 was $50,000 or more.

The sidebar shows selected results from the 2011 Philanthropy Panel Study, also from the Indiana University Lilly Family School of Philanthropy (**www.philanthropy.iupui.edu**). The analysis shows high-dollar giving in 2010 by households with incomes of $100,000 or more.

Impact Matters

The *High Net Worth Philanthropy* study finds repeatedly that donors in this group value impact. They not only report that in a survey but also show it in their actions, based on field research in the U.K.

Michael Sanders, Ph.D., head of research at the Behavioural Insights Team (**www.behaviouralinsights.co.uk**) in London, reported findings at a November 2014 conference organized by the Science of Philanthropy Initiative (**http://spihub.org**) in Chicago. An investment bank ran a one-day campaign asking for one day's salary. Proceeds were split between two organizations. The 158 solicitors recruited for the project each had a strong record of giving through the bank. Across three differently worded requests, the most successful one combined a request, a thank-you and a direct statement of the impact a gift could make. The other scripts were a simple request with "Thank you for your gift" and one that ended with "Thank you for your gift. Please ask others on your team."

The request including a summary of impact inspired nearly 40 percent of the people to give, compared with 5 percent of those who heard the simple request and 24 percent of those who were asked to ask others. This suggests that, where appropriate, organizations may express their overall impact in requests for funds, even those for unrestricted gifts or for general operating expenses.

While Tax Deductions Are Not a Primary Motive, They Count

Most survey research shows that, when asked, people minimize tax benefits for themselves as an incentive for giving. However, donated amounts repeatedly increase when tax rates increase (and the value of a deduction is higher) and decline when tax rates fall (and therefore the value of a deduction is lower), showing that donors are responsive to tax incentives. We see this in the Giving USA methodology, which incorporates changes in tax rates as one of the drivers of individual giving, and in the success of tax schemes, such as one implemented in the United Kingdom.

Dr. Russell N. James III, J.D., CFP®, of Texas Tech University, reports that including a message about tax deductibility in the first line of printed materials helps increase the percentage of people interested in making a gift. He recommends being upfront about the tax benefits.

Of course, you do not start a conversation about a major gift with a discussion of taxes. You start with your organization's impact and how that connects to the donor's interests.

The Importance of Good Conversations With Prospective Major-Gift Donors

Todd Rasberry, in his doctoral research at Texas Tech University, observed visits between major-gift officers and potential donors. He identified three themes within conversations. Each theme has a specific role in strengthening a potential donor's interest and trust in an institution.

Major-gift officers use facts and stories to promote their organizations, which appeals to prospective donors' intellect. They also appeal to potential donors' emotions by illustrating the potential at their organizations, which shapes the donors' perception that their gift will be instrumental. Both major-gift officers and potential donors share stories. This social interaction promotes greater levels of trust among individuals.

In Australia, interviews by Dr. Wendy Scaife, senior research fellow at Queensland University of Technology (QUT) in Brisbane, and colleagues with major donors and with fundraising professionals reveal the critical role that major-gift officers have in building that level of trust. A donor's negative experience can precipitate

What Is a Major Gift?

Ask 10 fundraisers to describe a major gift, and you will probably get 10 different answers. There is no one accepted definition. For some organizations, a major gift creates or sustains a program or initiative. In others, any request in person by a volunteer and a staff member may lead to a major gift because of the organizational thought and effort. For many charities, a major gift is an order of magnitude (or two) larger than a typical gift amount. In this situation, a gift of $1,000 might be a "major gift" if the organization's average is $100 or less.

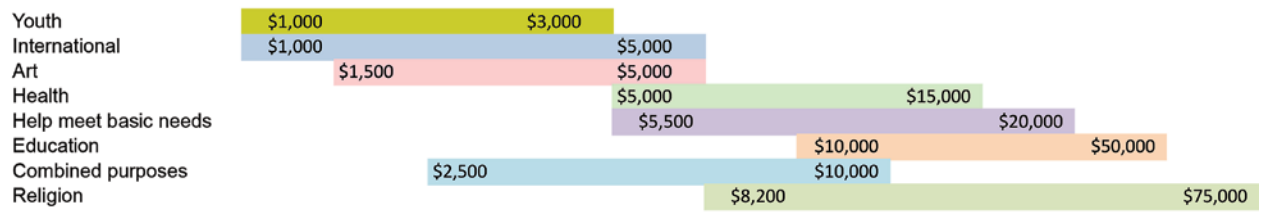
All of these are organization-centered answers. How do donors think about major gifts? The Million Dollar List (**www.milliondollarlist.org**) from the Lilly Family School of Philanthropy in Indiana shows gifts of $1 million or more. However, these are households at the tippy-top of the wealth distribution—maybe the top 1 percent of families.

The Philanthropy Panel Study offers data that can help look at giving from a donor's perspective with insight into the other 99 percent of households. Many of these do make significant contributions, whether a large share of their own income from accrued assets or in other ways.

Among the nearly 9,000 responses to the 2011 Philanthropy Panel Study, the top amounts given by type of recipient organization varied widely. Among donors who contributed to international causes, a gift of $3,000 was larger than 98 percent of the other amounts reported, and $5,000 was the largest amount in the study for international causes. In contrast, among the donors to religion, the highest gift reported was $75,000, and a gift of $10,500 was more than 98 percent of the amounts given for religion. (See Figure 1.)

About 5 percent of donor households gave a "major gift" (within the ranges above) in 2010. All but about 0.5 percent of donors made only one large gift in the year. Two percent of the donor households gave at least $10,500 to religion in 2010, and, for most, that was the only large gift in the year. Another 3 percent gave a large amount to one of the secular causes.

Figure 1. Range of Gift Amounts at the 98th Percentile to Largest Gift, by Recipient Type, 2010



Data: Philanthropy Panel Study, 2010 giving, 2011 survey. Analysis by Melissa S. Brown & Associates.

Unweighted results. Values shown are gift amounts at the 98th percentile (left) and the highest gift amount reported (right).

his or her withdrawal from an organization, according to this study from QUT. Fundraisers need to be honest about the relationship as it forms. This suggests, where possible, that an organization should have metrics that consider team-level results for major gifts, not simple individual goals or metrics, so that major-gift officers are able to seek the best correspondence between a team member and a donor.

Trust Plays a Role, but Not *the* Role

Dr. Adrian Sargeant, Stephen Lee and Elaine Jay (all then at Henley Management College) point out that many factors beyond trust in an individual or institution influence actual giving behavior. This is affirmed by the QUT report that concludes, "The decision making in major giving is not a linear process. Rather, it is a complex and interrelated set of cultural factors, personal interests, values and peer encounters."

Thus, a major-gift officer will be successful when understanding a donor's personal interests and values. James has, in fact, peered inside donors' minds to see what is at work. He finds that, in many cases, a legacy gift (and perhaps any major gift) is a piece of the donor's own life story and, maybe more importantly, a piece of the donor's connection to a loved one.

Loved Ones' Life Stories Inspire Gifts

James shared his findings about "philanthropy as synthetic family" at the Science of Philanthropy Initiative conference. Among donors with a family member linked to a cause, many are more likely to want to make a charitable bequest specifically to honor that loved one, compared with when they are just asked for a charitable bequest without the memorial option offered. People identified that they were more likely to say they would leave a charitable bequest honoring a family member in an earlier generation (grandparent, parent, aunt, uncle) rather than one who is of the same generation (sibling, cousin) or the following one (child, niece or nephew). Remembering a grandmother had the greatest impact on the intent to leave a bequest.

James also used fMRI (functional magnetic resonance imaging) and found that when people were asked about honoring a loved one through a bequest, brain regions associated with memory and emotion were activated more strongly than if they simply had been asked about making a bequest to a charity.

Coinciding with James' work, in a field situation at community colleges, Geraldine Gallagher, Ph.D., CFRE, president and CEO of the Valencia Foundation in Orlando, Fla., found that one of the several reasons people gave major gifts to community colleges, even when they were not alumni, was because of family history and connection with the college.

This importance of the donor's story and the stories of a donor's family members suggests that major-gift officers should listen for ways to connect their institutions' impact and mission to someone the donor admires or loves. For some people, the opportunity to make a gift in honor of or in memoriam will be more powerful than responding to the organization's case for support.

Donors Seek Communication and Continuation

To explore donor expectations, the QUT team interviewed major donors. The authors found that gifts emerge as expressions of a donor's intrinsic values. In fact, charitable giving is part of a major-gift donor's identity, often stemming from what he or she learned in childhood.

Donors considered ongoing communications to be essential. The authors also wrote, "Much hinges on the level of care, courtesy, feedback and evidence of ongoing need conveyed by the recipient organisation. Donors express strong preferences for what responses they want." In fact, each donor wanted such different types of communications and engagement that the authors recommend individualized approaches. All donors interviewed had expectations, but few wanted to state them explicitly, so developing that individualized approach will require some careful observation and questions.

The Importance of Organizational Planning

Donors look for well-run organizations, with fiscal transparency (clear annual reports available online, for example) and a good connection between their goals and their activities. Organizations have many choices in how they make their case for major gifts. In the United Kingdom, scholars at the Institute for Fundraising found, among other things, that a "major appeal" was most likely to secure major gifts. This was, the authors say, because, "*major appeals* are cross-organisational, securing a level of internal buy-in. … *Major appeals* tend to have senior support, a clear and compelling case for support and are integrated across an organisation at all levels."

You need to listen to what donors say and explore what they want—even what they may not have considered asking about yet.

What Does All This Mean?

Giving is an optional activity that fits into a household budget along with other discretionary expenses. You need to be attentive and responsive to donor expectations. You need to think about the complex blend of decision making that engages emotions for each individual, assessment of the organization's capacity, financial and tax considerations, statements of community or organizational need and more.

You need to listen to what donors say and explore what they want—even what they may not have considered asking about yet. That can include gentle questioning about childhood experiences the prospective donor considers significant or what family members valued and ways in which the donor may want to honor someone else. You might show a donor different types of information to see what is most useful or intriguing. You can include a discussion of a gift's potential impact and link that impact to what you have learned about what matters to the donor. You are not always telling your story. You also have to hear the donor's.

Note: Dr. Russell James and Wendy Scaife are members of the AFP Research Council. Dr. Adrian Sargeant and James each have received research awards in the past from the AFP Foundation for Philanthropy.

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Managing Millennials to Leverage Their Strengths

By Arminda Lathrop, CFRE

The world is fascinated by Millennials (those born between 1980 and 1999), one of the largest generations to date and entirely divergent from previous generations in many respects. Google "Millennial research," and you will learn how to market to them, inspire them and respond to them. You also will find a collection of helpful data and suggestions on how to engage this complex group in your nonprofit's work.

Perhaps one of the greatest bodies of writing on Millennials focuses on managing them—much-welcomed knowledge among older generations who are unsure how to lead staff members who have an unfamiliar perspective and approach. At a recent work gathering, one of my colleagues was bemoaning the challenges of supervising Millennials. I have heard his complaints before: Millennial employees require more supervisory time and greater motivation but reciprocate with little commitment to the organization.

According to recent research, this perception reflects some truth. A 2014 comprehensive Pew Research Center study indicates that Millennials are less likely to link themselves to an institution, identify with a political or religious group or trust people.[1] This echoes the *2013 Millennial Impact Report* on philanthropy that states, "Millennials aren't interested in structures, institutions and organizations, but rather in the people they help and the issues they support."[2]

Millennials have a reputation for being flighty, but this is not exactly fair. A 2014 White House report, *15 Economic Facts About Millennials*, found that Millennials stayed with their employers longer than Generation X workers did at the same age and stage in their careers.[3] So, it is not that Millennials are disloyal. Rather, they are yearning for personal attachment and contribution to a cause and the people it serves.

If you add this trait to what is already known about Millennials—that they are tech-savvy, educated, have enormous friend networks, value creativity and innovation and are the most diverse generation to date—the sum is a powerful and potentially transformative engine to drive progress in your organization. Millennial staff can lead the charge in helping your organization adapt to an increasingly Millennial stakeholder audience.

Since Millennials will soon make up the largest population in the workforce and the world, they will play a major role in guiding the direction of philanthropy. Rather than trying to fit Millennial staff into existing processes and traditions, consider these five tips for leveraging their greatest strengths to innovate your organization's fundraising and engagement strategies.

Nurture Connection to Cause

Provide opportunities to connect with your cause from day one. Because members of the Millennial generation are less attached to an organization just because they may work there or be affiliated in some way (take note, colleges and universities), it is essential to build education and connection to your cause from day one of Millennials' employment. Make sure *all* of your Millennial staff has regular opportunities to connect with the people your organization serves. Ensure that they are educated on your organization's impact—not just theoretically but also personally on individual lives and families. Provide opportunities for them to share what they have learned about your organization's cause since beginning their tenure.

Even the for-profit world is readjusting to make companies' contributions to the community and "cause

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Long-Term Employees—or Not?

In the article "Millennials: Keep Them or Let Them Go" (*The Wall Street Journal,* May 6, 2015), author Lindsay Gellman writes, "Many managers like to complain that 20-something workers won't stay put in a job for long. But for employers, is that a problem or an opportunity?" According to the article, Millennials make up the largest share of the U.S. workforce (about 34 percent), with those aged 20 to 24 remaining at the same job for up to 16 months, on average, and those aged 25 to 34 staying for about three years. What does this mean for the nonprofit sector? To read the article, visit **www.wsj.com/articles/how-employers-wrangle-restless-millennials-1430818203**.

work" front and center in recruitment and onboarding, noting the increase in retention when employees feel they're working for a philanthropically minded company. In the Case Foundation's *Inspiring the Next Generation Workforce: The 2014 Millennial Impact Report Executive Summary*, Millennial participants indicated that a company's involvement with a cause was their third-most-important factor in applying for a job.[4]

Mohan Nair, author of *Strategic Business Transformation: The 7 Deadly Sins to Overcome* (Wiley, 2011) and senior vice president and chief innovation officer at health giant Cambia Health Solutions, said in a recent interview, "Millennials seem motivated less by profit than by causes greater than themselves. Missions are given to them but causes are taken by them. They respond to causes that transform their community." After more than 30 years in management, Nair has noticed a dramatic change in strategy for recruiting and retaining the best staff.

Provide Opportunities for Personal Ownership

Allow Millennials the chance to put their stamp on your organization. Although this trait is often characterized as Millennial entitlement, this group does find fulfillment in accomplishment and praise. Paul Harvey, who is associate professor of management at the University of New Hampshire and has a large body of research and writing on Millennials and entitlement, verifies this generalization: Millennials believe they are special.[5]

Managers and older staff members should not try to prove to an entire generation of educated workers that they are, in fact, not special. According to Harvey, attempting this creates friction and wholesale resistance on the part of Millennials. Instead, leadership can recognize their need for praise and individual recognition in the workplace and leverage it into productivity. Allow Millennial staff to take on projects and initiatives where they believe they can make a difference. Provide very clear expectations around goals, timeline to completion and evaluation. When they complete projects successfully, be sure to recognize the difference they made.

Use Millennials' Scrutinizing Approach to Your Advantage

Encourage Millennials to ask questions and provide their own feedback. At a recent staff meeting, our team was discussing an upcoming crowdfunding initiative. The dean had a clearly defined project he wanted to fund, and we considered this the perfect opportunity to engage young alumni. The 24-year-old executive assistant at the table spoke up: "Young alumni will never pay for that." She continued to explain why the idea would not appeal to recent graduates, and her reasoning made perfect sense. We opted for a different project idea, and from then on, she assumed the ad hoc role of young alumni consultant.

As the study *Millennials in Adulthood* pointed out, the Millennial generation is facing stronger economic hardship than either Generation X or the baby boomers faced. A challenging job market, overwhelming student loan debt and ever-widening income gaps have hit Millennials hard. Necessity has required them to be more intentional with their philanthropy and more skeptical of organizations seeking their support, which is one reason why they are cause-oriented and highly value their personal contributions.

Your Millennial staff can serve as an effective litmus test when engaging a younger generation of donors. Seek their input on case statements and ideas, and encourage them to informally survey their friend groups as well. They can be an excellent—and free!—resource, and they will feel heard in the process.

Make Millennials' Vast Social Networks Work for You

Use Millennial social networking expertise to build awareness of and engagement with your organization. What is the quickest way to reach 10,000 audience

members for your organization? Tap into the friend networks of 10 Millennials.

You cannot ask your Millennial staff to solicit their friends on behalf of your organization, but you can recognize three valuable Millennial traits that will influence how your organization markets to this group and enlist Millennial staff to lead the charge.

1. Thanks to social networking, Millennials have the largest friend groups of any generation on the planet (*Millennials in Adulthood*).
2. Millennials are highly influenced by the decisions and behaviors of their peers (*Inspiring the Next Generation Workforce*).
3. Millennials need the chance to experience an organization's work without having to be on-site (*Inspiring the Next Generation Workforce*).

These three Millennial traits translate into the need for a highly sophisticated online marketing strategy for your organization, and your "digital native" Millennial staff can be invaluable in leading these efforts. And, if they believe in your cause, maybe they will also post about your organization in their various virtual communities.

Be Open to Millennials' Entrepreneurial Nature

Strategically encourage Millennials to think like entrepreneurs. Whether it is a symptom of coming of age during the Zuckerberg era or facing a challenging job market, more than half of Millennials either want to start a business or have already started one.[6] As you may imagine, fewer Millennials have actually started businesses, and even fewer will launch successful start-ups. Someone who is "entrepreneurial" in a broader sense is innovative, hard-working and willing to take risks, which can be a winning combination for your team if managed correctly.

While managers cannot nurture every idea that Millennials generate, they can validate this instinct and encourage innovation. When staff members develop "What if we … " or "Why don't we … " suggestions, encourage them to pursue those ideas by developing plans for how they would work. Ask them to define ideal outcomes, resources needed and potential stakeholders and to outline a plan for implementation. If they are committed to the idea, they will follow through. In the process, they will feel ownership in your organization, and their idea could have a powerful impact.

Understand Motivations In Order to Motivate

Considering staff members' motivations and background helps managers to lead more effectively, regardless of generational considerations. For some organizations, working strategically with Millennials may require a wholesale revision of management strategy. However, changing your approach to take advantage of Millennial qualities, rather than fighting against them, will put you on the leading side of an evolution already underway in the workplace.

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Turning Staff and Board Members Into Passionate Fundraisers

By Dr. Khaled Fasih, MBA

There is no limit to what you can accomplish when you take some good ideas and have the determination to successfully implement them in your organization. Want proof? Consider what the Misr El Kheir Foundation (MEK) in Cairo (**www.misrelkheir.org**) has achieved in just a few short years.

The Beginning

The Misr El Kheir Foundation was established in 2007 and works in many areas throughout Egypt. MEK focuses on five primary social issues:

1. Education (basic education, undergraduate and graduate education and technical and vocational clusters)
2. Health (programs range from supporting university, public and central hospitals to providing high-quality healthcare services to sending medical convoys to underserved villages)
3. Scientific research and innovation
4. Social solidarity (raising the standard of living of individuals and communities to enable them to become self-sufficient)
5. Life-enhancing aspects (empowering youth and adolescents; empowering women and families; promoting culture, the arts and sports; and integrating persons with disabilities into society)

JENNIFER THERMES/GETTY IMAGES

The MEK fundraising team with Andrea McManus, CFRE (fifth from right, front row).

In 2013, two staff members from MEK attended the AFP International Fundraising Conference in San Diego—the first time either one had attended the conference. While there, they were impressed with the caliber of the attendees and inspired by the quality of the educational sessions. Of particular interest were the following:

- "Breaking Down the Barriers Within Your Organization to Raise More Funds," presented by Margaret Scott, FFIA, CFRE
- "In Pursuit of a Culture of Philanthropy: Building and Expanding Capacity," presented by Laura Goodwin and Annette Leeland
- "Managing Staff as if They Were Donors: Using What We Know About Donor Behavior to Bring Out the Best in Staff," presented by William F. Bartolini, Ph.D., ACFRE
- "Training Your Board Members to Personally Ask for Contributions," presented by Simone Joyaux, ACFRE

From their conference experience, the MEK attendees took home two critical messages that had a direct impact on future decisions:

1. Fundraising is both a science and an art.
2. Fundraising is the responsibility of everyone.

Knowing how important these two messages were, they designed an initiative in order to

- cultivate a culture of philanthropy within the foundation;
- improve internal communications;
- help staff learn more about the foundation's projects; and
- allow staff to contribute to the fundraising efforts of the foundation.

The objectives of the 2013 philanthropy initiative were ambitious:

- Cultivate a culture of philanthropy.
- Build cross-functional teams.
- Improve internal communications.
- Increase public awareness of MEK.
- Contribute to fundraising efforts.
- Create a positive competition.

To achieve these objectives, the initiative was divided into three stages.

1. In the first stage, Azza Koura, president of the AFP Egypt & MENA Chapter, designed a one-day course covering the main principles and fundamentals of fundraising, which was offered to more than 400 staff members.
2. The second step of the learning process involved having Andrea McManus, CFRE, president of The Development Group in Calgary, Alberta, and past chair of the AFP board, and Rhonda Starr, AFP's vice president of education and training, come to Egypt to deliver a four-day Fundamentals of Fundraising course to the foundation's fundraising and marketing teams.
3. The third part of the learning process was to get all of the foundation's staff engaged in the foundation's many projects and, through frequent field visits, have them meet with those in the community who benefit from MEK's programs and services.

Of course, the initiative was not all work and no play. To make it fun and interesting—and successful—there was a fundraising contest.

Figure 1. Participation

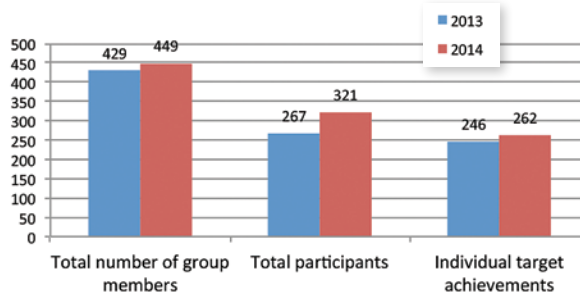


Figure 2. MEK Staff Achievements

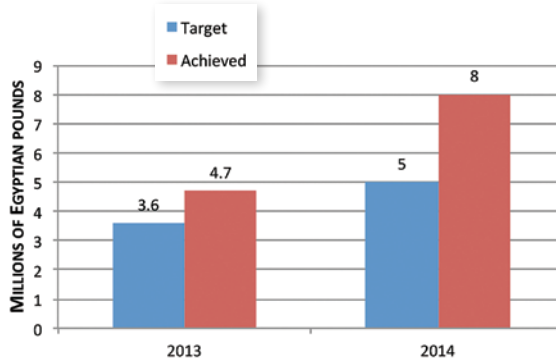
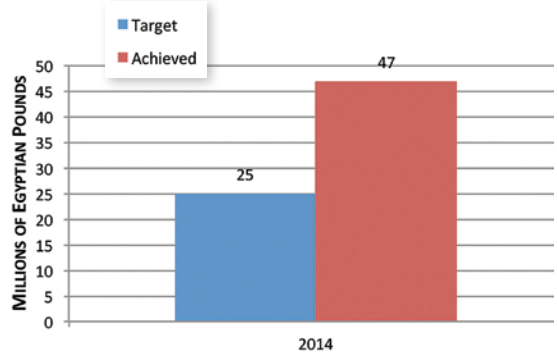


Figure 3. Board Achievement



Presenters from the MEK team at the 2015 AFP conference in Baltimore (left to right): Dr. Khaled Fasih, chief communications officer and fundraising director; Dalia Mohamed, senior major-gift officer; Eman Fathy, fundraising manager; and Abdel Aziz Aly, executive trustee.

The 2013 Fundraising Contest

All MEK employees were divided into 18 groups, with a member of the fundraising team in each group to provide technical support. The formation of the groups was designed to include each function and sector of MEK, which would help improve internal communications because of the many cross-functional meetings involved during the contest. Each team selected a leader, chose a nickname and created a slogan to further a sense of unity and competition.

A set of standards was also developed to ensure better engagement and participation. For a group to be eligible to enter the competition, it had to meet the following criteria:

- At least 50 percent of the members had to participate.
- Each individual member had to raise E£1,000.
- Each team had to realize a fundraising goal of E£25,000.

To be rewarded and recognized by the foundation, a team had to raise more than E£200,000, or around $26,212. (On May 13, 2015, US$1 = E£7.63.)

The results? Out of 429 employees, 267 participated (a 62 percent participation rate), and 57 percent reached their goals. Furthermore, actual fundraising figures exceeded expectations, with the teams raising a total of E£4.7 million.

At the end of the year, the foundation held a half-day celebration for all of the employees at the foundation. The top three teams and the 20 individuals who raised the most within each team were recognized and rewarded.

This was just the beginning, however. It was time to begin planning for 2014. Again, the starting point was the AFP conference, this time in San Antonio.

2014—Another Great Year

The attendees from MEK, six in all from both the fundraising and marketing departments, found some of the high-quality lectures especially beneficial, including:

- "Train Your Board (and Everyone Else) to Fundraise," presented by Andrea Kihlstedt
- "Love Your Donor—Best Practices in Developing Donor Loyalty From Around the Globe," presented by Diana Ruano Ortiz and Daryl Upsall
- "The Development Committee Workbook: How to Manage Your Volunteers to Success," presented by Michelle Berard

Usually, it is a very tricky task to engage a board comprising high-level individuals in serious fundraising activities. Nevertheless, the 2014 philanthropy initiative was designed to include members of the board, who received a short training session.

In addition, the participation and reward standards were raised. The participation rate was increased to 75 percent from 50 percent, and individual targets were tripled, from E£1,000 to E£3,000. If a team wanted to be rewarded, it had to exceed a fundraising goal of E£300,000.

The results once again surpassed expectations. Seventy-one percent of employees participated, compared with 62 percent the year before, and the teams raised E£8 million.

In 2014, more than 3 million individuals benefited from the foundation's programs and services, and MEK implemented 170 projects.

Just Getting Started

The story does not end here. MEK has a three-year plan through which it would like to spread a philanthropic concept and culture across Egypt. It plans on hosting a philanthropy day in 2016 not only for the foundation but also for all nongovernmental organizations across Egypt. And, the MEK team intends to attend the AFP conference every year to learn more and try to implement best practices at the foundation. Who knows what good ideas we will be able to use next!

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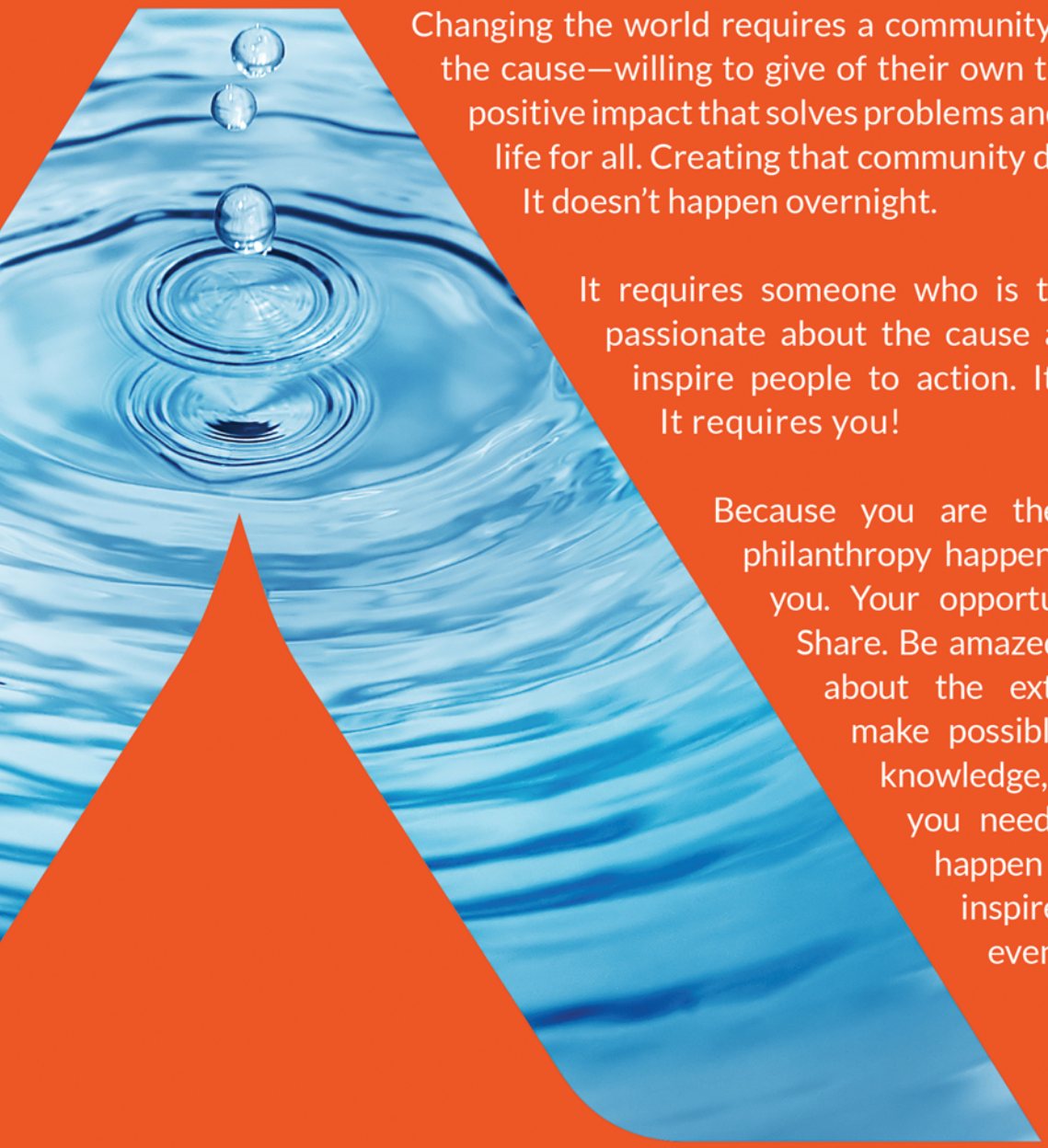

Changing the world requires a community of people dedicated to the cause—willing to give of their own time and money to build positive impact that solves problems and improves the quality of life for all. Creating that community doesn't happen naturally. It doesn't happen overnight.

It requires someone who is talented, dedicated and passionate about the cause and a catalyst who can inspire people to action. It requires a fundraiser. It requires you!

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Make Writing Fun(d)

By Lynda McDaniel

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If you live somewhere east of Texas in the United States, you may have encountered the insect *Milesia virginiensis*. It is large (imagine a teen's thumb), flies uncomfortably close to your face and makes hostile buzzing sounds that conjure thoughts of painful stings. The truth is, this friendly critter, commonly known as the "news bee," doesn't even have a stinger! In fact, in the Appalachians, it is called the "good news bee," the bearer of good tidings.

Writing is a lot like that news bee. Projects hover, annoying and threatening. Even once you start writing, your words, to your critical ear, sound like just a lot of noise. So let's take the sting out of all your writing projects. The following tips and tools will help you—and everyone in your organization—deliver your good news in a way that elicits enthusiastic responses from donors.

Writing Is Writing

Fundraisers write all kinds of content: appeal letters, thank-you letters, follow-up letters and proposals. And support staff helps create newsletters, Web content, blogs, reports and everyday emails. Writing so many different documents can feel overwhelming, but here is more good news: Writing is writing. No matter what you are crafting, the same tenets of good writing apply. Of course, you will do some things differently in an appeal letter than in a newsletter article, for example, but everything you write needs to hook your readers, keep them reading and let them know what they need to do next.

Good writing is important for everyone in your organization, not only fundraising professionals. Your brand is the sum total of every email, every newsletter and every appeal sent from your office.

Getting Started

First, you have to start. This sounds obvious, but it is not that simple, is it? Procrastination and dread are steady companions for most writers, exacerbated by busy schedules and unexpected meetings. And research. It is easy to convince yourself that you need to do more research before you begin writing. June Bradham, CFRE, president of Corporate DevelopMint (**www.corporatedevelopmint.com**) in Charleston, S.C., discovered this delaying tactic while working on her book, *The Truth About What Nonprofit Boards Want: The Nine Little Things That Matter Most* (Wiley, 2009).

"I got stuck when it came to the actual writing," she recalls. "My background is as a consultant. I take primary and secondary information, and I create a thesis. So, I kept doing more and more research. One day, my writing coach told me, 'Stop doing any more research. When you talk to me, you're animated, full of feelings. Please, just write that down. Don't worry about paragraphs or good form. Think out loud, and put it on paper.' That unlocked my writing."

In other words, write from your heart. Make it conversational (professionally speaking). However, as Bradham discovered, this free-flowing style can take practice. To help you kick-start your writing, try "imitate to innovate." Find a blog, article or appeal letter you love—one you wish you had written because it is so engaging, clear and compelling—and deconstruct it. What do you like about it? Why did it grab your interest? How does it start? How does it end? Now, do *that* with your writing project.

Writing is a lot like that news bee. Projects hover, annoying and threatening. Even once you start writing, your words, to your critical ear, sound like just a lot of noise.

Speed It Up

Once you know where you are headed with your writing project, you can save time and increase your creativity with six quick writing techniques.

1. **Brainstorm.** Let your thoughts fly. Write as fast as you can without stopping. Your brain will reward you with ideas you did not even know you had.
2. **Write your first draft—quickly.** Virtually no one writes a good first draft, even those bestselling authors you cannot wait to read. Just get that tangle of thoughts in your head down on the page. Don't worry about quality—yet. You can make it better later.
3. **Do not scribble and scratch.** How often have you written a sentence, started a second one, then gone back to that first sentence to fix the verb, then gone back to the second sentence and so on? This wastes time and cripples your creativity. When you write quickly with limited stops and starts, your mind begins clicking on all kinds of fresh ideas.
4. **Turn off your monitor.** If you cannot stop scribbling and scratching, simply turn off your computer monitor. You cannot edit, which frees your mind to write faster and more creatively.
5. **Keep your momentum going.** Is the perfect word on the tip of your tongue, or are you stumped for the right word? Do not stop writing. Type "xxx" and keep going. When you edit, the right word will pop into your head.
6. **Plunge in.** Start wherever you feel passionate. In the middle? The end? That's fine. You do not have to start at the beginning. You will discover that your creativity gets super-charged when you are excited (or more knowledgeable) about the section you are writing. And once your momentum is rolling, you will find more energy for those other sections, too.

Hook Your Readers

You need to hook your readers and get to the point quickly, so your lead paragraphs are vital to your success, no matter what you are writing. Here are five powerful ways to start.

Set the scene. Take your readers there. Transport them to a situation in their lives that relates to your message: *Think back to the earthquake of 2014. Homes crumbled against one another. Transportation was at a standstill, while sorrow flooded our streets. Now look at our community today …*

Share solutions. Solve a problem, offer advantages or explain how your organization has made a difference: *When you sit down to the dinner table, you want to enjoy fresh, local vegetables packed with vitamins for your family, right? But as family farms in our region give way to housing developments, this is no longer a sure thing. That's why ABC lobbied for—and won—agricultural safeguards …*

Offer benefits. Features tell only what you do or how you do it. Benefits offer results—increasing education opportunities, improving the environment, saving lives, etc. This approach is especially effective when you start with a quote from someone who has directly benefited from your efforts: *XYZ's work is invaluable to patients like me throughout the Midwest. I received treatment within 24 hours of learning my test results, which gave me and my family incredible peace of mind.*

Foreshadow. Create mystery by teasing information to keep your readers reading: *When we started our new outreach, we followed four time-honored steps for success. Instead, we got a lot more than we bargained for.*

Answer "Why?" According to Robert Cialdini, lead author of the book *Yes! 50 Scientifically Proven Ways to Be Persuasive*, reprint edition (Free Press, 2009), people long to understand "why." "Be sure to state the reasoning behind your request," he writes. "That may sound obvious, but too often we mistakenly assume that other people understand the reasons …" Write to your readers, not at them (i.e., use a donor-focused approach). If you are writing about change, for example, address your readers' concerns as you explain why the change is necessary. Or, if you are explaining a dire need in your community, step into your readers' shoes, and write from their perspective. Otherwise, do not expect much buy-in.

Keep the Muddle Out of the Middle

The middle of most documents is like the basement—a great place to throw everything. The beginning is intriguing, and the ending is satisfying. But that stuff in the middle with all the nuts and bolts you need to cover? It can be tedious to write—and read.

"You don't need to hard sell," Bradham says, "but you do need to understand what you offer and then address your audience and what they want. I rely on 'who, what, where, when, why, how' for all types of communication. Get to the point quickly, and make it easy for them to read."

The Written Proposal

"Writing is thinking on paper."

—William Zinsser, On Writing Well

Writing is not just something you prepare for others to read. It is also a way to help organize your thoughts, says John Greenhoe, CFRE, director of major gifts at Western Michigan University in Kalamazoo, Mich. (**www.wmich.edu**), and author of the book *Opening the Door to Major Gifts: Mastering the Discovery Call* (CharityChannel Press, 2013). "I use my writing skills as a jumping-off point for face-to-face solicitations. I write a thumbnail of my proposal first, and that helps me structure how the solicitation will go."

Typically, that thumbnail proposal eventually becomes a full-blown proposal Greenhoe leaves behind after his face-to-face presentations. He knows from his years of experience as a senior fundraising practitioner that few say "yes" on the spot. "When you get an 'I'll think it over' answer," Greenhoe explains, "it's helpful to have a written document available so that you can respond, 'I prepared this proposal for you to help you consider the project. Please look over the nuts and bolts, and let's plan to meet again next week.' Having the prepared proposal underscores the importance of the project."

Greenhoe is seeing a trend in which donors do not want to read a traditional proposal. They want more of a business plan. "In other words, donors won't make a decision based on your vision and mission alone," he says. "They need specifics about how you will get from A to B to C in a logistic manner. A good proposal needs vision, but it also needs concrete steps."

Proposals—and really all fundraising letters and appeals, as well as the face-to-face solicitation—need to include five elements:

1. the problem or issue being addressed;
2. who you are and why you exist (mission);
3. why your organization is best suited to address this problem—your credibility, track record and ratings;
4. what your organization will do to address the problem, including a budget and how results will be measured; and
5. what you would like the donor to do—a specific dollar ask, along with information about donor recognition.

Keep proposals simple, ideally no more than three pages. You want to give people something long enough to make your case yet short enough to be remembered. "Anything longer, and people won't read it," Greenhoe says. "Also, remember that the proposal may be shared with people who are not in the room when you make your face-to-face solicitation, such as a financial adviser. Make sure it's clear to them, too."

Greenhoe cautions that the written proposal should never replace the face-to-face solicitation. "It's dangerous to think the proposal can do everything. Nothing trumps personal, one-on-one discussions," he emphasizes. "At the same time, for some people, the ask isn't real until they see it in writing. The well-written, leave-behind proposal can help seal the deal after the face-to-face solicitation occurs. It should continue to motivate the donor once you've left."

As Bradham suggests, use who, what, where, etc., as a checklist to ensure you have covered all your points. (They also serve as a handy planning tool early on and as a vital checklist at the end.) In addition, there are other ways to keep the middle from sagging.

- **Avoid dense paragraphs.** Readers' already overtaxed brains will surely rebel against (i.e., they will skip or delete what you worked so hard to write) endless text. Everyone skims these days, thanks to TMI (too much information), so offer some respite with white space, bullet points, numbers and subheads.
- **Use a variety of sentence lengths.** Long, droning sentences put your readers to sleep. Add a short one and even an incomplete one. It works!
- **Add stories.** Especially powerful in fundraising messages, stories come in different shapes and sizes, from case studies and lengthy chronicles to similes and short anecdotes. Whatever form they take, stories captivate readers, in part because they take them out of their critical left brain so they are no longer on the sidelines listening. They are there with you, the storyteller. As Joshua Gowin reported in *Psychology Today* (June 6, 2011), "By simply telling a story, [we can] plant ideas, thoughts and emotions into the listeners' brains." As a result, we're better able to illustrate ideas, make information more specific and meaningful and guide our readers toward action.
- **Keep stories simple and use only one per piece to avoid confusion.** If you have a longer story, consider telling it in stages throughout your letter, newsletter or blog.

End With Impact

Whether you are writing an email or blog post, letter or proposal, you want to close in a way that helps your readers remember your message and encourages them to take action. Sometimes, that is as simple as asking them to respond or sending them requested information. At other times, you may be asking for a donation. Whatever the case may be, tell them what you want and when you need it, and make it easy for them to comply.

Headlines, Subheads and Subject Lines

Engaging headlines hook readers and get them to open your letter, blog or proposal. (What a waste if you have written a great letter, for example, and no one opens it!) However, the art of writing headlines is even more useful than you may think. What is a tweet if not a 140-character headline? And email subject lines? Think of them as headlines in a box. Titles, subtitles and subheads are headlines by a different name.

The publishing industry has spent millions of dollars to discover what makes people buy magazines. You can benefit from the research by studying the "cover lines" (those headlines that flash like neon at passersby) and crafting your own to draw in your readers. The following popular cover-line categories often include those power-packed words "you" and/or "your."

- **How to:** (*How to Make Your Community Strong Again*)
- **Why:** (*Why Your Support Matters*) Again, "why" is a magnet for curious minds.
- **Questions:** (*What Can You Do to End Hunger?*) Questions draw in readers and offer the promise of solutions.
- **Statements:** (*Living in Harmony: Your Guide to Creating Community Organizations*) People connect with offers, ideas and information.
- **Numbers:** (*Six Steps to Your Financial Security*) People's brains love numbers.

If you need more headline-writing tools and additional inspiration, visit **http://tweakyourbiz.com/tools/title-generator/index.php**. Dozens of possibilities appear instantly to spark your own creativity. And test the drawing power of your headlines at **www.aminstitute.com/headline**.

Good Writing Is Really Good Editing

The final steps are the most important: edit, edit, edit, and proof, proof, proof. Good writing is really good editing. Bad writers simply stopped too soon. Take those first drafts (the ones you wrote quickly to save time and increase your creativity) and put them through the paces of the six C's of editing: conversational, clear, concise, creative, constructive and complete. And get a fresh set of eyes to help you proof—a colleague, a friend or, as Bradham discovered, an editor/coach.

"My coach read my writing and would say, 'I don't understand this,'" she says. "I loved that he made me think it through. I became more confident and trusted I could write in a succinct way. Writing actually became fun. I'd write and write and eventually hear myself say, 'Dang, that's good!' I like that."

Lynda McDaniel is a freelance writer in Sebastopol, Calif. (www.lyndamcdaniel.com).

Argumentation and the Art of Persuasion

By David Tinker, CFRE

Argumentation is not something new. It is something scholars have studied since ancient times. In fact, you process argumentation all of the time and likely do not realize it. It is how you can reach conclusions through logical reasoning. Making a persuasive argument is convincing someone or some group to agree to take an action. Why is it important to fundraisers? Because they ask prospects and donors to agree to the conclusion to make a donation to their organizations. Making a persuasive argument allows your organization to stand out from the cacophony of messages that prospects and donors receive every day.

British philosopher Stephen Toulmin (1922–2009), who devoted his work to the analysis of moral reasoning, said argumentation has six interrelated components: claim; grounds; warrant; backing; rebuttal; and qualification. (See his book *The Uses of Argument,* updated edition, Cambridge University Press, 2003.) Fundraisers also follow all of these when they make their case for support.

CHAD J. SHAFFER/ILLUSTRATION SOURCE

Claims are statements that you and your organization make and want others to accept as true. An example of a simple claim is "My nonprofit is the organization most suited to solve the issue in the region."

Grounds are the data that you use to demonstrate the need. It can be the number of people, patients, animals, students, etc., that benefit from a gift. Grounds provide the persuasion in a persuasive argument (e.g., "XYZ nonprofit already provides health services to 60 percent of the children in our town.").

A **warrant** links data and other grounds to a claim. The warrant may be unspoken, or it can be explicit. It is the unspoken warrants that get you into trouble with your arguments. There are many types of warrants, but they all answer the question "Why?" as in "Why should I support your cause?" Successful fundraising appeals incorporate logic, trust and emotion. Toulmin said warrants can be based on Aristotle's definitions of logos, ethos, pathos or values that you assume you share with a prospect or donor. Basically, logos focuses on the logical appeal, ethos is the trust the donor has in you and pathos is the appeal you make to a donor's emotions. In fundraising, you look for people with similar interests to your cause because they are the ones most likely to share the same logos, ethos and pathos.

Providing additional support for an argument is called **backing**. It can help drive home the point for your request. Supporting facts for your argument could include "Half of the children not already served by us live within a 10-minute drive of one of our offices" or "The ABC report by the Highly Regarded Research Organization indicates the new service we want to offer will increase the overall health of children."

Fundraisers always go over questions that may come up prior to making an ask. Questions and counterclaims are the **rebuttal** that Toulmin identified as the fifth of six parts of an argument. While you cannot know the answer to every question, you certainly want to be prepared to provide facts or figures when possible. Prospects and donors ask questions because they either have not fully understood part of your persuasive argument or they want

a deeper understanding. Questions allow you to continue to make your persuasive argument.

There will be limits to the claim you are making, which Toulmin called **qualification**. This is the sixth component of argumentation. Terms indicating qualification include "most," "best," "usually" and "sometimes," to name a few. The qualifier you use is an indication of the strength of the data's connection with the warrant. There is a big difference between stating "My agency is the only one in the region to solve the issue" versus "My agency usually is the one asked to solve the issue."

When thinking about the last time you made an ask, whether it was written or verbal, how did the different parts of your ask fit into Toulmin's model? What was the claim you made? What grounds did you share? Did your warrant connect the grounds and claim appropriately? Were you able to back up your claim with additional information? Did you have answers ready for a rebuttal? What qualification did you use in your request?

Making a **persuasive argument** is convincing someone or some group to **agree to take an action**.

Each time you share your case for support with potential donors, you make a persuasive argument. Usually, fundraisers are good with each of the six parts Toulmin identified, except one: warrants. Through better storytelling, you need to better connect the reasons with your claim. You need to share the emotion better. You need to make sure people trust in your cause. You need to be logical in your request. As you strategically consider the preparation of a case for support and other solicitation materials, consider argumentation and the act of persuasion to increase the odds that your request will be successful.

David Tinker, CFRE, is vice president of advancement at ACHIEVA (www.achieva.info) in Pittsburgh, Pa.

AFP® Association of Fundraising Professionals

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January 28, 2015, Wednesday
Integrating Planned Giving Into Your Campaign/Major-Gifts Program
Brian Sagrestano, J.D., CFRE

February 18, 2015, Wednesday
Making Each Rung Count: How to Build a Donor Ladder That Goes From Annual Gift to Ultimate Gift
Michael Delzotti, CFRE, and Christopher Kasavich, MBA, CFRE

March 4, 2015, Wednesday
Is Your Organization Sustainable?
Simone Joyaux, ACFRE

March 17, 2015, Tuesday
Donor Retention: Current Rates Are Plummeting! What Every Fundraiser Can Do to Reverse the Trend
Jay Love

April 14, 2015, Tuesday
Fundraising on a Shoestring (Fundraising for Those With No Time to Fundraise)
Alice Ferris, MBA, CFRE, ACFRE, and James Anderson, CFRE

April 29, 2015, Wednesday
Find High-Capacity Prospects Hiding in Plain Sight
Rachel Muir, CFRE

May 7, 2015, Thursday
Seven Secrets of Successful Solicitations
Anne Melvin, J.D.

May 20, 2015, Wednesday
Engaging Your Board in Fundraising for the Small Shop
Sandy Rees, CFRE

June 3, 2015, Wednesday
Making Friends With Financial Statements: Accounting and Budgeting Concepts for Fundraisers
Stephanie Cory, CAP, CFRE

June 18, 2015, Thursday
Why and How to Use Social Media to Show Gratitude to Donors
Steven Shattuck

July 15, 2015, Wednesday
Win Win Win: Build Deeper Relationships With Your Corporate Partners Through Cause Marketing
Tania Little, CFRE

August 12, 2015, Wednesday
What You Need to Know About Planned Giving When Planned Giving Is Not All That You Do
Timothy D. Logan, FAHP, ACFRE

August 25, 2015, Tuesday
The Campaign Prequel: Success Begins Before the Campaign Plan
Matthew Cottle, CFRE

September 16, 2015, Wednesday
In It for the Long Haul: How Donor Retention and Major Gifts Can Transform Your Nonprofit
John Greenhoe, CFRE

September 29, 2015, Tuesday
Creative and Compelling Fundraising Messages for Digital Solicitations
Derrick Feldmann

October 14, 2015, Wednesday
Social Media and Ethics in Fundraising
David Tinker, CFRE, and Lisa Chmiola, CFRE

October 28, 2015, Wednesday
How to Raise Major Gifts the Right Way
Amy Eisenstein, ACFRE, and Adrian Sargeant, Ph.D.

November 18, 2015, Wednesday
Ten Ideas to Elevate Your Small Shop Fundraising Program
Ligia Peña, CFRE

December 10, 2015, Thursday
The Whats, Hows and Whys of Major-Gift Solicitation
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How Would Sherlock Ask?

By R. Daniel Shephard, CFRE

While watching a recent episode of one of the numerous TV shows featuring some version of Sherlock Holmes, it struck me that the work of the world's greatest (fictional) detective offers lessons that apply to the field of major-gift fundraising. The successful fundraising professional uses methods that are strikingly similar to those of Arthur Conan Doyle's great literary character. As Holmes himself might offer, shall we examine the evidence?

Sherlock's is an inductive, methodical pursuit of justice, although that does not always appear to be the case until the culprit is exposed and the case concluded. He is so good that his methods have been adopted in the study of forensic crime analysis and referred to by scientists in a variety of fields as examples of the scientific method of inquiry.

Major-gift fundraising requires an inductive, deliberate pursuit of assessment and cultivation of new donors, which often takes time and dogged pursuit before the gift is secured. This approach is so successful that some more enlightened sales professionals have borrowed philosophies and techniques from the not-for-profit sector, notably a donor-focused emphasis on relationship building.

> **"It is a capital mistake to theorize before one has data. Insensibly one begins to twist facts to suit theories, instead of theories to suit facts."**
>
> —"A Scandal in Bohemia" (*The Adventures of Sherlock Holmes* by Arthur Conan Doyle, 1892)

Sherlock Holmes employs a systematic approach to crime solving. His use of observation, listening and logical thinking serves him well time after time. His willingness to subjugate himself to the process and to embrace a certain humility (despite all outward appearances to the contrary—do not confuse determination with arrogance) permit him to focus on the facts and stay out of his own way.

Fundraisers build donor relationships using the dependable stages of the development cycle. In a donor-focused manner, they pursue discovery and assessment of potential donors, carefully cultivate trust and credibility and learn pertinent details. They submit a proposal only after determining the best interests of both the charity and the donor and feeling fairly certain that the answer will be "yes."

> **"They say that genius is an infinite capacity for taking pains," he remarked with a smile. "It's a very bad definition, but it does apply to detective work."**
>
> —*A Study in Scarlet* by Arthur Conan Doyle, 1887

Sherlock Holmes gathers information from a crime scene, collecting clues and evidence. He inquires and interrogates his subjects, including witnesses and the suspect. He utilizes the skills of colleagues, beginning with the indefatigable Dr. John Watson and the undervalued but capable Inspector Lestrade.

Fundraisers conduct research and gather information, both statistical and anecdotal, that will help determine the potential for a gift commitment. They seek input from professional colleagues and from those loved ones and trusted advisers who matter to the prospective donors. At the same time, fundraisers must have a calculated skepticism in order to separate valuable information from mere distractions.

> **"You see, but you do not observe. The distinction is clear."**
>
> —"A Scandal in Bohemia"

Sherlock analyzes clues and evidence. He trusts his intuition, honed after much practice, to guide him toward the correct conclusion. Only after meticulous investigation, questioning and analysis does he announce his conclusions and identify the guilty party.

Fundraisers also assess a prospect's motivation and means to give. They trust in their intuition, honed after much practice, to know when the appropriate time will be to move the relationship closer to the goal of inviting a gift commitment. Only after meticulous discovery, assessment and cultivation do fundraisers ask for the gift.

PHIL & JIM BLISS/ILLUSTRATION SOURCE

"It has long been an axiom of mine that the little things are infinitely the most important."

—"A Case of Identity" (*The Adventures of Sherlock Holmes* by Arthur Conan Doyle, 1892)

Holmes does not assume guilt or jump to conclusions. He inquires about circumstances and invites input from trusted colleagues before determining how a case will proceed.

In the same way, successful major-gift officers do not determine in advance what sort of gift to pursue—outright, pledge, testamentary, life income, etc. They inquire about gift motivation, triggering life events and asset allocation. They seek guidance from appropriate colleagues, invite a conversation about gift plans that will benefit both the charity and the donor and let the evidence lead to the best choice.

How, then, can you become a Holmesian fundraiser? You must think and act like Sherlock Holmes, who doggedly seeks answers to the classic crime-fighting questions: when, where, how, why and, finally, by whom. Similarly, successful major-gift officers intentionally build a relationship with a new potential donor, seeking to ask and find answers to four key questions:

- Why might you give?
- For what would you give?
- How might you give?
- Will you give?

Criminal investigation cannot be rushed without great risk of making poor decisions based on incomplete or inaccurate information or unsafe assumptions. Too much is at stake.

Charitable gift planning cannot be rushed without great risk of acting on incomplete information, misinterpreted motivations or ill-timed solicitations. Too much is at stake.

Successful fundraising professionals understand and embrace the parallels. "Elementary," as Holmes might say.

R. Daniel Shephard, CFRE, is principal at The Shephard Group LLC (www.thefrontlinefundraiser.com) in Independence, Ky.

Eureka! Data-Driven Nonprofits Find Gold

By Steve MacLaughlin

The typical nonprofit has data anywhere and everywhere. In fact, nonprofits are sitting on a huge asset worth its weight in gold: their data. The challenge is in extracting the value from all that data.

With real gold mining, you hear tall tales of a nice nugget found in plain sight, but the reality is that it takes a lot of toil, tools and talent to strike it big. Data-driven nonprofits also know that transforming piles of raw bits of data into valuable information can help boost their fundraising results.

Finding and mining the most valuable parts of your data start out with just raw piles of data—databases, donor-management systems, paper files and even those rogue spreadsheets where data get marooned. Every nonprofit should have an amnesty program that rewards staff for turning in their secret stash of data.

Those raw data also need regular cleaning. Donors grow up. Donors move. Donors change jobs. Donors change giving behaviors. And yes, about 3 percent of donors die every year. It is the circle of life. Keeping your data clean is essential to eventually determining what is trash and what is treasure.

Clean data find their way into reports. For many nonprofits, this is their day-to-day touchstone for how well they are performing. Reports can be very useful, but do not fall into the trap of using the rearview mirror to drive your car. Most reports represent a snapshot in time and tell a nonprofit what happened. However, further analysis is needed to understand why it happened and what is likely to happen next.

The next big jump to being a data-driven nonprofit is sorting and separating those cleaned data. All nonprofits have a finite amount of resources to spend, and they cannot afford to waste it on fool's gold. To the untrained eye, some donors may look like good prospects. However, it takes a donor-modeling metallurgist to help nonprofits segment out the pyrite, quartz, iron ore and the more valuable metals.

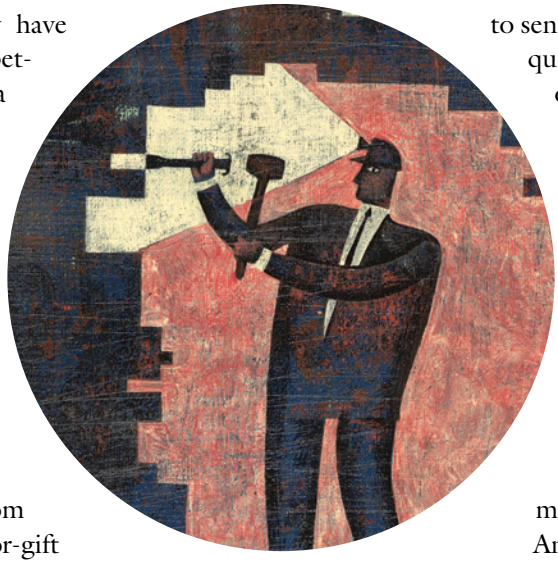
Fundraising is both an art and a science. There is no question that relationship building is an art. You also know that there is a science to donor segmentation and modeling, which requires taking your data and doing some sophisticated analyses utilizing external information sources. This helps to remove a lot of the guesswork about which donors have the most capacity and affinity toward your cause. Then you can tell which donors will make better annual-gift or major-gift prospects.

Every nonprofit should have an amnesty program that rewards staff for turning in their secret stash of data.

You are going to want to call in a professional for this kind of work. It does involve some expertise, heavy equipment, moving boulders, crafting algorithms and throwing in some multivariate linear regressions. It is not really a do-it-yourself project with pivot tables, a compass and a stick of bubble gum. Thankfully, the really good prospect-modeling companies have the right skills and equipment to make it a smart investment.

KEITH SKEEN/ILLUSTRATION SOURCE

Over the years, you probably have heard some say that investing in better high-touch fundraising data modeling is only for the "big guys" or if you are preparing for a capital campaign. This notion could not be further from the truth. Improving your fundraising performance is not a sometime thing—it is an all-the-time thing.



This is especially true for midsize and smaller nonprofits. If you raise $100 million a year, then you can bounce back from overlooking a few more major-gift prospects. If you raise $10 million or $1 million, on the other hand, the impact of missing someone can be much greater on your organization. If you think that you cannot afford to use these types of outside services, the reality is that you really cannot afford not to use them.

A 360-degree view without direction just leaves you running around in circles. Finding the real valuable donors and understanding their true giving capacity pays for itself. This extends beyond traditional, major-gift prospect research as well. There are now exciting options to do better online remarketing campaigns to supporters. Information about consumer behavior and social media influencers are changing how nonprofits engage with people.

Not only do more nonprofits need to be data-driven, but the entire sector can benefit from this approach as well. This is where the discussion turns to "big data" and the nonprofit sector. Yes, it is that ambiguous buzzword that many people are talking about but few are actual doing. Big data is less about how much data there is and more about the insights that you get from it. Better insight leads to asking better questions. For example, what is the best day of the week to send an email appeal to donors? Years of email data show that just looking at the day of the week is not very helpful. Yes, most email and donations happen Monday through Friday and less so on the weekends, but there is more.

It turns out that some big data analysis reveals a better question to ask: What are the best hours of the day to send an email appeal to donors? Great question! After looking through tens of millions of emails, billions of dollars in online donations and years of data, an informed answer emerges: More online donations occur between 11 a.m. ET and 1 p.m. ET in the United States. Knowing this critical insight is starting to change how nonprofits plan their online fundraising campaigns. Just imagine what else you are going to find in the data mines.

The key is moving from just **collecting the data to making a habit of cleaning it, sorting it, refining it** and leveraging it in the right ways.

Another example is looking across data from thousands of nonprofit organizations to see how the quality of their data compares with yours. If having clean data is the first step to being more data-driven, then knowing how much bad address data is costing your organization is very useful information to have. Giving nonprofits benchmarks for their own performance without any additional work is a practical application of big data.

The good news is that the technology that makes these insights possible does not need to be the star of the show. Does it matter to a fundraiser that behind the scenes Sqoop is used to move terabytes of data into a Hadoop cluster where MapReduce sorts and summarizes values so that Hive can produce a data warehouse for analysis? No, it does not. The real alchemy is what happens when nonprofits tap into services providing big data insights.

This is an exciting time in the nonprofit sector because you are finally able to answer many burning questions. That value hidden deep down in your nonprofit's data can be pulled to the surface and used to help meet your goals. The key is moving from just collecting the data to making a habit of cleaning it, sorting it, refining it and leveraging it in the right ways. Before you know it, that pile of raw data will be completely transformed.

Steve MacLaughlin, a director of analytics at Blackbaud (www.blackbaud.com) in Charleston, S.C., is a published author and serves on the board of directors of NTEN.

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What do you think about donor-advised funds? What about donor ill-advised funds? Donors simply do the darndest things! Read "Donor Ill-Advised Funds" by Larry Hostetler in "The Last Word" to find out how to prepare. "The Last Word" is an addition to *Advancing Philanthropy* and is available *only* in the digital magazine. To access the digital *Advancing Philanthropy,* visit **www.afpnet.org** and select "Publications."

AFP Foundation for Philanthropy–Canada Receives Grant to Expand Diversity and Inclusion Efforts

The AFP Foundation for Philanthropy–Canada has received a multiyear grant, valued at $403,674, from the Ontario Ministry of Citizenship, Immigration and International Trade to create a fellowship program that will support and train fundraisers from diverse backgrounds.

This is the second grant that the AFP Foundation for Philanthropy–Canada has received from the Ontario government. The first grant supported a three-year project, *From Diversity to Inclusion in Philanthropy: An Action Plan for Ontario's Charitable Sector,* which brought together donors, fundraisers, volunteers and charity leaders from 12 different communities to share insights about the giving traditions and interests of emerging philanthropic groups across the province. (For more information, visit **http://afpinclusivegiving.ca**.)

The second grant, which will cover a 25-month period, will create a pipeline of diverse fundraising leadership through specialized training, education and mentorship opportunities for new and midcareer fundraising professionals from underrepresented communities. The project will support 70 fellows across Ontario who will participate in organizational policy development on inclusion and equity issues.

Richard Martin Honored for Lifetime Service to the Profession

Richard K. Martin., CFRE, who has been a leader in encouraging the profession to address the issues of diversity and inclusion, is the recipient of the Chair's Award for Outstanding Service.

After nine years in manufacturing and finance, Martin left to pursue a career in philanthropy because, in his own words, he "felt a longing to serve people." Now, with more than 20 years in the philanthropic sector, he is chief advancement officer for Lutheran Social Services of Michigan, one of the largest faith-based nonprofits in the state, with 80 programs in 44 cities. As a senior administrator, he also helps guide the $120 million nonprofit in service delivery and business development.

Throughout his career, Martin has dedicated his time and efforts to introducing African-Americans to careers in fundraising and tirelessly encouraging individuals and organizations to create a welcoming culture for diversity. He helped form the African-American Association of Fundraising Professionals (AAAFP), which provides support, education and mentoring for African-American fundraisers in the Greater Detroit area. During discussions with AFP on how to support AAAFP, he helped create the proposal that would become AFP's Diverse Communities in Fundraising Program. The program has become AFP's key diversity outreach initiative and a blueprint for its inclusion work around the world.

Martin has contributed to the profession in many other ways as well. He was president of the AFP Greater Detroit Chapter in 2007 and 2008, served on the board of AFP and is a member of the AFP Foundation for Philanthropy's Leadership Society. He also has worked with CFRE International in keeping the Certified Fund Raising Executive (CFRE) credential current and updated to meet trends and changes in the profession.

Joyce Mitchell-Antoine Receives Barbara Marion Award

AFP has bestowed the Barbara Marion Award for Outstanding Leadership to AFP, the association's highest volunteer and leadership recognition, to Joyce Mitchell-Antoine, CFRE, of Raleigh, N.C.

Mitchell-Antoine is currently vice president for development at Planned Parenthood South Atlantic and has been a member of AFP since 1999, serving in a variety of leadership positions and spearheading several important initiatives for the association. She was on the AFP board from 2005–2013. As vice chair of membership

services, one of her key goals was making membership more accessible, leading development of an online "Web-only" membership for international members. Her efforts to look into new and innovative organizational membership ideas ultimately led to the association's new Large Organizational Membership Category, which has increased AFP membership significantly.

Increasing and broadening the diversity and inclusivity of AFP membership also has been an important part of Mitchell-Antoine's leadership. As vice chair, she awarded the AFP Friends of Diversity designation (a program that has now grown to 69 chapters) to the first class of chapters. She has mentored women of color to become involved in her chapter, and these members have not only gone on to lead the chapter but also developed award-winning programs, with her guidance, including AFP's Charles R. Stephens Award for Excellence in Diversity.

Mitchell-Antoine has been active in her local AFP, North Carolina Triangle Chapter. She has chaired the National Philanthropy Day Committee, served as secretary of the board and mentors other professionals. The chapter named her the 2009 Fundraising Executive of the Year. She also has consistently given charitable gifts to the AFP Foundation for Philanthropy at the international and chapter levels for more than a decade and is a longtime member of the Alpha Society and the AFP Leadership Society.

Calgary Fundraiser Joan Black Honored

AFP has presented its Founders Medallion to Joan Black, CFRE, of Calgary, Alberta, in recognition of her extraordinary service to the fundraising profession in Canada and worldwide.

Black, one of the pioneers in fundraising in Canada, served as president and principal of Black Fund Development Inc. for more than 20 years. Although she officially retired in 2014, she remains active in AFP, giving her time and talent to the fundraising profession.

Black began her career as prairie regional director of the Muscular Dystrophy Association of Canada in Winnipeg and within a few years was leading the United Way of the Central Fraser Valley in Abbotsford, British Columbia, just one of several executive positions she would hold throughout her career. At every organization, she started new programs (donor acquisition, donor recognition, home lottery) that led to millions of dollars in new funding.

In 1993, Black started her own firm, Black Fund Development Inc., and became a leading authority on charity raffles in Canada. She has helped raise more than $250 million through lotteries for her clients, including the Alberta Cancer Foundation, the Canada Cancer Society and the STARS Foundation (Alberta Shock Trauma Air Rescue Service Foundation). During this time, she also served as senior manager for the STARS Foundation, managing its annual campaign for six years and nearly doubling its revenue in that time.

Black has been involved with AFP since 1996 and, even earlier, with the Canadian Society of Fund Raising Executives (CSFRE). She served as president of CSFRE's Calgary Chapter in 1995 and was instrumental in helping to integrate the chapter seamlessly into AFP. She is also a mentor and teacher and has presented at local, national and international meetings and conferences.

A strong supporter of the AFP Foundation for Philanthropy–Canada, she has served on the board, currently chairs the Leadership Society (the foundation's recognition group for its largest and most consistent donors) and is a member of the Major Gifts Committee.

For her work locally, Black received the Alberta Centennial Medal in 2005 in recognition of her outstanding service to the people of Alberta and was named the 2010 Outstanding Fundraising Professional by the AFP Calgary and Southern Alberta Chapters.

Index to Advertisers

Karen Brooks Hopkins

Lifetime Highlights:

- Launching the Next Wave Festival (1983)
- Meeting Princess Diana (Royal Patron of the Welsh National Opera) at our gala (1989)
- Becoming a grandma (2011)
- Receiving the National Medal of Arts for BAM from President Barack Obama (2014)
- Being inducted into the inaugural class of *Crain's* Hall of Fame (2014)

What do you think have been the greatest challenges in your work since you joined the Brooklyn Academy of Music (BAM) in 1979? Achieving the principal challenge is the same now as it was then: Finding the money for all of our great programs and hard-working staff!

You co-authored *Successful Fundraising for Arts & Cultural Organizations* in 1996. What are the most significant changes you have seen since then? You may not believe this, but when I wrote the first edition of the book, it was actually in the '80s, and that was pre-Internet. Can you imagine? We had one giant computer at BAM called the Systems 6. All it did was word processing. Brooklyn has changed a lot as well, from an abandoned outpost to the coolest place on Earth.

What has it been like running a world-class arts organization in New York City that is not in Manhattan? It has been amazing! I love the Brooklyn attitude—the history, the diversity and the spirit. Being in Brooklyn in a certain way freed us to be creative. No one had any expectations of BAM, so we could do whatever we wanted—if we could figure out how to pay for it. It was liberating in a sense.

What do you consider your greatest accomplishment at BAM? I am proud of balancing the budget every year of my presidency (which began in 1999) and of building our endowment to more than $100 million. I am also proud of our new Fisher Building and of launching the very successful BAM Rose Cinemas. Over the years, we have presented some amazing programs.

What is the best career advice you ever received? Harvey Lichtenstein (president and executive producer of BAM, 1967–1999) once told me, "Karen, most things don't work out, but sometimes, they do." Food for thought!

Is there anything you would have done differently during your career? I am pretty pleased with the way it all worked out.

What will you be doing after you retire in June? I look forward to more personal and family time, but I will also work on projects and write and talk about our field. The arts deserve more respect.

Karen Brooks Hopkins, president of the Brooklyn Academy of Music in Brooklyn (www.bam.org), started as a development officer when she joined the organization in 1979. As reported in The New York Times *("President of BAM Will Leave Next Year," Feb. 4, 2014), "Ms. Hopkins's approach to fundraising has been to connect donors with specific projects and to add contributors by converting ticket buyers into members and members into patrons who leave behind something in their wills. 'I call it cradle to grave BAM,' she said. 'You want long-term connections.'" One long-term connection that has been greatly appreciated is her service on the* Advancing Philanthropy *editorial advisory council. We would like to thank her for her many contributions to the magazine.*

PHOTO CREDIT: ERIN TRIEB

Donor Ill-Advised Funds

By Larry Hostetler

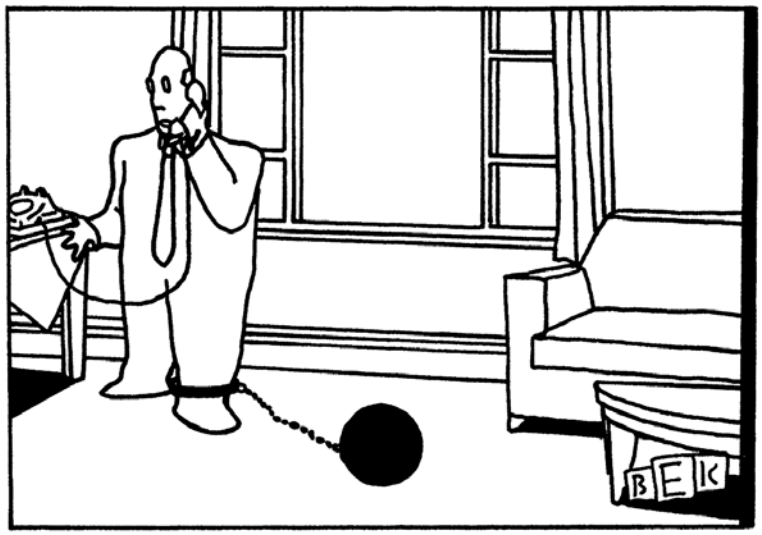
Paramount to most fundraisers is the principle of honoring donor intent.

With the proliferation of donor-advised funds, I worry that there also will be a proliferation of donor ill-advised funds. Will someone whose job it is to handle the investments of those funds advise against a donor's request when the dispersal of funds seems ill-advised?

Think it couldn't happen?

After research to rival that of *The New York Times* and *Rolling Stone,* I have discovered the following "real" examples of donor ill-advised funding. We all know the Internet to be completely impartial and accurate, but even if it is not, the principle is the same. "Donor-advised" is not always "ill-advised." Sometimes, it is humorous (if it is not just sad). The following are my favorite results from my exhausting (but not exhaustive—I looked at only five websites) online research. For the most part, they are in chronological order, except for my favorite, which I have saved for last.

This is not an egregious example, but it will get us off to a good start.



"It was her dying wish."

BRUCE ERIC KAPLAN/*THE NEW YORKER* COLLECTION/THE CARTOON BANK

1. 1856, Paris, France. Henrich Heine has died after an interesting life. He was a poet, satirist and critic. His writings were both famous and controversial, but that did not stop with his death. His poetry was put to music by Schumann, Schubert and Mendelssohn. While he was appreciated by many, it is to his credit that he was hated by the Nazis, and his books were burned.

Heine wrote many love poems to his wife, but my favorite poem of Heine's is the following:

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His criticism and satire survived him. In his will, he left his estate to his wife (that is not the criticism or satire) with the condition that she would remarry so that "there will be at least one man to regret my death."

While that is borderline ill-advised, I think most people would agree that the following was definitely ill-advised.

2. 1891, Shrewsbury, Vt. John Bowman, a successful tanner, dies. He joins his wife and two daughters, who were enshrined in an elaborate mausoleum, outside of which stands a statue of John. "Bent with grief, and burdened with mourning cloak, silk hat, gloves, a huge funeral wreath and a key, he is represented in the act of ascending the steps of the tomb," according to the website of the Shrewsbury Historical Society.

The website also reveals that, in his grief, Bowman built a beautiful Victorian home. However, even more prominent on the Internet is the information that his will left a trust fund to maintain the mansion and prepare dinner nightly in case the Bowmans were reincarnated, returned and were hungry. The money ran out in 1950, and the Shrewsbury Historical Society website indicates that the mansion is now closed to the public. Ill-advised? You decide.

More of you may consider the following ill-advised.

3. 1926, Toronto, Canada. Charles Vance Millar has passed away. Perhaps a donor-advised fund or a will is not the best place to display a good sense of humor, but that did not stop Millar.

First, his will provided for a fund to grant a large sum of money to a woman in Toronto who could bear the most children in the 10 years following his death. The ensuing "contest" became known as the Great Stork Derby. Four women tied in the "contest," with nine children each, and they each received $125,000. (That's more than $2.5 million today.) Ill-advised?

If that weren't enough, Millar also left breweries to temperance groups and racetracks to antigambling groups.

4. Now spring forward 34 years. Every source I could find repeated the same information about this ill-advised fund, but none indicated the continent, let alone the country where this took place. Nevertheless, the story is that Samuel Bratt was upset that his wife never allowed him to smoke cigars. When he died in 1960, he left her his estate, which came to about £330,000, on the condition that she smoke five cigars a day for the remainder of her life.

Sometimes poor decisions run in families.

5. 1977, San Antonio, Texas. Sandra West inherited her fortune from oil—yes, oil fortunes in Texas!—and eventually became a socialite in Beverly Hills, Calif. She was only 37 years of age when she died, so her ill-advised bequest may be considered an indiscretion of youth. Her request, which was honored by her family, was that she be buried "in my lace nightgown" in her 1964 powder-blue Ferrari 330 America (or 250 GTO, another online discrepancy, since West owned several Ferraris) "with the seat slanted comfortably." Her car was flown from California to San Antonio for the funeral, but the family realized that such a vehicle could be a temptation to exhumation, so they encased the vehicle in a crate and covered it in concrete. (In 2014, a 1963 Ferrari 250 GTO sold at auction for $38.1 million; in 2014, a 1964 Ferrari 330 America was auctioned for $372,000.)

But my favorite donor ill-advised bequest is the following.

6. 1955, Buenos Aires, Argentina. Juan Potoachi may have lost his head in writing his will. He left 200,000 pesos for the Teatro Dramatico, but only if they preserved his skull and used it for the famous part in Shakespeare's play where Hamlet holds a skull and utters the words, "Alas, poor Yorick! I knew him, Horatio; a fellow of infinite jest, of most excellent fancy … "

People are people, and donor-advised is not always different from donor ill-advised. Those who really want to do something in death will find a way to do so.

The more I think about it, the more it doesn't seem ill-advised but rather full of infinite jest and most excellent fancy. I can appreciate that.

Larry Hostetler is AFP's director of chapter services for the western United States. He doesn't own a 1964 Ferrari, but he has aspired to a career on the stage.

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