



Local Community Foundation Development

Building Grassroots Philanthropy for Rural Communities

COMPREHENSIVE FUND DEVELOPMENT OVERVIEW Prepared by Big Sky Institute for the Advancement of Nonprofits

I. CORE FUND DEVELOPMENT STRATEGIES

A. Seed Fund

The purpose of a “Seed Fund” is to have a permanently funded endowment whose earnings will help support the annual operating costs of a local community foundation (LCF) on a sustained basis. Typically, an LCF's Board will designate a particular level to be reached before earnings are disbursed for annual operating costs. In the case of Lewis and Clark County Community Foundation (LCCF), the level for activating their Seed Fund was \$50,000. In the interim, annual earnings were reinvested and became part of the corpus for this Fund. In Montana, raising funds for annual operating costs for LCFs has been a difficult “sell” to date; therefore, creating this kind of permanently endowed fund is a way to educate an LCF's donors and prospective contributors about the need for annual operating support.

For the more inquisitive prospect, having a Seed Fund demonstrates that the LCF is strategically addressing its long-term sustainability.

B. Annual Business Sponsors Campaign

The purpose of having an annual business and corporate sponsors campaign is to create a repeatable source of unrestricted funds that can help underwrite annual operating costs for an LCF. With many businesses, this kind of financial support will come out of the annual advertising budget of the business, rather than its charitable contributions budget. This lessens the concern regarding competition by the LCF with the nonprofits it seeks to support. It also answers the issue raised by businesses when asked by an LCF for a contribution to the unrestricted endowment that supports annual grantmaking activities, namely “why should we give money to you to grant to the nonprofits we support, in which the LCF receives the credit for the gift, rather than our business?”

What advertising benefits should you offer? Start small with one or two items, and perhaps add more over time, such as: list the sponsors names on your annual report; list the names on your website; have a sign board that lists all the sponsors for the year that can be displayed at your office and at the events you hold over the year.

C. Stalwarts Campaign

A Stalwarts Campaign is intended to be a one-time only campaign, to provide crucial start-up funding when an LCF is wanting to hire an Executive Director or its first staff person. The suggested approach is to seek multi-year pledges at the \$250, \$500 and \$1,000 levels for annual operating support; if these giving levels are not realistic for your LCF, then adjust accordingly.

[And if any of your donors have the capacity and appetite to give more, then that's fine.] Typically, such commitments realistically can only be obtained from those who already have a history of giving to the LCF, along with its founders, past and current Board members, and special friends – thus the term Stalwarts. The preferred approach is to pursue a multi-year commitment (at least two, and three would be even better!).

Remember the old adage: failure is an orphan; success has many parents! Give your key supporters an opportunity to be part of this success story... and deepen their sense of ownership of their local community foundation.

D. Annual Donor Event

The ideal for this fundraising event is have an annual donor gathering that – for larger communities – raises a minimum of \$10,000 in unrestricted funds by having attendance of at least 100 couples, paying \$100 per couple. Depending on how much progress the LCF has made in developing its donor base, the initial goal might need to \$5,000 with 50 couples in attendance. [Communities with small populations will need to adjust these numbers to be realistic.] The reason for such an event is for the LCF to educate its donors about the importance of sustained annual contributions to underwrite annual operating costs, and that providing such support is part of being a donor to the LCF. Additionally, a good event is an excellent tool for building a stronger relationship between the LCF and its donors.

Once this event has been done once or twice, and the proverbial bugs are worked out, it can honed to become an attractive venue for introducing prospective donors to the LCF. This could lead to their becoming donors to the LCF's endowment that supports annual grantmaking, as well as other designated funds that the LCF may choose to establish.

E. 50/50 Dinners

“50/50 Dinners” is an approach for raising unrestricted funds based on the “On Broadway” annual fundraising event held by the Lewis and Clark County Community Foundation (LCCF). The primary responsibility of LCCF for this fundraiser has been to promote attending the event to its donors and the public at large. Annual proceeds average about \$2,000. This was originally proposed by an LCCF Board member who also was the owner of the *On Broadway* restaurant in Helena. He indicated that October/November was the shoulder season for the restaurant when business is slowest, and Monday evenings were usually the slowest night of the week for customers eating at the restaurant. Accordingly, during this slack season, he would designate a number of Monday evenings to his preferred charities as fundraisers. 50% of each dinner tab, including take out orders, goes to the charity.

The advantage to the restaurant is that these evenings substantially increase the number of customers, and the wait staff realizes somewhere between double and triple their earnings in tips than would otherwise be the case. The restaurant makes little or no money that evening, but the value of the charitable contribution, media visibility, community good will, and the boost to employee morale – in the aggregate, have been deemed as more than off setting.

Every community is different, and it may not be possible to find a restaurant that is willing to part with 50% of the evening's proceeds. Ideally, the representative from the LCF that

approaches the restaurant is someone who has a good relationship with the owner or manager. Be prepared to adjust goals and expectations to the market place realities of your community.

F. Annual Fund Appeal

It may seem obvious that a nonprofit should be sending an annual funding appeal to its supporters, but within the Montana LCF community, there is extensive divergence with respect to timing, approach and levels of success. Although most LCFs focus on requesting contributions to enlarge the endowment that provides earnings for the annual grants program, the annual appeal also is a venue that can be used for requesting support for annual operating costs.

The LCF's supporters can also be given an option to split their annual gift, with a portion going to annual operating costs.

G. Undaunted Endowments Internship Program

Undaunted Endowments is a program of BSI to help LCFs build their organizations by having student interns work for them in a paid capacity that is underwritten by a permanently endowed fund. The endowment development component entails naming the fund after a prominent local philanthropist from the geographic area served by the LCF that establishes the fund. This helps the LCF accomplish the part of its mission that focuses on public education and promotion of philanthropy through activities that recognize and lift up philanthropic role models. It also provides an opportunity to expand and diversify the funding audiences that support the LCF.

Once the proposed endowment is fully funded, the LCF will be able to count on having an annual, part-time, student intern during the academic year, on an ongoing basis. It is preferable to have a full-time Executive Director so that the LCF is able to provide direction, training and supervision for a student intern – all necessary if the internship is going to be successful and contribute effectively to the LCF accomplishing the activities for which the intern will provide assistance.

As part of the intern's learning experience, supervised activities can be undertaken that help raise funds for the LCF's annual operating costs.

H. Montana Community Foundation Opportunities

LCFs that are affiliated with the Montana Community Foundation (MTCF), are eligible for 3 challenge grant opportunities. 1.) The **LCF+ Program** provides incentives for securing donations that affiliates raise and contribute to their unrestricted endowment at MTCF, whose earnings help support the LCF's annual grants program. 2.) The **LCF+ Program** also provides incentives for securing planned gifts. The incentives offered result in unrestricted dollars for the LCF to use for its operating costs and/or special needs. 3.) Finally, MTCF offers its affiliates the opportunity to apply for a Leadership Grant, which involves a match component. To be eligible, affiliates must first raise a minimum of \$5,000 through the **LCF+ Program**.

MTCF affiliates receive detailed information regarding all three of these opportunities.

II. OTHER FUND DEVELOPMENT STRATEGIES

A. Board Member Recruitment

Once an LCF determines which fundraising strategies are to be included in its Comprehensive Fund Development Plan, and in particular, which strategies will be near-term priorities, the Plan can help determine Board recruitment priorities with respect to desired skills and funding audience connections. In conjunction with recruitment activities and orientation for new Board members, fundraising responsibilities of Board members need to be well articulated and discussed.

BSI encourages LCFs to establish Board policy which states that annual financial support toward the LCF's operating costs is an obligation of board service, and this should be included in the written description of Board responsibilities.

B. Create a “Leave a Legacy Society”

A *Leave a Legacy Society* is a tool for encouraging individuals to make provisions in their will or trust to leave a gift to their LCF. When an organization establishes a Legacy Society, it decides whether there will be a certain minimum size gift in order to be included as a member, or whether it will be open to anyone that names the LCF in their will or trust. Some organizations create named categories at varying levels of gift size so that every bequest can be recognized and honored, while concurrently, donors are encouraged to commit larger gifts. Some individuals prefer anonymity; however, the basic premise is that by using a name recognition approach to model the desired behavior, others will become inspired to join in. Moreover, this approach enables the LCF to honor and thank these special supporters while they are still alive! Legacy Montana in Missoula is an invaluable resource for more information about this approach.

Legacy gifts generally are designated for permanent endowments so that the legacy donation is an enduring gift. Thus for purposes of building support for annual operating costs, gifts to the endowment of a Seed Fund could be encouraged.

C. Memorial Contributions

Memorial contributions are a meaningful way to honor in perpetuity the memory of someone who has died. To administer this effectively, policies and procedures need to be established that provide appropriate ongoing guidance, and help orient new and current Board members to this fundraising tool. **Please remember:** only a donor can create an endowment gift, unless the LCF creates a policy establishing a general memorial endowment and publicizes that memorial contributions will be placed there. Such information should be posted on the LCF's website to encourage memorial contributions and explain applicable policies.

Since supplemental funds that support annual grantmaking and annual operating expenses are dearly needed, BSI suggests that LCFs consider establishing a general memorial fund whose annual distributable earnings are split between granting and operating costs. This truly is a policy decision for the LCF Board to make.

D. Foundation Opportunities

A growing number of Montana foundations and out-of-state foundations that have Montana trustees are interested in helping build the capacity of Montana's LCFs. Some have already been

making grants to LCFs in Montana; others are seriously exploring the possibility; and some are pursuing how to attract new funding to Montana to help with LCF development. This has important potential to keep on the organizational radar.

All other considerations being equal, if a foundation has to choose between supporting LCFs that have demonstrated progress in developing ongoing sources of unrestricted operating support, and LCFs that have made no progress in this arena, it should be clear which category of applicants has the competitive edge!

E. Build Montana Site

Build Montana is the Montana Nonprofit Association's new website program for volunteer promotion as well as online donations utilizing Network for Good. All 501(c)(3) organizations are listed on the site at no charge. Inasmuch as MNA has planned extensive activities to promote the site and drive traffic to it, it behooves an LCF to investigate the parameters of the site, and how it can maximize this opportunity as best possible.

Contact MNA for additional information.

F. Montana State Employee's Charitable Giving Campaign

The Montana State Employee's Charitable Giving Campaign (SECGC) is a workplace giving program administered by the Montana Department of Administration. In May of each year, nonprofits that have not previously participated in the program have an opportunity to apply for inclusion in the annual campaign (which takes place in the Fall). Applicants must pay a \$40 nonrefundable fee, and each year there is a renewal fee.

This approach is best suited when there are large concentrations of state government workers in the community, and the LCF has good media visibility.

G. Nonprofits as an Audience

Typically, nonprofits are seen as the audience for an LCF's grantmaking activities; however, there are other important filters for viewing nonprofits. Many have within their staff terrific skills that would be useful for an LCF to have on its Board of Directors. Many nonprofits have had success in attracting grant support from foundations, and may have useful advice to offer an LCF. Many nonprofits have donors who financially support their organizations, assist as volunteers, and serve as Board members – the very donors that an LCF might want to cultivate as prospective contributors.

Most importantly, nonprofits have very real self-interest in having their LCF grow its asset base and increase its annual grantmaking. Their staff could be cultivated as a potential LCF contributor audience.... and few audiences would be as understanding as this one regarding the importance of unrestricted annual support.

H. Earned Income

Some LCFs provide fiscal sponsorship services; several administer endowed funds whose distributable earnings are designated for named nonprofits in their respective service areas; some

offer Donor Advised Funds; some charge registration fees for workshops they sponsor. All of these are just a sampling of a much larger menu of earned income opportunities potentially available to LCFs. Very few of Montana's LCFs have grown to the point where they can focus on offering services that can generate a significant level of earned income, so there is not extensive experience among Montana's LCFs that can be a source of guidance.

The goal of having a very diverse mix of unrestricted revenue sources – and therefore having a more sustainable base of annual support for the LCF – makes earned income an important possibility to consider when the timing is right for your LCF.

WHAT HAPPENS NEXT? HOW DOES AN LCF CHOOSE?

BSI offers consulting services to help LCFs develop a multi-year, comprehensive fund development plan that will build sustainable, unrestricted annual operating revenues. The approach includes:

- initial orientation and training regarding the fundamentals for LCFs for developing unrestricted sources of revenue;
- guided utilization of BSI's 20+ page **Comprehensive Fund Development Workbook** that explains the various strategies in greater detail, and provides key homework questions to help determine how well each option aligns with current Board and staff skills, networks and willingness to fundraise;
- structured facilitation services to help assess the potential for success for each strategy and determine the sequencing for implementing prioritized strategies over time;
- development of a written **Comprehensive Fund Development Plan** to guide implementation over time; and
- assistance with implementing the plan.

For information about these services, contact:

Mike Schechtman, Executive Director
Big Sky Institute for the Advancement of Nonprofits
P.O. Box 1514
Helena, MT 59624
406/ 443-5860
mschecht@bigskyinstitute.org