How to Develop a Fund Raising Plan

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There is no single “right way” to create a fund raising plan for your nonprofit organization. Every nonprofit has its own unique circumstances and opportunities to generate revenue. This article makes only two assumptions: first, that you are a small- to medium-sized organization with a budget of between $50,000 and $500,000; and, second, that you have been in existence for a while-in other words, you are not a start-up agency. (We felt that organizations with budgets over $500,000 must be doing something right; however, the principles of developing a plan for this size organization are the same.)

1. What is an "ideal" fund raising base?

Your goal should be to provide your nonprofit with the broadest possible funding base. By "broad base" we mean the following:

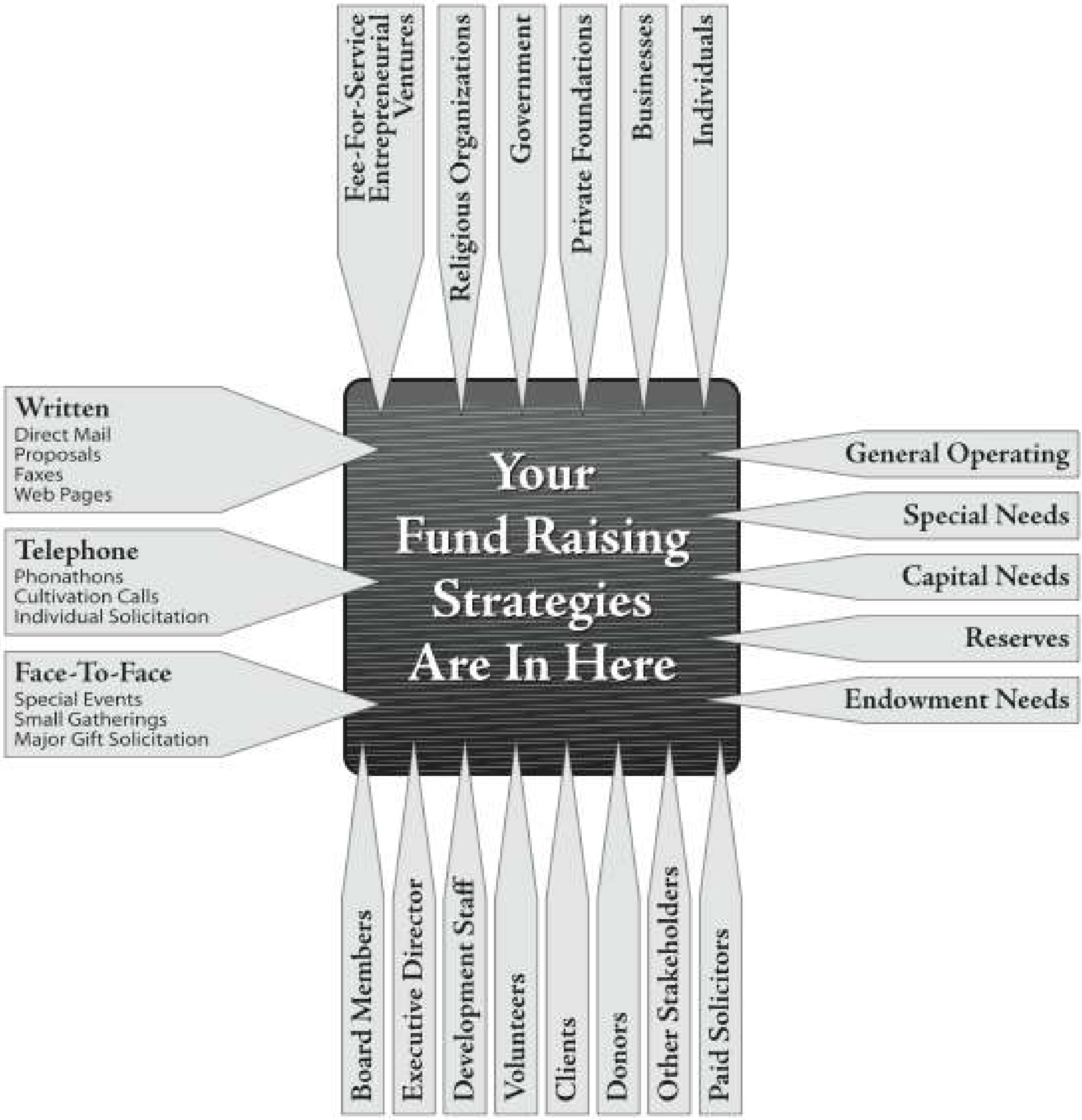
- First, that your nonprofit has a mix of income sources-foundations, businesses, individuals, and government grants and contracts (if appropriate and available). You should attempt to establish a mixed and balanced income stream that will provide a relatively stable base from year-to-year. For example, a good mixture for your organization might be: one third corporate and foundation grants (some multi-year), one third government contracts (again, some multi-year if possible), and one third from individuals such as through annual memberships and special events.

- Second, that your nonprofit has a mix of large and small contributors. It is dangerous for a nonprofit to become dependent on a few large donors. If you are primarily funded by large donors, the loss of any one of them can have disastrous consequences for your organization.

2. What are my options in creating a fund raising program?

Begin by being aware of all of your possible options. These options are illustrated by the "fund raising square" shown below.

Fund Raising Square



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As you see, across the top are six basic sources of income for your organization: individuals, businesses, private foundations, government, religious organizations, and fee-for-service or entrepreneurial ventures. Along the left side are listed three basic strategies for contacting and cultivating prospective donors: written, telephone/ electronic, and face-to-face. Along the bottom of the square are eight categories of potential organization representatives who can make these contacts: board members, executive director, development staff, volunteers, clients, donors, other stakeholders, and paid solicitors. The right side of the square represents the five basic needs of your organization: general (annual) operating, special needs, capital needs, operating reserves, and endowment. Virtually all of the strategies to be employed in your fund raising plan are a combination of the items shown on the perimeter of the square. Generally you will combine one or more items from each side of the square to develop a particular strategy. Strategies will be discussed below. And your fund raising plan must be strategic; few if any nonprofits have the resources to execute all of the possible strategies. Look at how your organization may be able to combine the items suggested by the fund raising square.

3. How do I know how much money I need to raise?

First, you need to begin planning your nonprofit's operating budget and fund raising plan three to six months prior to the beginning of your fiscal year. Step one should be to determine what your funding goals will be for the coming year-how much funding you will need, and what you will need the funding for. Your first concern is probably current operating funds-that is, the funding you need this year to operate your nonprofit.

While your income from previous fund raising efforts may remain constant, your need is probably growing. Below is a hypothetical summary budget for a nonprofit comparing the previous year's budget and the budget for the current operating year:

Item	*Previous Year*	*Current Year*	*Difference*
Personnel	$85,000	$90,100	$ 5,100
Direct Program Costs	$42,000	$45,360	$ 3,360
New Program	-0-	$12,000	$12,000
Total	$127,000	$147,460	$20,460

Thus, your anticipated program operating costs for the current year are approximately $150,000. The following is a hypothetical breakdown of your projected income for this year based on your current level of fund raising activity:

Source	***Anticipated***
Government Grants/Contracts	**$35,000**
Foundation Grants	**$30,000**
Direct Mail/Membership donors	**$20,000**
Corporate Grants	**$5,000**
Special Event(s)	**$2,500**
Earned Income	**$1,500**
Misc. and other	**$1,000**
TOTAL	**$95,000**

In this example, in order to meet your funding goals for this year you must insure that the anticipated funds for this year are actually received, and you must raise an additional $55,000 in new money.

At this point you have identified your anticipated financial needs, and your likely income if you pursue just the fund raising activities you undertook last year (and achieve corresponding results). You actually have a third concern, which is how to begin the fund raising tasks necessary to meet your goals for future years, particularly the next year and the year after that. It is important that you strategically plan two to three years out for your agency or nonprofit, and that includes planning for the funding you will need to support your programmatic activities.

4. Where can I find "new money"?

There are only two basic sources of "new money" for your nonprofit. First, and most important, current donors may be cultivated to increase their contribution to your nonprofit. This group should be your initial focus because they have already bought into your mission and demonstrated their belief in your programs and goals. They are true believers in the importance of your organization. In order to increase their support you need to help them understand that the need still exists for your work (and, in fact, may be growing). Current donors are also a good source of support for new programs you may wish to launch because they already have confidence in your organization. Regular small contributors can frequently be cultivated into larger donors, and larger donors can often be encouraged to give a major gift to start a new program, contribute to an endowment, or consider a bequest.

To attract new contributors you should look at two strategies. First, expand your appeal to new prospects with characteristics similar to current contributors-sometimes called "look-alikes". In addition, depending on your mission, you may be able to appeal to new categories of donors. That is, if you are quite successful with foundations and individual donors, this might be the time to focus on businesses and corporations to help support expansion of existing programs or to provide initial support for new programs.

To identify both new prospects and new categories of prospects, look at where your organization has impact. That is where you will find your funding prospects. For example, direct service organizations usually have definable geographic boundaries they serve. In this case, the best place to begin researching prospects is in a “Grants Guide.” If your nonprofit has national impact, virtually all individuals, foundations and corporations with a national perspective are potential donors. In the latter case, there are a number of publications available from The Foundation Center, Taft Publications and other sources. Many of these will be available in your Foundation Center library cooperating collection. Increasingly, information on the wealth and philanthropic interests of individuals can be gleaned from the Internet, but the most effective way to gather information on individuals is by asking your stakeholders to review lists of prominent individuals to find out who knows who-and who can get to who-in your community.

For developing more extensive individual small gift prospects-those solicited through direct mail or to be invited to a fund raising event-consider how to build your in-house prospect list. Categories to add to your list include: former donors; every individual that attends one of your special events; anyone who solicits information about your agency or programs; former clients or users of your programs and services; all former board members and volunteers; prominent business leaders in your community, and so on. You might be able to trade lists with other nonprofits and organizations within your community. If necessary, you may choose to rent lists of individuals similar to your current donors. However, this can be very expensive, and the rate of return is generally very low, often less than two percent.

5. Who is responsible for creating the fund raising plan?

It is critical that your Board and Senior Staff have ownership in your fund raising plan. Every stakeholder in your nonprofit can play a role in developing a fund raising plan, and his or her expertise should be employed. This can include all of the categories of individuals shown on the bottom of the "fund raising square". You want them to help because they will all have ideas, contacts, talents and skills that can be brought to the implementation of the plan. To involve them in implementation they must have bought into the plan, and the way to achieve buy-in is to have them participate in its creation. However, ultimately it is the responsibility of the executive director and senior staff to lead the planning process, and it is the CEO or Executive Director’s responsibility to prepare the first draft of your funding plan.

Make a list of all constituencies within, or affiliated with, your nonprofit who can help you raise the funding you need for the upcoming year. Begin with your staff and board of directors. Both of these internal constituencies have a vested interest in seeing that your nonprofit meets its annual revenue needs. Too often staff and Boards assume that fund raising is the sole responsibility of the executive director, the development officer (if there is one), or the board of directors-in fact anyone but them.

While it is true that the executive director is always the chief fund raiser in the organization regardless of whether or not the nonprofit has development staff, successful fund raising requires that all members of the staff be brought into the effort. Their suggestions can be invaluable, and they need to be deeply involved in the actual work of fund raising-new prospect identification, case development, proposal writing, prospect cultivation, and even asking for the gift. Distribute your first draft of the plan to all staff members and schedule a meeting for the purpose of reviewing it and soliciting input.

To engage your board of directors, you may want to use a two-step process. First, ask the board to create a fund raising committee (if you don't already have one). Make clear however, that the job description of the committee is to review and revise your plan, add to it, polish it and refine it, and present it to the full board for its review and approval. Once the plan has been adopted it is the function of the fund raising committee to lead and coordinate fund raising strategies in concert with the executive director. It is not the fund raising committee's responsibility to do all the work. Every member of the board is responsible for implementing the plan, and there should be a defined role in the plan for every member of the board of directors.

At the same time that the board's fund raising committee is reviewing the plan, it can be valuable to show the draft to representatives of other key constituencies including current donors, volunteers, clients and other leaders in your community-asking for their thoughts and recommendations on how to expand or improve the plan. This input will both improve the plan and reinforce your board's commitment to assist in its implementation.

6. What does a fund raising plan look like?

The following diagram illustrates the “anatomy” of a typical fund raising plan. It isn’t as complicated as it looks. The diagram is not intended as an organizational chart—in a small nonprofit, you, the board of directors, and a few volunteers, may be performing all the tasks shown. Rather, this diagram is presented to provide you with **a way of thinking about the process of planning** a fund raising program.

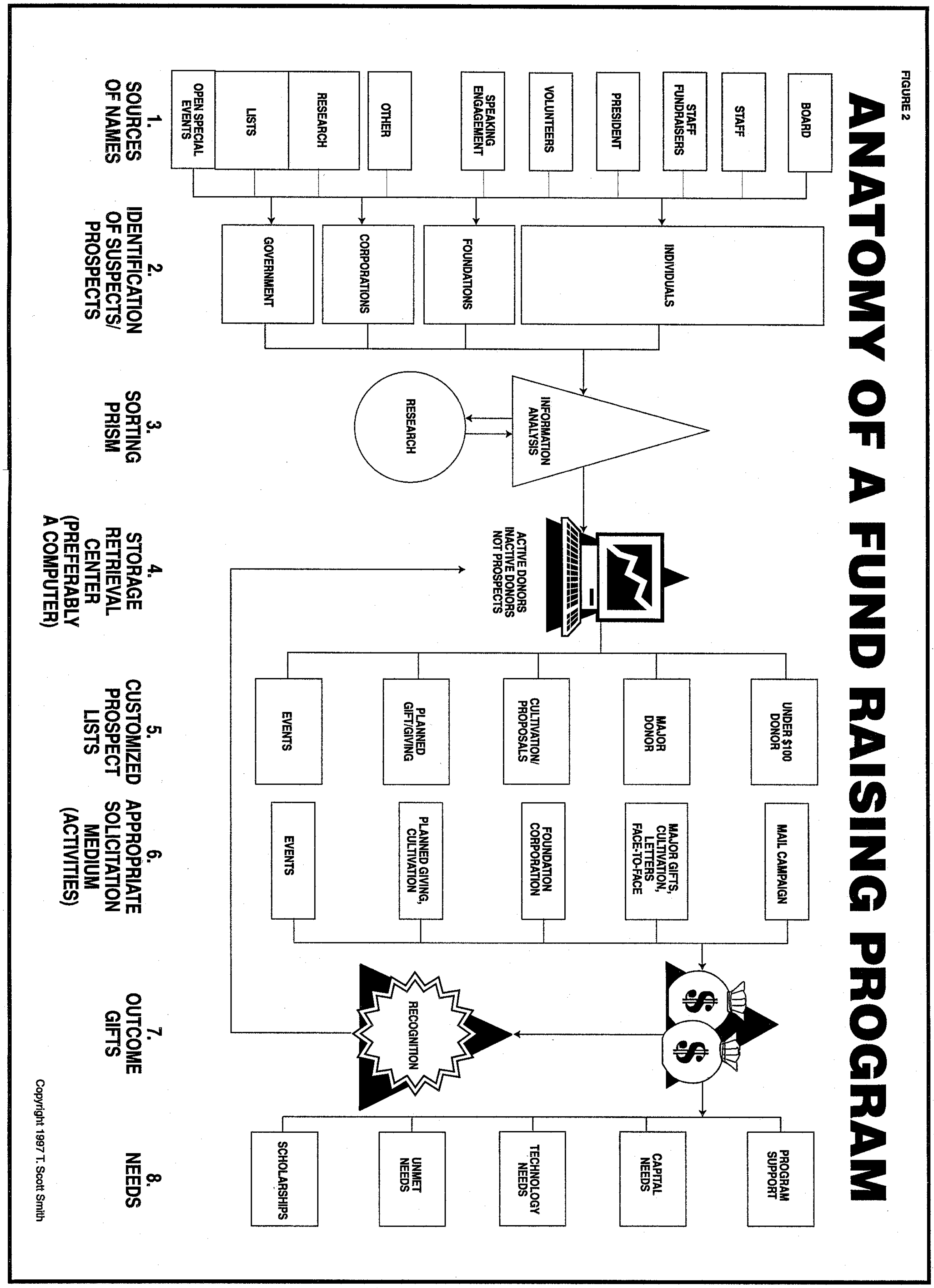
FIGURE 2
ANATOMY OF A FUND RAISING PROGRAM
BOARD
STAFF
STAFF FUNDRAISERS
PRESIDENT
VOLUNTEERS
SPEAKING ENGAGEMENT
OTHER
RESEARCH
LISTS
OPEN SPECIAL EVENTS
1. SOURCES OF NAMES
INDIVIDUALS
FOUNDATIONS
CORPORATIONS
GOVERNMENT
2. IDENTIFICATION OF SUSPECTS/ PROSPECTS
INFORMATION ANALYSIS
RESEARCH
3. SORTING PRISM
ACTIVE DONORS
INACTIVE DONORS
NOT PROSPECTS
4. STORAGE RETRIEVAL CENTER (PREFERABLY A COMPUTER)
UNDER $100 DONOR
MAJOR DONOR
CULTIVATON/ PROPOSALS
PLANNED GIFT/GIVING
EVENTS
5. CUSTOMIZED PROSPECT LISTS
MAIL CAMPAIGN
MAJOR GIFTS, CULTIVATION, LETTERS FACE-TO-FACE
FOUNDATION CORPORATION
PLANNED GIVING, CULTIVATION
EVENTS
6. APPROPRIATE SOLICITATION MEDIUM (ACTIVITIES)
$
$
RECOGNITION
7. OUTCOME GIFTS
PROGRAM SUPPORT
CAPITAL NEEDS
TECHNOLOGY NEEDS
UNMET NEEDS
SCHOLARSHIPS
8. NEEDS
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In the diagram from left to right:

Column one on the far left suggests sources from which your nonprofit can get names of possible prospects. They aren't prospects yet (they are called "suspects" in fundraiser-ese) and won't be prospects until they have been "qualified." In **column two** they are grouped into their "raw lists" according to what they are—foundations, individuals, etc.

Column three shows that each prospect must be analyzed to see if it is indeed a prospect for your nonprofit. This requires a little research. Since most small nonprofits don't have a "research staff" you may need to perform this task yourself.

Column four of figure 2 shows that the information captured must be stored in a way that provides for easy access. This is particularly important when creating "top 20" lists as discussed below. There are a variety of inexpensive software programs for creating fund raising data bases—ask other nonprofits in your community which ones they use and how they like them.

From the collection of raw names, analysis and research, and creation of a database, you can create "customized prospect lists" as shown in **column five**. Some prospects, particularly individuals, may fit into more than one category. For example, small donors might also be prospects to invite to one of your special events with the goal of increasing their awareness and commitment to your nonprofit—and increasing the size of their gift. The **sixth column** matches the prospect lists to the most appropriate cultivation and solicitation medium.

The result, if all goes well, is increased donors to your nonprofit as shown in **column seven.** Also in this column is the **recognition** step. It is essential that you have built into your plan the recognition process for **every** gift and contribution you receive from an individual, foundation or business. Notice that after the recognition step, the names of contributors go back into your database and become **the best prospects** for future fund raising.

The final column shows that the funding goes to meet your particular needs. The mission and programs of your nonprofit have benefited because you have used an organized and sequential process for planning your fund raising.

7. How do I begin putting together a draft fund raising plan?

Here are some primary considerations that should be taken into account in developing your plan:

a. Clearly prioritize your funding needs.

As stated above, all nonprofits require annual income to support current operations. But which of the items within the operational plan are the most important? For example, is increasing staff salaries more or less important than improving existing client services? Is improving existing client services more important than expanding the range of client services or the number of clients that can be served by your nonprofit? Is the new program you want to bring on line essential in the current year, or can it be delayed for a year or two?

If you are a new nonprofit, general operating support may be your exclusive concern. If you are a more mature nonprofit, your goal (in addition to annual operating support) may be raising money for specific or special needs, such as buying a new computer system or introducing a new program for which you may need additional staff. Perhaps your growth requires a new facility, making a capital campaign your top priority. You may be in a position to begin to create an operating reserve. Finally, if your nonprofit has met its other needs, establishing an endowment may be your greatest concern.

b. Determine the appropriate sources of funding based on your prioritized needs.

As stated above, you are looking for a broad base of support. Here are some considerations: Foundation grants may be your best prospects for operational support in the short run, but foundations generally will not provide long-term annual operational support. Thus foundation funding should be considered as a source of special need, program or capital campaign contributions. If you can demonstrate that your nonprofit provides a direct service or benefit to employees of a particular business, or that you improve the general business climate, the business community may be an important source of funding. Generally businesses will shy away from funding extremely controversial or strident advocacy organizations. Individuals are generally the best source of funding for these groups. There are individual prospects for virtually every cause, from arts organizations to human service agencies, from very conservative to very liberal nonprofits-and everything in between. The trick is, of course, to identify and communicate with your constituency.

Be specific in creating your prospect lists. Establish top prospect lists in each of the funding categories-individuals, foundations, businesses, government agencies, etc. From each funding category you have identified, make a list of specific prospects. Your list should contain the top

25-50 prospects in each category. At a minimum, take the top 25 from each list and develop specific cultivation steps you will take with each prospect and a schedule or time line for accomplishing these steps. Schedule the moves so that you will be engaging in fund raising cultivation or solicitation on a daily basis.

Create similar timelines and schedules for your board members, staff and other stakeholders who you want to assist in supporting the fund raising plan. Get their agreement to undertake the steps you have negotiated with them. And recognize that it is your responsibility to remind, encourage, support and sometimes cajole board members and other fund raising volunteers to accomplish their steps.

c. Realistically consider how much time and money you can spend on fund raising.

The executive director, as chief fundraiser, should plan to spend upwards of 50 percent of her or his time on resource development and marketing. Likewise, as noted above, the board of directors must understand that fund raising is one of its primary, and most time-consuming, functions. Match specific fund raising volunteers to specific prospects, based on their interests and expertise. You will probably run out of volunteers before you run out of prospects, so be sure that your volunteers are working on prospects with the greatest potential for making a contribution. For instance, board members with business affiliations are likely to be most helpful in raising money from businesses and corporations.

As executive director, you are responsible for keeping track of all activity in fund raising. This is not as difficult as it sounds, although it can be time consuming. It is an endless process of making and revising lists, contacting volunteers to see if they have taken the cultivation step they promised to take, reviewing with them the information they have gleaned from the cultivation contact, and agreeing on the next step.

d. Develop your case-a rational and emotionally compelling argument-for why your organization deserves support.

To raise money you must answer the basic question: what am I going to say to our prospects that is so powerful that they will want to fund our nonprofit? The case statement must contain three elements: first, it must be emotionally appealing, generating an internal sense of both connection and urgency; second, it must be rational-making the prospective donor recognize his support is a logical, practical and wise business decision; finally, the case must show that there is need for a partnership. Donors do not give to what you want to do; they give to what they want to do. Your case will be the basis for every appeal that you make in writing or face-to-face contact with an individual, business or foundation.

8. Once I have my plan together, what do I do next?

Get going. Just as it is essential to develop a coherent plan for your fund raising program, it is equally important to not plan it to death. Don't become obsessed with the planning process, and perpetually defer raising money. Action is the key to resource development. Set aside some time each day to take cultivation steps with prospective donors, make cultivation phone calls, write letters to prospects, have lunch with foundation staff, and discuss business linkages with your own board members. Ultimately, all fund raising comes down to asking for the gift. Remember, if you don't ask, you won't get.

About the Authors

T. Scott Smith, MA and John Kivimaki, CFRE are co-founders and principals of Stonehill Consulting Group, LLC, a firm that provides fundraising, board development, strategic planning, emergency and transition management, executive search and organizational capacity building services to nonprofit organizations, and to businesses, foundations and government agencies that impact the nonprofit world. The authors are experienced nonprofit executives and have provided consultation to international, national, regional and local organizations and governments. In addition, they have taught at the Fundraising School at Indiana University, the Regis University Master of Nonprofit Management program and other university settings.

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