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FUND RAISING FOR SOCIAL CHANGE



KIM KLEIN

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SOCIAL CHANGE

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Kim Klein

FUNDRAISING



for
SOCIAL CHANGE

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Published by John Wiley & Sons, Inc., Hoboken, New Jersey
Published simultaneously in Canada

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Library of Congress Cataloging-in-Publication Data

Names: Klein, Kim, author.

Title: Fundraising for social change / Kim Klein.

Description: Seventh edition. | Hoboken, New Jersey : John Wiley & Sons,

2016. | Includes bibliographical references and index.

Identifiers: LCCN 2016001660 | ISBN 9781119209775 (pbk.) | ISBN 9781119209799 (epub) | ISBN 9781119209782 (epdf)

Subjects: LCSH: Fund raising—United States. | Nonprofit organizations—United States—Finance.

Classification: LCC HV41.9.U5 K57 2016 | DDC 361.7068/1—dc23 LC record available at <http://lcn.loc.gov/2016001660>

Printed in the United States of America

10 9 8 7 6 5 4 3 2 1

*To my longtime and very dear friend,
Myn Nancy Adess, who has been my editor
(sometimes on very short notice) for more than thirty years.
I really couldn't do it without you.*

The Instructor's Guide for the seventh edition of *Fundraising for Social Change* includes a course description and syllabus, with week-by-week questions for discussion, writing assignments, small-group exercises, and case studies of ethical dilemmas. It also describes in detail the eight-week field placement component of the class. If you would like to download and print a copy of this guide, please visit:
<http://www.wiley.com/go/fundraisingforsocialchange7e>

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The online content accompanying the chapters indicated below is available for download at: <http://www.wiley.com/go/fundraisingforsocialchange7e>

ONLINE CONTENT

Chapter 1: Nonprofits and the Money They Raise

"Unintended Consequences: How Income Inequality Affects Fundraising," Kim Klein, *Grassroots Fundraising Journal*, May/June 2015

Chapter 5: The Importance of a Good Board of Directors

"How Does Your Board Measure Up?" Stephanie Roth, in *Raise More Money: The Best of the Grassroots Fundraising Journal*, Kim Klein and Stephanie Roth, eds., Wiley, 2001

Sample Fundraising Pledge Form (Board of Directors), created by Stephanie Roth.
"Finding the Right Fundraising Structure for Your Board," Priscilla Hung, *Grassroots Fundraising Journal*, Jan/Feb 2012

Chapter 6: Financial Needs and Fundraising Strategies

The Ladder of Engagement: One Way to Consider Organizational Growth and Individual Donors

Chapter 8: Getting Comfortable with Asking

Why Are People Afraid to Ask for Money? by Kim Klein

Chapter 10: How to Ask

Asking for Money: Fifteen Useful Tips, Klein & Roth Consulting
Tips for Meetings with Donors and Prospects, Klein & Roth Consulting

Chapter 17: Special Events

Sample House Party Invitation

Chapter 28: Conducting Feasibility Studies

Sample Feasibility Study Cover Letter
Sample Questions for Feasibility Study
Sample Feasibility Study Report
Case Study of a Feasibility Study: Family Matters, by Kim Klein

Chapter 29: Developing a Budget

"'Outing' Overhead," Kim Klein, *Grassroots Fundraising Journal*, Nov/Dec 2003

Chapter 30: Creating a Fundraising Plan

Sample Monthly Fundraising Report
"Fundraising Planning Worksheet: A Tool for Creating Your Annual Fundraising Plan," Stephanie Roth, Mimi Ho, and Priscilla Hung, *Grassroots Fundraising Journal*, Sep/Oct 2007
Sample Fundraising Plan

Chapter 37: Know What You Need to Know

A Donor Bill of Rights
Code of Ethical Principles and Standards, Association of Fundraising Professionals

Online content titles have been added at the end of each chapter in which they appear with the title of the resource only, not full citations. Full citations appear here.

ACKNOWLEDGMENTS

I cannot name all the people who have contributed to this book. They include people in my workshops, people who send me questions through my online column, “Dear Kim” (published by the Grassroots Institute for Fundraising Training), my clients, and people with whom I work as a board member and volunteer helping to raise money.

But I must single out a few people: First, my partner in life and work, Stephanie Roth, who, for nearly three decades, has shared her experience and knowledge about fundraising and organization development, and who keeps me grounded and makes me laugh every day. I thank my team at Klein and Roth Consulting: Nancy Otto, Rona Fernandez, and Stan Yogi.

And I thank the person who first encouraged me to go into fundraising in 1978, Madelyn Stelmach, who continues to be one of my dearest friends.

INTRODUCTION TO THE 7TH EDITION

This is a how-to book. Its goal is to provide organizations with budgets of less than \$2,500,000 (which describes the vast majority of nonprofits) with the information they need to establish, maintain, and expand a successful fundraising program that is based on individual donors. A large number of individual donors who support the important work of an organization year in and year out give organizations maximum freedom to pursue their mission. This book will be particularly helpful to nonprofits with one or two staff people and a large number of active volunteers.

As with all the writing I have done on fundraising, this book is based on experience and observation. I wrote the first, second, and third editions of this book because there was almost no written information about fundraising for small organizations working for social change. Most of my writing has been an effort to teach organizations how to translate more traditional fundraising strategies practiced by large, mainstream organizations to their own settings. But in my lived experience as a development director, executive director, then as a trainer and consultant, I could see that activist organizations had a lot of important information to share but didn't have the time to write it down. The fourth and fifth editions of *Fundraising for Social Change* had the advantage of other literature and research to draw on, and, of course, I had much more experience myself.

In the sixth edition of the book—and particularly now in the seventh—knowledge is no longer in short supply. Anyone can type a question about fundraising (or anything else, for that matter) into a computer search engine and find dozens of websites, articles, videos, examples, and opinions. In this edition, then, I decided to focus on the question of added value: What does a book do that the

Internet—the greatest source of how-to information that can be imagined—cannot? In this edition I have focused on consolidating information that would take hours of searching to put together, describing strategies in simple and easy-to-use language, and vetting information so that everything in the book I know to be true. That is, I know that what I say here works for small to medium-sized social change organizations (and all kinds of other nonprofits). That doesn't mean the strategies described here will always work in every circumstance, and it doesn't mean I have described every possible way to raise money, but I have given a framework that will allow you to explore what works for your organization and your issue, and that will help you know how to think about new fundraising ideas as they come down the pike.

At the end of several chapters, you will see references to “Online Content.” These are additional, free resources that augment the information in those chapters. There is also a “Resource Section” in the Online Content, which I will be updating and adding to from time to time. For teachers or trainers using the book as a textbook, there is a free Instructor's Manual online. Directions for how to download the Online Content and the Instructor's Manual from Wiley precede this Introduction. These resources can also be found on the website of my consulting firm: www.kleinandroth.com. I encourage you to contact me through that website or at kim@kleinandroth.com with questions, comments, disagreements, and additions to the resources I have listed.

If you find this book helpful, I encourage you to buy all my books and other fundraising books in the Kim Klein series at www.Wiley.com and to subscribe to the *Grassroots Fundraising Journal*, a bi-monthly publication that will help you keep up with fundraising strategies and developments in the field.

But ultimately, after you have read about how to raise money and gone to workshops on how to do it and hired consultants to help you, the only thing left is to actually do it. As with being a player on a sports team, all the theory and explanation will not help you until you go out into the field and practice with your teammates. With focus, practice, and strategy, your team will win. Likewise, putting your energy into creating a fundraising program that everyone in the organization is a part of will enable your organization to raise the money it needs.

Few people give money without being asked. Make this your motto: “Today somebody has to ask somebody for money.”

ABOUT THE AUTHOR

Kim Klein is an internationally known fundraising trainer. She has worked in all aspects of fundraising: as staff, volunteer, board member, and consultant. She is best known for adapting traditional fundraising techniques, particularly major donor campaigns, to the needs of small-budget organizations working for social justice.

Kim is the author of five books, including this, her classic text, *Fundraising for Social Change*, now in this seventh edition. Her book *Reliable Fundraising in Unreliable Times* won the McAdam Book Award in 2010. She co-founded the *Grassroots Fundraising Journal* in 1981 and remained its publisher until 2006. She continues to write for the *Journal*, including her monthly column, “Dear Kim,” where she answers questions posed by readers. She has also written widely about the need for nonprofits to be advocates for fair and just tax policy.

In wide demand as a speaker, Kim has provided training and consultation in all fifty United States, five Canadian provinces, and twenty-two other countries. She was a lecturer at the Haas School of Business for many years and currently teaches part-time at the School of Social Welfare at the University of California Berkeley. She has been an adjunct faculty at the University of Denver and at Concordia University in Montreal.

Kim lives in Berkeley with her partner and their cat.



PART ONE

What's New, What's Hot, What's Over, What's Not

I travel a lot, both for work and for fun. When I travel for fun, I like to have a map or two, some idea of where I am going to stay, and what I would like to see along the way and at my destination. When I return to favorite places, I am often struck by how they have changed, but equally so how they have not. In this section, we are going to travel down a fundraising highway. We will look at the new and exciting ideas and inventions that make our fundraising lives much easier. We will touch briefly on strategies and ideas that are hot now, but will become the Beanie Babies of fundraising (a commercial flare so over that many younger readers may not even recognize the reference), and mention some old tropes that have finally gone to rest in the great idea landfill in the sky. What will be most interesting, and what we will spend the most time on, are the principles of fundraising that remain true through recessions and boom times, through generational and other demographic changes, through technological revolutions, and through all kinds of political changes.

I start with a look at the nonprofit sector as a whole—how it has grown and changed, how much more we know about how to raise money, but also how much more money it takes to be successful. This overview will help you understand how some of the problems you have are true throughout the nonprofit sector. Then I discuss the importance of creating a fundraising philosophy: What is your belief about how the work of your organization should be paid for? You may have to make some compromises from the ideal, but if you haven't answered the question to begin with, you will not know when you are compromising and when you

are simply sending your organization down a rabbit hole of problems. Next I discuss several key principles that apply to all fundraising. To make it all work leads us to the final chapter in this section, about how organizations need to structure their fundraising strategies and who must be available to help raise money. (HINT: That is the chapter on the Board of Directors.).

Nonprofits and the Money They Raise

In this chapter I review some basic understandings about the size and scale of the nonprofit sector, important changes, and some things that never change. The word *nonprofit* is used to distinguish organizations that work for the public good and are not obligated to shareholders or owners to deliver a profit. In fact, organizations that are afforded nonprofit status by the Internal Revenue Service are subsidized by tax exemptions, financial donations, and the free labor of volunteers, all of which are designed to let them focus on fulfilling their mission rather than seeking profits. Even though businesses and corporations can work for the public good, they must operate profitably in order to stay in business.

Over the past forty years, the word *nonprofit* has gradually replaced the word *charity*, as more and more nonprofit organizations do work that is not strictly “charitable,” such as community organizing, advocacy, arts programming, or environmental protection. The word *charity* also carried a whiff of noblesse oblige—a sense of “fortunate” people helping the “less fortunate.” This frame has largely been rejected by progressive nonprofits, which seek to work “with” people rather than “for” them.

Many have argued that the term *nonprofit*, too, is an unfortunate one, as it describes an entire sector by what it is not; they have suggested using the term *community benefit organization* (CBO) instead. In most countries other than the United States, nonprofits are referred to as “*nongovernmental organizations*” (NGOs) to distinguish them from the work of government, or *civil society organizations* (CSOs), which can include informal associations of people or temporary coalitions and movements. In this book, I use the term *nonprofit* most of the time; despite its limitations, it is the most commonly used and commonly understood word to describe the sector in the United States. To describe an individual nonprofit entity, I mostly use the word *organization* or *agency*. To remind ourselves that we are organizations set up to benefit the community, but we do not take the place of government, I sometimes use the term *NGO*, and to keep us focused on the fact that we work on behalf of our communities, I will sometimes use the term *CBO*.

The word *philanthropy* comes from two Greek words that together mean “love of people.” In modern times, this goodwill or humanitarianism is often expressed in donations of money or volunteer time or property to causes that are important to the person doing the giving. (Similarly, the word *charity* comes from a Latin word meaning *love* in the sense of unconditional loving kindness, compassion, and seeking to do good.) The roots of these words remind us of the fundamental reasons for the work of most nonprofit organizations: expressing a love of people through good work. Philanthropists—people who practice philanthropy—are often thought of as rich older people who give away a lot of money. This is unfortunate because, in fact, anyone who gives anything away out of the goodness of his or her heart is a philanthropist. Philanthropy is also often used as a way to describe foundations and foundation funding. “She works in philanthropy” will most often mean that the person has a job at a philanthropic foundation. More recently, the word *philanthropy* has sometimes been used in place of *fundraising*, particularly in articles about how to create a “culture of philanthropy” in an organization. (Type “Culture of Philanthropy” into a search engine and dozens of articles will appear.) These are all legitimate uses of the word, but we need to keep in mind that it has a much broader and more inclusive meaning at its root.

THE SIZE AND SCOPE OF THE SECTOR

Arguably, the biggest change in philanthropy over the last half-century is the growth of the sector. Measured as a share of total employment, the nonprofit sector in the United States is the fifth largest in the world. The Netherlands has the largest proportional nonprofit sector, followed by Canada, Belgium, and Ireland. (For more information on nonprofit sectors in other countries, see *Global Civil Society: Dimensions of the Nonprofit Sector* by Lester Salomon and others and *The Canadian Nonprofit and Voluntary Sector in Comparative Perspective* by Michael Hall and others, both of which can be found at ImagineCanada.ca.)

If the nonprofit sector in the United States were a single industry, it would be among the three largest, accounting for about 10 percent of the workforce and about 5 percent of the gross domestic product. As of 2015, more than 1,700,000 organizations in the United States were designated nonprofits by the Internal Revenue Service.

Several million more small, grassroots organizations are not registered with the government and have no formal tax status. These include organizations just getting started; organizations that use very little money, such as neighborhood block clubs; organizations that come together for a one-time purpose, such as cleaning up a vacant lot or protesting something; and organizations that don't wish to have a structural relationship with the state or federal government.

Because of the size and growing sophistication of the nonprofit sector, it has increasingly drawn government attention, as well as that of researchers, academics, and many members of the general public. Although recognized nonprofits are regulated by federal, state, and local government laws and regulations, an added layer of self-regulation is imposed by public awareness coupled with the role of individuals in funding nonprofits, encouraging voluntary compliance with accepted ethical standards of accounting, personnel, and fundraising practices. Nonprofit status is a public trust, and tax exemption is, in effect, a public expense. Even organizations that have no formal tax status that seek to raise money from the public recognize that they have the same moral duty as registered nonprofits to operate ethically, be truthful with donors, and provide the highest quality of services to constituents.

WHERE MONEY FOR NONPROFITS COMES FROM

As with many endeavors that are critically important and use the resources of millions of people, it is not surprising that a number of misconceptions have grown up about fundraising.

Surprising to many people is the fact that nonprofits earn money through a number of avenues, not just straight-out monetary donations. These avenues include fees for services, products for sale, earnings from investments, and even earnings from businesses that a nonprofit may operate. Examples of these fundraising methods abound: Girl Scout cookies; Goodwill stores; Sierra Club calendars, cards, and books; and the like. For hospitals and universities, earned income is often the lion's share of their income. In fact, 55 percent of all the income of all nonprofits is earned income, including 5 percent derived from investment income largely generated by endowments.

Another 32 percent of nonprofit income is derived from government funding programs (collectively known as “the public sector”). Extensive cutbacks in government funding, starting in the 1980s and continuing to the present, have reduced such funding a great deal, but it remains a significant source for many organizations. This change is not only financial; it also reflects a change in political philosophy about the role of government and the role of private funding in paying for the common good. (See Chapter Two, “Creating a Fundraising Philosophy.”)

The final 13 percent of nonprofit income comes from the private sector: individuals, foundations, and corporations. Although the private sector provides the smallest portion of all the income available, for most of the organizations using this book, the private sector will provide the largest portion of their funding. Surprising to most people, individuals (living and dead, through bequests) account for 80 percent of private-sector funding, far more than all donated foundation and

corporate money combined. To be sure, a great deal of earned income is earned by large hospitals and universities and a great deal of government funding goes to large direct-service agencies and to universities for research. Small nonprofits, which are the focus of this book, raise most of their money from the private sector.

This book focuses almost entirely on how to raise money from that enormous market of individual donors. It is also important to recognize that the work of the nonprofit sector is “funded” by the contributed time of volunteers. In the USA, more than 64 million people volunteer regularly, the equivalent of nearly eight million full-time jobs and valued at more than \$300 billion (Independent Sector). Without volunteers, the sector would not exist.

What Research Tells Us About the Nonprofit Sector

There is now an enormous body of research on nonprofits and their income streams, both in the United States and in other countries. Some of this research tries to determine who gives, why they give, and what they give to. The most widely used report is *Giving USA*, compiled yearly as a project of the Giving Institute and the University of Indiana. Every year since 1935, *Giving USA* researchers have calculated just how much money was given away to nonprofits and where that money came from. Their research over the years shows that the proportion of giving from each of the sources of private-sector giving—living individuals, bequests (a cash or other donation people arrange to be given to a nonprofit on their death), foundations, and corporations—remains constant, varying from year to year by only two or three percentage points, with nine times as many gifts from individuals (living and deceased) as from foundations and corporations.

A look at the numbers brings this reality out starkly. The chart below shows private-sector giving for the year 2014.

Private-Sector Giving, 2014	
Total Giving: \$358.38 billion	
Giving Amount	% of All Private-Sector giving
Individuals: \$258.51	72%
Bequests: 28.13	8%
Foundations: 53.97	15%
Corporations: 17.77	5%

(Source: *Giving USA Annual Report, 2015*)

Given these facts, an organization should have no trouble knowing where to go for money: individuals provide the vast bulk of private support to nonprofits.

Who Gives Away Money

The logical follow-up question—Who are these people?—is more difficult to answer. There are many complex variables that make it difficult to draw a single profile of givers, ranging from where people live to whether they keep track of their donations. How and what data are collected on giving also influence the answer.

Data on giving are collected in three main ways:

- Analyzing tax returns of people who itemize and extrapolating from the results
- Surveying a random sample of the population (either one time or at several points in time) and extrapolating from their responses
- Comparing either or both of the results from these methods with what charities report to the IRS about their income (on their IRS Form 990) or what they report in polls and surveys

Further analysis of results can be done by looking at various demographic variables, such as age or income of those responding.

Discrepancies in reports about who gives away money and how much they give largely turn on the study methodology employed. *Giving USA* looks at itemized tax returns. Independent Sector, a coalition of about six hundred nonprofit organizations that speaks for the sector, bases its data about giving on telephone and written surveys. Because only 30 percent of Americans itemize deductions on their tax return, the results of *Giving USA's* survey are limited. The 70 percent of Americans who file a “short form” tax return do so because their giving does not exceed the standard deduction, so they receive no special tax benefits from their giving. Estimates of how much that 70 percent give away probably undercounts a lot of giving.

Do people who itemize on their taxes exaggerate their giving? Probably, although some studies have shown that people under-report giving on their taxes. By how much in either direction? It's hard to say. Do people exaggerate their generosity to a phone surveyor? Probably. By how much? Again, it's hard to say. People may also forget how much they have given to a nonprofit when they have no incentive, such as a tax deduction, to cause them to keep track. Possibly the exaggerators cancel out the under-reporters.

Some other variables also make knowing who gives away money difficult:

- Although the majority of people give money from their annual income, the wealthy minority give from their assets, such as stocks. When looking at who is generous relative to their ability to give, some studies only take into

consideration level of annual income; other studies look at total net worth. These two factors can yield very different results. For example, a family with little income could be wealthy in terms of assets (such as ownership of homes, stocks and bonds, businesses, art, and the like), or it could have no assets. One might expect those with assets to have greater ability to give than those without although for many people, their assets are not liquid.

- Studies that calculate which region of the country is the most generous usually fail to take into account cost of living. For example, two states may each have a median income of \$40,000 per family, but in one state the median cost of housing per year may be \$10,000 and in the other state twice as much. The people living in the second state might well give less money away than those in the first state, but factoring in cost of living may reveal that both groups are equally generous.
- Almost all studies try to focus on formal philanthropic giving, but if we were to count the numerous acts of unrecorded kindness—money donated to homeless people on the street or sent as remittances to family members in other countries, or help given to a friend to go college or to a poor family to pay rent for a few months—our studies not only would show much more giving but might also yield even more demographic differences among givers.

Looking at the question by studying what nonprofits declare as income would seem to give the most accurate data. However, a large portion of nonprofits—religious organizations, which constitute about one-third of the nonprofit sector and which take in about one-third of all giving—are not required to report their income to the government, in accordance with the doctrine of separation of church and state. (Nonetheless, about half of all religious organizations do report to the IRS voluntarily.)

So you can see the problem of trying to know who gives away money and how much: the majority of people are not declaring their giving on their taxes, and a large number of nonprofits are not reporting their income sources.

Nonetheless, there is research about who gives, and it shows that changes in the U.S. economy over the past decade are affecting giving patterns. Although most of the money given away continues to come from the largest economic group—middle-class and working-class people—an increasing percentage of gifts given are coming from high-net-worth individuals. Rising income inequality, which is eroding the middle class, is behind this shift in giving. Here's what the statistics tells us: in 1998, Independent Sector's research revealed that about 82 percent of all giving came from households with annual incomes of \$65,000 or less—that is, the largest percentage of money was given by people in the