

LANO ORGANIZATIONAL DEVELOPMENT SERIES

# The Funding Pie

Establishing a diverse and well-rounded revenue strategy for your nonprofit organization



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REVISED SECOND EDITION, 2012

LANO's organizational development series is designed to strengthen nonprofits.

Each publication provides best practices in nonprofit operations, management, and governance and includes samples, worksheets, and templates.



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# The Funding Pie

**Establishing a diverse and well-rounded revenue strategy  
for your nonprofit organization**

*Revised Second Edition*

This multi-media toolkit is produced by the Louisiana Association of Nonprofit Organizations, with additional content and editing provided by Nora Ellertsen, CEO of The Funding Seed.





# Contents

<b>7</b>	<b>Acknowledgements</b>	
<b>9</b>	<b>Introduction</b>	
<b>10</b>	<b>Trends in Giving</b>	
<b>12</b>	<b>First Things First</b>	
	Worksheet 1: Your Organization's Universe	13
<b>14</b>	<b>Creating Your Fundraising Plan</b>	
	Worksheet 2: Your Fundraising Calendar	16
<b>18</b>	<b>Pieces of the Pie</b>	
	<b>INDIVIDUAL DONORS (AND CULTIVATING MAJOR DONORS)</b>	<b>18</b>
	Worksheet 3: Individual Donors	21
	Worksheet 4: Major Donor Planning	24
	<b>MEMBERSHIP</b>	<b>25</b>
	<b>PLANNED GIVING</b>	<b>28</b>
	<b>IN-KIND GIFTS</b>	<b>30</b>
	Worksheet 5: In-Kind Donation Form	32
	Worksheet 6: Donation Wish List	33
	<b>CAMPAIGNS: INDIVIDUAL DONOR</b>	<b>34</b>
	Worksheet 7: Campaign Gift and Prospect Chart	36
	<b>CAMPAIGNS: ANNUAL</b>	<b>37</b>
	<b>CAMPAIGNS: CAPITAL</b>	<b>39</b>
	<b>ENDOWMENTS</b>	<b>42</b>
	<b>GRANTS AND CONTRACTS</b>	<b>44</b>
	Worksheet 8: Grant Profile	47
	<b>CORPORATE &amp; BUSINESS GIFTS</b>	<b>49</b>
	Worksheet 9: Corporate and Business Donors	51
	<b>CAUSE MARKETING</b>	<b>52</b>
	<b>EVENTS</b>	<b>54</b>
	Worksheet 10: Event Task Planning	57
	<b>EARNED INCOME STRATEGIES</b>	<b>58</b>

**60 The Board's Role in Fundraising**

Worksheet 11: Board Expectations 62

Worksheet 12: Board Training and Development Plan 63

**64 Making the Ask**

**66 Bringing it All Together**

Worksheet 13: Fund Development Plan 66

**67 Further Reading**

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# Introduction

If the only thing necessary to start a business were a customer, it would be no wonder so many nonprofit businesses exist—there are so many customers. Nonprofit organizations address a variety of community needs, from healthcare to arts, to education, the environment, and so much more.

Nonprofit organizations are businesses that serve the community by meeting important needs difficult or perhaps impossible to meet by other means. In turn, nonprofits rely on the generosity of volunteers, donors and institutions to support our missions through volunteer service, in-kind goods, and financial contributions.

Fund development is a critical component of a nonprofit organization's operations and governance. Nonprofit staff, board members, and other volunteers face the task of raising the resources needed to advance their missions and sustain their organizations.

Many nonprofits gravitate toward grants and special events as primary fund development strategies. Yet trends in giving consistently reveal the majority of philanthropy is coming from individual giving. In recent years, more nonprofits have incorporated earned income into their fund development plans, demonstrating that nonprofits have valuable services that can have a financial return on the open market. With so many strategies to consider, how can nonprofit executives and board members determine the right fund development recipe for their organization?

To help Louisiana nonprofits answer this question, LANO developed *The Funding Pie* in 2007, and released a revised Second Edition in 2012. *The Funding Pie* provides an overview of the most common fund development methods and best practices for achieving the greatest return from your fundraising efforts. Included in the publication are templates, worksheets, and links to websites with resources that will help you apply these practices in your organization.

Throughout this publication we use the pie analogy referring, to each pie slice as a different way of raising funds and support. A complete pie represents all the strategies that a nonprofit organization implements as part of its fund development plan. In order to remain fiscally viable, LANO encourages nonprofit organizations to strive for a mix of revenue streams. An unbalanced funding pie can result in vulnerability if a particular strategy falls short of its revenue goals or, even worse, is eliminated. A balanced funding pie leaves an organization more flexible and better able to serve its constituents and communities.

Every nonprofit is different; and balanced funding can be obtained in many ways. As you travel through *The Funding Pie*, be sure to think carefully about your current funding needs and how you are striving to meet them. Also consider where you have room to grow, and how, working with your staff, board and volunteers, you might add new pieces to your funding pie or expand on those you already have.

# Trends in Giving

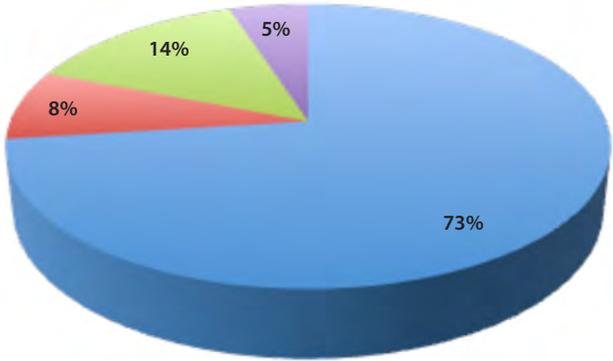
Nonprofit organizations do not exist in a vacuum. They are part of larger society—of businesses, governments, current events, historical cycles, political realities, and human relationships. As values shift, so do trends in giving. But one thing remains consistent: People and institutions continue to support nonprofits.

## National Giving Trends

A common misconception about nonprofit fundraising is that foundations and corporations are the most generous charitable givers. While foundations and corporations do give away billions of dollars each year, it was individuals who were responsible for 73% of all private charitable giving in 2010. That’s not a one-time irregularity—the breakdown in the chart above remains more or less consistent year after year, regardless of changes in the economy and other external happenings. Consistently, individual donors give the most by far. Source: Source: Giving USA Foundation (2011). Giving USA 2011: The Annual Report on Philanthropy for the Year 2010. Chicago: Giving USA Foundation.

**2010 Contributions: \$290.89 billion (by source)**

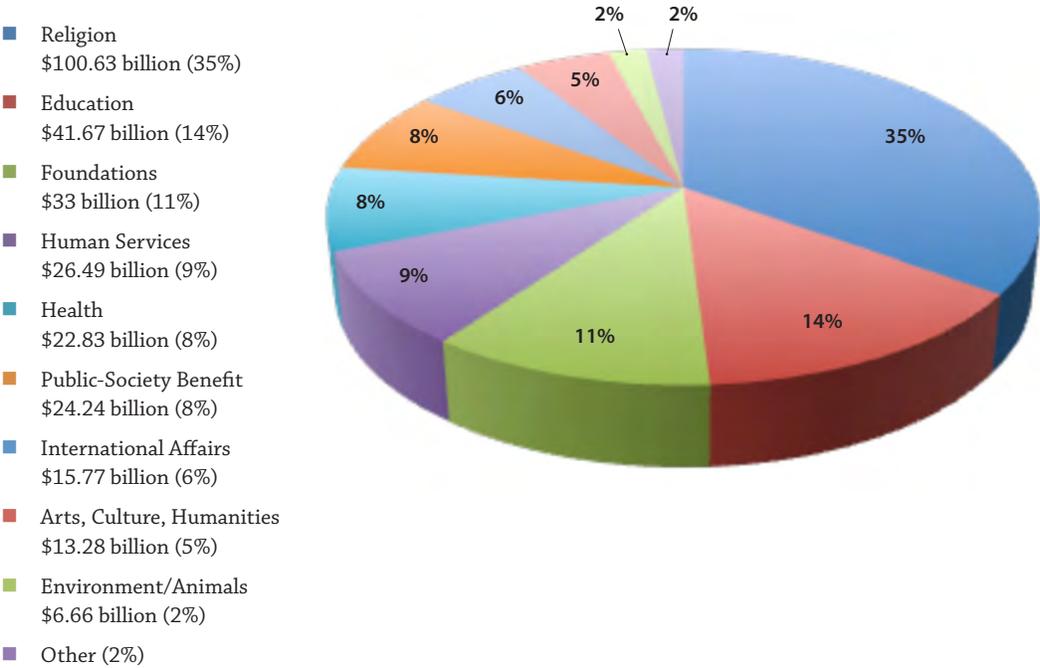
- Individual giving  
\$211.77 billion (73%)
- Bequests  
\$22.83 billion (8%)
- Foundations  
\$41 billion (14%)
- Corporations  
\$15.29 billion (5%)



Perhaps unsurprisingly, religious institutions receive the largest piece of the national funding pie. Since many people who attend a place of worship feel a deep and personal connection to that place, and because religious institutions ask their members to give much more often than most other nonprofits do, religious institutions receive more donations. Among the remaining organization types—most of which are made up of nonprofits that ask for money much less often—the funds are more evenly distributed.

Interestingly, while the overall dollar amount contributed to charities nationwide may vary somewhat from year to year, the breakdown of both the sources and the recipients of nonprofit funding look remarkably similar.

**2010 Giving: \$290.89 billion (by recipient type)**



## First Things First

Everything in a nonprofit organization begins with the mission. In her book *Beyond Fundraising*, Kay Sprinkle Grace emphasizes that dedication to mission is central to a strong fundraising program. With mission in mind, consider what is known about why people give. The below list, adapted from Grace, offers common reasons why people give money to a nonprofit.

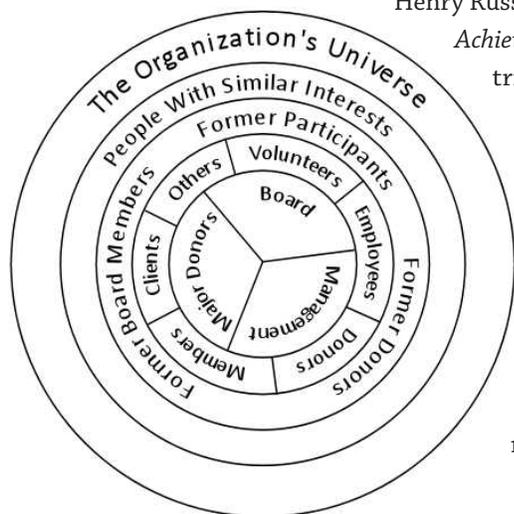
- **Altruism**—doing it for virtuous reasons not related to direct benefit for themselves
- **Alleviating guilt**—supporting the cause can alleviate feelings of guilt for not doing anything, not doing enough or for doing something that should not have been done.
- **Sympathy**—they feel sympathy for those affected by the cause.
- **Shame**—they feel ashamed that nothing is being done.
- **Personal Involvement**—they are personally involved or affected by the cause.
- **Religion**—people’s faith obligates or encourages them to support charitable causes.
- **Tax purposes**—people would rather see money go to charity than to the IRS.
- **Because they were asked**—people were simply asked to give and it was easier than saying no.
- **Peer or family pressure**—colleagues at work apply peer pressure, or family members are involved or affected by the cause.
- **Reputation**—the donor may wish to improve their reputation in the community.
- **Fun**—they enjoy the fundraising activity event or they want to win something.
- **The time was right**—fitting their ability to give.
- **Shock**—an event or issue overcomes apathy or indifference.

For most donors, their giving intentions include multiple reasons and may change over time and in response to different appeals. An important step in developing a strong funding pie is understanding why people give to your nonprofit.

Source: Henry Russo’s  
Achieving Excellence  
in Fund Raising

Equally important is understanding who is connected to your organization, and how.

Henry Russo, author of multiple books and seminars on fundraising, including *Achieving Excellence in Fund Raising*, uses a constituency model of concentric circles, explaining that one begins with the inner circle of supporters and moves outward from there.



Gaining a solid understanding and consensus among staff, board, and fundraising volunteers of your organization’s mission, vision and constituency will set the stage for successful fund development planning. Consider an exercise at your next Board of Directors meeting that engages board members in the creation of a constituency diagram of your organization’s supporters. Ask them to be specific when identifying potential donors, and use this opportunity to capture prospects.