The Catalyst

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Ten Keys to Campaign Preparedness

Charles S. Whelan, Jr.

Conventionally, organizations have viewed capital campaigns strictly as fund raising projects: an institution defines its needs, conducts a feasibility study, and then launches a campaign. Today, however, campaigns and, specifically, the campaign planning process can also be used as powerful tools in shaping the future direction and impact of an organization's work.

The Whelan Group's approach to campaign planning emphasizes the creation of a strategic case for support: how will a donor's investment in this effort enable the organization to achieve its broader, long-term goals? The planning process is also designed to help you think through the "tough questions" before they are asked by a major prospect. By employing the ten keys to campaign preparedness, you can develop strategies which will set your organization apart, strengthen the quality of your organization's vision for the future, and ultimately enable your fund raising leadership to attract the financial resources needed for your institution to make "the big leap" forward in its development. Here, then, are the ten keys:

Key 1: Conduct a review of your current activities

An initial priority is to obtain an accurate assessment of the strengths and weaknesses of your institution's current work: the programs you offer and the services you provide. Assemble a small working group of key program staff and conduct a comprehensive review of your organization's activities. Among the questions you will want to answer are:

- What are the current demographics of your "client" population(s)? Are your clients' current and projected needs being effectively addressed through your programs?
- Is the demand for the programs and services you offer expected to increase or diminish in the years ahead?
- Should individual programs or services be combined, expanded, altered, or eliminated?
- How is each program funded, and what are the prospects for continued funding?

Be tough! The conclusions from this process will form the basis of a long-term plan for your programs and services, while giving you a strong handle on the staff, equipment, and facilities you will need to sustain your current operations.

Key 2: Develop five-year financial projections

Using the results from the program review, develop a base-line set of projections for both expenses and expected revenue, projected over five years. The goal of this exercise is to develop strategies to address any vulnerabilities in your funding streams. Be sure to include any additional staff, equipment, or facility items that may be

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Welcome to the Spring 1996 edition of The Catalyst, The Whelan Group's newsletter for nonprofit organizations and institutions. In this issue, we examine some of the "homework" steps organizations should undertake before embarking on a major capital campaign. Our experience has shown that a thoughtful plan provides the essential road map for the successful implementation of a serious fund raising effort. In this newsletter, we offer some practical strategies you might employ as you think about, and prepare for, a major campaign.

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necessary for program growth. Do you have a balanced budget ... and if not, why not? Is your cash flow sufficient to meet your needs? What portion of your operating budget is covered by endowment income? How much additional endowment income – or income from other sources – will you need to cover operating costs?

Key 3: Dream a little

While the program review described above is focused on current organizational activities, this exercise provides the opportunity for you to think expansively and to explore new programs and services your institution might develop over the next five years. Invite key program staff, select Board members, and, perhaps, a few experts from the field to a brainstorming retreat for the purpose of examining potential innovations in your delivery of services. What are the innovative programmatic frontiers and horizons toward which your organization should be moving? Would it be advisable to forge strategic alliances with other organizations offering similar or complementary services? Are there new funding opportunities for current or projected activities which should be investigated? Ultimately, what is your institution's broad vision for the future? *See Chart 1*.

Key 4: Think out the future

With the confirmed objectives from the brainstorming retreat in hand, the next step is to prepare a Strategic Plan which answers the questions "What should our institution look like in five years?" and "What will it take – programmatically, administratively, and financially – for us to get from here to there?" Engage Board members and senior staff in the strategic planning process ... maybe include some potential donors, as well. The goal of this process is to achieve a "buy-in" – by the Board, who will authorize the plan; by the staff, who will implement the plan; and by donors, who will be asked to support the plan.

CHART 1 – PROGRAM AND SERVICE DEVELOPMENT TASKS

Key 5: Establish funding priorities

Using the Strategic Plan as a guide, examine and set priorities among your funding needs in five areas:

- Annual operating needs. For base-line programs and administration
- Special project and program funding needs. For special short term efforts (e.g., research projects)
- Program development needs. To create new programming or to upgrade ongoing services
- Endowment and reserve fund needs. For income-generating investments, and for reserve funds to cover cash flow and preventive maintenance
- Facility enhancement/New facility development needs. For facility-related projects needed to "house" the organization s current and projected programs and services.

Creating An Endowment: A Few Accounting Considerations

Gary R. Purwin, CPA

In my work with nonprofit organizations that are planning significant Endowment Campaigns, I am frequently asked about the major accounting factors that should be considered beforehand. The following are what I believe to be the major issues in that regard; they also play a significant role in strengthening an organization from a campaign policy and preparedness standpoint.

Although little needs to be in place before an organization starts receiving contributions, you should have a clear, written understanding of:

❶ **What percentage of the endowment corpus will the organization budget for current spending?** This needs to be determined while developing institutional investment policies. As part of this review, you will want to consider inflation and the performance on your organization's reserves, as well as the potentially available components of endowment income: interest and dividends versus appreciation.

❷ **What can the currently available endowment income be spent on?** The organization is entirely free to draft its endowment giving documents to stimulate endowment gifts which are unrestricted as to use (the income from the endowment can be applied to any purpose); you may also want to stimulate endowment gifts where the income generated by the gift is restricted to specific purposes. The organization needs to be careful to take into consideration its future operating and capital

This inventory of financial needs will help determine the size and scope of your campaign and, by extension, the investment which should be made in the budget for your campaign.

Key 6: Identify your major and leadership gift prospects

Begin by developing a gift table for the amount of money you will be seeking. Keep in mind that roughly 80% of the funds raised are usually derived from the top 20% of the donors . . . meaning that the lion's share of your attention should be spent on identifying the high potential prospects who will drive the effort. Furthermore, you should "budget" at least four prospects for each actual contribution. A typical capital campaign gift table for a $10,000,000 effort might look like this:

GIFT TABLE

Amount	Gifts Needed	Yield	Prospects Needed
$1,000,000+	1	$1,000,000	4
$500,000+	4	$2,000,000	16
$250,000+	8	$2,000,000	32
$100,000+	16	$1,600,000	64
$50,000+	25	$1,250,000	100
$25,000+	36	$900,000	144
$10,000+	75	$750,000	300
< $10,000	100	$500,000	400
TOTAL	265	$10,000,000	1,060

This table shows a projected gift distribution whereby the top 54 donors (20% of the total donors) would contribute $7.85 million (79% of the total goal).

Prospective major gift donors can be identified in many ways: reviewing lists of current major contributors and "word of mouth" recommendations from your Board members and close friends are obvious starting points; feasibility interviews with your organization's leadership and "close-in" prospects are always helpful; and computerized screening techniques which employ geodemographic analysis are especially useful in helping to qualify prospects and to uncover "hidden" individuals with major gift potential.

Key 7: Develop a compelling case for support

Carefully think through the most persuasive reasons why a prospective donor would want to make a serious "investment" in your organization, then develop a document which "makes the case." As the primary statement regarding the vision for the future of your institution, this document should also provide potential donors with information about the creative ways they can best support your work and help you to realize your vision for the organization's future. It should also offer specific gift opportunities – specifically, naming opportunities – through which you can offer supporters recognition for their gifts.

Key 8: Create the leadership

To execute a successful campaign, and to sustain your other organizational fundraising efforts during and after the campaign, you will need strong leadership on your Board, on your Campaign Committee (especially the Chair or Co-chairs of the campaign), and on your Development Committee. To this end, undertake a leadership development process aimed at identifying individuals who will be able to:

- Act as principal ambassadors for your organization, by understanding and sharing with others the institution's mission, vision and case for support;

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needs, as well as the interests of potential donors. Endowment restrictions can be difficult to monitor and make future planning more arduous. However, they can provide a reliable stream of revenue for specific purposes which may otherwise be difficult future fund raising objectives.

❸ How will the organization treat principal appreciation or depreciation? If the organization is in a state which has adopted the Uniform Management Institutional Fund Act (UMIFA), this document needs to be understood by management and directors who will be responsible for the endowment. Also, the new accounting standards affecting not-for-profits requires that any unrealized gains or losses on the endowment "follow" any restrictions placed on the income earned by the endowment.

Clear written answers to these questions will not only help your organization manage the endowment, but will be useful tools in focusing your campaign – both inwardly, to your leadership, and outwardly to potential investors.

Gary R. Purwin, CPA, is a Partner in the accounting firm of Pustorino, Puglisi, & Co., P.C. Established in 1961, the firm provides accounting, tax, and management advisory services to a diverse range of private, for-profit, and non-profit clients.

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- Give a major "stretch gift" personally;
- Provide entrée to other prospective donors or constituencies; and
- Actively solicit major gift support for the campaign.

Keep in mind that the core leadership for the Campaign must come from the Board. Furthermore, it is also important to note that many Campaigns rely on the Board to give anywhere from 25% to 40% of the Campaign goal.

CAMPAIGN VOLUNTARY STRUCTURE

Key 9: Build an effective campaign plan

A comprehensive campaign design should include:

- A clear presentation of, and defense for, the case
- A management blueprint for day-to-day activities
- A strategy for prospect education, cultivation, and solicitation
- An inventory of and distribution schedule for all campaign materials
- A program for training all campaign volunteers
- A calendar of milestones and checkpoints which marks progress against campaign goals.
- A realistic timetable
- A detailed budget

Key 10: Develop a realistic implementation schedule

Prepare a three-phased schedule:

CAMPAIGN STAGES		
Planning Phase	Advance Gift Phase	Public Phase

The Planning Phase This phase includes such pre-campaign activities as leadership development, prospect identification, the preparation of campaign materials, and the design of a public relations program for the campaign. During this phase you can also expect to conduct a small number of key leadership gift solicitations. Ideally, you would hope to assemble approximately 10% of your Campaign Goal during the planning phase.

Carefully think through the most persuasive reasons why a prospective donor would want to make a serious "investment" in your organization, then develop a document which "makes the case."

The Advance Gift Phase During this phase you would seek to raise 50% to 60% of your total goal from major donors, while broadening and strengthening your organization's voluntary leadership. The central focus of these visits is on Board solicitation, the solicitation of "close-in" prospects and on prospects with gift potential at the upper end of the gift table.

The Public Phase During this phase you would seek to raise the remaining portion of the goal from both major donors and from your broader constituency. While the solicitation of major gifts remains a critical component of the public phase, a secondary objective is to achieve broad public/community-wide participation in the Campaign. This will involve employing a range of solicitation strategies: personal visits with major and special gift prospects, as well as telephone appeals and mail solicitations for general gift prospects. Today you have the opportunity to take full advantage of some very creative marketing techniques which will make your telephone and mail solicitations as successful and cost effective as possible.

Alfred Hitchcock used to say that the real work in film making was in developing the idea, then thinking out the visual effects frame- by-frame; by the time he stepped behind the camera, the hard work was done. Campaigns work the same way: with solid homework and thoughtful preparation, they will run smoothly. With a case that is well-conceived, articulate, and compelling, investors will respond generously to your appeal.

Charles S. Whelan, Jr. is President of The Whelan Group, Inc.

Uncovering "Hidden" Donors with Major Gift Potential

Linda J. Kolk

Clearly, a critically important step in planning for a Capital Campaign is ascertaining that your institution has a sufficient number of potential donors – especially high-end prospects, who have the inclination and the capacity to make major gifts to the effort.

Defining Your Prospects

In most cases, potential donors can be classified as belonging to one of three groups:

Visible prospects. Usually current major donors, major donors to prior capital efforts, and members of your Board and voluntary leadership

Word of mouth prospects. Less-closely tied individuals, about whom you have some knowledge, who might be persuaded to provide support if properly cultivated

"Invisible" prospects. Individuals on your database (or in your organization's service constituency or catchment area) who may have the potential to be major donors . . . but about whom you have little, if any, information.

Assessing a Prospect's Gift Potential

The challenge for organizations is to assess the "hidden" giving potential of their prospects in all of these categories. In the course of our work we have found it very useful to consider giving potential from a holistic or comprehensive standpoint. We evaluate the gift potential of each and every person in an organization's constituency with specific attention on four levels of giving potential:

Major gift potential. Which prospects are capable of making Campaign gifts ranging in size from $25,000 to $1.0 million and more? We assess the specific major gift potential for each of these prospects.

Short-term annual giving potential. What is each prospect capable of contributing this year, on an annual giving basis? We assess the short term giving potential of every person on an organization's database.

Long-term annual giving potential. What will each prospect be capable of contributing to the annual fund in five years' time, assuming that he or she is properly cultivated ... and gently moved up a giving "ladder?" We assess the long term giving potential of every person on an organization's database.

Planned giving potential. Which prospects have the potential to make bequests, life income gifts, or other forms of planned gifts to the institution? We assess the gift potential of individuals identified as planned giving prospects.

The Whelan Group's approach to determining the giving potential of each person involves conducting a person-by-person assessment, utilizing our custom designed prospect identification process. This computerized screening process employs geodemographic analysis techniques; we also conduct a careful review of the organization's top 1000 prospects; and conduct in-depth research on the organization's prospects identified as having the very highest gift potential.

Through this process, specific "Ask" amounts – not percentile or quartile ratings – are appended to every prospect's record on the organization's list. In this way, the organization has readily available a comprehensive list of giving potential that can employed not only in a current Campaign effort, but with its annual fund, and its planned giving program; this process also lays the foundation for future Campaign initiatives as well.

Linda Kolk is an Associate Consultant with The Whelan Group, Inc. Ms. Kolk is the firm's lead consultant in the area of prospect identification and management.

For Additional Information

The Whelan Group encourages organizations to look at the big picture, to think ahead, and to define a clear vision for their future. We are specifically interested in fostering a creative, well-managed approach to growth for each of our clients. Our central goal is "institution building": expanding and strengthening our clients' asset base with specific attention to the financial resources they will need to deliver programs and services of the highest quality. We also enjoy a well- established reputation for our creative approach to financing the development of new buildings and the renovation of existing facilities in which non-profits house their programs.

For further information, please contact us.

The Whelan Group, Incorporated
155 West 19th Street
New York, NY 10011
Phone: 212-727-7332
Fax: 212-727-7578

The Whelan Group, Incorporated
155 West 19th Street
New York, NY 10011