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Fund Development: Roping 'Em In

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Key Concepts

Fundraising:

- is a regulated activity
- is a public activity that impacts your image and your reputation
- should be consistent with your mission
- requires accountability and management

Managing risk requires a combination of
awareness, action, and preparation.



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What can go wrong?

- ✔ Criminal or IRS penalties
- ✔ Funders may refuse to make grants
- ✔ Funding partners can negatively impact reputation
- ✔ Poorly trained or supervised staff or volunteers can negatively impact your nonprofit's donor relationships



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Today's Fundraising Landscape

- ✔ Increasing number of nonprofits
- ✔ Pressure to diversify revenue streams
- ✔ Uncertainty in future levels of giving
- ✔ Need to meet expectations of diverse funders



Today's Fundraising Landscape

- 🌵 Funders are consolidating giving
- 🌵 Proliferation of **special events**
 - 🐎 Niche marketing is more important
- 🌵 Growth of cause-related marketing
- 🌵 Funders want to know the *return on investment*

What Can Go Wrong?

- 🌵 Failure to provide appropriate acknowledgements to donors
 - 🐎 A turn-off for donors
- 🌵 Internet Fundraising
 - 🐎 Penalties for failure to register in various states



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What Can Go Wrong?

-  Relationships with for-profit companies
-  Commercial activity that doesn't fall under the tax exempt purpose of the nonprofit



Management

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What Can Go Wrong?

-  Cause-Related Marketing
 -  Is your nonprofit's mission in sync with the product?
-  Put it in writing
 -  Contracts are legally binding... seek legal review!

Management



Oops...

- ✔ Fundraising committee investigates location for next year's gala
- ✔ Chair puts down a deposit on a cool venue
- ✔ Contract is never shared with Director
- ✔ Nonprofit changes date of fundraiser
- ✔ **Oops!** Volunteer is obligated on contract

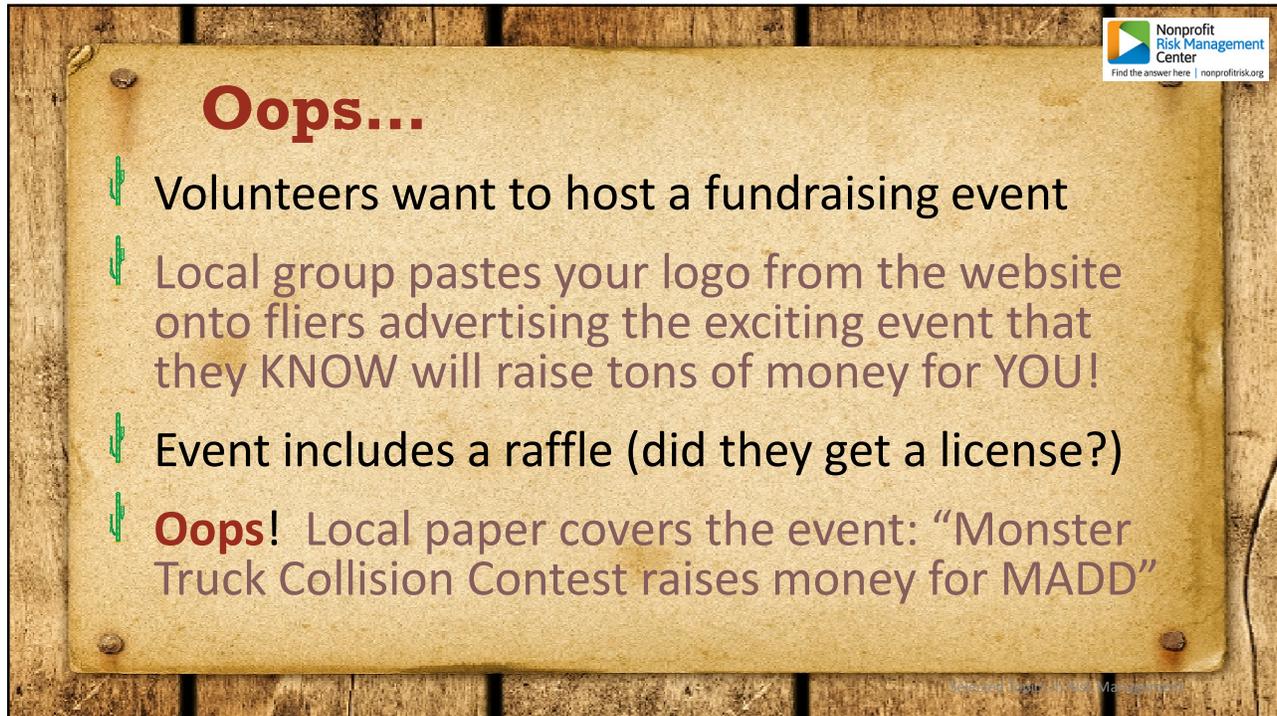
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Oops...

- ✔ Youth-serving nonprofit diversifying income
- ✔ Fundraising committee suggests renting vending machines throughout the state
- ✔ Outside legal counsel okays the contract
- ✔ Vending machines have sugary sodas & snacks
- ✔ **Oops!** Parents are outraged

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Oops...

- Volunteers want to host a fundraising event
- Local group pastes your logo from the website onto fliers advertising the exciting event that they **KNOW** will raise tons of money for **YOU!**
- Event includes a raffle (did they get a license?)
- Oops!** Local paper covers the event: “Monster Truck Collision Contest raises money for MADD”

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Collaboration & Partnerships

Downside Risk AND Reward

- Partnerships leverage resources and assets, but increase exposure to loss
- Assess potential risks and rewards when vetting prospective partners and managing partnerships

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Access to the Funds

- ☞ Determine who will have access to the funds



Acceptance of Donations and Gifts

- ☞ If a donor specifies a **use** for funds, how will specific use be tracked and ensured?
- ☞ Will your nonprofit accept gifts other than cash?

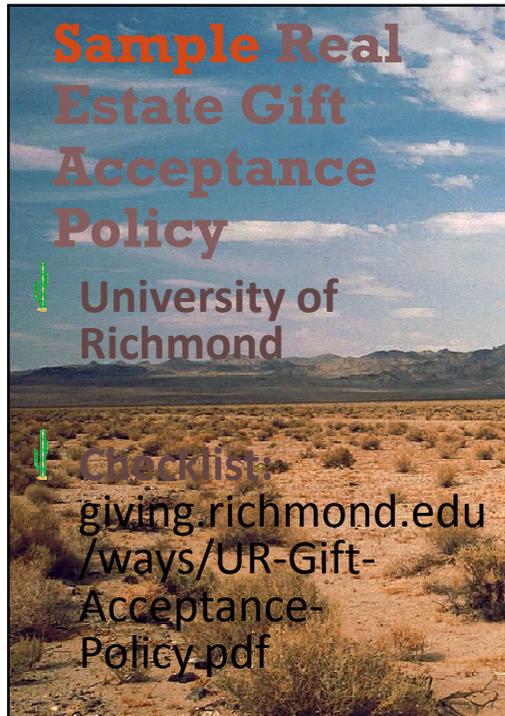


Accepting Donations

-  Know your donor
-  Follow your *Gift Acceptance Policy*
-  Be prepared to walk away if risks or unknowns outweigh benefits

Real Estate Gifts

-  Put a policy in place with criteria
 -  **What are the tax implications?**
 -  Will the property benefit the nonprofit?
 -  **Are there encumbrances on the property?**
 -  Are there high costs or maintenance expenses?
 -  **Is the property in need of remediation?**



Sample Real Estate Gift Acceptance Policy

University of Richmond

Checklist: giving.richmond.edu/ways/UR-Gift-Acceptance-Policy.pdf

Process
All proposed gifts must be reviewed by the Gift Acceptance Committee. The Director of Gift Planning will work with the donor and the VP for Finance's office to obtain all necessary information for review before a gift can be accepted. Donors will be advised of the time frame to expect in reviewing a potential gift of real property.

- ◆ The donor must submit a "Real Estate Checklist," (attached) completed as fully as possible. The purpose of the checklist is to gather basic information about the property, surface possible environmental issues, and understand the possible costs of holding the property.
- ◆ A representative of the University, usually an employee, will generally visit the property to assess potential risks before incurring the expenses associated with further consideration of the real estate gift possibility.
- ◆ University representatives will be especially interested to learn of any environmental problems or pending claims pertaining to the property or abutting properties. If the gift review process proceeds, a Phase I environmental assessment will be required. (In rare situations, this requirement might be waived by the VP for Finance.) Unless the donor offers to pick up this expense, the University will pay for this environmental assessment. (The purpose of the assessment is to protect the University's interests.)
- ◆ The university should secure documentation that the donor holds clear title to the property, e.g. deed, attorney's title opinion, insurance policy, survey. Assuming these documents indicate the donor holds clear and marketable title, the university will generally obtain title insurance at the time the property is conveyed.



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Creating a Gift Acceptance Policy

CRITICAL ELEMENTS OF A GIFT ACCEPTANCE POLICY

The gift acceptance policy should include several elements:

- Your organization's mission;
- The purpose of the gift acceptance policy;
- Recommendation of donor's use of legal counsel;
- Circumstances in which your organization will engage legal counsel;
- Your organization's policy with respect to gift restrictions;
- Types of gifts and the forms of gifts that your organization will accept;
- Reporting requirements;
- Your organization's adherence to ethical standards;
- Gift acceptance committee; and
- Annual review.

Diversify Funding

- ✔ Analyze your current fund development strategies—are they working?
- ✔ Involve your board members
- ✔ **Try new things**—crowdsourcing, impact grants & membership

Major Fundraising Sources

- ✔ The general public
- ✔ High-net-worth individuals
- ✔ Special events
- ✔ Grants
- ✔ Sponsorships



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Corporate Sponsorships

 **Tax-free gift? Or taxable advertising payments?**

 Factors suggesting **taxable**:

-  Exclusivity
-  Providing inducements to buy a product
-  Linking sponsor logo to product site
-  Providing sponsors with ad opportunities in places where ads typically appear for a fee

www.councilofnonprofits.org/tools-resources/tax-treatment-of-income-received-corporate-sponsorships

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Special Events

-  Have a clear goal from the start
-  Stick to a budget
-  Secure sponsors
-  **Promote, promote, promote!!**



Special Events – Part II

- 
 At the end of the event:
 - 
Assess the result—Was it a success? Did you reach your goal? What should be done differently next time?
 - 
Continue cultivating new relationships—don't let new donors and supporters fall to the wayside

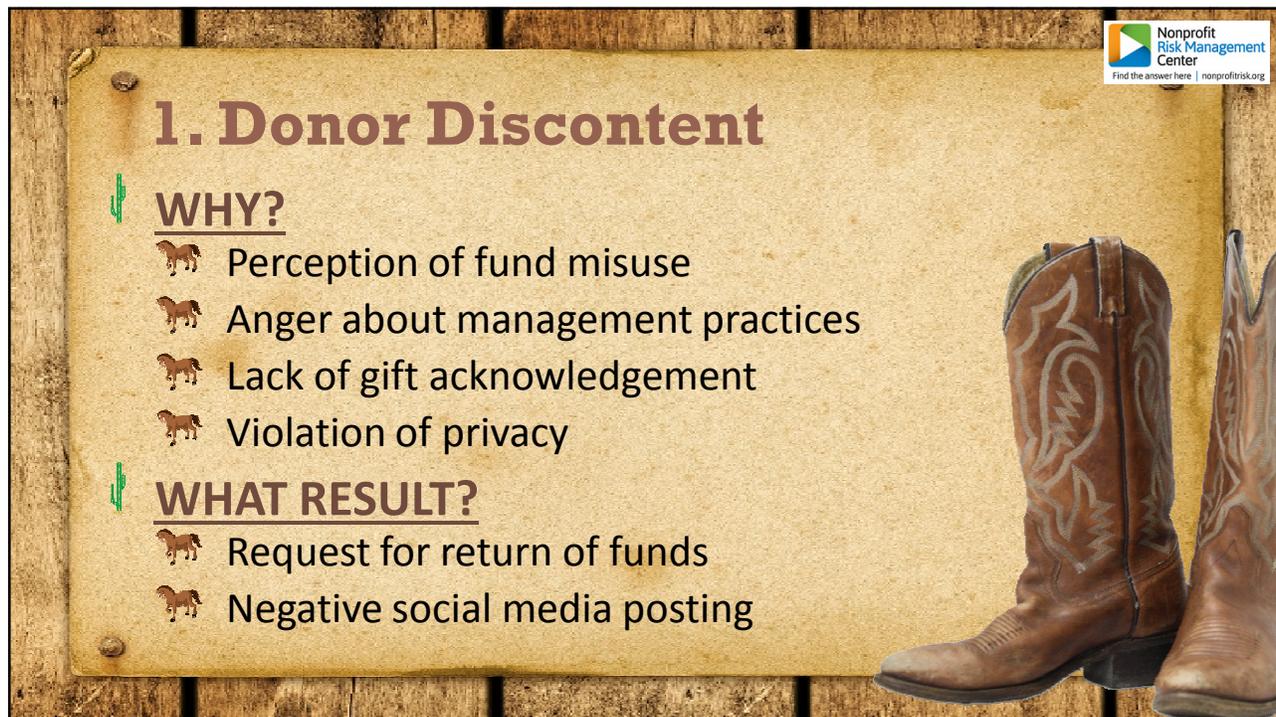
Fundraising Tips

- 
Use email prompts – simple and fast
- 
Show progress toward a goal – people like to see how things are progressing
- 
Stoke competition – have a leaderboard
- 
Reward milestones – provide incentives
- 
Acknowledge past donors – give thanks for past giving and explain your new campaign

FINANCIAL RISK TIPS

- ↓ Fund access
- ↓ Donation/ gift acceptance
- ↓ Adopt intentional financial practices
- ↓ Diversify funding
- ↓ Ensure effective **due diligence**





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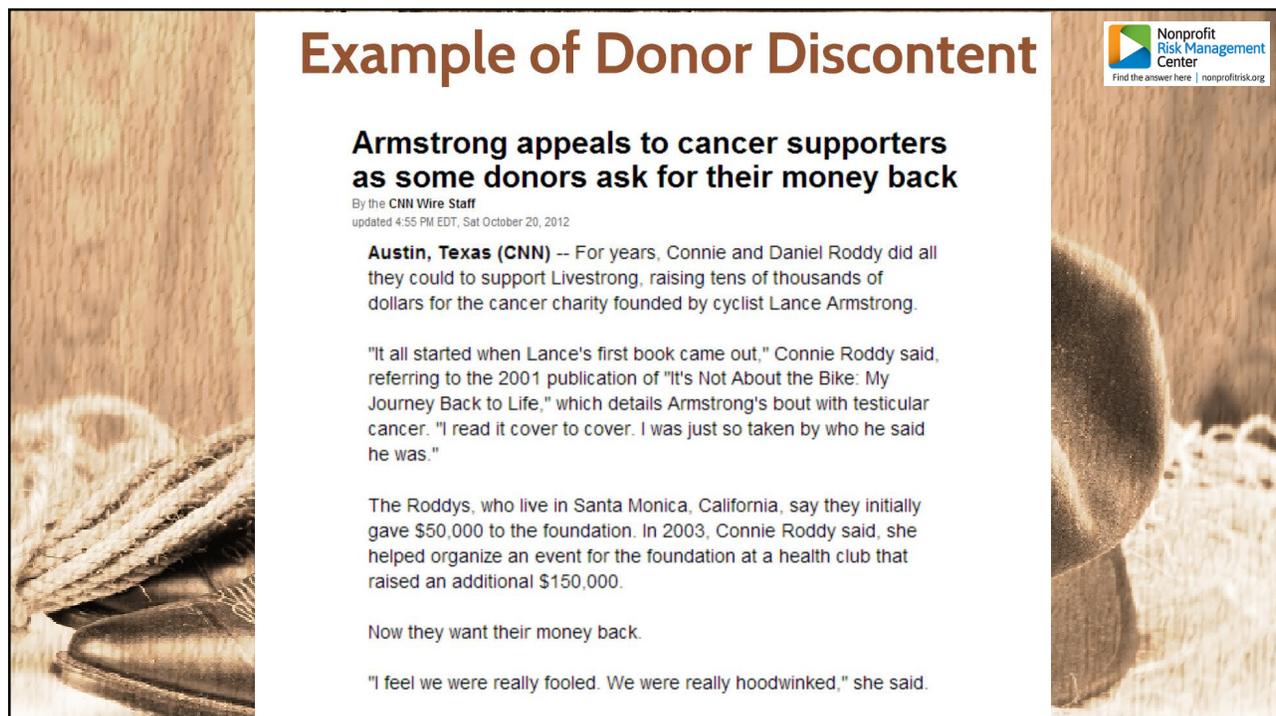
1. Donor Discontent

WHY?

- 🐎 Perception of fund misuse
- 🐎 Anger about management practices
- 🐎 Lack of gift acknowledgement
- 🐎 Violation of privacy

WHAT RESULT?

- 🐎 Request for return of funds
- 🐎 Negative social media posting



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Example of Donor Discontent

Armstrong appeals to cancer supporters as some donors ask for their money back

By the CNN Wire Staff
updated 4:55 PM EDT, Sat October 20, 2012

Austin, Texas (CNN) -- For years, Connie and Daniel Roddy did all they could to support Livestrong, raising tens of thousands of dollars for the cancer charity founded by cyclist Lance Armstrong.

"It all started when Lance's first book came out," Connie Roddy said, referring to the 2001 publication of "It's Not About the Bike: My Journey Back to Life," which details Armstrong's bout with testicular cancer. "I read it cover to cover. I was just so taken by who he said he was."

The Roddys, who live in Santa Monica, California, say they initially gave \$50,000 to the foundation. In 2003, Connie Roddy said, she helped organize an event for the foundation at a health club that raised an additional \$150,000.

Now they want their money back.

"I feel we were really fooled. We were really hoodwinked," she said.



How to appease your donors!

- Be transparent
- Document decision-making process for executive compensation
- Monitor changing stakeholder needs/attitudes
- Ensure that gifts are acknowledged accurately and promptly



Tips from Carol Weisman:

→

What to say when your potential donor has had a bad experience with your organization:

- That is totally unacceptable. May I have your permission to look into this and find out what happened?
- That is why I am here today. I'm afraid that at our current funding level this might happen again. What do you think we should do differently?
- Is there anything I can do to make this up to you?

<http://www.boardbuilders.com/>



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2 Failure to Comply with the Law

Why?

Asking for a gift or selling goods/services that will benefit a charitable cause MAY trigger the requirement to register

How?

Unified Registration Statement, currently accepted by 36 states
www.multistatefiling.org

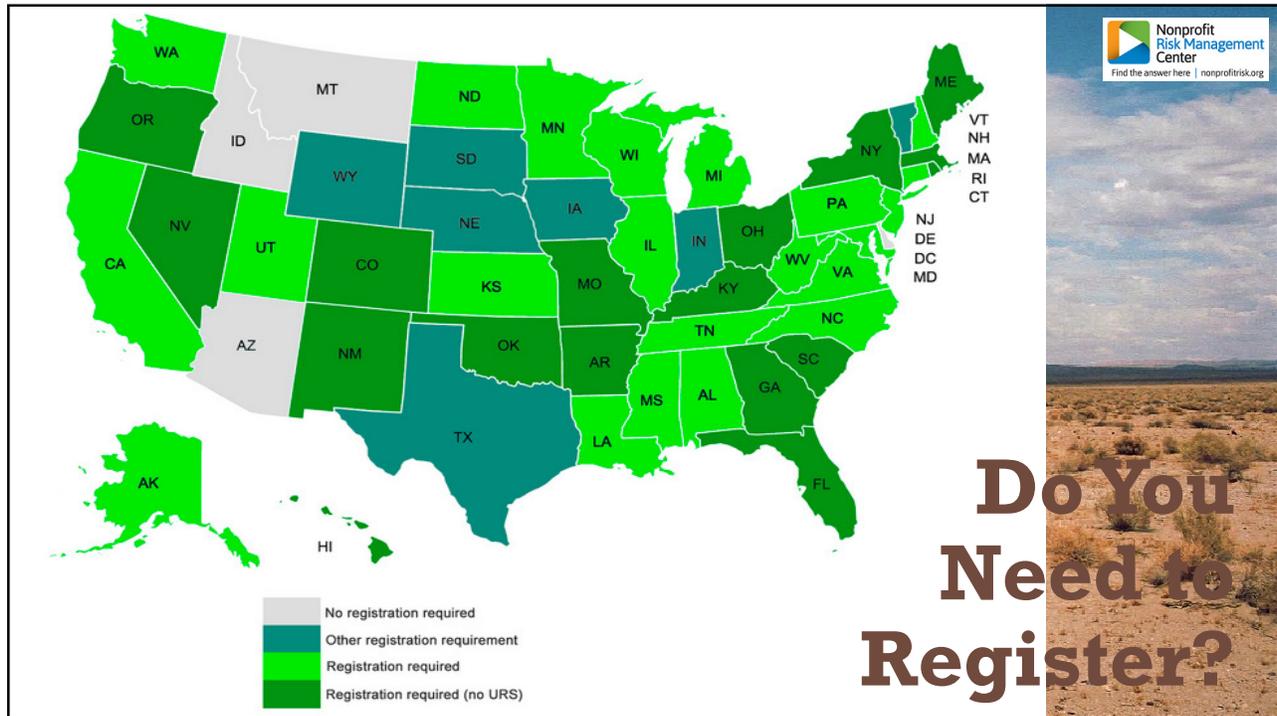


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What is the United Registration Statement?

The United Registration Statement (URS) represents an effort to consolidate the information and data requirements of all states that require registration of nonprofit organizations performing charitable solicitations within their jurisdictions.

The effort is organized by the National Association of State Charities Officials and the National Association of Attorneys General, and is one part of the Standardized Reporting Project, whose aim is to standardize, simplify, and economize compliance under the states' solicitation laws.



What other risks arise in connection with solicitations?

- Fraudulent fundraising: misleading or untruthful solicitations
- Using photos of clients without authorization
- Restrictions on gifts that are unintended
- Email solicitations or telephone calls that violate the federal CAN-SPAM Act

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3. Lack of Transparency



What Donors Want to Know:



Who leads your nonprofit



How contributed funds are spent



What *impact* the nonprofit has



Perceived Lack of Ethics



Retention of professional fundraisers



Perception that **stated use purpose** isn't the same as *actual use* of funds



Fundraising for a cause not honored



Little evidence of program achievement

Risk Tips: Negative Ethics



- Establish whether they are employees or independent contractors
- Registration of professional fundraisers may be required by the state
- Choose fundraising professionals and strategies with care
- Be prepared to respond to allegations and inquiries with rehearsed “talking points”
- Share programmatic achievements with donors to ensure confidence in spending

4. Viral Fundraising Pitfalls



I will never donate to them again!

What a tasteless plea for money.

How pathetic!

So offensive!!





Consequences of Failed Viral Campaigns

- Loss of donors and partners
- Reputation damage; negative shift in public perception
- Compromise (or perceived compromise) of your mission
- Lasting inability to 'shake' off the failure
- Plummeting staff morale

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Risk Tips

- Put your campaign in the right hands**
 - Ex: don't allow untrained volunteers or unsupervised staff to manage social media campaigns
- Test your viral campaign - get to know your target audience!**
- Make donating easy**
 - Use a dedicated web page or mobile app for effortless giving
 - Ask for small, reasonable donations
- Respond to donors' criticisms during the campaign**
 - "No comment" allows donors to fill the silence with rumors
 - Monitor communication channels for shifting donor attitudes; respond quickly and transparently to control viral backlash
 - *Speak up*: don't wait to apologize or admit you were wrong
- Learn from successful AND failing campaigns**
 - Don't make the same viral fundraising mistake twice

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5. Improper Use of Restricted Gifts





What kind of strings are attached?

Philadelphia physician Florence Chapman Child conditioned her 1957 legacy gift of **\$50,000** to Bryn Mawr on an agreement that the school **take care of her 150-year-old grandfather clock**, meaning "install it in an appropriate place, keep it in proper condition and repair, make no changes in the fundamental appearance, and . . . not . . . have it electrified."

Source: *Nonprofit Gifts: When Strings Are Attached*, www.nolo.com



Trustees Get Choice—
College Given \$50,000, Must Take Clock, Too

BRYN MAWR, Pa., (AP) — The trustees of Bryn Mawr college can have an estate of \$50,000, if they promise to install a 150-year-old grandfather's clock in an appropriate place at the college.

Dr. Florence Chapman Child of Deerfield, Pa., a former Philadelphia physician and graduate of Bryn Mawr, made the unusual bequest. It was disclosed when her will was filed for probate here.

Dr. Child bequeathed her entire estate to Bryn Mawr college, but conditioned the gift on acceptance of the grandfather's clock made by her great-grandfather in 1810.

She stipulated the trustees are to "install it in an appropriate place, keep it in proper condition and repair, make no changes in the fundamental appearance and are not to have it electrified."

If the college does not accept the clock, the entire estate will be given to two nephews.

Officials of the college were not available for comment.

Risk Tips



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Establish a Gift Acceptance Policy

- Deliberate on the 'strings' before you accept a gift
- Clarify donor requirements
- Formalize a contractual gift acceptance agreement
- Hold yourself accountable and provide confidence to your donor

Only accept gifts that principally benefit the nonprofit

- Beware of gifts that support the donor more than the nonprofit
- Steer clear of dramatic donors who seek limelight or ego-boosts

For gifts that can no longer be used for their original purpose:

- Ask the donor to consent to a modification of the restriction
- Petition the court to approve of a modification of a restriction

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"Fundraising is an extreme sport!"
Marc A. Pitman, 'The Fundraising Coach'

Final Thoughts

- ✦ Fundraising should be a continuous priority for your nonprofit
- ✦ Have strong policies, and always follow them
- ✦ Reevaluate your strategy periodically

THANK YOU!!

Any Questions?

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