

## **Establishing a Fundraising Plan in Healthcare Organizations**

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### **Abstract**

All organizations should have a fundraising plan to maximize resources, donations, and to maximize the opportunity to accomplish their mission and vision. Support by the Board of Directors is vital for the success of the fundraising plan. Board members should be involved in the conception of the fundraising plan, and setting goals for funding needs. Every board member should make a sacrificial gift to the organization prior to soliciting gifts from prospects.

A plan should include the amount of funds to be raised for the annual budget, capital needs, and for the endowment. This can be approximated through information provided in this article. Focus on events that produce significant income. Do not attempt to raise operating revenue through a series of small events that yield little return. Include a mail and web-based component to your fundraising plan and review telephone campaigns with an open mind to determine if they could be a part of your plan. Move the fundraising focus to major gifts solicitations. It is an effective way to focus board members and executive staff in a common effort to significantly impact the future of the organization.

Finally, remember to connect with the donors' needs. They are the ones responsible for your success. Thank them repeatedly for their gifts and support. Together, these entities can raise more funds to help more people; expand awareness, education, programs, and facilities; and significantly affect the community's quality of life.

## **Introduction**

The need to raise an ever increasing amount of funds is common in every organization and institution. Charitable giving reached nearly \$250 billion in 2004.<sup>1</sup> More organizations are competing for donors than ever before. Where fundraising used to be the domain of hospitals, now many other organizations compete for the charitable health care dollar. These groups represent many providers of healthcare services including hospitals, social service agencies, health promotion organizations, foundations, clinics, free clinics, universities, schools and more. Although this may enhance the overall level of health care services in your community, every agency still has the responsibility to raise sufficient funds to enable the organization to thrive in the current environment.

A fundraising plan provides focus on efforts to raise needed funds. Most health organizations would never launch a public inoculation campaign, senior health or educational program without careful strategic planning.<sup>2</sup> However, raising the funds to offer these vital services is often looked upon as the work left up to the executive director to perform. An effective fundraising plan will assist in allocating resources to fundraising activities – money, staff, and volunteers – to obtain the best results and move your organization toward completing its vision. A fundraising plan is the best way to respond to well meaning people who are always suggesting new fundraising ideas. These people can be told their ideas will be considered for the next fundraising plan. In addition, an effective fundraising plan will increase the professionalism of organizations to current and potential donors.

Included in this document are ways to increase the levels of support from your community. Also included are suggestions on methods to secure future funds and reduce the need or impulse to increase fees for such services as flu shots, blood pressure testing, diabetes monitoring and testing, educational awareness and programs, and others when funds are needed for the organization's budget. Raising service fees may be warranted and the appropriate business strategy, but our goal is to allow agencies to make that decision independent of the pressure to balance the annual budget with fee increases.

## **Board of Directors Role**

Central to the success of any fundraising plan is the support and one hundred percent participation through giving by the board of directors (BOD) of the organization. It is difficult to ask for donations from prospects if each board member is not an active donor to the organization. Giving to the organization by each individual board member is as important to a fundraising plan as soliciting prospects by the executive director, development director, and by

board members themselves. Although many organizations have low participation of giving by board members and still raise sufficient funds, the total amount that could be raised would be higher with all board members giving. Therefore, when board members choose not to donate, they are restricting the organization's ability to raise the funds needed to achieve its mission and vision.

### **How Much Should Board Members Give**

Board members should make a sacrificial gift to the organization that is dependent on their own financial situation. Clearly, some people have significantly more resources than others and the level of personal wealth does not in itself identify the best board members. There are many methods on how to determine the level of contributions that board members should make on an ongoing basis. These include a set annual amount, a percent of income, participation in events and others. The key underlying concept is that the level of giving needs to be sacrificial, making percent of income (such as one or two percent of annual income) potentially more equitable across the various income levels of different board members. Giving at the minimum level possible to maintain membership in the organization would not be considered a sacrificial gift in all but the rarest cases.

### **Board Member Involvement in the Fundraising Plan**

Board members should be involved at the conceptual level of a fundraising plan.<sup>2</sup> Strategies and implementation should be done more at the executive staff level. The executive director, and possibly several selected board members in committee work, will work on both further developing goals and the strategies to implement the plan. Board work, guided by the executive director, should focus on broader strategies such as determining the program and capital funding needs, approving a balance among the main fundraising efforts (major gifts work, events, and mass appeals), establishing goals for the amount of funds to be raised, and allocating the resources to enable the organization to implement an effective fundraising plan.

Board members must commit to be active participants in the implementation of the fundraising plan. In addition to a sacrificial gift to the organization, board members are expected to be leading contributors to all fundraising events. Examples include buying a table at the dinner auction, having a team at the walk, and entering a foursome in the golf tournament. Serving on a board often requires a major financial commitment to the agency. Volunteering time at events or assisting in the work of the organization's activities does not eliminate the obligation of board members to contribute. A major benefit of expecting board members to participate financially in each event is can focus efforts to a limited number of significant events and therefore preventing organizations from trying to fund its budget by numerous small events.

It is desirable to have board members that have contacts with wealthy and influential community members. However, approaching these people will be more successful if the board member can report to their friend or contact that they have committed to the cause financially themselves.

The common expression of give, get, or get off may need to be updated. A new statement for board members might read; you must give a sacrificial gift, your giving will help us get from others, and if you don't give a sacrificial gift you have an ethical obligation to get off.

### **Board Members and Ethics of Fundraising**

Board members have an ethical obligation to give at a sacrificial level on their own accord.

Normally board members obtain their position by some sort of election process by the general members to be the leaders and caretakers of the mission and legal requirements of the organization. Giving by board members at the minimum level to maintain membership in the organization is not a sacrificial gift. If board members only give at the lowest level possible, and they were elected by the general members to be the caretakers of the organization, it then seems unethical to approach others to contribute more to the cause. If the board members don't contribute it seems unclear why others would support the agency. Ethical behavior is essential in any organization.<sup>3</sup> If board members are not behaving ethically they should remove themselves from their position of leadership.

## **Summary of Board of Directors Involvement**

A commitment of time and money should be an expectation of all board members and will reflect their support of the mission of the organization. Such visible support by the members of the board will have enormous impact on other potential donors and the community at large.

## **How Much Do We Need to Raise**

The fundraising plan should be developed after the organization's strategic plan is approved. If an organization has a strategic plan, then the strategic plan goals determine how much non-service related income (exclude projected revenue from services, investments, and other revenue sources) will be required to fund the budget on an annual basis for the next three to five years. The annual budget projections over the next three to five years can also include capital expenditures that might range from small expenditures, such as new computers, to the construction of a new facility. Should capital expenditures not be included in the annual budget, a separate accounting for these funds should be established.

If your organization does not have a strategic plan, or follow a strategic plan, fear not. Strategic planning has been used sporadically by many healthcare organizations.<sup>1</sup> This could make the fundraising plan even more important as it may be the only planned approach to assure the financial viability of the organization.

The annual budget, regardless of the level of strategic planning that has been done, will provide the amount of needed funds. To determine the amount needed from fundraising activities, subtract revenue from services, contracts and investments from the annual budget. For example, assume an organization has an annual budget of \$500,000. This year expect to raise \$100,000 from fees, \$25,000 from education classes, and \$25,000 from the low-cost inoculation program totaling \$150,000 in services. In addition, assume revenue from investments is expected to account for \$100,000. Services, contracts and investment income account for \$250,000 of the \$500,000 needed this year. The remaining \$250,000 must be raised and the fundraising plan will be the guide to obtain these funds.

An alternative strategy is to set goals in the fundraising plan higher than the figures in the annual budget. Our sample organization's annual budget states that \$250,000 must be raised to balance our budget. However, our fundraising plan may increase that figure by 20 percent, making the goal for the annual fundraising plan \$300,000. Then each activity would have its fundraising plan goal increase 20 percent. For example, while the budget states the event must raise \$20,000 our fundraising plan is shooting for 20 percent more or \$24,000. There are several reasons for this strategy. First, all events and activities never raise the exact amount stated in the budget. Some will be above, others below. The higher goal should assist in exceeding the annual budget figures. Second, the additional funds could further program development, offset unexpected expense, or grow the endowment. Third, this makes your organization behave more like a business trying to achieve a positive operating margin. These targets in the fundraising plan will be noticeably higher if significant capital needs are identified or increasing the endowment is part of the plan.

One possible way to establish a goal for major gifts campaign can be estimated by taking the amount of funds raised annually, doubling that figure, and multiplying by five to obtain a five-year goal. For example, assume our organization is exactly meeting its annual budget by raising \$250,000 and a major gifts campaign is instituted. The goal would be determined by taking \$250,000 and doubling which equals \$500,000, times five to equal \$2.5 million dollars raised in the next five years beyond the annual budget. It is easy to see how valuable this type of effort is when building an organization.

### **The Message**

The message used in requesting should be simple and focus on how you save and change lives for the better. The outcome of your work and not the process should be the main message. Avoid talking about needs and tax breaks. Although a minority of donors will care about needs or tax advantages, most people will contribute if they believe in the cause and mission of your work, and in your vision of what you can accomplish.<sup>4</sup>

### **Developing the Fundraising Plan**

## **Phase 1- Board of Directors Determines Level of Board Support in the following areas:**

1. Commitment to the Plan. The board must commit to supporting the plan by agreeing to require that all members make sacrificial gifts, support events, and assist in cultivating prospects.
2. Sacrificial Gift. The board must define a sacrificial gift. This could be a stated amount, a percent of income, or other amounts. It is clear that a sacrificial gift for all board members is not the minimum membership donation. Board members normally are on their honor to complete this gift. However, some boards make this gift a requirement for remaining on the board.
3. Participation. The board must determine and commit to their expected level of participation in the following:
  - a. Sacrificial gifts – Determine when these gifts should be completed on an annual basis.
  - b. Events – Determine the expectations to attend events in a leadership capacity. At any approved event, board members must support the event by attending and purchasing items such as a table at the dinner auction, soliciting gifts such as a foursome in the golf outing, or putting together a team at the walk.
  - c. Appeals – Determine if the board should contribute to each mail and telephone campaign. If board members have agreed to and are completing an annual sacrificial gift the need to give to these appeals is normally not required. However, this should be established in the plan.
  - d. Major gifts – Board members must assist the major gift campaign in a variety of ways, including completing their own sacrificial gift, identifying and providing information on prospects in the community, assisting in the moves management system (a system whereby prospective donors are contacted through a specific route and are moved up the management system as the contacts increase in number and focus), and possibly assisting in asking for gifts.<sup>5</sup>
4. Ethical Considerations. The board must agree that they have an ethical obligation as elected leaders of the organization to contribute at a sacrificial level, and to not expect the community to financially

support an organization if the elected leaders of the organization do not show that leadership by being the first to donate at appropriate levels. If agreements cannot be reached on these ethical considerations, the process should not move on to the following phases.

**Phase 2 – Determine and set a goal for the total amount of dollars to be raised in the following areas.**

1. Annual Budget. Determine this amount by subtracting all funds projected to be received from sources such as services, contracts, and investments from the total projected revenues.
2. Capital Expenditures. Determine the portion from fundraising for capital expenditures ranging from small items such as computers to large items including new buildings.
3. Cash Reserves. Determine the amount that fundraising should add to the cash reserves of the organization. These are normally non-restricted funds.
4. Restricted Funds. Determine the amount of fundraising that will be for restricted funds. These funds are normally donated for specific activities such as programs or services that might include low cost inoculations to the construction of a new facility.
5. Endowment. Determine the amount of funds that will be used to add to the organization's endowment. A common goal is to have an endowment that is approximately three times the size of the annual budget. Some organizations may consider cash reserves and other restricted funds as part of the total endowment.

**Phase 3 – Develop Fundraising Strategies**



In this phase, fundraising strategies are developed. This section will provide a very brief overview of the major funding activities including events, mail and phone campaigns, and major gift solicitation. It is strongly suggested that organizations do not try to balance a growing budget by adding a number of small events. Very small events, such as bake sales and coin drives should be outsourced to community or school groups if they are conducted at all. Even the number of large events should be very limited. The benefits of mail and phone campaigns include that they can be outsourced to businesses providing these services. Should staff knowledge and expertise to conduct mail and phone campaigns exist internally, it still may be well advised to outsource these funding activities. The fee for such services is normally much less than tying up your staffs' scarce time. Major gift solicitation appears to be where a tremendous amount of opportunity exists. By limiting events, outsourcing mail campaign, staff and board time can focus on the lucrative activity of direct solicitations of major gifts.

## 1. Events

- a. Considerations. Events should be evaluated by their expected return of funds. Should modest contributions by the board members total more than the event can raise, it may be best to not select that activity. However, external groups can help support your cause such as school children having coin drives and car washes, senior groups holding bake sales, and others. These are excellent offers to help your cause, while saving your time and keeping your organization actively connected to the community. Large events often become trendy and therefore competition increases. Currently, dinner auctions, walks, and golf tournaments are popular for a number of different causes in every community. This does not preclude your organization from holding such an event, especially if the expected return is high. But the popularity of these events will require you pay extra attention in planning to make sure your event, such as a charity walk, has its own identity when compared to all the other charity walks in your community. Finally, although "friend raisers" may be believed to enhance your organization's status, they are often are not worth the effort when measured against return. Friend raisers have all the appearances of a fund-raiser that do not solicit funds. This is often because of uncontrollable entrances such as a public park or shopping mall. These events

should only be held when cultivating specific groups of people that will later be approached for support in other ways.

b. Categories

- i. Small events with a small expected return, normally zero to a few thousand dollars. These include bake sales, car washes, friend-raisers, and others. These are best if conducted by an outside group that donates the funds raised to your organization. These groups conducting the event should be properly thanked for their extreme generosity and effort. Even the smallest organizations should resist using their own time on these events as they are time consuming and the board members of any size organization could contribute this amount of money.
- ii. Mid-size events are those that bring in a modest amount, usually up to about \$10,000. These activities include rummage sales, receptions, and others. These events can be used to identify new donors and provide existing donors an opportunity to interact in support of your organization. Because the events are often as time consuming as a large event they should be limited to one per year and only exist if other larger fund-raisers are not present.
- iii. Large events can raise from \$10,000 to \$100,000 and more. These often include dinner auctions, walks, disease-specific benefits, golf outings, large rummage sales and thrift shops. These events often bring public awareness to the organization as well as funds. These should be limited to two per year for several reasons. Normally these events are very time consuming for executive staff and board members. For example, for our sample organization with a \$500,000 budget, an event has to raise over \$40,000 to account for one month's worth of expenses. It normally takes months of planning to accomplish these events successfully.

iv. Receptions to cultivate donors. These can and should be held at regular intervals and will be directly related to major gift solicitations. These do not count in your number of fundraising events.

c. Suggestions

i. Limit the number of events per budget year. A suggestion would be 2 total events with a maximum of four.

ii. For example. A dinner auction, walk or golf outing, and holiday banquet/auction.

These three events, done well, would occupy event staff and board members for a year.

2. Mail, Telephone, and Web Based Methods

a. Considerations. Normally these funding methods are used for annual campaign giving. The donor is contacted through the mail, by phone, or online and asked to make a gift by self selecting an amount from a list of choices. The options normally range from \$25 to \$1000. The focus of the appeal should be on the mission and cause of the organization (such as saving the lives of people), not a particular need such as a piece of equipment.<sup>4</sup> Benefits from these activities include a relatively predictable stream of income and a modest amount of time by staff. This type of fundraising can also be outsourced to a company for a fee. Outsourcing may be the most effective selection when accounting for staff time. This is also effective for list building and identifying potential major gift donors. Drawbacks include that mass appeals can be costly and sometimes have a low response rate.

b. Types

i. Direct Mail

1. Should have a simple message and can include a story with a happy ending showing your services.

2. The frequency can range from four to eight appeals per year, sometimes more. Included should be a holiday appeal sent to donors at least one month prior to the end of the calendar year. Several donors will complain about getting too many appeals and wasting money. However, most donors will not complain and repetition will lead to increased giving pending the reputation of your organization.
  
3. Mail all donors who donated during the past two years and supplement this by purchasing a list of prospects by income, neighborhood, or similar interests which can be identified by the companies selling the lists. Donor lists can be cultivated from several sources related to your organization such as those that attended an open house at your facility. Utilize your board members and their contacts as well.
  
4. Respond to donors with as many thank you notes as reasonable. All gifts should be recognized. A potential system could send a post card with a stamped thank you up to \$25, a letter signed by the development director up to \$100, and for \$100 or more a letter signed and personalized by the executive director. This is accomplished by writing a short note on the bottom of a form letter. Each donor should be thanked more than once as this will greatly assist in securing the next gift.

ii. Telephone Campaigns

Phone campaigns may stir up debates questioning if they alienate donors more than helping. Phone campaigns are used effectively by many organizations. If these campaigns are conducted it is suggested to hire a reputable firm versus expecting volunteers to perform this task. Also, it relieves the executive and development staff from using their time to oversee this activity. However, organizations that do use

reputable firms that are considerate to donors report effective campaigns in terms of the numbers of donors and total funds received. The organization should make sure it receives in the range of 50 percent or more of the total dollars donated.

iii. Web-based

Web-based fundraising, although still in its infancy, continues to account for a greater portion of total funds raised. For many organizations online giving is now in the one to two percent range of total giving and continues to climb. There may be a number of causes for the increase in online donations. This is in part because of the computer generation now beginning to reach the age when they begin to donate to causes. This could become a significant source of income in the near future and every organization should review its web-based plan on a regular basis.

- c. Suggestions. Every organization's fundraising plan should include a component that has a direct mail plan, considers a telephone campaign, and has a web-based option for donors.

3. Major Gift Solicitation

- a. Considerations. This is an area where more emphasis should be placed by all organizations regardless of size. A major gift is defined differently by all organizations. Some organizations may consider \$250 a major gift while others consider \$10,000 a major gift. Regardless, the process stays the same and the results have the potential to significantly improve the financial health of your organization. People give to people, which make cultivation the key. This is a timely process and only a relatively small list of prospects are selected for cultivation.
- b. Identifying the Prospects. Although anyone, current donor or not, may make a major gift to your organization, time restricts us to focus on those most likely to give. In all types of organizations, generally the top 10 percent of donors give about 90 percent of the total. If this ratio is not even close for your organization it may be because a major gift campaign is lacking, resulting in only a few major gifts being received. To establish your list of prospects to

cultivate, list the top 10 percent of all your donors. From that list identify a number (approximately 100 or fewer) that are known to board members, executive staff, or other key supporters. After identifying these people rate them on a grid using two variables, capacity to give, and interest in your organization.<sup>5</sup> Review prospects until you have identified the top 10 or 20 individuals that have a connection to the board or executive, have sufficient resources to make a major gift, and interest in your organization. Interest can be determined in various ways such as if they benefited from your services, attended events, currently give, and others. In other words, focus on those most likely to give, not the richest person in town who doesn't know about your organization or care about your cause.

- c. Cultivation. This is an area where board members can play a major role in fundraising. It is common for many board members to state they could never ask for a large donation. However, these same board members often agree to become part of the cultivation process, even with personal acquaintances. For each of the prospects identified, determine who is in best position to contact the prospect because of a connection to the donor. The contact can be by phone, mail, email or in person. It should provide some information about the organization (such as an invitation to tour the facility with the executive) and should get a response from the donor. This is a move, which means the prospect has been moved closer to making a major gift.<sup>5</sup> Contacts should be made monthly. In future contacts, the prospect can be asked for advice, told how your organization is benefiting individuals as well as the community, shown plans for expansion of programs and facilities, and more. At this time board members may be relieved that they are helping with funding and might become interested in asking for a gift.
- d. Asking for the gift. What needs to be determined is when the time is right to ask for a gift. This may be when the money is needed and the prospect seems fully accepting of the information provided over the period of several months to more than year. The person needs to be identified to whom the prospect is least likely to say no. This might be a board member who is a friend who also gives, a business associate who gives, the executive, or others. If none are willing to ask, although not as effective, the executive or development officer will ask for the gift.

- e. How much do we ask the prospect to give? There is no definite answer. However, there are two general approaches for a short cultivation period and a long cultivation period.
- i. A short cultivation period may be only one move, or it may be several. It is not a year or two worth of contacts so a lower gift amount will be sought. The benefit is that this gift will provide resources now and as soon as this gift is received cultivation can begin for the next donation. For this gift, three giving groups should be established, such as a \$500 silver, \$1000 gold, or \$2500 diamond giving groups. The size of these giving groups will vary depending on organization budget size, history of fundraising success, current donor base and more. A prospect will be asked to join a group, most likely the one that is directly above the current giving level. For example, a current donor giving \$250 is asked to donate \$500 to join a select group of supporters at the silver level giving group. This giving group focuses on providing services to low income residents while reducing the debt the organization has incurred to provide these services in the past.
  - ii. A longer cultivation period, with moves lasting up to three years, seeks a larger gift. The size of the gift should be about 10 times the individuals' response to a mail campaign. For example, a donor who gives \$500 to the mail campaign, with successful cultivation, can be asked for a gift of \$5000 in addition to the annual gifts of \$500.
- f. Suggestions. All organizations should establish a major gifts campaign. Even if time only exists enough to have 5 prospects, the eventual payoff will be a wise investment. This is how large organizations have built significant resources.

## **Summary**

All organizations should have a fundraising plan to maximize resources, to maximize donations, and to maximize your opportunity to accomplish your mission and vision. Support by the board of directors is vital for the success of the plan. Board members should be involved in the conception of the fundraising plan, and setting goals funding needs. It is much more effective and an ethical obligation of every board member to make a sacrificial gift to the organization prior to soliciting gifts from prospects. A plan should include the amount of funds to be raised for the annual budget, capital needs and for the endowment. This can be can be established, or approximated, through information provided in this document. Focus on events that produce significant income. Do not attempt to raise operating revenue through a series of small events that yield little return. Include a mail and web based component to your fundraising plan and review telephone campaigns with an open mind to determine if they could be a part of your plan. Move your fundraising focus to major gifts solicitations. It is an effective way to focus board members and executive staff in a common effort to significantly impact the future of the organization. Finally, remember to connect with the needs of your donors. They are the ones responsible for all our success. Thank them repeatedly for their gifts and support. Together these entities can raise more funds to help more people, expand awareness, education, programs and facilities, significantly affecting the quality of life in our communities.



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