

NOVEMBER 2007

Budgeting for Fundraising



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A service of the Corporation for National and Community Service - Resource and Fund Development Initiative

Dear “Budgeting” Colleague,

It is accepted knowledge that it costs money to raise money. This issue of On-the-Go eTA focuses on budgeting and planning for staff and materials to raise resources. Click on the titles at the right to learn more about...

The Cost to Raise a Dollar

Fundraising Budgeting Tips and Facts

Building Your Fundraising Team

Do you have questions about budgeting for fundraising for your program? Contact us through

LEADline@CampaignConsultation.com.

Access previous issues of On-the-Go eTA by clicking on the title at the right.

The Cost to Raise a Dollar

Today's donors are very interested in learning how much it costs your initiative to raise a dollar. If you are part of a 501(c) (3), the public is entitled to learn about your fundraising costs through your IRS Form 990. Some donors and funders believe that the lower your percentage of fundraising costs to your total budget, the more efficient you are as an organization. Since this is a standard that may not fit where your social/nonprofit initiative is today, it's up to you to educate the public with these facts:

- Consider different fundraising activities realize different income ratios at different times in your budget.

Annual giving is income that can be depended upon each year. On the other hand, planned giving is often based upon estate proceeds received upon a donors' death, whose income cannot be budgeted. You need both fundraising methods for current and future needs.

- Budget conservatively since new fundraising programs often cost more to raise a dollar than more mature development initiatives.

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For instance, finding new donors costs more than soliciting renewal gifts from previous donors. Special events sometimes run at a loss in their first years, but become very profitable as the event becomes known in the community.

- Budget net revenue from special and/or major gifts to become apparent in years 3 – 5 of a systemic development initiative.

This fundraising focus requires time, patience, education and cultivation to attract substantial support from single funders.

It's smart to be patient. Building fundraising muscle takes time and like any exercise routine, the results are worth the investment of resources.

[Click here to view a chart that outlines estimated costs for raising funds using various fundraising methods.](#)

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Fundraising Budgeting Tips and Facts

- While there is no “officially” accepted standard for fundraising costs, the Better Business Bureau sets 35% of your operating budget as the upper limit of appropriate. Some United Way organizations require no more the 25% of your budget be spent on fundraising to qualify for UW status. Other experts set 18% as the standard.
- The first year of systemic fundraising will be your highest cost to dollars raised because you will be building a donor base from scratch. Expect subsequent years to show growth from repeat donors.
- A good annual fund solicitation program is the basis for all other fundraising.
- Be very wary of paying someone to raise funds on a commission basis. Such payment presents a conflict of interest by a paid fundraiser and is considered unethical by the Association of Fundraising Professionals (AFP). <http://www.afpnet.org>
- “Development” is just what it says. Professionals in the resource development field note that social/nonprofit leadership tend to view fundraisers as people who turn on the “cash spigot”. It is a long-term process that builds organization capacity to serve for as long as the community need persists.

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Share Square

Facts for your fundraising volunteers to know

Prepare your leadership volunteers to participate in interviewing your top candidates in the process of staffing a fundraiser.

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Building Your Fundraising Team

As a leader in your organization, you have a responsibility to build a fundraising team among your volunteers so they begin to understand their roles in attracting resources. As a result, your new fundraising staff are much more likely to succeed when working with leadership that takes mutual responsibility for raising resources. You can also grow your fundraising team to include program staff by involving resource development staff in meetings about clients, services and impact of your work in community.

As you begin to interview people, look for individuals who have also succeeded as team players. Since resource development is considered by many as the “ultimate in community organizing”, your prospective development staff must enjoy sharing the workload, delegating, encouraging and empowering others to succeed at soliciting support.

[Click here to download a sample job description for a Director of Development position.](#)

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Let us know

Have you found ways to budget for fundraising for your program?

Contact us at LEADline@CampaignConsultation.com (LEADline is sponsored by the Corporation for National and Community Service through its Resource & Fund Development Initiative.) We would be happy to answer questions or to give you more support.

Thank you for your interest in On-The-Go eTA. We encourage you to [send this and other issues of OTG eTA to friends and colleagues](#) who would benefit from the information. Also, if you're on information-overload, you may request [email removal](#). Otherwise OTG e-TA will be back soon with another edition.

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For more information, contact:
CAMPAIGN CONSULTATION, Inc.
2819 Saint Paul Street, Baltimore, MD 21218 4312 USA
T. 410.243.7979 F. 410.243.1024 Toll Free: 1.877.243.2253
LEADline@CampaignConsultation.com
www.CampaignConsultation.com

Details from above:

The Cost to Raise a Dollar (cont.)

Fundraising method used:

Suggested cost to raise

Fundraising method used.	\$1.00
New donor acquisition by direct mail	\$1.50
Donor renewal by direct mail (after 3 years)	\$0.25
New special event	\$1.50
Established special event	\$0.50
Established planned giving program (after 4 to 7 years)	\$0.25
Volunteer-led face-to-face major gift solicitation (after 3 – 5 years cultivation)	\$0.10 to \$0.20
Corporate, foundation and government proposals	\$0.20

Compiled from multiple sources that include AFP, Fundraising Cost Effectiveness and Reliable Performance Measurement by James M Greenfield, and Mal Warwick Associates, among others.

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Resources

The National ASK (Awareness, Skills, Knowledge) to Sustain Institute, sponsored by Corporation for National and Community Service, provided by Campaign Consultation, Inc. 1998, 2002

The CNCS Resources Now! National Institute, sponsored by Corporation for National and Community Service, provided by Campaign Consultation, Inc. 2005-07.

Fund-Raising Cost Effectiveness: A Self-Assessment Workbook , James M. Greenfield (author). John Wiley and sons, publishers.

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Learning Products and Services

LEADline:

(Learning Experiences At a Distance) LEADline is designed to give information fast. Have a resource & fund development question? Use LEADline and within 24 hours you will receive response and advice from a fundraising professional.

Contact us

[**LEADline@CampaignConsultation.com**](mailto:LEADline@CampaignConsultation.com)

GIZMOs:

(Giving Information for Zooming Money Objectives) Gizmos are resource and fund development tools for you and your volunteers. They are tangible products in packets, pocket brochures, CD-Roms, games, etc. They feature a myriad of fundraising topics such as **The Power of Direct Mail**, an interactive cd-rom and detailed companion booklet on developing your direct mail program.

To order, contact us through

[**LEADline@CampaignConsultation.com**](mailto:LEADline@CampaignConsultation.com)

or call 410.243.7979

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For more information:

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The Chronicle of Philanthropy:

Everyone who comes to a Resources Now! National Institute gets a free subscription to the Chronicle for a year. Participants in CNCS Campaign Consultation workshops receive the latest issue free of charge plus a \$20 discount on one year's subscription.

Workshops/Clinics:

The Corporation for National and Community Service (CNCS), through its T/TA service provider Campaign Consultation, Inc., offers a three-hour workshops and clinics for those interested in mastering key skills need to write for individual donors.

Online Courses/Webinars:

Web course delivery of topics pertinent to resource development such as — **Build Fundraising Volunteer Champions** and **Cause Related Marketing and Corporate Partnerships**.

Available through the Resource Center at,
<http://nationalserviceresources.org>

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Let us know by contacting us through LEADline@CampaignConsultation.com

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