

How to... Develop a Fundraising Plan

#17 in a series of citizens' guides by the
Western Organization of Resource Councils

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Veteran fundraiser and organizer Gary Delgado says that there are four steps to successful fundraising: plan, plan, plan and work.

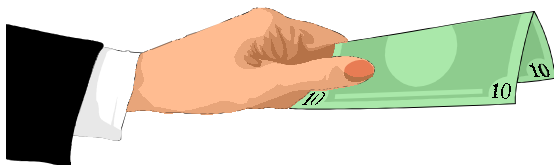
Because there is so much truth to this advice, it may surprise readers that this "how to" is relatively short. That's because planning for fundraising is not difficult to explain, nor is it difficult to do. Not only is planning fully three-fourths of what makes for successful fundraising, it is also true that one hour of planning can save three hours of work. But the final and most important truth is that planning does not take the place of doing.

Given that an organization is going to have to work its plan in order to raise money, how can a workable plan be created? There are five steps:

1. Create a budget.

The first step in developing a fundraising plan is to develop a working budget. A budget is simply a list of items on which you will spend money (expenses) and a list of sources from which you will receive money (income). A budget balances when the projected expenses and income are equal.

There is a simple process for budget preparation that most small nonprofit organizations can use effectively. The process takes into account the largest number of



variables without doing extensive research or developing elaborate spread-sheets. In some organizations a single staff member prepares the entire budget and presents it for board approval, but this is a large burden for one person. Therefore, the method presented here

This *How To* is adapted from the book *Fundraising for Social Change*, by Kim Klein, with the permission of Chardon Press, P.O. Box 11607, Berkeley, California, 94712.

assumes that a small committee will undertake the budget-setting program.

Five Steps to Develop a Grassroots Fundraising Plan:

- 1) Develop a budget.
- 2) Determine the total amount of money to be raised from individual donors.
- 3) Set income goals for different groups of individual givers.
- 4) Decide how many donors you need to meet your goals, and select the best strategies.
- 5) Put the plan onto a timeline and fill out the tasks.

Task One:

Expenses Versus Income

The budget committee should first divide into two subgroups: one to estimate expenses and the other to project income. When these tasks are completed, the subgroups will reconvene to mesh their work.

Estimating Expenses

The group working on the expense side of the budget prepares three columns of numbers representing "bare bones," "reasonable," and "ideal" expense figures. The "bare bones" column spells out the amount of money the organization needs to survive. Items here generally include office space, minimum staff requirements, postage, printing and telephone. This column does not include the cost of new work, salary increases, additional staff, new equipment or other improvements.

Next, the group prepares the "ideal" column: how much money the group would need to operate at maximum effectiveness. This is not a dream budget, but a true estimate of the amount of funding required for optimum functioning.

Finally, the committee prepares the "reasonable" column: how much money the group needs to do more than simply survive but still not meet all its goals. These figures should not be conceived of as an average of the other two columns. For example, an organization may feel that in order to accomplish any good work,



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Sample Expense Projections

Item	Barebones	Reasonable	Ideal
Salaries			
Director			
Fundraising Coordinator			
Support staff			
Program Coordinator			
Office Rent			
Telephone (per month)			
Printing			
Brochures			
Envelopes			
Mail appeals			
Annual report			
Newsletters			
Other			
Total Printing			
Postage			
First class			
Bulk mail			
Total Postage			

the office needs to be larger, or in order to maintain staff morale, the organization must raise salaries. Because higher rent and increased salaries aren't necessary to a group's survival, they will not be included in the group's "bare bones" budget; however, they are important enough to the organization's work to be included in the "reasonable" budget.

The "bare bones," "reasonable" and "ideal" columns, then, give the range of finances required to run the organization at various levels of functioning.

The process of figuring expenses and income must be done with great attention to thoroughness and detail. When you don't know how much something costs, do not guess. Take the time while creating the budget to find out.

Projecting Income

At the same time that the expense side of the budget is being prepared, the other half of the committee is preparing the income side. Crucial to this process is a knowledge of what fundraising strategies the organization can carry out and how much money these can be expected to generate. The income side is also estimated in three columns, representing "worst," "likely," and "best."

To calculate the income projection labeled "worst," take last year's income sources and assume that with

the same amount of effort the group will at least be able to raise this amount again. In the case of foundation, corporation or government grants it may be wise to write "zero" as the worst projection.

The "best" income projections are drawn up next. These figures reflect what would happen if all the organization's fundraising work was successful and every grant proposal submitted was funded. Again, this is not a dream budget. It does not assume events that will probably not occur, such as someone giving your group a gift of a million dollars. The ideal budget must be one that would be met if everything went absolutely right.

The "likely" column is a compromise. It estimates the income the organization can expect to generate with reasonable hard work, expanding old fundraising strategies and having success with some new strategies, yet with some things going wrong.

All income categories are figured on the basis of their gross: that is, the amounts you expect to earn from each strategy before expenses are subtracted. The expenses must be included in the expense side of the budget. Be sure that the committee developing the expense side of the budget includes expenses involved in carrying out fundraising strategies in the total expenses of the organization.

Task Two:

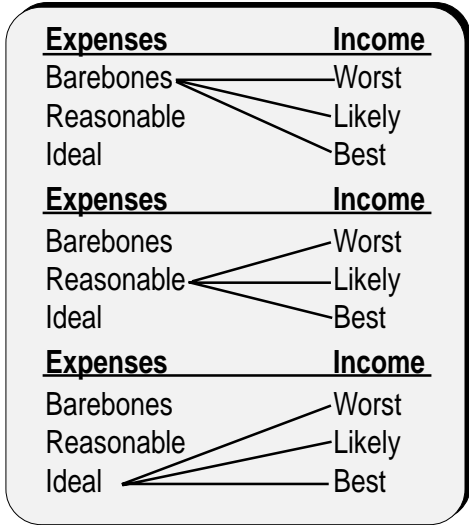
Meet, Compare, Negotiate

Once income and expense projections have been completed, the two parts of the committee can share their results. When the income and expense sides of the budget have been figured separately in this way,

Sample Income Projections

Source	Explanation	Worst	Likely	Best
Major Gifts				
New				
Renewing				
Membership				
New				
Renewing				
Foundations				
Other (specify)				

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there is less chance of giving in to the temptation to manipulate the figures to make them balance.

When the entire committee reconvenes, you hope to find that the "reasonable" expense column and the "likely" income column are close to the same. In that happy circumstance those figures can be adopted as the budget with no more fuss. Occasionally groups are pleasantly surprised to discover that their "likely" income projections came close to their "ideal" budget. However, compromises usually need to be made. In these cases the expenses need to be adjusted to meet realistic income potential, not the other way around.

When no two sets of numbers are anywhere near alike, the committee will have to find solutions. There is no right or wrong way to negotiate at this point. If each committee has really done its job properly, there will be no need to review each item to see if it is accurate. However, with more research, committees may discover other ways to delete expenses or add income.

2. Determine the amount to be raised from individual donors.

From the amount of money you determine you must raise, subtract any amounts that will be raised from strategies not involving individual donors, such as income from foundation, corporate or government grants, product sales, fees for service, interest income,

etc. The amount that remains is the amount that will form the basis of your fundraising plan for individual donors. The other methods of income generation will be added to your plan during the last step.

3. Set income goals.

Now divide the amount of money that must be raised from individuals into the proportions you can expect from different groups of givers.

- 60% of your money should come from 10% of your donors – major donors.
- 20% of your money should come from 20% of your donors – habitual donors giving through your retention strategies.
- The remaining 20% of your money should come from 70% of your donors – first time donors giving through acquisition strategies.

Next, analyze your current donor list to answer the following four questions:

- *How many donors do you have now in each of these three categories?*
- *What is your renewal rate? (It should be around 66%.)*
- *What is the organization's strength in working with donors? Do you do a good job in acquiring donors, but have a higher than normal attrition rate? Or,*



do you have a strong base of loyal habitual donors, but a lower than normal attrition rate (this would indicate a weakness in use of acquisition strategies)? Do you do a good job finding the top ten percent of donors and regularly seeking upgraded gifts and major gifts?

- *Has the number of donors to your organization grown, decreased or stayed the same in the last three years? If it has decreased, you are definitely not doing enough acquisition and you may also have a problem with retention of donors. If the number of donors has stayed the same, you are either doing a good job with retention or acquisition, but not both, because otherwise you would see an increase.*

This analysis will give you a clearer sense of the strategies you need to employ to meet your financial goals.

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4. Decide how many donors you need.

Match the number of donors you need to make your goals in each category with strategies that work best for reaching those donors.

5. Put it on a timeline.

Put the entire plan, including all methods of income generation, onto a time line and fill out the tasks. Voila! A fundraising plan is born. (This is not to underplay the amount of time it will take you to do these five steps – a planning committee of the board will need to meet two or three times to get a plan of this specificity accomplished.)

By using these steps, the planning process can be both simple and accurate.

For more on Fundraising:

Principles of Community Organizing trainings, community organizing workshops held each year by WORC.

Advanced Leadership and Staff Development, an advanced community organizing workshop held each year by WORC.

Fundraising for Social Change, Kim Klein, Chardon Press, P.O. Box 11607, Berkeley, California.

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How to Negotiate

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More about WORC:

The Western Organization of Resource Councils (WORC) is a association of six grass-roots organizations with 6,000 members and 39 community-based groups, united to advance the vision of a democratic, sustainable and just society through collective action. Find out more about WORC, and hear our award winning radio program, the High Plains News Service, on the World Wide Web: <http://www.worc.org>.

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