

Fundraising

February 22, 2022

PMAP 3210: Introduction to Nonprofits
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Do your check-in!

Plan for today

Why do people give money away?

Where does nonprofit money come from?

**How should nonprofits
get money from people?**

**Why do people
give money away?**

Public goods

Non-excludable

Not possible to stop others from using the good or service

Non-rivalrous

One person using the good or service doesn't prevent anyone else from using it

How are public goods paid for?

Taxes

Forced payments

Pooling

Voluntary taxation

Altruism

Ask for donations

Altruism

Evolutionary concept

One sacrifices for another to promote the species

Hard to understand though!

Not all people value promotion of the species

Humans are self-interested

Adam Smith

How selfish soever man may be supposed, there are evidently some principles in his nature, which interest him in the fortunes of others, and render their happiness necessary to him, **though he derives nothing from it except the pleasure of seeing it.**

But man has almost constant occasion for the help of his brethren, and it is in vain for him to expect it from their benevolence only. He will be more likely to prevail if he can interest their self-love in his favour, and **show them that it is for their own advantage to do for him what he requires of them.**

Types of altruism

Pure altruism

Giving without any personal benefit

Impure altruism

Giving with a "warm glow" benefit

Enlightened self-interest

Giving with the expectation of future gain

Altruism and free-riding

Society loves public goods

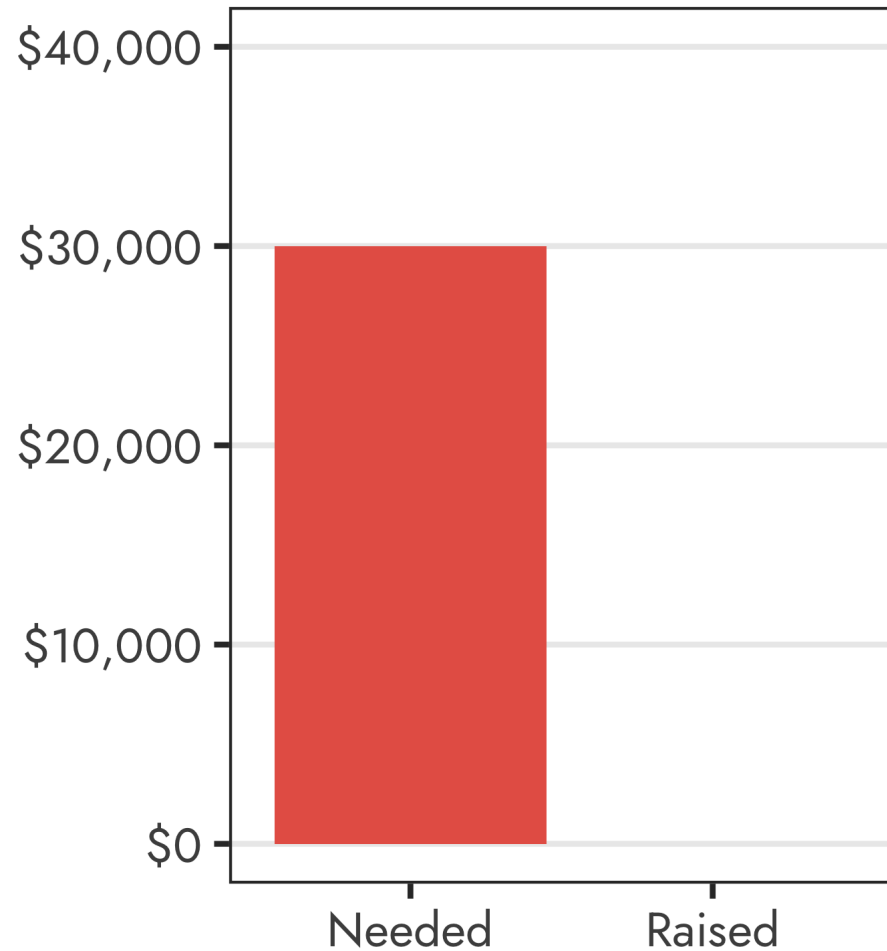
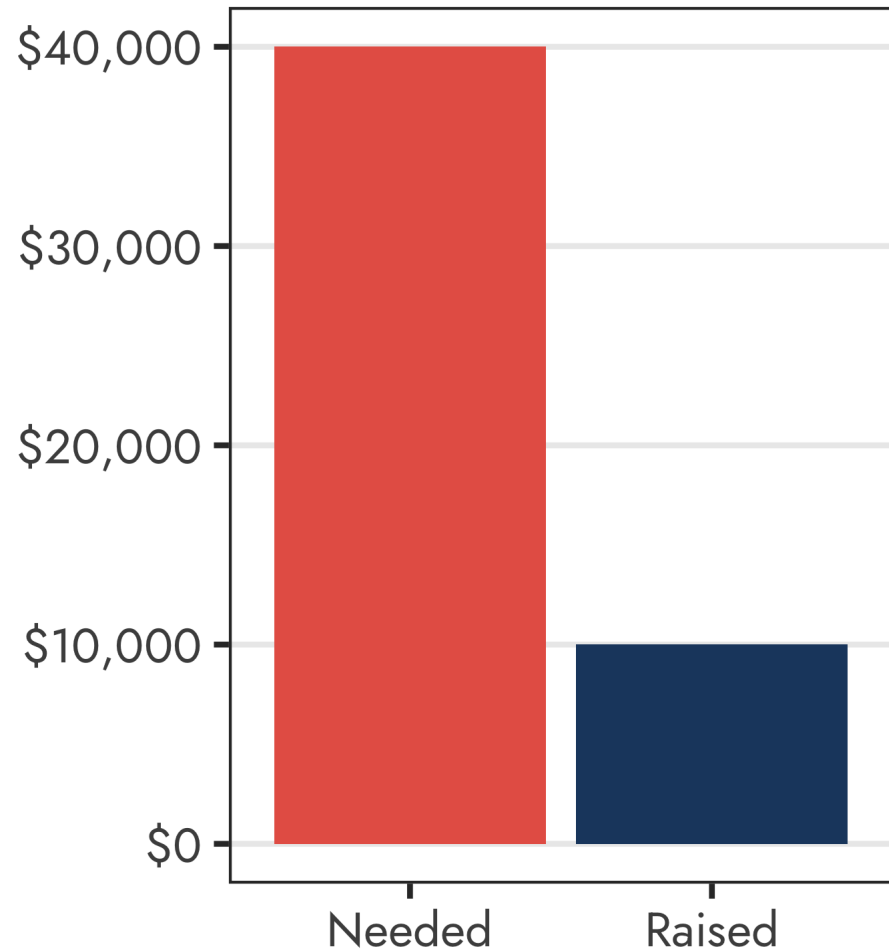
Paying for them is hard!

Public goods always create a potential for people to become free riders

Even altruistic people
think about their self-interest!

There are few pure altruists; most are impure altruists

Which fundraising campaign would you donate to?



Make contributions feel important

Bandwagon effect

People start donating because they feel they can be useful

Get a seed donation for a campaign to signal that it's legitimate

Matching

We're strongly influenced by what we think others do

Telling people their donation will be matched signals that other people approve of the cause

Make people feel needed to prevent free-riding

**Where does nonprofit
money come from?**

Which of these is the largest source of revenue for nonprofits?

- Private contributions and donations
- Earned income
- Government grants

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- **Earned income**
- Government grants

72% from earned income!

Revenue sources

Sources

Private fundraising

Government sources

Commercial activities

Concerns

Volatility

Goal displacement

Process & structure effects

Private fundraising

Asking rich people and foundations for money

Volatility

Highly volatile;
depends on
individuals

Goal displacement

Strong;
large donors can
drive the goal

Structure effects

Push for
formalization:
donors might
require that the
nonprofit evolves

Government sources

Grants from government agencies

Volatility

More stable,
but can switch
because of politics

Goal displacement

Only really happens
at the beginning

Structure effects

Tons of bureaucracy
involved

Commercial activities

Money brought in from goods and services

Volatility

Generally less
volatile; markets
more stable

Goal displacement

Not much

Structure effects

Requires more
business-like
methods

Volatility**Goal
displacement****Structure
effects****Private
fundraising**

High

Strong

Formalization

**Government
sources**Low then
high

Initial

Bureaucratization

**Commercial
activities**Moderate to
low

Weak

Business-ization

Competition and nonprofit revenue

How do you convince someone to give to your nonprofit over another nonprofit?

Should you convince someone to give to your nonprofit over another nonprofit?

**How should nonprofits
get money from people?**

Ask!

Fundraising considerations

How much should you ask for?

Who should you ask?

How much should you ask for?

Depends on your needs, plans, and budget

Low-end budget

Minimum amount to get nonprofit started

Middle-end budget

Funds needed for a year of operation

High-end budget

Amount needed to pay for anything the nonprofit wants to do

Who should you ask?

Private fundraising

Individuals / foundations / corporations

Government sources

Commercial activities

Individual giving

Direct mail / phone solicitation

Pros

Ready donor base

Easily obtainable mailing lists

Nonprofit mission makes it easy to appeal to donors

Cons

Donor apathy

Easily ignored

**NOBODY ANSWERS
THEIR PHONE**

Individual giving

Online giving

Pros

Cheap, ready-made infrastructure

GoFundMe, Donorbox, etc.

Faster response

Tap into online networks

**Target specific
markets and demographics**

Cons

List maintenance

Spam filters

**Needs exciting cause
to go viral**

2014 ALS Ice Bucket Challenge



2014 ALS Ice Bucket Challenge



Individual giving

Events and galas

Pros

Tradition

Visibility and involvement

Can provide
first contact with donor

Cons

Formal, stodgy, out of fashion

Not usually cost effective

Event has no connection
with the cause



Melissa Sevy



Individual giving

Nonprofit board

Pros

Have a stake in the organization

Expect to be asked for donations

Have wealthy connections

Cons

Nonprofit can become dependent on board donations and overuse them

Donor relations

If people give you money,
you're legally required to acknowledge it

Nonprofits must acknowledge contributions of \$250+

Donor cannot take a charitable tax deduction without it

Many nonprofits send this notice with a thank you note

Many other requirements if you send donors things in exchange for their donation
(see IRS Substantiation Rules on pp. 158–159)

Planned giving

Outright gifts, bequests, expectancies, deferred gifts

Pros

Large gifts

Increasingly common with
a wealthier, older population

Cons

Legally complicated;
policies change often

You have to wait for people to die

Umbrella fundraising groups

United Way, Catholic Charities, etc.

Pros

Stable funding

Visibility

Community endorsement

Cons

Must meet accountability, program, and fundraising requirements

Foundation giving

Pros

Sizable grants

Increased credibility

Catalyst for other grants

Legally required to give away 5% annually

Cons

Applications take a long time

Money moves slowly

Misalignment of priorities

Government grants and contracts

Pros

Sizable amounts

Credibility

Cons

Paperwork and bureaucracy

Slow

Corporate giving

Everyone loves corporate social responsibility

Pros

Easy to find related businesses

Easy to involve
business leaders on board

Can get free in-kind
products and services

Cons

Business won't always provide
what is really needed

Business often do it
to market themselves
(Reputation laundering)

Best practices

Seek out grants and engage in fundraising strategies that support your mission

Get buy-in from the board and staff

Don't beg

Don't apply for grants just for the money

Don't let a grant change the focus of your mission