Avoiding Common Fund-Raising Mistakes

by Dan Busby, ECFA

Keeping the trust of donors requires an understanding of your donors. In a recent study (www.publicagenda.org), donors were asked about the fundraising appeals they receive. received. But if you really want to lose donors you should make sure you do so slowly and provide as little concrete information as possible about what their gift allowed your ministry to accomplish!"

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It is not surprising donors rejected marketing practices that mimic the corporate world, such as highly polished direct mail campaigns, telemarketing, unsolicited premiums, and multiple or duplicated appeals in a short period of time.

Whether we all agree with the results of this study or not, when the mailbox runneth over with letters from worthy ministries, it is certainly a good time to avoid fundamental fundraising mistakes. Here are just a few mistakes that are reported to ECFA by donors:

1. Failure to appropriately thank your donors. Too often ministries are so busy raising the next dollar, they forget to appropriately thank donors for their last gift.

Larry Yonker, principal at the Elevation Group, comments: "One sure way to lose donors is to fail to appropriately acknowledge the contribution they have made toward your work. Sure, Laws or ministry policies may require you to provide a receipt for gifts

Mr. Yonker continues, "On the other hand, donors are like all of us: they never get enough of the two most powerful words in the English language: 'Thank you.' But thank you means more than two words printed on a receipt. 'Thank you' means letting people know up-front what their gifts *will* accomplish—then later confirming what their gifts *did* accomplish. 'Thank you' means finding appropriate ways to let major donors know about the impact of their work, whether that means a personal note from field staff or an invitation to visit the project and the people it helps first hand."

One survey reported 40 percent of donors said that a great thank you letter alone had the power to influence their next gift; an astounding 85 percent would give again if a leadership volunteer called them to acknowledge their support.

2. Nebulous reporting of ministry outcomes. "Just tell me a good story." This is what some donors might have said in the past. Today, many donors expect much more than just a good story.

Why do so few ministries do a good job of communicating ministry outcomes? It's really hard work! It requires intentional planning for the collection of data—often from locations remote from the ministry office, perhaps half way around the world.

In a recent visit with the leadership of Central Ohio Youth for Christ, an ECFA member, they shared that program outcome measurement is a priority to which they are committed. Their donors have positively responded to periodic reporting—including comparative data by time periods—of gospel presentations, decisions for Christ, discipleship and church integration, with more detailed breakdowns in each category.

3. Reporting ministry outcomes that are "too good to be true." If claims of ministry outcomes stretch a donor's imagination, it is generally wise to communicate the basis for the data or statements. Even though the information may be completely truthful, if a donor finds it hard to believe, the decision of whether or not to give could be impacted.

What if a ministry claims that every dollar of every gift goes directly to a program because a major donor has funded overhead expenses? Possible? Yes, though it is rather unusual. A little hard for donors to believe? Perhaps. Does a gift of this type eliminate overhead expenses? No, the overhead still exists. Presumably a restricted gift for overhead would relate to the ministry's current accounting period. A few words to explain all this to the donor will be very helpful.

What if a ministry's fundraising expenses are unusually low? Once

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again, explain it to donors. It is the rare ministry that has zero or nearly no fundraising expenses. A few ministries have no fundraising expenses because they are funded by a related ministry. Perhaps volunteers conduct all or nearly all of the fundraising for the ministry. If so, explain this.

What if overhead expenses, when expressed as a percentage of total expenses, are very low because most of the ministry's revenue consists of gifts-in-kind (GIK)? Instead of claiming superior performance simply based on expense ratios, explain to donors the positive impact of GIK on expense ratios.

4. Lack of clarity in fundraising appeals and response vehicles. Before any fundraising letter is sent, a ministry should decide whether gifts in response to the letter will be recorded as unrestricted or restricted for accounting purposes. Likewise, when a potential donor reads the letter, he or she should have a clear understanding whether an unrestricted or restricted gift is being solicited.

Then, the response vehicle must also be consistent with the appeal letter. For example, if the appeal letter presents the need for a certain project, the response vehicle should give the donor an opportunity to give to that project. There may be other giving opportunities such as "where needed most" in addition to the project. An appeal letter describing a restricted project with an accompanying response vehicle that does not offer an option to give to the project (a broadening of the appeal between the appeal letter and the response vehicle) generally fails ECFA's truthfulness in communication standard.

5. Using a restricted appeal for a donor acquisition mailing. New donor acquisition mailings should generally be limited to unrestricted appeals because the cost of acquiring each new donor is often so significant.

Let's say the cost to obtain a new donor is 80 cents of each dollar raised, so 80 cents of each dollar raised pays fundraising costs and 20 cents goes to the program. If the appeal letter discusses the general needs of the ministry (e.g., an unrestricted appeal), the use of the gifts received from this appeal to primarily pay fundraising costs is generally considered appropriate because of the life-cycle of a donor that, on the average, will bring in more gifts in the future.

Let's turn the page and use a restricted appeal to obtain new donors. The appeal letter describes the project but there is no mention that 80 cents of each dollar raised will go to pay the fundraising expense. Most donors responding to such an appeal probably would think their gift will be used for the project, perhaps with a reasonable overhead fee deducted. But they would not dream that only 20 percent of their gift will go to the project.

There is a way to ethically use a restricted appeal for new donor acquisition. Let's say the cost of the appeal is $50,000 and the entire amount is paid from unrestricted funds. In this case, the entire proceeds received from the appeal will be used for the restricted purpose, perhaps less an administrative charge. The funding of the donor restricted appeal from unrestricted funds is legitimate.

6. Failure to use the correct terminology for a challenge gift. Confusion between matching gift and challenge gift terminology abounds!

A matching gift opportunity is typically defined as an "at risk" promise by one of more donors to *match* other gifts, usually with a dollar and/or a time limit on the match. With the promise of a matching gift, ministries can truly say that a donor's gift will be multiplied through the matching concept.

A challenge gift is generally considered to be a *completed* gift whereby the donor(s) *challenge* other donors to support the ministry. There is no matching or multiplier effect because the challenge gift has either already been completed or will be completed regardless of how much other donors give.

Care should be exercised to avoid using matching gift with multiplier terminology when describing what is actually a challenge gift. Leading the donor to believe the gift will be multiplied when this is not true is problematic under ECFA's truthfulness in fundraising standard.

Summary. A review of these six fundraising mistakes demonstrates why raising ministry funds is not as simple as it often appears. It requires careful planning, an understanding of the fundraising landscape, and the Lord's guidance.