

# Saving America's Libraries

Changing the Model for Library  
Funds Development

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## Introduction

America's public libraries are in crisis. Libraries and library systems that rapidly expanded during the second half of the Twentieth Century and took on new informational duties during the most recent two decades now face economic hardship. Many state and local governments are unable to support the infrastructure that they have built and the expanded missions their libraries are committed to support. In many cases, taxpayer revolts have placed constraints on government that make it all even more difficult to adequately support libraries, even where lawmakers are so inclined.

According to the latest "Budget Cuts" bulletin on the ALA web site, libraries in 35 of the 50 states have reported that "the state library and/or academic, public or school libraries are facing cutbacks." ALA reports that "America's libraries are facing the deepest budget cuts in history." In 1950, 2 cents of every local tax dollar went to support libraries; in 2003, it was down to half a cent. In response, library directors have cut staffs, curtailed hours of service, closed branches, and suspended book purchases. In a few communities, the public libraries have even closed their doors.

They have had no choice for, with few exceptions, public libraries have no other significant source of revenue. They may be unique among cultural institutions in their almost exclusive reliance on tax dollars. Most other organizations rely on diversified funding sources, which limit their exposure to downturns from any one area.

Could public libraries follow the lead of museums, zoos, public broadcasters, performing arts organizations and others that view government as a funding partner rather than as a sole source? The following study was commissioned to answer this question.

Lewis-Kennedy Associates, which prepared the study, is a national consulting firm working with a variety of grassroots cultural organizations, including public radio, whose success in reducing its reliance on government support helped to inspire this examination.

## Making the Funding Case for Public Libraries

This funding crisis and the information revolution has shaken the confidence of many of those within the library field about the relevance and future of public libraries. At a recent meeting of Internet librarians, a majority said they know people who had been laid off and that they fear for their own jobs. The editor of an influential library publication wondered aloud, "Is the public less poorly served [due to library funding cuts]? Information is everywhere." Off the floor, there were discussions about how new search engine technologies and Amazon's "Search Inside the Book"<sup>TM</sup> tool could assume roles that traditionally have been the province of libraries and librarians.

The question is worth asking: Do libraries still have a legitimate role in the Information Age? Or, to put it in fundraising terms, do libraries still have a case for support?

## ***Libraries Are Still Worthy of Support***

### **A Tale of Two Cities**

When the City Council in tiny Fossil, Oregon closed its public library in August due to a severe financial crisis, the Friends of the Fossil Library rallied support to reopen the library entirely with volunteers. One in four of the town's citizens is a paid member of the group. The former librarian continues to serve as a volunteer librarian. In a town of 450, the Fossil library gets 1,565 visits per year, even at greatly reduced hours. Ranchers stand at the end of gravel roads, holding the books they will exchange for new ones during the weekly visit by the bookmobile. Local artist and truck driver Dan Robinson says, "It's a symbol of your community's cultural awareness, that you can be intelligent, cultured, and a civilized place to live. A closed library is an embarrassment."<sup>1</sup>

Some 175 miles to the west of Fossil, the Multnomah County Public Library is setting new records in circulation and utilization. Despite being at the nexus of the information revolution, Portland's library has never been more relevant. Between FY 2002 and 2003, total circulation increased 10.7%, total door count jumped 15.1%, and circulation per capita increased 10.0%.<sup>2</sup>

### **A National Trend**

This growth in library usage is mirrored nationwide. In 2001, the most recent year for which data are available, 39% of the population in the median large city, 57% in the median mid-size city, and 50% in the median small city held library cards.<sup>3</sup>

Just as a rising tide raises all ships, the unprecedented access to information enjoyed by Americans has made libraries more important to them than ever than ever. The public library remains worthy of support for the simple reason that *people continue to use it* and, when their local library is threatened, *they rally to its defense*.

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<sup>1</sup> "Saving Fossil's Library". Howard Berkes, NPR Weekend Edition, Sunday, November 9, 2003, National Public Radio.

<sup>2</sup> YTDstrate-fy03, Multnomah County Library.

<sup>3</sup> PLA Statistical Report, Public Library Association, 2001.

## ***Libraries Are an Important Component of Democracy***

Even if the ubiquity of information access were eroding interest in libraries among more affluent segments of the population—and the evidence suggests it has not—libraries would serve a critical role in making information available to all. What Benjamin Franklin wrote in the midst of the American Revolution remains true today:

*[L]ibraries have improv'd the general Conversation of the Americans, made the common Tradesmen and Farmers as intelligent as most Gentlemen from other Countries, and perhaps have contributed in some degree to the Stand so generally made throughout the Colonies in Defence of their Privileges.”<sup>4</sup>*

As anyone who has sought public funding for libraries knows, libraries remain vitally important even to those who do not use them, but who regard free access to information and learning as an American birthright. Libraries have always been the great leveler.

This has never been more true than today. As America becomes a more ethnically diverse nation, libraries have assumed an important role in providing knowledge and information to newcomers, providing courses in *English as a Second Language* and programs in the speakers' original languages. Library summer reading programs have become essential tools for maintaining the reading skills of youth in inner cities, where adult illiteracy rates approach 25%. In St. Louis, Missouri, the public library's Children and Technology Evaluation (CATE) program provides at-risk youth with basic computer skills through an innovative program keyed to their interest in socializing, belonging, and games. In most communities, no other institution makes the new information technology accessible to all its citizens.

Historian Arthur Meier Schlesinger put it well: “The public library has been historically a vital instrument of democracy and opportunity in the United States.... Our history has been greatly shaped by people who read their way to opportunity and achievements in public libraries.”<sup>5</sup>

## **Library Fundraising: Past, Present, and Future**

While private fundraising for capital expansion within libraries is fairly common, some within the library profession question whether fundraising can or should be used for operating support. Some question whether it will work, while others fear that it will undermine government support for libraries. There are fears that private funding will make libraries less egalitarian and that it will change the library's mission. We begin addressing these concerns by reviewing how our current system of library funding came to be.

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<sup>4</sup> Benjamin Franklin. Edmund S. Morgan, Yale University Press, 2002.

<sup>5</sup> <http://www.ifla.org/l/humour/author.pdf>

## ***The History of Funding for Libraries***

Philanthropy has played a major role in establishing or maintaining libraries for over two millennia. The earliest libraries were established in whole or in part by donations, from Gaius Asinius Pollo's gift to Rome of volumes plundered from Illyria in 39 BC, to Cosimo de Medici's donation of his manuscripts to the City of Florence in 1444, to John Harvard's gift of his books and half his estate in 1638 to establish the college that now bears his name.

The earliest libraries in the United States were user-supported. There were:

- Subscription libraries such as Franklin's Library, in which groups of individuals pooled their resources to purchase an original collection and paid an annual subscription to maintain it,
- Athenaeums, which added elements of a social and athletic club to the subscription library model,
- Circulating libraries, the video stores of their day, which lent popular fiction to the public for quarterly, semi-annual, or annual dues, and
- Mechanics and mercantile libraries, which were really vocational libraries. Sometimes they operated on the model of the subscription library, supported by their members, but in many cases they were established by industrialists for the betterment of their workers.

According to library historian Jesse Shera,<sup>6</sup> the subscription library was "the public library system of its day." Many proved to be unsustainable, due to a small subscriber base, limited book stock, and inadequate finances. Many did not outlast their original founders. These structural problems were to become one of the arguments for municipal support, which provided a reliable, stable funding base.

To those who in the middle decades of the 19th Century became interested in the encouragement of public libraries ... it was clear that the shifting sands of voluntary support were not a sufficiently solid foundation up which to build a universal library system."

Though the idea of a tax-supported library was put forward by leaders such as Thomas Jefferson as early as 1809, the movement did not gather momentum until the middle of the nineteenth century. Even when it did, tax support was often augmented by voluntary donations, as in the Peterborough, NH library—the most widely known early public library experiment.

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<sup>6</sup> *Foundations of the Public Library*, Jesse H Shura, Shoestring Press, 1965 (reprint of the University of Chicago Press edition, 1949).

In the massive 1876 government report, "Public Libraries in the United States of America," William F. Poole, then Director of the Chicago Public Library defines public libraries in these words:

The 'public library' we are to consider is established by state laws, is supported by local taxation *and voluntary gifts*, is managed as a public trust, and every citizen of the city or town which maintains it has an equal share in its privileges of reference and circulation.  
[emphasis added]

As Poole suggests, many early public libraries relied on multiple sources of funding. Often the initial funds from the building and books came from a private philanthropist under the condition that the city agree to tax itself to maintain the library.

- In Salisbury, CT in 1803, Caleb Bingham donated 150 titles to the city, but in 1810, the city voted to support the library with \$100 and then voted additional funds from time to time. According to Shera, this was the first library to be supported by public funds.
- The New York Public Library was created from the merged Astor and Lenox Libraries, which had been founded and maintained through private philanthropy with the \$2.5 million bequest from Charles Tilden. These formed the nucleus of the Research Libraries, which today are still supported primarily through their endowments and private philanthropy. Andrew Carnegie was responsible for creating the NYPL Branches. In 1901, he

offered \$5.2 million to construct a system of branch libraries throughout New York City, provided the City would supply the sites and fund the libraries' maintenance and operations. Later that year The New York Public Library contracted with the City of New York to operate 39 Carnegie branches in The Bronx, Manhattan, and Staten Island. Thus, from the earliest days of The New York Public Library, a tradition of partnership with the city and outreach to the community was established, which continues to this day.<sup>7</sup>

- In 1882, Enoch Pratt, a wealthy Baltimore industrialist, offered the City of Baltimore the gift of a central library and 4 branches, as well as an endowment of \$833,333, provided the City should commit to an annuity of \$50,000 per annum to support the library.

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<sup>7</sup> Encyclopedia of Library Science. Wayne A. Wiegand and Donald G. Davis, Garland Publishing, New York, 1994

- Perhaps, the most well-known example of all is Andrew Carnegie, who donated over \$41 million between 1886 and 1919 to build 1,679 libraries in 1,412 communities—almost all of them with the stipulation that the city provide the site and be willing to provide an annuity of 10% of his donation per year to maintain the library. He imposed this condition to insure that the library was sufficiently wanted by the community and that it would be used and maintained. Since there were only about 3,600 public libraries with collections of more than 300 volumes in all of the US in 1876, Carnegie's contributions were substantial. But he thought that what was even more important was the amount he "made others give" to maintain the library.

The public library systems in New York, Chicago, Baltimore, and the hundreds of American communities that responded to the Carnegie Corporation's challenge grants all owe their existence to seminal philanthropic gifts.

Although the public library started out with diversified funding—from philanthropists, the voluntary contributions of time and money by thousands of women's clubs, and local tax support—by the 1950's it had evolved into an institution that was funded almost wholly through local taxes.

According to the Public Library Inquiry of 1950, 88% of public library income came from local taxes (primarily property taxes), state taxes accounted from 0-7.4% of the budget, federal funding was limited to demonstration grants only, and all non-tax income sources including endowments, gifts and fines and fees, provided

less than 1/10 of income of public libraries. Endowments stem mostly from an earlier period before community libraries received tax money. Most institutions now deriving an appreciable part of their support from contributed funds are small libraries in the North and East. In many of these villages, library gifts still provide more than half the total revenue. In very few, however, is the ratio of gifts to taxes for support on the increase. In only about a dozen cities of more than 25,000 population did endowments and gifts constitute a major source of public library income in 1944-45.<sup>8</sup>

### ***Problems and Limitations with Current Funding Model***

The situation remains virtually unchanged today. According to the most recent data from the National Center for Education Statistics, in 2001 77% of the \$8.2 billion in public library expenditures came from local taxes, 13% from state taxes, 1% from Federal taxes—a total of 91%—and the remaining 9% from all other sources including endowments, gifts, grants, fines and fees.

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<sup>8</sup> The Public Library in the United States: General Report of the Public Library Inquiry, 1950.

Today, however, government, whose support for libraries was spurred by post-Civil war economic expansion<sup>9</sup> and by the Carnegie partnership grants, faces challenges in maintaining the public library system. Beset by a sluggish economy and a pervasive fiscal conservatism among voters, local governments feel unable to fund public libraries as generously as they once did. Meanwhile the information revolution has raised the cost of library operations.

Everywhere, libraries are closing or reducing hours of branches, scaling back services, and reducing book purchases. In this environment, level funding is often seen by library administrators as a victory.

### ***A New Model for Library Funding***

It is time for a new funding model—one that is not strictly private, as it was two centuries ago, nor almost totally tax-based, as was the case in the latter half of the Twentieth Century, but which unites public funds and private philanthropy in a partnership to provide excellence in America's public libraries. The goal of the model we recommend is not to replace government funding, but to augment it.

We assume that in most communities, library funding from the public sector will grow very little over the next few years and may in fact decline. If that is the case, public libraries must either identify new sources of revenue or will go into a gradual decline. As they reduce book purchases, hours, and branches, they will take a progressively weaker case to the public to seek funding.

Alternatively, by asking private philanthropy to partner with government, libraries can grow, increase in service and relevance, and take a stronger case to the public for funding. In doing so, libraries must carefully articulate to government how this partnership will increase the value of the tax-based investment, but emphasize that it cannot work without government's continued role in the partnership.

That precise course has been followed by another major American institution, whose story is told on page 9. There is every reason to believe libraries can enjoy the same success.

Public libraries are held in high regard within their communities. By examining how other highly regarded organizations have translated this regard into significant financial support, public libraries can begin to capitalize on their excellent community reputation.

### ***Advantages of Plural Funding***

As suggested in the Introduction, plural funding, or diversified funding sources, limits the exposure of an organization to downturns in any one area of support. It is a familiar concept to anyone who invests. One should never put all his retirement savings into the stock of one company, or into one class of mutual funds, or even totally into securities. Just as smart investors keep a balanced

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<sup>9</sup> [Encyclopedia of Library Science](#)

portfolio to minimize risk, smart institutions maintain several revenue streams that help spread its risk.

Plural finding also gives an institution greater control over its mission. An organization with only a single revenue source is limited to whatever revenue that source can or will provide. It is also limited to that funder's interpretation of its mission. An organization with multiple revenue sources has more flexibility in funding and in developing programs that its users need.

In addition, plural funding also gives an organization the ability to use one funding source to leverage the other. Organizations regularly use a major foundation grant to challenge individual donors to increase their giving – or partial funding of a program by a corporation or governmental agency to leverage individual gifts to complete the project.

### ***The Freedom of Unrestricted Funds***

Private fundraising involves many activities, constituents, and techniques. But any donation comes in one of two forms—restricted or unrestricted. Both have their place, and both forms can play a role in saving America's libraries.

Unrestricted funds are given with no strings attached. An institution can use them in a variety of ways. This gives an institution tremendous flexibility in how funds are used. A library can use unrestricted funds for books, special projects, utilities, repair and maintenance, additional staff—even to pay fundraising costs. One library uses its unrestricted donations for precisely this purpose. Its unrestricted funds support the operations of its fundraising foundation. It uses that income to raise restricted funds through major gifts and foundation grants which are passed on to the library without any discount for fundraising. The foundation tells donors that for every \$1 they contribute, the foundation will return \$7 to the library. And it is as good as its word.

The largest sources of unrestricted funds are small gifts that come from a large group of people—grassroots support, whether termed “membership,” an “annual fund” donation, or a “contribution.” Major donors can also make big unrestricted gifts, however, and sometimes grassroots appeals are narrowly drawn, with proceeds restricted to a specific cause such as a summer reading program.

Unrestricted funds can fund needs important to the institution's mission that government will not or cannot fund and that lack the necessary marketing appeal for a restricted campaign. Unrestricted funds can thus plug many gaps in a library's budget.

### ***The Freedom of Restricted Funds for Special Projects***

If unrestricted funds expand organizational freedom by providing funding flexibility, it might seem that restricted funds restrict organizational freedom. That is not the case, however. Restricted funds give organizations the opportunity to

fund big-picture projects that otherwise would not be achieved. They involve big gifts from a few carefully selected sources for projects that have a defined purpose.

A library might set up a restricted fund to finance its ESL program, expand its public computing facilities, or establish an inner-city technology program like the CATE project in St. Louis. It might seek a matching grant from a corporation or foundation to encourage big gifts from wealthy individuals to achieve a certain goal within the library.

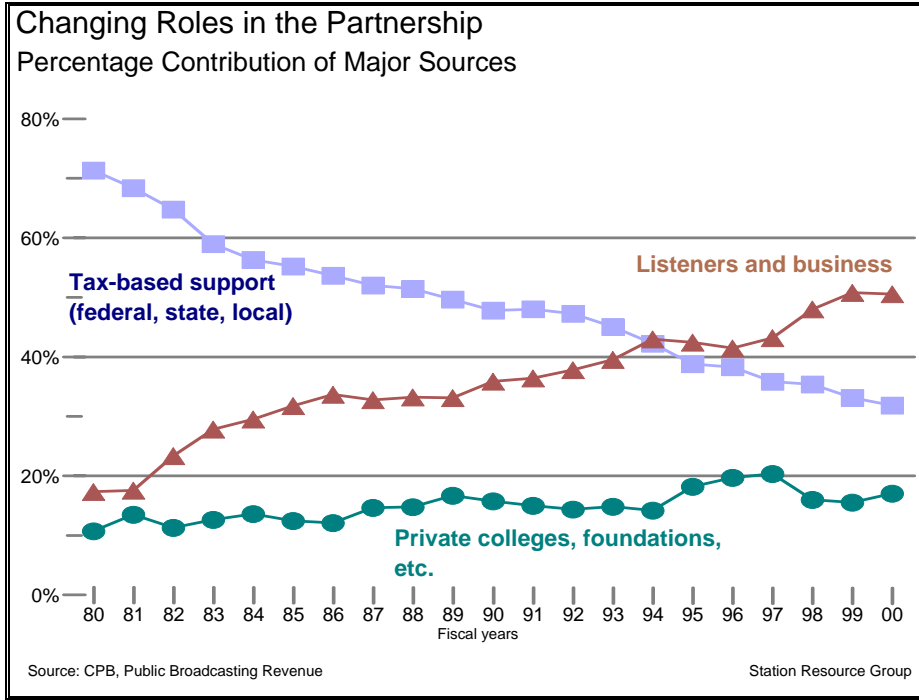
This allows the library to define projects that may be of special interest and determine how long they will be engaged in that activity. It allows the library to conduct certain activities without the oversight of government. And it means that the library can respond more quickly than it might if it had to seek a tax levy for the same activity or that it can pursue projects important projects that are too small for a levy.

Thus, aggressive pursuit of restricted funds increases the library's ability to respond to needs within its community in order to remain relevant as its service area changes.

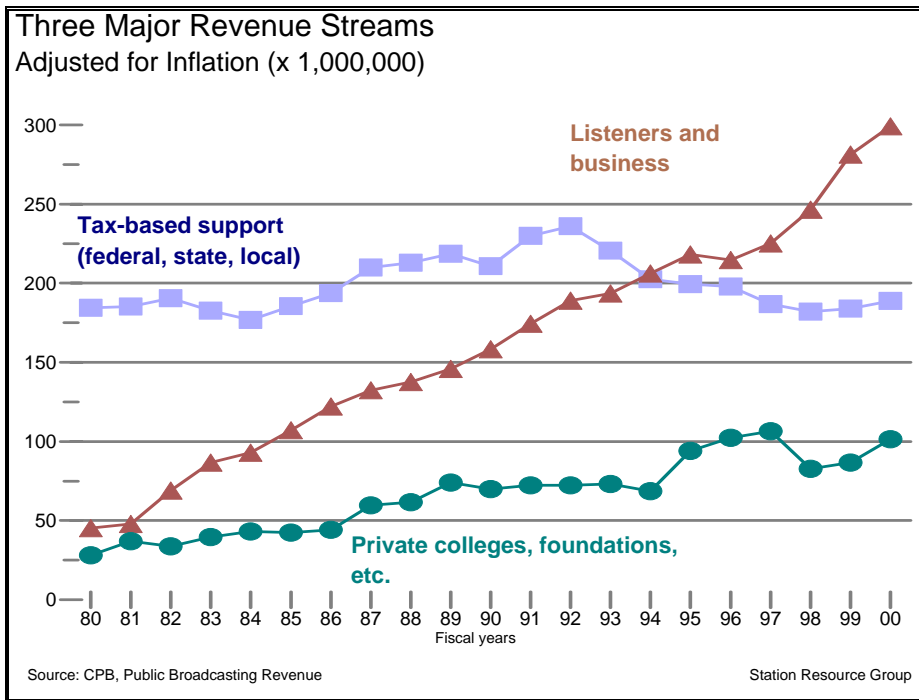
### ***It Works: Experiences from Other Organizations***

In the Introduction, we noted that libraries "may be unique among cultural institutions in their almost exclusive reliance on tax dollars." Two decades ago, however, libraries had company. As the following graphic from the Station Resource Group shows, in 1980 and 1981 public radio received over 70% of its funding from federal, state, and local tax-based revenue. Listener and business support was less than 20%.

In 1981, President Ronald Reagan cut federal support to public broadcasting by 30%. Public radio stations began to seize control of their own destiny by beginning an aggressive, coordinated fundraising program that had previously been limited to stations in only the largest markets. In the intervening years, public radio has rebalanced its revenue portfolio. Today, listener and business support provides about 50% of public radio's support, while tax-based revenue is about 30%.



This may seem to suggest that government support has declined, but that is not the case. As the following chart shows, tax-based support in constant dollars is about what it was in 1980. Meanwhile, listener and business income has grown six-fold. Public radio did not abandon government funding. It simply diversified its funding base. Over the past two decades, *all of public radio's financial growth has come from contributed income*. But government remains a partner.



Public radio's audience has tracked its revenue. As revenue has increased, so has audience, and vice versa. Today public radio is serving record numbers of listeners, who are rewarding it with ever increasing amounts of contributed revenue. It is a very effective model for public service.

Public radio is not alone in having a balanced approach to revenue generation. There are other examples that show how libraries might be able to maintain their tax-supported funding while increasing contributed revenue. While the Smithsonian Institution is heavily subsidized by government, it receives 21% of its revenue from contributions and another 4% through business activities. Art and science museums, zoos, and orchestras all depend on a multitude of funding sources. And today, almost every public university has a foundation that raises funds for academic programs, facilities, and augments the salaries of its president and such academic positions as endowed chairs to stay competitive.

### **Starting a New Business: Elements of a Fundraising Organization**

To be successful, funds development requires an organization, skill set, and approach that are quite different from library management. It is both an art—clear, persuasive communication and excellent personal skills, particularly in nuanced listening—and a science—testing of appeals, tracking of results, analysis, and financial skills. Except for grassroots fundraising, funds development involves volunteer management, which requires give and take between the organization and the volunteer.

Even the volunteers require different skill-sets. The support organizations that presently exist in libraries may be composed of people who are uncomfortable and ill-equipped to handle major gift fundraising. In short, funds development is a new business for most libraries, and must be approached with the level of planning and open-mindedness needed to launch any new venture.

### ***Friends vs. Foundation***

In our interviews with library personnel, we encountered a tripartite organizational structure that seems to have replicated itself at a number of institutions. It consists of a friends group and a separate fundraising foundation, both of which are nominally independent of the library, and a head librarian who is a government employee, but plays some role in library fundraising.

In this model, the historic fundraising organization for the library is the friends group. It tends to be a low-level fundraising organization, conducting such as activities as soliciting small annual contributions, conducting special fundraising events, and operating the used book store. Some friends organizations are not structurally organized for fundraising—may not have 501(c)(3) status under IRS rules—but be organized for lobbying as a social welfare organization with 501(c)(4) status. Such friends groups often attract dedicated volunteers, but they usually lack the business and personal connections needed to conduct major gift fundraising.

As a result, when such special funding needs as a capital campaign arise, the library often establishes a separate foundation to conduct the campaign. The foundation is typically directed to respect the role of the friends group, in order to avoid public conflict.

The head librarian also plays a direct role in fundraising strategy. She takes the lead role in maintaining or increasing government funding and, as such, is often fearful of undermining her legislative case with operational fundraising. Thus, she often sets limits on the roles that both the friends group and the foundation may play.

As a result, once a foundation has completed its capital campaign, it sometimes becomes an organization in search of a mission. It is discouraged from professionalizing the donorship program, since that conflicts with the role of the friends group, but it cannot mount a meaningful major gifts program, since those elements of the library program that would be most attractive to major givers are funded by government. It often is relegated to pursuing funds for causes such as the summer reading program, which, while important to the library's mission, do little to break the cycle of dependence on government.

This tripartite structure often scatters volunteer resources, increases administrative overhead, creates internal tensions that consume time and energy, and makes it difficult for the library to coordinate a professional fundraising approach. Library professionals may be relieved to hear that this structure is not unique. It mirrors the traditional configuration of state-owned public broadcasting services, where there is often a government-appointed commission of some sort, a friends group charged with unrestricted fundraising, and a foundation formed to conduct a capital campaign or to hold and disperse endowment funds. As government resources have become more constrained, however, public broadcasting has begun to abandon this model. One statewide network recently merged its friends group and its foundation and gave the new entity the green light to more aggressive fundraising efforts. The move came just in time, for the cash-strapped state legislature recently reduced the network's appropriation by 29%. While the network is feeling the effects of these cuts, it now has the structure to begin carving out its own future with increased private support.

Similarly, the San Francisco Public Library has merged its friends group and its foundation under one umbrella. While consolidation of complementary fundraising organizations is not a necessity, libraries must clearly assign responsibilities and goals, if fund raising is to be successful, setting up well considered ground rules and maintaining dialogue to avoid conflict. It must educate its governing authorities on the role private support can play in *augmenting* government funding and craft public agreements that avoid its *replacing* the role of government. Then it must remove constraints from its fundraising organizations and allow them to develop the philanthropic potential of its constituency.

This will allow libraries to take charge of their own missions, rather than see continued deterioration of their financial conditions as governments seek to balance their budgets.

### ***Building a Fundraising Board***

In non-profit organizations, the primary functions of a governing board are to represent the public as owners of the organization, establish and enforce governing policies, and assure executive performance. In addition to these formal duties, most boards are expected to play a key role in fundraising. This role may occupy most of the board's time. The old adage "give, get, or get off" describes the true function of many boards.

In public libraries, the fundraising board is not a governing organization, except as it relates to overseeing its own affairs as a 501(c)(3) organization. Governance is the responsibility of the government body that owns the library. Thus, a library support organization's board—whether it is a friends group, a library foundation, or something else—is focused almost entirely on funds development, with often a community relations or legislative lobbying element thrown in.

The nature of the board that is recruited should reflect the type of fundraising that the organization intends to pursue. Boards of organizations with diverse fundraising portfolios bring together a mix of individuals who provide a variety of skills and contacts, while one focused exclusively on special events will be heavily weighted toward the professional volunteer and socially active go-getter. Boards formed for capital campaigns will tend to be people of financial substance, corporate leaders, and others who can influence substantial gifts.

For any organization embarking on serious fundraising activity, the ideal board is one that *extends the ability of the library to leverage financial support in areas that the staff cannot reach*, introducing the organization to a variety of constituencies and networks. Thus, many boards create a matrix of desired skills—legal, financial, philanthropic, etc.—and areas of influence within their communities—social and religious groups, professional and corporate leaders, etc.—and recruit new donors strategically.

Entrée means little if board members are unwilling to become actively involved. Involvement need not mean asking for money, although it is vital that at least some members of the board be comfortable with this process. For many well-positioned board members, it is enough that they are able to identify prospective givers and are willing to invite them to events or arrange meetings at which they are physically present, endorse the organization and the project, while others do the asking.

It is important that the board as a group be respected within the community. Increasingly, donors *invest* in an organization rather than simply giving to it, and having board members who are viewed as trustworthy stewards of invested resources makes the job of raising funds that much easier.

An “A list” board, therefore, has extensive connections, is able to contribute substantial gifts and motivate others to do so, is trusted, and is willing to actively participate in the fundraising program of the organization. Individuals who meet these criteria and consider the public library one of the most important local resources are available in every community. The most important elements in recruiting such board members are the reputation of the library, the clarity of its fundraising mission, and a strong, well respected board chairperson who is willing to personally recruit members.

Where it exists, a record of past fundraising success also helps recruit members. For this reason, *fundraising often should not await the recruitment of the right board*, particularly where grassroots fundraising strategies are being employed. An individual giving program made up of many small and mid-size contributions is successfully conducted by organizations with weak boards, for it is mostly a staff-driven activity. Building a strong base of support through smaller gifts can aid in board recruitment and thus begin a board building process that will allow larger gifts to be raised.

Where major gifts are the immediate fundraising goal—as we recommend here—a strong board is often a prerequisite to success.

### **Where a Fundraising Board Is Not Possible**

There will be situations in which a library cannot form a vital fundraising board due to political considerations or for other reasons. There may be instances, for instance, in which a government entity fears that formation of a formal fundraising board may challenge its own authority. In such cases, a library should consider a *virtual board*—a group of individuals who will organize for fundraising purposes as an advisory group or a special committee of the library.

The key to developing this sort of virtual board is to identify a recognized community leader who can articulate the mission of the group, attract other volunteers to membership, and who will command the respect of the library's governance structure, whatever that may be.

### ***Determining a Development Strategy***

Based on our interviews, the difference in readiness for meaningful development activities within a library appears to be completion of a capital campaign. To organize for such a campaign, a library recruits the right volunteer force, puts the necessary systems in place, learns to communicate its story well, and knows how to cultivate and steward gifts. It is also worth noting that it loses its sense of wonder at all those zeroes that accompany a campaign that speaks of millions of dollars rather than thousands.

Where an organization has not conducted a capital campaign, but still desires to begin serious donor development, it must take preparatory steps, which are outlined throughout this report. They include:

- Developing a mission and case statement, and perhaps a strategic plan for the organization
- Auditing internal procedures
- Determining if sufficient infrastructure is in place
- Assessing the capability of the staff to conduct development activities
- Examining the decision-making process within the organization
- Recruiting volunteer leadership
- Structuring the board or fundraising committee
- Getting gift commitments from the leadership before seeking gifts from others
- Conducting donor cultivation activities

An organization that is not in fundraising start-up mode should decide where it lies in this continuum and begin its organizational activities from that point on.

While campaign planning (“feasibility”) studies conducted by a knowledgeable outsider are usually associated with capital campaigns, they are an excellent way to make the above assessment in an organization new to funds development. However an organization goes about it, achieving campaign readiness to determine *what* is said *by* whom *to* whom is essential to success.

Campaigns for operating support can be organized either as a sustained, ongoing effort, or as a campaign with a special purpose and a defined goal. For example:

- A statewide children's reading program mounted a “10,000 by 2,000” campaign, urging its donors to contribute so that it could reach 10,000 young readers by the year 2000.
- One library conducts successive three-year plans to reach a given service and financial goal within that period.

Such defined campaigns provide a promotional platform for the campaign and for the organization and can be useful in differentiating the roles of government and of philanthropy.

## **Staffing**

As stated at that beginning of this section, funds development requires skill sets that may not exist in the mid- and senior management levels of many libraries. Most libraries will have to go outside to find the staffing resources that they need.

### **Needed Skill Set**

Funds development requires strategic skills, for aspects of development programs involve extensive planning, like a military or political campaign or new product

roll-out. Particularly in grassroots fundraising, analytical skills are required, for every fundraising effort contains lessons which, if analyzed, will improve future fundraising efforts. Development professionals often must possess good political negotiating skills, particularly where volunteers are involved. Fund development requires nuanced listening skills, by which we mean listening not just to what is said but what is meant. Finally, it requires a willingness to ask for money, something that many people find difficult and unpleasant.

Too many organizations bring in less experience than they need, believing that they cannot afford the salary that more experienced individuals command. But funds development is a people intensive (as opposed to capital intensive) business. Experience often spells the difference between success and failure. An experienced development professional will easily recover the additional investment in salary over a less expensive individual with less experience.

Finally, fundraising professionals are just that – professional practitioners, who bring a set of well-developed skills—not glorified sales people

## **Training Resources**

Most communities of any size have associations of development professionals that provide training and continuing education. Among these are local chapters of:

- Association of Fundraising Professionals (AFP),
- Council for the Advancement and Support of Education (CASE),
- National Committee on Planned Giving (NCPG) whose local chapters are often called “planned giving roundtables”.

In addition, there are various locally constituted groups without a national affiliation. Local chapters of the following specialized fundraising organizations may have programs or resources that are available to professionals of other local organizations:

- Association for Healthcare Philanthropy (AHP)
- Association of Christian Development Professionals (ACDP)
- Association of Lutheran Development Executives (ALDE)
- Council for Resource Development (Community colleges) (CRD)
- International Catholic Stewardship Council (ICSC)
- National Catholic Development Conference (NCDC)
- North American YMCA Development Organization (NAYDO)
- Philanthropic Service for Institutions (Seventh Day Adventist organizations) (PSI)

In addition, development professionals may study and apply for certification as a Certified Fund Raising Professional (CFRE). Because CFRE certification requires at least five years of responsible experience with attainment of certain dollar and

donor goals, it is one of several criteria that a library might want to consider in hiring professional staff.

### **The Ethics of Fundraising**

Development professionals adhere to a code of professional conduct that protects their institutions and their donors. A synopsis of the code is included in the appendix.

Four principals bear directly on questions that have been raised about privacy and compensation issues:

- Members shall not disclose privileged or confidential information to unauthorized parties.
- Members shall give donors the opportunity to have their names removed from lists that are sold to, rented to, or exchanged with other organizations.
- Members shall not accept compensation that is based on a percentage of charitable contributions; nor shall they accept finder's fees.
- Members may accept performance-based compensation, such as bonuses, provided such bonuses are in accord with prevailing practices within the members' own organizations, and are not based on a percentage of charitable contributions. Put another way, professional fundraisers cannot ethically work for a percentage of funds received.

### ***Telling the Story***

Few things are more important to an organization seeking philanthropic gifts than to tell its story well. Too many nonprofit organizations—particularly those with high visibility—assume that donors will know they deserve support, a marketing approach sometimes referred to as *assumed virtue*.

Donors are motivated by a combination of factors that involve both the heart and mind. They are drawn in by the emotional nature of the organization's work—who it serves and how—but in the end, they also need the facts of how the organization does business and what it needs to operate. In today's competitive philanthropic environment, an organization can not afford to assume prospects know all about them.

There are two important tools that help the organization communicate this information.

### **The Mission Statement**

“A mission statement is a declaration of organizational purpose.”<sup>10</sup> Mission statements are usually brief and must be inspiring. They answer the questions:

- Who are we?

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<sup>10</sup> Strategic Planning for Public and Nonprofit Organizations. John M. Bryson, Jossey-Bass, 1995.

- What needs do we serve?
- How do we respond to those needs?
- How do we respond to key stakeholders?
- What are our values?
- What makes us unique?<sup>11</sup>

Fundraising consultant Kay Sprinkle Grace believes that an effective mission statement emphasizes *why* rather than *how* and offers the following example:

Next to the human face, hands are our most expressive feature. We talk with them. We work with them. We play with them. We comfort and love with them. An injury to the hand affects a person personally and professionally. At Vector Health Programs, we give people back the use of their hands.<sup>12</sup>

All this description lacks is a statement of uniqueness, since non-duplication of services is very important to many funders and is something most libraries can claim within their individual service areas.

### **The Case for Support**

The case for support is a longer document that is always written prior to a major campaign, is often written to prepare an organization for major gift fundraising, but should really be a part of all fundraising efforts. It covers the following areas:

- An organization history, including individuals who have been involved in its format and preservation. This is done to provide context, the organization's position in the community, and contributions to its history.
- Who it serves and what it does today. This should be uplifting and inspiring, on the one hand, while providing practical, nuts and bolts information on the other. It does so by painting a vision of the organization's service to the community and then quantifying it with facts and figures (number of cardholders, circulation figures, etc.).
- The problem to be solved now. Whether it's an inadequate facility or the need for improved operational funding, the organization lays out the conditions that require philanthropic funding and the effect of these problems on its ability to fulfill its mission—detailing as specifically as possible the effect on those whom it serves.
- How the problem will be addressed. This section outlines the financing required to address the need, how these funds will be raised, and how donors can participate.
- What success will mean to the donor in recognition and satisfaction.

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<sup>11</sup> Ibid.

<sup>12</sup> Over Goal. Kay Sprinkle Grace, Emerson and Church, 2003.

The case for support may serve as a brochure for fundraising, but more often, it is an internal document on which publications are based. Its most important purpose is to answer all important questions about the institution and its request for funds and to *get all participants to agree on one story and one set of facts.*

### **Overcoming Public Perceptions about Government Funding**

One concern raised by many in the library community is that the public may view library support as exclusively a function of government, not of philanthropy. Undoubtedly, some will, for there are those who will not give to public higher education for this reason. But there are those philanthropists who do not give to certain causes for a variety of reasons, and that does not stop these organizations from raising funds from those who will. The fact that some will not give to government funded entities has not stopped public higher education from raising billions from those who understand the limits of government funding, including many who are not their alumna.

The example of public school foundations helps to show that the public will respond, if prospects understand why their support is needed. There are currently successful public school foundations raising funds in:

- Bentonville, Arkansas
- Springfield and Decatur, Illinois
- Wayland, Massachusetts
- Jefferson and Columbia, Missouri
- Las Cruces, New Mexico
- Oklahoma City, Oklahoma
- Cumberland, Virginia
- Tustin and Irvine, California
- Lawrence and Olathe, Kansas
- Wyandotte, Michigan
- Lincoln, Nebraska
- Fargo and Minot, North Dakota
- Portland, Oregon
- Everett, Washington

...and at least 200 others. This small sampling list includes communities large and small, from every region in the country, in both communities known for their progressivism and for their conservatism.

To succeed, libraries must carefully tell their stories, outlining the history of tax-based funding in their community and its current limits. Libraries must explain the financial resources they need in order to fulfill their essential educational roles within their communities and show prospective donors how they can help.

For ideas on how to address this issue in print, please see *Addressing Government Funding in Direct Mail* in the Appendix.

## The Business Plan

The appendix contains the following documents, to which this section refers. We recommend that you refer to them as you read this section.

- Budget Template for a library foundation, covering five years of activity
- Annual Calendar—Sample Library Foundation
- Direct Mail Only (section of Annual Calendar)
- Sample List Plan (Lists for direct mail)

These templates are based on the experiences of comparable non-profit organizations for which we have worked. As the budget template states, “This pro forma is for illustration purposes only. Costs and revenues will vary greatly depending on market conditions.” The model would be adjusted to reflect the size of the community, its demographic characteristics, and its internal organization. The template is based on the following assumptions:

- The library foundation's fundraising activities would be supported in part by a \$150,000 start-up grant for the first two years of operation, and a second, smaller operating grant in Year 3. In extensive interviews with other recent start-ups, we have found in every case that there is a capacity building grant from a foundation, a gift from an angel, or supporting funds from some other source that supports the formation of fundraising activities. In the case of public radio, the Ford Foundation provided start-up funding over a period of several years. A new start-up in Portland has a total of \$120,000 from 4 separate foundations. Another has dedicated part of an unrestricted bequest to funding its start-up efforts.
- The individual giving component of library fundraising begins with major gifts from a handful of key supporters, with a grassroots mail campaign not beginning until Year 3. Again, this is the model successfully followed by a number of start-up organizations. While public radio has taken a different course, it was able to do so through the availability of the broadcast medium.
- The major operating expense during the first two years is a highly qualified professional who organizes the activity and initiates all aspects of the funds development program. It is *critical* that this individual be thoroughly experienced, since the budget makes no provision for outside consulting resources until Year 3. (See Needed Skill Set on p. 15.) Consequently, the library foundation should expect to pay a professional salary. Skimping on this step undermines the organization's ability to attain these goals.
- There is a well-thought-out operating agreement between the library and its foundation respecting roles and responsibilities, authority to make decisions, and financial obligations of the foundation to the library. Many problems can be avoided if these rules are determined at the outset.

- Excess unrestricted revenue is turned over to the library in accordance with this operating agreement.

The basic premise of this model is that, initially, the bulk of the unrestricted revenue raised would be used to pay foundation expenses, and the chief benefit to the library would come from restricted revenue passed to the library without any discount for fundraising expenses. This model has already been successfully used by some library foundations and by other government-supported organizations.

However, we also believe that in the longer term, a grassroots campaign which focuses on soliciting small annual pledges from thousands of library supporters, has the potential to grow into a significant source of revenue for the library in its own right. Like other grassroots organizations, public libraries serve very large audiences. The history of special bond elections in communities across the country suggests that even citizens who don't use their library value it and are willing to support it and its role in the community.

The question is, how do libraries best capitalize on that broad base of support to develop grassroots campaigns that will not only support the operations of the library foundation, but also contribute substantial funds towards the operation of the library itself?

Nobody really has the answer to this yet, because libraries have never made a concerted effort to tap this source of support. For this reason, we have erred on the side of caution in the business plan, opting for the model that has been shown to work. However, there could be potential in library grassroots funding, and any library seriously interested in fund raising should be looking for the best ways to test it.

Given these assumptions, the model shows an excess of unrestricted revenue over expenses in every year, although the margin during Year 1 is a narrow one. However, this excess of revenue over expenses is only possible due to the existence of the start-up grant in Years 1 and 2.

The hypothetical library used in this model covers a service area of approximately 100,000 households (225,000-250,000 individuals). It has a library foundation as a support organization, operating in donated space. The foundation conducts the following fundraising activities, many of which are conducted by the various library foundations we interviewed:

Unrestricted revenue sources:

- *Contributions* from individual donors, including both small gifts raised through direct marketing and major gifts raised through personal solicitation.
- *Corporate matching* revenue from companies that match gifts from employees.

- *Events* held for fundraising purposes, such as a gala held to support a summer reading program.
- *Sales*, such as used book sales, and new books and library merchandise.
- *Sponsorships*, usually by corporate partners.

Restricted revenue sources:

- *Contracts* with organizations such as schools, municipalities, social services agencies, or even the library itself to provide a range of outreach or educational services.
- *Corporate grants* for restricted purposes (to sponsor a room, rare books, exhibit, or section of books).
- *Foundation grants* for specific library needs and projects.<sup>13</sup>
- *Planned gifts*, whether restricted outright for endowment, or designated by the board of the foundation for endowment purposes (“quasi-endowment”). In the model, it is assumed that all undesigned planned gifts will be placed into an endowment.

It is important to grasp the distinction between unrestricted and restricted funds. Unrestricted funds come with no strings attached and can be used for any legitimate purpose the support organization chooses. Restricted funds, as their name implies, can only be used for the purpose for which they were given—to sponsor a specific exhibit, to provide funds to carry out a specific outreach program, etc.

One problem with restricted funds is that it is usually very difficult to recover fundraising and other administrative costs. Some foundations do allow an overhead line, but others do not – and many grant writers are wary of including such costs in a proposal. In this model, which is based on the practice of a specific library, the unrestricted fundraising activities provide sufficient revenue to cover the cost of all fundraising and administrative expenses.

### ***Individual Contributions***

*Contributions* consists of three components, *major giving*, *grassroots fundraising* conducted largely through direct mail, and *upgrading*.

#### Major Giving

Major gifts are those gifts that are above and beyond the typical grassroots levels. The amount differs by type of institution and community. While universities might have a major giving threshold of \$10,000, \$25,000 or more, some very small organizations in rural communities set it at \$500. We recommend that

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<sup>13</sup> In the model, there is also unrestricted support in the form of a start-up grant from Foundation/Corporate Foundation sources, but the remaining corporate and foundation revenue is shown in restricted support.

libraries set their major giving level at not less than \$1,000, and some, depending on local standards for other cultural organizations, might go as high as \$2,500. Whatever level a library sets, it is only a threshold. There should be opportunities and benefits for donors to contribute much more.

Major gift prospects are members of the foundation board and their peers within the community. Foundation board members are expected to play a leadership role in this activity and to give personally at an appropriate level.

Activity is divided into two semi-annual campaigns that coincide with the two principal periods in annual giving programs(See *Annual Calendar* in the Appendix). Much of this activity, particularly in acquiring major donors, is conducted through personal solicitation, in person or by personal telephone call, but mail also plays a role.

There are two special mail appeals, one coinciding with National Library Month for the summer reading program and another in December for end-of-year gifts. In this connection, libraries must begin to think of appeals or campaigns that can appeal to individuals with different giving priorities during the year. A donor's initial gift during a year is sought for general operating support of the foundation. This appeal is stated in broad terms that embrace the entire mission of the library and its foundation. Subsequent gifts during the year are sought for more specific mission elements. These special appeals are couched in terms that allow gifts to remain unrestricted, but each focuses on a particular area of library activity that may be of special interest to a large group of donors—whether major givers or smaller contributors. In addition to summer reading programs, special appeals might center on the maintaining the reference library, outreach programs that promote computer literacy, specific educational activities, etc.

### Grassroots

Beginning in Year 3, the contributions program is augmented by the addition of grassroots fundraising. While the major giving program seeks large gifts from a small group of donors, the grassroots program seeks smaller gifts from a large group of donors, often using direct mail, as shown in our illustration. While they operate in different ways, the two are part of a larger whole.

The direct mail program is divided into four activities, three of which—acquisition, lapsed, and special appeals—are grouped together. It is important that these three occur concurrently so that they be supported with other high visibility library events. The cumulative effect of multiple activities raises awareness of the library and increases responses to all activities. That is why we have scheduled one of these two mailing periods during National Library Week in April, a period of high visibility for all libraries. Libraries should attempt to develop similar locally-based promotional efforts for November. The four activities are:

- Acquisition – acquiring first-time contributors by mailing to rented and, if possible, exchanged lists. Refer to the *Sample List Plan* for descriptions of the kinds of lists that work.

- Lapsed – reacquiring past donors who have not renewed. While a start-up program has no lapsed donors, the lapsed file grows over time and becomes an increasingly productive list for an organization to mine. One organization with which we have worked found responsive segments among donors who had not given in twelve years, although the most responsive segments are those who lapsed 2-4 years before.
- Special Appeals – appeals to current donors that seek additional contributions for specific needs and programs within the library, just as in the major donor section. Some who are new to fundraising fear asking for donations 3-4 times per year, but experience shows that it boosts the ability of an organization to retain its donors by keeping them informed and involved. Again, it is important that library fundraisers begin thinking about a variety of campaign appeals that will interest and excite their current donors.
- Renewals – seeking continuation of the contribution on an annual basis. Renewals do not take place at the same time as other mailings, in that they are timed to begin three months before a donor's annual renewal date. There are usually several letters in the renewal series, each one adding a bit more urgency and addressing the reasons for a renewed gift from a slightly different perspective.

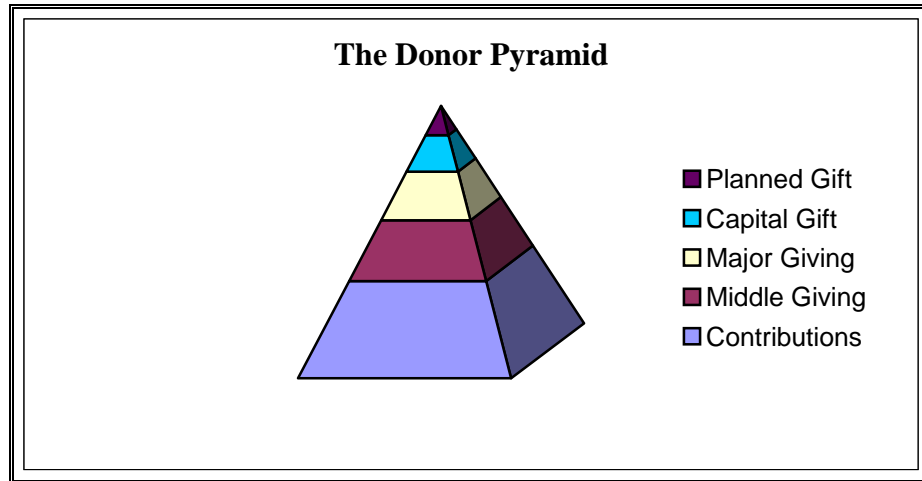
### Upgrading

Upgrading represents a special category of the contributions program. Upgrade appeals seek to increase a donor's support from year-to-year. Upgrades may be relatively modest when requested through the mail, or they may represent significant jumps when requested in person or by telephone. For instance:

- A \$35 donor might be asked to consider a gift of \$45 or \$50 when renewing.
- A \$250 donor known to have greater potential might be asked by a board member or key volunteer to join the major donor organization with a gift of \$1,000 or more.

### The Giving Continuum

The goal of any true donor development program is to move donors up the giving hierarchy as they grow in their relationship to the organization. The name for this hierarchy is called *The Donor Pyramid*, because it illustrates the increasing impact that a smaller number of donors have as they increase their support to the organization through larger gifts—and finally through planned gifts. Here is an example of the giving pyramid in practice:



Here is how a library organization might move donors up through the donor pyramid—and along the giving continuum:

- Within a pool of small annual givers (e.g., less than \$120 per year), identify and cultivate those who can contribute several hundred dollars annually through one or more appeals.
- Within the pool of \$200-\$500 givers, identify and cultivate those who can contribute amounts of \$1,000 and more annually.
- Within the pool of these larger annual givers, identify and cultivate those who can make larger annual gifts, gifts for special needs, or large capital gifts.
- Within all these groups, identify and cultivate those who can make “ultimate” gifts—planned gifts, usually through their estates, in which gifts of assets pass to the library foundation. As stated previously, we recommend that undesignated planned gifts be reserved for endowment purposes by the library foundation to achieve a permanent good.

Any development office must examine its *giving continuum* to insure that it has opportunities for donors of all giving capacities and stages of their giving life.

#### “Members” vs. “Donors”

Every fundraising organization must decide how to describe the relationship between it and its contributors. Many organizations use the term “member” to describe this relationship, because it connotes ownership of the institution. This can be very important to institutions that are private, non-profits, but wish to emphasize their public mission and responsiveness to the needs of the public.

We believe this term is inappropriate for library organizations. Public libraries are owned by their governments and therefore ultimately by taxpayers, so it is misleading to imply ownership. Moreover, we believe it would create confusion in the minds of the many library card holders who may see themselves as members.

Therefore, we recommend that, unless they are already using the term “member” to describe this relationship, libraries use either “contributors” or “donors.”

### Cultivation and Stewardship

As we have worked with individual giving programs over the past several years, we have placed increasing emphasis on effective stewardship. This term is often taken to mean insuring that all donor's gifts are spent wisely, but it means much more than that. As British fundraising consultant Ken Burnett explains, “Every fundraiser has a responsibility to the donor, to satisfy himself that the organisation's programmes are sound and *to report back to the donor that they are.*”<sup>14</sup> (emphasis added)

Stewardship involves closing the circle, using gifts intelligently, and thanking, informing, and involving donors to begin cultivating them for steadily increasing gifts over a long period of giving. We believe effective stewardship is one of the neglected tools in all fundraising. Organizations conduct effective stewardship through thank you letters, regular publications, annual reports, donor kits, invitations to special events or other donor acknowledgements and personal contact.

As libraries move into funds development, they should do everything possible to make donors feel that they are a vital part of the institution and that their gifts are well used. Such efforts pay off in the long run, but are particularly important in the case of libraries, which have established reputations in their communities to nurture and protect.

### Longtime Value of a Donor

One of the most important concepts for an organization to grasp is that a donor's value is not measured in a single year, but over time. In fact, most established fundraising organizations are willing to *invest* in new donors—lose money in the initial acquisition—due to the long-term value represented by each donor.

The appendix contains an illustration of long-term value labeled *Five-year Value Model*. In this example, based on some initial assumptions about mailing volumes, response rates, average gift and retention levels:

- The organization spends \$45,129 in acquisition costs during the first year, but realizes only \$38,640 in revenue, an apparent loss of \$6,510.
- Given the renewal rate assumptions, the organization has received a cumulative \$56,000 in the second year, but has spent only \$45,784--a \$10,183 gain. (Because the renewal program begins nine months after the donor's initial gift, the organization may actually recover its investment within the first 12-month period.)
- From the point on, expenses increase only slightly, while cumulative revenue increases on almost a straight line basis.

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<sup>14</sup> Relationship Fundraising. Ken Burnett, White Lion Press Limited, 1992.

- At the end of Year 5, the organization has received \$94,704 return on a cumulative investment of \$47,535—a cumulative net of \$47,104. While this may seem a high cost of funds raised, over time, as the proportion of renewing members increases, the cost continues to drop. For mature organizations, it will cost between \$.30 and \$.35 to raise each dollar.
- The five-year gross value of each donor acquired is \$102.94, while the five-year net value is \$51.20.
- These figures cover only one mailing. As each successive mailing occurs over a period of years, donor rolls grow and the organization realizes more net revenue.

### *Corporate Matching*

Many corporations match all or part of their employees' contributions to qualified nonprofit organizations. The exact amount will vary depending on the presence of companies that match donations within a library's service area. This activity requires no special effort on the part of the foundation, other than to publicize the fact that individual donations may qualify for employer matches.

### *Special Events*

Depending on how they are handled, special events can play an important role in donor identification and cultivation and in institutional image building ... or they can drain staff and volunteer time and create a false illusion of fundraising success. Examples of the former include the annual meeting of the board, receptions with well-known or local authors who donate their time, recognition events centering on a new room or collection made possible through gifts, or a speaker series held at the library. The opportunity to meet and interact with donors during such events is a necessary and important part of development.

Special caution must be used when conducting fundraising special events, such as galas, auction dinners, concerts and musical performances. Such events often raise marginal net revenue, even before the cost of staff and lost opportunity is factored in. As a result, certain events may actually impede fundraising performance.

Among some recent events we have examined, we found:

- The development director of a small organization with \$98,000 in annual gross revenue spends half of her time organizing a golf tournament which raises \$2,000 in net revenue once her time is taken into account. Because she is a one-person development office, the lost opportunity for this organization is substantial.
- An organization sponsored a concert with an internationally known opera star for which many of its major donors bought special "Golden Circle" tickets at a premium price. While the organization secured much publicity through the event, it earned no net revenue, spent hours of staff time, and

may have lost the opportunity for gifts from major donors who believed that their high-priced tickets supported the organization.

The cost of funds from fundraising events is often the highest of any fundraising activity—60%, 70% or more. Unless there are substantial marketing and cultivation benefits from a special event, the cost should be kept below 40%.

The model contemplates two events per year, both timed to coincide with the schedules for the direct mail program, for reasons explained in the section entitled Grassroots on p. 23. For most libraries, one of these would be a gala designed to support a summer reading program. Another might be a reading series or speaker.

### *Sales*

Sales is an area that, like special events, must be very carefully managed to assure profitability and avoid costing the organization more it they ever earns. There are numerous examples of retail ventures that have failed with serious financial consequences to the institution.

Libraries today are involved in a wide-range of on-location activities, including:

- Espresso stands
- Restaurant or snack shops
- Gift stores
- Newsstands
- Book stores
- Book fairs, in cooperation with organizations such as *Scholastic*, which might also be considered a special event

A library can minimize its exposure in retail sales by negotiating contracts with vendors who actually create and manage the site under strict ground rules for an annual fee and/or a percentage of gross sales.

A library should also consider the activities in which it is already engaged which it can market for revenue, such as fee-based research services for government or the private sector, and sales of reprints of books, pictures or other items from special collections.

### *Sponsorships*

Sponsorships represent an opportunity for companies to sponsor library events and activities for marketing purposes. Sponsorships are an integral part of special events, since the economic model for an event often depends on a sponsor paying the actual costs of staging the event so that ticket and associated merchandise sales remain with the organization. Sponsorships can help a library fund outreach effort such as summer reading programs. One corporate marketing expert suggested a “fine forgiveness” program in which someone turning in a past due book receives a small card stating that “your fine has been paid by Acme Corporation as our way of supporting the library.”

Success in sponsorships requires a library to put on its marketing cap and ask itself what sorts of companies might be interested in a certain library project; e.g., CompUSA sponsoring computer literacy programs for inner city youth. Because of the *quid pro quo* involved in sponsorships, it is an area that is troubling to many librarians, as well as to leaders of other organizations. However, sponsorships are the vehicle through which much corporate funding for non-capital projects is now distributed.

A library can control the risk of its mission becoming driven by external marketing forces by developing programs to be sponsored for limited periods of time – for instance, a program to sponsor the business section of the library for a three-year period.

One other very important avenue of corporate support is through cause-related marketing—relationships with businesses in which support of the library helps drive a company's sales. Real-world examples that could be applied to library fundraising include:

- A bookstore making a contribution to the children's book collection in the library for every book sold.
- A library selling scrip or debit cards for a large retail establishment—e.g., grocery chain, espresso bars, or bookstore—at face value but which it buys at a discount, keeping the difference.
- A point-of-sale donation program in large retail establishments, in which a consumer can “scan” a donation to the library while checking out.

### *Contracts*

This area of *restricted* revenue covers activities the foundation can provide for outside organizations, for other agencies of government, or for the library itself for various kinds of services, from specific research to project management. Often libraries have opportunities to supply services which they cannot accept either due to government regulations or because financial requirements make booking the revenue difficult. A separate foundation gives the library the flexibility to accept such arrangements.

### *Corporate Grants*

Corporate grants differ from sponsorships in that they are primarily philanthropic in nature rather than driven by marketing. Unlike sponsorships in which the activity will occur anyway and the sponsor is simply afforded the opportunity for name association, grants are tied to the completion of specific projects and thus are restricted. Examples might include purchase or maintenance of computers, creation of a pilot program to bring working mothers and their children into the library for separate activities of interest to each, or the purchase of a collection of documents relating to local history that otherwise might pass into private hands.

### *Foundation Grants*

Foundation grants also cover specific library needs and projects, as in the above example. In addition, foundation funds can be sought for renovation projects within the library, purchase of needed equipment, and *capacity building* projects such as the start-up costs associated with establishing a fundraising office or an outreach coordinator. While some foundations will not support organizations owned by government agencies, others will, and some foundations will provide grants to support organizations like library foundations for activities that are ordinarily not funded by government, such as outreach activities.

### *Planned Gifts*

Planned gifts are generally substantial in size—the national average for a bequest is \$22,000—sometimes immediate but most often deferred, usually from donors' assets rather than their income, and may require the assistance of legal or other professional estate planning counsel. There are many types of planned gifts, but the most common is the straightforward bequest, accounting for 80-90% of all planned gifts. The natural constituency of libraries contains many likely prospects for planned gifts, and it should be part of any library's fundraising program.

Over time, the return on investment from planned giving will be among the highest of any development activity, but getting started requires an initial outlay. Fortunately, the investment can be quite small, for it costs little to promote estate giving in existing publications and before donor groups, and that can be accomplished by one person on a part-time basis. Once the organization begins to see results, it can expand its commitment to planned giving and begin offering more complex instruments.

While marketing should go on throughout the year in all library communications, the fundraising calendar contemplates two focused efforts that would include mailings to prospective donors during the two peak periods of the year for will revision and preparation.

## **Questions About this Model**

We have been asked several questions about this model and about fundraising for libraries generally.

### ***Scalability: Will it Work in My Library?***

This model was developed for a library with a service area of approximately 100,000 households (225,000-250,000 individuals). In larger communities, the model should work even better, due to greater scale in the mail program, producing an increase in efficiency.

The opposite is not the case, however. In smaller communities, it is not possible to do things in quite the same way.

The greatest challenge in smaller service districts is the acquisition of new donors using direct mail. Renting lists of mail responsive individuals simply does not work in a small library setting, due to the minimum list purchase requirements of most renters and brokers and the very specific zip code selection criteria required to define the service district, which can add additional costs.

This does not mean that a library cannot acquire donors. It simply must assemble its prospect list in a different way.

- *Exchange names of known givers with other organizations.* This is something that any library can do, because exchanging names (for one-time use, and usually a name-for-name basis) can provide the best performing lists an organization can get. There are industry standards that need to be followed in implementing such exchanges, but they are not onerous.
- *Compile lists internally.* This is time consuming, but can be very effective. To do this, the library foundation must look for opportunities to capture names and addresses, phone numbers, and email addresses of those interested in the library.
  - For special events, capture the names of those who buy tickets and set up a door prize drawing to get names of guests.
  - Place inquiry cards at the front desk of the library.
  - Capture the names, addresses, and phone numbers of those who contact the foundation by phone, and put a form on the foundation's website.
  - Get a volunteer committee to cross-reference the names of donors listed in the publications of other organizations with the phone directory.
- *Involve an outside organization that brings its own circle of contacts.* This is a technique that may work more successfully in smaller communities than larger ones. Ask service organizations, such as Rotary, Kiwanis, Lions, Zontas, LWV, and Junior League, fraternal organizations such as Elks and Moose, and business organizations such as the Jaycees to either share their personal lists of contacts, or to spend one evening calling personal contacts to support the library. Once a donation is obtained, the foundation "owns" that name and can use mail to maintain the relationship.

No organization should neglect to place an appeal and a coupon in all publications that it can—both its own and outside publications that may be willing to donate the space. The response rate from such ads is not great—and thus should not be paid for—but it is worth pursuing because the renewal rates from those who do respond can be high.

## ***What is the Role of Library Systems?***

If scale is an issue in smaller libraries, and if efficiency should increase in larger libraries, it may seem that a library system that gathers many districts large and small under one umbrella provides an opportunity for centralized fundraising operations.

In fact, the potential is great. A centralized library fundraising operation, if the system were large enough, could:

- Assure the availability of the best acquisition lists without having to pay a premium when the available names are under the list minimum.
- Bring maximum efficiency to all aspects of the mail operation.
- Assure that every library, no matter how small, could benefit.

One organization would order lists, develop copy, send letters on which the name of the local library was treated as a data variable, collect the donations, allocate costs on an equitable basis, and distribute the net revenue.

That theoretical advantage masks a number of very difficult problems, however. The critical problems are these:

- For centralized fundraising to be workable, all participating libraries must be willing to surrender authority for lists, copy, and strategy—down to the smallest detail. If individual letters must be tailored, the efficiencies will be quickly lost and the time of program managers will be consumed by matters that are unimportant to the greater good. If strategy and lists must be negotiated on a library-by-library basis, the fundraising program will be unable to respond in a timely manner. (This is a problem even within large organizations, due to complex approval processes. In a library system, it would almost certainly result in missed mailing dates.) There must be a common set of rules for matters such as list exchanges, with no exceptions. This will be a great hurdle to overcome.
- For it to be economical, there must be larger libraries within the system. Creating a district-wide fundraising operation in which the largest potential players are missing reintroduces the problem of mailing minimums on lists and increases overhead as a proportion of fundraising costs.<sup>15</sup> (There is far less income, but almost the same number of units across which the overhead must be spread.)
- On a less obvious note, the managers of the fundraising consortium cannot be its institutional users, for they invariably tend to make decisions on the basis of their institutional self-interest, rather than what is best for the consortium.

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<sup>15</sup> Organizations that must mail to a list of individual zip codes rather than a list of SCFs have problems executing acquisition mail.

There are other, smaller problems that also must be dealt with, including the ability of local library fundraisers to access and use their own donor lists, although the Internet had made this challenge one that is easily solved.

The major barriers listed above are not theoretical. We have had firsthand experience in trying to develop such a consortium. We are intimately acquainted with another that failed after six years of effort and an investment of millions of dollars. In both cases, however, the consortium was to replace existing local fundraising operations. Participating institutions had considerable entrenched interest at stake and held a great many ingrained assumptions about what constituted "best practice" in grassroots fundraising.

These challenges may be eased somewhat if fundraising within the district is a blank slate. Where no programs exist, issues such as displaced staffing, changing established policies, and challenging cherished assumptions are less likely to arise. These library systems have the opportunity to establish something where nothing now exists. However, every library organization we contacted for this study had at least a one-person staff operating some sort of fundraising program.

The prize is sufficiently great to justify some time spent in examining the issue, but we emphasize that the barriers listed above are real and intractable. Unless those overseeing centralized fundraising operations have authority and are able to determine universal policies, the effort will prove a costly failure.

### ***How Can We Identify Start Up Funding?***

Library foundations that have completed capital campaigns are at an advantage, because they may have set up much of the back office and technical support requirements needed by a fundraising organization and may also have existing management staff, further reducing start-up cost. Such organizations may also have small quasi-endowments or an operating reserve they can invest in new activities.

For organizations beginning from scratch, there are four potential sources:

- *Community foundations* may be able to direct start-up funds or make donors to donor-advised funds aware of the need and the opportunity.
- Some *charitable foundations* provide grants aimed at building the capacity of non-profit organizations.
- A library may be able to find an *angel*, one individual or corporate partner who will provide start-up funds either outright, or as a loan.
- Finally, libraries should consider *bootstrapping*, by which we mean investing a small amount—perhaps even from library funds—into one activity that has the potential of a relatively quick return with the idea of using that return to finance other fundraising activities. This is the

approach used by one library foundation, whose grassroots efforts support other fundraising activity.

### ***Is Privacy an Issue?***

One concern about fundraising that has been raised by those within the library community is that of privacy, the importance of protecting the circulation history of cardholders. Libraries have gone to considerable lengths to protect library patron records and do not want to be placed in the posture of undermining their position.

- When a public library decides to test card holder names for fundraising, only the name and address is used. An analogy can be found in the healthcare industry where by law, when grateful patients are solicited for philanthropic gifts, the only information available to fundraisers is name, address, age and gender. Medical history is carefully protected. We recommend that libraries do the same with circulation history.
- Since many children hold library cards, using age information is critical so that children are not solicited for gifts. Children are not ethically solicited in fundraising efforts using direct mail.
- To further address privacy concerns, many organizations now give their patrons, clients, members, donors, etc. the opportunity to “opt out” of further contact from the organization via newsletters, websites, and publications. This could be done when an adult applies for a library card. Children would automatically be protected.
- As noted in the section entitled The Ethics of Fundraising on page 17, development professionals also have their own set of privacy issues surrounding donor names and donor records. Privacy is as much a concern to the fundraising community as to the library community.
- Lastly, after testing the use of library cardholders as a source of potential support, many libraries have found that cardholder lists are not particularly productive. Cardholders are users, not donors, and so are not responsive to fundraising appeals. Furthermore many prospective donors may not even have a library card, but desire to support an institution that is an important service to the community.

### ***How Long Does Fundraising Take to Develop?***

We are also asked how long it takes for an organization to develop substantial net revenue. The answer depends on a variety of factors. Funds development is a cumulative process. Renewal rates increase with donor longevity and with giving levels, and giving levels grow over time. Because renewal is the least expensive fundraising activity, overall fundraising costs will decline over time as a greater

share of its donor base comes from renewing donors, at least until an organization reaches maturity.

Another important factor is the past fundraising history of the organization. If it has held a capital campaign and most pledges are about to be paid off, an organization may see an almost immediate return from converting annual capital payments into operating or special project gifts.

For organizations that are just beginning their fundraising programs, it may take 18-24 months until they see a return. But as multi-year givers become a greater part of the total base, the organization begins to see economic benefits that will multiply through the next several years. Like any new business, it takes time before the initial costs are recovered and the organization begins to see “a profit.”

This model assumes positive revenue in every year, but this is only due to the start-up grant. To repeat, our separate survey of organizations with new fundraising programs found no instance in which there was not some source of seed funding.

### ***How Do I Protect Our Tax Base?***

Unquestionably, the greatest concerns focus around the potential that local and state governments will provide less tax-based support if libraries succeed in tapping into philanthropy. While it is tempting to respond with the rhetorical question, “Will tax-based funding increase if libraries don’t raise more of their own revenue?”, it is a concern we take seriously.

If donors believe that their donations will result in cuts in tax-based support, they will not give, for their donations become just another form of tax. Government must be made to understand this, and the public must feel some assurance that the public investment is protected. There are several ways to address this:

#### **Working with Government Leaders**

The first is to make governmental leaders privy to the effort at the very beginning. Almost all libraries have needs that governments cannot or will not make. By making it clear to government that philanthropic efforts will focus on areas government is not in a position to fund—or will augment insufficient funding in some areas—libraries can build the case that philanthropy is supplementary, rather than replacement funding.

#### **Working through Volunteer Leadership**

A second strategy is to have volunteer leadership make the case to government almost as a *quid pro quo*. An acknowledged philanthropic leader is in a far better position to make a deal with the county commission—“I will lead this effort if, and only if, you maintain public funding”—than a library director.

## **Working with Donors**

Once fundraising becomes successful, the library not only has *donors*, it has grassroots *advocates*—voters who have invested in this public-private partnership. It is far more effective for several hundred citizen/donors to protest efforts to cut library funding, than the library director. It is this kind of grassroots reaction that saved public broadcasting's federal funding in 1995 when House Speaker Newt Gingrich promised to end it.

## **Matching Fund Strategies**

One library told its government that it would embark on private fundraising efforts provided government guaranteed that it would not cut library funding for five years. At the end of that time, the benefits of a public/private partnership should be so obvious that government funding can be maintained, because private funds will have enhanced the value of the public investment.

For all these reasons, we believe that a library is in a stronger position to keep its government funding *with* a private fundraising component than *without* it. In addition, a library that has been able to maintain hours of service and keep its collection current through private fundraising is in a stronger position to maintain the public investment than one that is a shell of its former self. Where a library is providing service, there will be more people who care about its future.

## **Making a Commitment**

Funds development is a process, not an event. Thus, libraries should not engage in funds development unless they are ready to make a commitment to it – and to their donors.

## **Easier to Start than Restart**

We have spoken about the cumulative nature of the fundraising process. If an organization suspends or reduces its fundraising program, it loses momentum and the economic benefits of the years of file building. Rebuilding a suspended program requires a high level of initial investment, which increases fundraising costs and lowers net revenue. *Profitable development programs are built on the foundation of years of successful fundraising.*

## **Maintaining Donor Trust**

Suspending fundraising programs represents a loss of faith with donors. One organization with which we are familiar conducted a successful capital campaign several years ago, then ended its major donor efforts. Donors who had contributed tens and hundreds of thousands of dollars no longer had contact with the institution. They had no idea what was happening there. As one donor put it, "They took our money and dropped us." The wounds from that misstep have never healed. *Development is not only a matter of raising money, but of building relationships.* By maintaining those relationships, an organization is preparing for its next campaign, even if it does not yet know what that campaign will be.

## ***Fundraising vs. Development***

Throughout this report, we have used the terms “fundraising” and “development” synonymously, but in our view, they are not. Fundraising has to do with the need of the organization to raise money. It is essentially short-term and internally focused.

Development, as the name suggests, is a more comprehensive process that seeks to develop the potential of each donor to give to the organization. It is long-term and externally focused.

One of the nation's leading zoological parks has tracked the progression of its donors over more than 20 years. They have discovered that more than two-thirds of today's major donors began their relationship to the zoo as members, which in zoo parlance means that they began by buying season tickets and may have had little philanthropic intent. Over the years, the zoo has assiduously developed these members into donors, and the donors into major donors.

Another organization with which we are familiar has a small group of supporters that are asked to do everything. They make annual gifts, enter the organization's golf tournament, and when it recently decided to hold a silent auction, they were asked to make donations, attend the event, and bid. The requests are never-ending, and the organization races from one activity to the next. That organization has come to realize that it is treading water—paying its annual bills, but not reaching any of its long-term goals.

The zoo is involved in development, while the second organization is mired in fundraising. If libraries venture into funds development, they will find a group of willing donors. Properly acknowledged and involved in the library's activities, many will become major annual donors, and some of them will fund major one-time projects. Many of the donors at every giving level will honor their library with estate gifts that can help guarantee its financial standing for years to come.

## **Appendix**

- I. Code of Ethics, Association of Professional Fundraisers
- II. Business Plan Exhibits
  - A. Budget Template—Overview, Years 1-5
  - B. Annual Calendar—Sample Library Foundation
  - C. Direct Mail Only (section of Annual Calendar)
  - D. Sample List Plan (Lists for Direct Mail)
- III. Long Term Value Summary
- IV. Addressing Government Funding
- V. How to Raise \$1,000,000

# **Association of Fundraising Professionals**

## **Code of Ethical Principles**

**Adopted 1964; amended October 1999.**

The Association of Fundraising Professionals (AFP) exists to foster the development and growth of fundraising professionals and the profession, to promote high ethical standards in the fundraising profession and to preserve and enhance philanthropy and volunteerism.

Members of AFP are motivated by an inner drive to improve the quality of life through the causes they serve. They serve the ideal of philanthropy; are committed to the preservation and enhancement of volunteerism; and hold stewardship of these concepts as the overriding principle of their professional life. They recognize their responsibility to ensure that needed resources are vigorously and ethically sought and that the intent of the donor is honestly fulfilled. To these ends, AFP members embrace certain values that they strive to uphold in performing their responsibilities for generating charitable support.

### **AFP members aspire to:**

- Practice their profession with integrity, honesty, truthfulness and adherence to the absolute obligation to safeguard the public trust.
- Act according to the highest standards and visions of their organization, profession and conscience.
- Put philanthropic mission above personal gain.
- Inspire others through their own sense of dedication and high purpose.
- Improve their professional knowledge and skills, so that their performance will better serve others.
- Demonstrate concern for the interests and well-being of individuals affected by their actions.
- Value the privacy, freedom of choice and interests of all those affected by their actions.
- Foster cultural diversity and pluralistic values, and treat all people with dignity and respect.
- Affirm, through personal giving, a commitment to philanthropy and its role in society.
- Adhere to the spirit as well as the letter of all applicable laws and regulations.
- Advocate within their organizations, adherence to all applicable laws and regulations.
- Avoid even the appearance of any criminal offense or professional misconduct.
- Bring credit to the fundraising profession by their public demeanor.
- Encourage colleagues to embrace and practice these ethical principles and standards of professional practice.
- Be aware of the codes of ethics promulgated by other professional organizations that serve philanthropy.

## **Standards of Professional Practice**

Furthermore, while striving to act according to the above values, AFP members agree to abide by the AFP Standards of Professional Practice, which are adopted and incorporated into the AFP Code of Ethical Principles. Violation of the Standards may subject the member to disciplinary sanctions, including expulsion, as provided in the AFP Ethics Enforcement Procedures.

## **Professional obligations**

1. Members shall not engage in activities that harm the members' organization, clients, or profession.
2. Members shall not engage in activities that conflict with their fiduciary, ethical, and legal obligations to their organizations and their clients.
3. Members shall effectively disclose all potential and actual conflicts of interest; such disclosure does not preclude or imply ethical impropriety.
4. Members shall not exploit any relationship with a donor, prospect, volunteer, or employee to the benefit of the members or the members' organizations.
5. Members shall comply with all applicable local, state, provincial, and federal civil and criminal laws.
6. Members recognize their individual boundaries of competence and are forthcoming and truthful about their professional experience and qualifications.

## **Solicitation and use of charitable funds**

7. Members shall take care to ensure that all solicitation materials are accurate and correctly reflect their organization's mission and use of solicited funds.
8. Members shall take care to ensure that donors receive informed, accurate, and ethical advice about the value and tax implications of potential gifts.
9. Members shall take care to ensure that contributions are used in accordance with donors' intentions.
10. Members shall take care to ensure proper stewardship of charitable contributions, including timely reports on the use and management of funds.
11. Members shall obtain explicit consent by the donor before altering the conditions of a gift.

## **Presentation of information**

12. Members shall not disclose privileged or confidential information to unauthorized parties.

13. Members shall adhere to the principle that all donor and prospect information created by, or on behalf of, an organization is the property of that organization and shall not be transferred or utilized except on behalf of that organization.

14. Members shall give donors the opportunity to have their names removed from lists that are sold to, rented to, or exchanged with other organizations.

15. Members shall, when stating fundraising results, use accurate and consistent accounting methods that conform to the appropriate guidelines adopted by the American Institute of Certified Public Accountants (AICPA)\* for the type of organization involved. (\* In countries outside of the United States, comparable authority should be utilized.)

### **Compensation**

16. Members shall not accept compensation that is based on a percentage of charitable contributions; nor shall they accept finder's fees.

17. Members may accept performance-based compensation, such as bonuses, provided such bonuses are in accord with prevailing practices within the members' own organizations, and are not based on a percentage of charitable contributions.

18. Members shall not pay finder's fees, commissions or percentage compensation based on charitable contributions and shall take care to discourage their organizations from making such payments.

**Budget Template for a library foundation (non-profit).** See notes on pages 20-30 of full report.

	Total Yr 1	Total Yr 2	Total Yr 3	Total Yr 4	Total Yr 5
<b>REVENUE - Unrestricted</b>					
Contributions	\$35,000	\$50,000	\$140,000	\$268,450	\$322,390
Foundations/Corporate (start up)	\$70,000	\$80,000	\$20,000		
Corporate Matching	\$5,000	\$10,000	\$10,000	\$10,000	\$11,000
Events	\$20,000	\$50,000	\$160,000	\$200,000	\$220,000
Sales	\$2,000	\$2,000	\$3,000	\$20,000	\$20,000
Sponsorships	\$10,000	\$10,000	\$10,000	\$30,000	\$35,000
Investments (4% return)	\$0	\$604	\$2,000	\$6,000	\$12,000
<b>Total</b>	<b>\$142,000</b>	<b>\$202,604</b>	<b>\$345,000</b>	<b>\$534,450</b>	<b>\$620,390</b>
<b>EXPENSES</b>					
Salaries (1)	\$85,000	\$115,000	\$120,000	\$210,000	\$210,000
Fringe Benefits (est 33%)	\$28,050	\$37,950	\$39,600	\$69,300	\$69,300
Insurances	\$0	\$0	\$0	\$0	\$0
Payroll Taxes	\$0	\$0	\$0	\$0	\$0
Retirement Contribution	\$0	\$0	\$0	\$0	\$0
<b>Subtotal Personnel</b>	<b>\$113,050</b>	<b>\$152,950</b>	<b>\$159,600</b>	<b>\$279,300</b>	<b>\$279,300</b>
Accounting Fees	\$1,200	\$1,200	\$1,200	\$1,200	\$1,200
Bank Fees	\$720	\$720	\$720	\$720	\$720
Catering & Event Supplies	\$5,000	\$7,500	\$15,000	\$15,000	\$15,000
Computer Hardware	\$1,000	\$1,000	\$1,000	\$1,000	\$1,000
Computer Maintenance	\$1,000	\$1,000	\$1,000	\$1,000	\$1,000
Computer Maintenance - Donor Software	\$0	\$3,000	\$3,000	\$3,000	\$3,000
Computer Software	\$1,000	\$1,000	\$1,000	\$1,000	\$1,000
Conference Registration	\$250	\$250	\$250	\$250	\$250
Dues & Subscriptions	\$250	\$250	\$250	\$250	\$250
Entertainment	\$1,500	\$1,500	\$10,000	\$10,000	\$10,000
Maintenance/Janitorial	\$1,380	\$1,380	\$1,380	\$1,380	\$1,380
Marketing & Advertising	\$2,500	\$2,500	\$2,500	\$2,500	\$2,500
Newsletter	\$0	\$0	\$0	\$35,000	\$35,000
Office Equipment (Rental, Maintenance)	\$1,000	\$1,000	\$1,000	\$2,400	\$2,400
Office Supplies	\$500	\$500	\$500	\$1,200	\$1,200
Professional/Consulting Fees	\$0	\$0	\$28,000	\$40,000	\$40,000
Rent	\$0	\$0	\$5,000	\$5,000	\$5,000
Repairs	\$1,000	\$1,000	\$1,000	\$2,500	\$2,500
Telephone	\$1,200	\$1,320	\$1,320	\$1,320	\$1,320
Travel	\$750	\$750	\$750	\$750	\$750
Utilities	\$1,800	\$1,800	\$1,800	\$1,800	\$1,800
Data Processing Services	\$0	\$0	\$0	\$4,000	\$5,000
Lettershop Services	\$0	\$0	\$2,000	\$8,900	\$12,000
List Rentals	\$0	\$0	\$5,000	\$10,000	\$10,000
Postage	\$1,500	\$1,500	\$7,500	\$10,660	\$12,000
Printing	\$1,500	\$1,500	\$10,000	\$17,000	\$20,000
<b>Subtotal Non-personnel</b>	<b>\$23,850</b>	<b>\$29,470</b>	<b>\$99,970</b>	<b>\$176,630</b>	<b>\$185,070</b>
<b>Total - Expenses</b>	<b>\$136,900</b>	<b>\$182,420</b>	<b>\$259,570</b>	<b>\$455,930</b>	<b>\$464,370</b>
<b>Excess Revenue (Loss)</b>	<b>\$5,100</b>	<b>\$20,184</b>	<b>\$85,430</b>	<b>\$78,520</b>	<b>\$156,020</b>
<b>REVENUE - Restricted</b>					
Contracts	\$0	\$25,000	\$25,000	\$125,000	\$150,000
Corporate	\$15,000	\$50,000	\$50,000	\$45,000	\$45,000
Foundations	\$25,000	\$100,000	\$100,000	\$250,000	\$250,000
Planned Gifts (to Endowment)	\$0	\$10,000	\$40,000	\$100,000	\$150,000
<b>Total - Restricted</b>	<b>\$40,000</b>	<b>\$185,000</b>	<b>\$215,000</b>	<b>\$520,000</b>	<b>\$595,000</b>
<b>Total Revenue - Restricted &amp; Unrestricted</b>	<b>\$182,000</b>	<b>\$387,604</b>	<b>\$560,000</b>	<b>\$1,054,450</b>	<b>\$1,215,390</b>
Endowment (quasi-endowment)	\$0	\$10,000	\$50,000	\$150,000	\$300,000

**This pro forma is for illustration purposes only. Costs and revenues will vary greatly depending on market conditions.**

	Total	Administration	Fundraising
<b>REVENUE - Unrestricted</b>			
Contributions	\$35,000		\$35,000
Foundations/Corporate (start up)	\$70,000		\$70,000
Corporate Matching	\$5,000		\$5,000
Events	\$20,000		\$20,000
Sales	\$2,000		\$2,000
Sponsorships	\$10,000		\$10,000
Investments (4% return)	\$0		
<b>Total</b>	<b>\$142,000</b>		<b>\$142,000</b>
<b>EXPENSES</b>			
Salaries (1)	\$85,000	\$15,000	\$70,000
Fringe Benefits (est 33%)	\$28,050	\$4,950	\$23,100
Insurances			
Payroll Taxes			
Retirement Contribution			
Subtotal Personnel	\$113,050	\$19,950	\$93,100
Accounting Fees	\$1,200	\$1,200	
Bank Fees	\$720	\$720	
Catering & Event Supplies	\$5,000		\$5,000
Computer Hardware	\$1,000		\$1,000
Computer Maintenance	\$1,000		\$1,000
Computer Maintenance - Donor Software	\$0		\$0
Computer Software	\$1,000		\$1,000
Conference Registration	\$250		\$250
Dues & Subscriptions	\$250		\$250
Entertainment	\$1,500		\$1,500
Maintenance/Janitorial	\$1,380		\$1,380
Marketing & Advertising	\$2,500		\$2,500
Newsletter	\$0		\$0
Office Equipment (Rental, Maintenance)	\$1,000	\$1,000	
Office Supplies	\$500	\$500	
Professional/Consulting Fees	\$0		\$0
Rent	\$0	\$0	\$0
Repairs	\$1,000	\$1,000	
Telephone	\$1,200	\$1,200	
Travel	\$750	\$750	
Utilities	\$1,800	\$1,800	
Data Processing Services	\$0		\$0
Lettershop Services	\$0		\$0
List Rentals	\$0		\$0
Postage	\$1,500		\$1,500
Printing	\$1,500		\$1,500
Subtotal Non-personnel	\$23,850	\$6,970	\$16,880
<b>Total - Expenses</b>	<b>\$136,900</b>	<b>\$26,920</b>	<b>\$109,980</b>
<b>Excess Revenue (Loss)</b>	<b>\$5,100</b>	<b>(\$26,920)</b>	<b>\$32,020</b>
<b>REVENUE - Restricted</b>			
Contracts	\$0		\$0
Corporate (fundraising software)	\$15,000		\$15,000
Foundations	\$25,000		\$25,000
Planned Gifts (to Endowment)	\$0		\$0
<b>Total - Restricted</b>	<b>\$40,000</b>		<b>\$40,000</b>
<b>Total Revenue - Restricted &amp; Unrestricted</b>	<b>\$182,000</b>	<b>\$0</b>	<b>\$182,000</b>
Endowment (quasi-endowment)	\$0		\$0

**This pro forma is for illustration purposes only. Costs and revenues will vary greatly depending on market conditions.**

## Notes:

Staff: Executive Director (85M)  
Office space donated  
Planned Gifts to towards endowment  
Two year start up grants: \$150,000

	Total	Administration	Fundraising
<b>REVENUE - Unrestricted</b>			
Contributions	\$50,000		\$50,000
Foundations/Corporate (start up)	\$80,000		\$80,000
Corporate Matching	\$10,000		\$10,000
Events	\$50,000		\$50,000
Sales	\$2,000		\$2,000
Sponsorships	\$10,000		\$10,000
Investments (4% return)	\$604		\$604
<b>Total</b>	<b>\$202,604</b>		<b>\$202,604</b>
<b>EXPENSES</b>			
Salaries (2)	\$115,000	\$15,000	\$100,000
Fringe Benefits (est 33%)	\$37,950	\$4,950	\$33,000
Insurances			
Payroll Taxes			
Retirement Contribution			
<b>Subtotal Personnel</b>	<b>\$152,950</b>	<b>\$19,950</b>	<b>\$133,000</b>
Accounting Fees	\$1,200	\$1,200	
Bank Fees	\$720	\$720	
Catering & Event Supplies	\$7,500		\$7,500
Computer Hardware	\$1,000		\$1,000
Computer Maintenance	\$1,000		\$1,000
Computer Maintenance - Donor Software	\$3,000		\$3,000
Computer Software	\$1,000		\$1,000
Conference Registration	\$250		\$250
Dues & Subscriptions	\$250		\$250
Entertainment	\$1,500		\$1,500
Maintenance/Janitorial	\$1,380		\$1,380
Marketing & Advertising	\$2,500		\$2,500
Newsletter	\$0		\$0
Office Equipment (Rental, Maintenance)	\$1,000	\$1,000	
Office Supplies	\$500	\$500	
Professional/Consulting Fees	\$0		\$0
Rent	\$0	\$0	\$0
Repairs	\$1,000	\$1,000	
Telephone	\$1,320	\$1,320	
Travel	\$750	\$750	
Utilities	\$1,800	\$1,800	
Data Processing Services	\$0		\$0
Lettershop Services	\$0		\$0
List Rentals	\$0		\$0
Postage	\$1,500		\$1,500
Printing	\$1,500		\$1,500
<b>Subtotal Non-personnel</b>	<b>\$29,470</b>	<b>\$7,090</b>	<b>\$22,380</b>
<b>Total - Expenses</b>	<b>\$182,420</b>	<b>\$27,040</b>	<b>\$155,380</b>
<b>Excess Revenue (Loss)</b>	<b>\$20,184</b>	<b>(\$27,040)</b>	<b>\$47,224</b>
<b>REVENUE - Restricted</b>			
Contracts	\$25,000		\$25,000
Corporate	\$50,000		\$50,000
Foundations	\$100,000		\$100,000
Planned Gifts (to Endowment)	\$10,000		\$10,000
<b>Total - Restricted</b>	<b>\$185,000</b>		<b>\$185,000</b>
<b>Total Revenue - Restricted &amp; Unrestricted</b>	<b>\$387,604</b>	<b>\$0</b>	<b>\$387,604</b>
Endowment (quasi-endowment)	\$10,000		\$10,000

**This pro forma is for illustration purposes only. Costs and revenues will vary greatly depending on market conditions.**

## Notes:

Staff: Executive Director (85M); Development Associate (30M)

Office space donated

Planned Gifts to towards endowment

Second year of 2 year start up grants: \$150,000

	Total	Administration	Fundraising
<b>REVENUE - Unrestricted</b>			
Contributions	\$140,000		\$140,000
Foundations/Corporate	\$20,000		\$20,000
Corporate Matching	\$10,000		\$10,000
Events	\$160,000		\$160,000
Sales	\$3,000		\$3,000
Sponsorships	\$10,000		\$10,000
Investments (4% return)	\$2,000		\$2,000
<b>Total</b>	<b>\$345,000</b>		<b>\$345,000</b>
<b>EXPENSES</b>			
Salaries (2)	\$120,000	\$15,000	\$105,000
Fringe Benefits (est 33%)	\$39,600	\$4,950	\$34,650
Insurances			
Payroll Taxes			
Retirement Contribution			
<b>Subtotal Personnel</b>	<b>\$159,600</b>	<b>\$19,950</b>	<b>\$139,650</b>
Accounting Fees	\$1,200	\$1,200	
Bank Fees	\$720	\$720	
Catering	\$15,000		\$15,000
Computer Hardware	\$1,000		\$1,000
Computer Maintenance	\$1,000		\$1,000
Computer Maintenance - Donor Software	\$3,000		\$3,000
Computer Software	\$1,000		\$1,000
Conference Registration	\$250		\$250
Dues & Subscriptions	\$250		\$250
Entertainment	\$10,000		\$10,000
Maintenance/Janitorial	\$1,380		\$1,380
Marketing & Advertising	\$2,500		\$2,500
Newsletter	\$0		\$0
Office Equipment (Rental, Maintenance)	\$1,000	\$1,000	
Office Supplies	\$500	\$500	
Professional/Consulting Fees	\$28,000		\$28,000
Rent	\$5,000	\$0	\$5,000
Repairs	\$1,000	\$1,000	
Telephone	\$1,320	\$1,320	
Travel	\$750	\$750	
Utilities	\$1,800	\$1,800	
Data Processing Services	\$0		\$0
Lettershop Services	\$2,000		\$2,000
List Rentals	\$5,000		\$5,000
Postage	\$7,500		\$7,500
Printing	\$10,000		\$10,000
<b>Subtotal Non-personnel</b>	<b>\$99,970</b>	<b>\$7,090</b>	<b>\$92,880</b>
<b>Total - Expenses</b>	<b>\$259,570</b>	<b>\$27,040</b>	<b>\$232,530</b>
<b>Excess Revenue (Loss)</b>	<b>\$85,430</b>	<b>(\$27,040)</b>	<b>\$112,470</b>
<b>REVENUE - Restricted</b>			
Contracts	\$25,000		\$25,000
Corporate	\$50,000		\$50,000
Foundations	\$100,000		\$100,000
Planned Gifts (to Endowment)	\$40,000		\$40,000
<b>Total - Restricted</b>	<b>\$215,000</b>		<b>\$215,000</b>
<b>Total Revenue - Restricted &amp; Unrestricted</b>	<b>\$560,000</b>	<b>\$0</b>	<b>\$560,000</b>
Endowment (quasi-endowment)	\$50,000		\$50,000

## Contributions:

\$120,000 major gifts

\$20,000 mail program

**This pro forma is for illustration purposes only. Costs and revenues will vary greatly depending on market conditions.**

## Notes:

Staff: Executive Director (90M); Development Associate (30M)

Gala Expense: Rental (5000); Catering (15000); Entertainment (10000); Printing (5000); Mgmt (15000)

Professional Fees include Gala management, grantwriter, direct mail management

Office space donated

Planned Gifts to towards endowment

	Total	Administration	Fundraising
<b>REVENUE - Unrestricted</b>			
Contributions	\$268,450		\$268,450
Corporate Matching	\$10,000		\$10,000
Events	\$200,000		\$200,000
Sales	\$20,000		\$20,000
Sponsorships	\$30,000		\$30,000
Investments (4% return)	\$6,000		\$6,000
<b>Total</b>	<b>\$534,450</b>		<b>\$534,450</b>
<b>EXPENSES</b>			
Salaries (4)	\$210,000	\$25,000	\$185,000
Fringe Benefits (est 33%)	\$69,300	\$8,250	\$61,050
Insurances			
Payroll Taxes			
Retirement Contribution			
<b>Subtotal Personnel</b>	<b>\$279,300</b>	<b>\$33,250</b>	<b>\$246,050</b>
Accounting Fees	\$1,200	\$1,200	
Bank Fees	\$720	\$720	
Catering	\$15,000		\$15,000
Computer Hardware	\$1,000		\$1,000
Computer Maintenance	\$1,000		\$1,000
Computer Maintenance - Donor Software	\$3,000		\$3,000
Computer Software	\$1,000		\$1,000
Conference Registration	\$250		\$250
Dues & Subscriptions	\$250		\$250
Entertainment	\$10,000		\$10,000
Maintenance/Janitorial	\$1,380		\$1,380
Marketing & Advertising	\$2,500		\$2,500
Newsletter	\$35,000		\$35,000
Office Equipment (Rental, Maintenance)	\$2,400	\$2,400	
Office Supplies	\$1,200	\$1,200	
Professional/Consulting Fees	\$40,000		\$40,000
Rent	\$5,000	\$0	\$5,000
Repairs	\$2,500	\$2,500	
Telephone	\$1,320	\$1,320	
Travel	\$750	\$750	
Utilities	\$1,800	\$1,800	
Data Processing Services	\$4,000		\$4,000
Lettershop Services	\$8,900		\$8,900
List Rentals	\$10,000		\$10,000
Postage	\$10,660		\$10,660
Printing	\$17,000		\$17,000
<b>Subtotal Non-personnel</b>	<b>\$176,630</b>	<b>\$10,690</b>	<b>\$165,940</b>
<b>Total - Expenses</b>	<b>\$455,930</b>	<b>\$43,940</b>	<b>\$411,990</b>
<b>Net Gain (Loss)</b>	<b>\$78,520</b>	<b>(\$43,940)</b>	<b>\$122,460</b>
<b>REVENUE - Restricted</b>			
Contracts	\$125,000		\$125,000
Corporate	\$45,000		\$45,000
Foundations	\$250,000		\$250,000
Planned Gifts (to Endowment)	\$100,000		\$100,000
<b>Total - Restricted</b>	<b>\$520,000</b>		<b>\$520,000</b>
<b>Total Revenue - Restricted &amp; Unrestricted</b>	<b>\$1,054,450</b>	<b>\$0</b>	<b>\$1,054,450</b>
Endowment (quasi-endowment)	\$150,000		\$150,000

Contributions:  
\$180,000 major gifts  
\$88,450 mail program

**This pro forma is for illustration purposes only. Costs and revenues will vary greatly depending on market conditions.**

Notes:

Staff: Executive Director (90M); Individual Giving Officer (65M), Development Associate (30M), Staff Assistant (25M)

Office space donated

Gala Expense: Rental (5000); Catering (15000); Entertainment (10000); Printing (5000); Mgmt (15000)

Professional Fees include Gala management, direct mail management, grantwriter

Planned Gifts to towards endowment

	Total	Administration	Fundraising
<b>REVENUE - Unrestricted</b>			
Contributions	\$322,390		\$322,390
Corporate Matching	\$11,000		\$11,000
Events	\$220,000		\$220,000
Sales	\$20,000		\$20,000
Sponsorships	\$35,000		\$35,000
Investments (4% return)	\$12,000		\$12,000
<b>Total</b>	<b>\$620,390</b>		<b>\$620,390</b>
<b>EXPENSES</b>			
Salaries (4)	\$210,000	\$25,000	\$185,000
Fringe Benefits (est 33%)	\$69,300	\$8,250	\$61,050
Insurances			
Payroll Taxes			
Retirement Contribution			
<b>Subtotal Personnel</b>	<b>\$279,300</b>	<b>\$33,250</b>	<b>\$246,050</b>
Accounting Fees	\$1,200	\$1,200	
Bank Fees	\$720	\$720	
Catering	\$15,000		\$15,000
Computer Hardware	\$1,000		\$1,000
Computer Maintenance	\$1,000		\$1,000
Computer Maintenance - Donor Software	\$3,000		\$3,000
Computer Software	\$1,000		\$1,000
Conference Registration	\$250		\$250
Dues & Subscriptions	\$250		\$250
Entertainment	\$10,000		\$10,000
Maintenance/Janitorial	\$1,380		\$1,380
Marketing & Advertising	\$2,500		\$2,500
Newsletter	\$35,000		\$35,000
Office Equipment (Rental, Maintenance)	\$2,400	\$2,400	
Office Supplies	\$1,200	\$1,200	
Professional/Consulting Fees	\$40,000		\$40,000
Rent	\$5,000	\$0	\$5,000
Repairs	\$2,500	\$2,500	
Telephone	\$1,320	\$1,320	
Travel	\$750	\$750	
Utilities	\$1,800	\$1,800	
Data Processing Services	\$5,000		\$5,000
Lettershop Services	\$12,000		\$12,000
List Rentals	\$10,000		\$10,000
Postage	\$12,000		\$12,000
Printing	\$20,000		\$20,000
<b>Subtotal Non-personnel</b>	<b>\$185,070</b>	<b>\$10,690</b>	<b>\$174,380</b>
<b>Total - Expenses</b>	<b>\$464,370</b>	<b>\$43,940</b>	<b>\$420,430</b>
<b>Net Gain (Loss)</b>	<b>\$156,020</b>	<b>(\$43,940)</b>	<b>\$199,960</b>
<b>REVENUE - Restricted</b>			
Contracts	\$150,000		\$150,000
Corporate	\$45,000		\$45,000
Foundations	\$250,000		\$250,000
Planned Gifts (to Endowment)	\$150,000		\$150,000
<b>Total - Restricted</b>	<b>\$595,000</b>		<b>\$595,000</b>
<b>Total Revenue - Restricted &amp; Unrestricted</b>	<b>\$1,215,390</b>	<b>\$0</b>	<b>\$1,215,390</b>
Endowment (quasi-endowment)	\$300,000		\$300,000

Contributions:  
 \$220,000 major gifts  
 \$102,390 mail program

**This pro forma is for illustration purposes only. Costs and revenues will vary greatly depending on market conditions.**

Notes:

Staff: Executive Director (90M); Individual Giving Officer (65M), Development Associate (30M), Staff Assistant (25M)

Office space donated

Gala Expense: Rental (5000); Catering (15000); Entertainment (10000); Printing (5000); Mgmt (15000)

Professional Fees include Gala management, direct mail management, grantwriter

Planned Gifts to towards endowment

Client: Library Sample		Direct Mail Only											
Revenue Projections		Assumes 1,250 active donors											
Fiscal Year: Year 4													
Projections:		2/25/2004											
<b>Acquisition:</b>													
Date	Qty	Resp %	Resp #	Resp \$	Avg \$	CPM	Ttl Cost	\$/M Mld	Net \$	Cost/\$ Raised	Net per Donor		
April	40,000	1.15%	460	\$19,320	\$ 42.00	\$550	\$22,000	\$483	(\$2,680)	\$ 1.14	\$ (5.83)		
Nov	40,000	1.15%	460	\$19,320	\$ 42.00	\$550	\$22,000	\$483	(\$2,680)	\$ 1.14	\$ (5.83)		
<b>Ttl Acq</b>	80,000	1.15%	920	\$38,640	\$ 42.00	\$550.00	\$44,000	\$483	(\$5,360)	\$ 1.14	\$ (5.83)		
<b>Lapsed:</b>													
Date	Qty	Seg Basis	Resp %	Resp #	Resp \$	Avg \$	CPM	Ttl Cost	\$/M Mld	Net \$	Cost/\$ Raised	Net per Donor	
April	750		2.0%	15	\$765	\$ 51.00	\$244	\$183	\$1,020	\$582	\$ 0.24	\$ 38.80	
Nov	750		2.0%	15	\$765	\$ 51.00	\$247	\$185	\$1,020	\$580	\$ 0.24	\$ 38.65	
<b>Ttl Lapsed</b>	1,500		0.9%	30	\$1,530	\$ 51.00	\$245.50	\$368	\$1,020	\$1,162	\$ 0.24	\$ 38.73	
<b>Acq &amp; Lapsed</b>	81,500		1.2%	950	\$40,170	\$ 42.28	\$544.40	\$44,368	\$493	(\$4,198)	\$ 1.10	\$ (4.42)	
<b>Special Appeals (Mail):</b>													
Date	Theme	Qty	Seg Basis	Resp %	Resp #	Resp \$	Avg \$	CPM	Ttl Cost	\$/M Mld	Net \$	Cost/\$ Raised	Net per Donor
Nov		1,000		11.0%	110	\$5,500	\$ 50.00	\$278	\$278	\$5,500	\$5,222	\$ 0.05	\$ 47.47
Dec		1,000		5.0%	50	\$2,400	\$ 48.00	\$278	\$278	\$2,400	\$2,122	\$ 0.12	\$ 42.44
April	Sum Reading	1,000		15.0%	150	\$8,250	\$ 55.00	\$278	\$278	\$8,250	\$7,972	\$ 0.03	\$ 53.15
<b>Appeal Mail Ttl</b>		3,000		10.3%	310	\$16,150	\$ 52.10	\$278.00	\$834	\$5,383	\$15,316	\$ 0.05	\$ 49.41
<b>Renewals - Qkly</b>													
Date	Qty	Seg Basis	Resp %	Resp #	Resp \$	Avg \$	CPM	Ttl Cost	\$/M Mld	Net \$	Cost/\$ Raised	Net per Donor	
Sept	600		25.0%	150	\$7,650	\$ 51.00	\$278	\$167	\$12,750	\$7,483	\$ 0.02	\$ 49.89	
Dec	600		30.0%	180	\$9,180	\$ 51.00	\$278	\$167	\$15,300	\$9,013	\$ 0.02	\$ 50.07	
Mar	600		30.0%	180	\$9,180	\$ 51.00	\$278	\$167	\$15,300	\$9,013	\$ 0.02	\$ 50.07	
May	600		20.0%	120	\$6,120	\$ 51.00	\$278	\$167	\$10,200	\$5,953	\$ 0.03	\$ 49.61	
<b>Renewals Ttl</b>	2,400		26.3%	630	\$32,130	\$ 51.00	\$278	\$667	\$13,388	\$31,463	\$ 0.02	\$ 49.94	
<b>Total Mail</b>	86,900		2.2%	1,890	\$88,450	\$ 46.80	\$528	\$45,869	\$1,018	\$42,581	\$ 0.52	\$ 22.53	

Client: Library Sample		Direct Mail Only											
Revenue Projections		Assumes 2,000 active donors											
Fiscal Year: Year 5													
Projections:		2/25/2004											
<b>Acquisition:</b>													
Date	Qty	Resp %	Resp #	Resp \$	Avg \$	CPM	Ttl Cost	\$/M Mld	Net \$	Cost/\$ Raised	Net per Donor		
April	40,000	1.15%	460	\$19,320	\$ 42.00	\$550	\$22,000	\$483	(\$2,680)	\$ 1.14	\$ (5.83)		
Nov	40,000	1.15%	460	\$19,320	\$ 42.00	\$550	\$22,000	\$483	(\$2,680)	\$ 1.14	\$ (5.83)		
<b>Ttl Acq</b>	80,000	1.15%	920	\$38,640	\$ 42.00	\$550.00	\$44,000	\$483	(\$5,360)	\$ 1.14	\$ (5.83)		
<b>Lapsed:</b>													
Date	Qty	Seg Basis	Resp %	Resp #	Resp \$	Avg \$	CPM	Ttl Cost	\$/M Mld	Net \$	Cost/\$ Raised	Net per Donor	
April	750		2.0%	15	\$765	\$ 51.00	\$244	\$183	\$1,020	\$582	\$ 0.24	\$ 38.80	
Nov	750		2.0%	15	\$765	\$ 51.00	\$247	\$185	\$1,020	\$580	\$ 0.24	\$ 38.65	
<b>Ttl Lapsed</b>	1,500		0.9%	30	\$1,530	\$ 51.00	\$245.50	\$368	\$1,020	\$1,162	\$ 0.24	\$ 38.73	
<b>Acq &amp; Lapsed</b>	81,500		1.2%	950	\$40,170	\$ 42.28	\$544.40	\$44,368	\$493	(\$4,198)	\$ 1.10	\$ (4.42)	
<b>Special Appeals (Mail):</b>													
Date	Theme	Qty	Seg Basis	Resp %	Resp #	Resp \$	Avg \$	CPM	Ttl Cost	\$/M Mld	Net \$	Cost/\$ Raised	Net per Donor
Nov		1,200		11.0%	132	\$6,600	\$ 50.00	\$278	\$334	\$5,500	\$6,266	\$ 0.05	\$ 47.47
Dec		1,200		5.0%	60	\$2,880	\$ 48.00	\$278	\$334	\$2,400	\$2,546	\$ 0.12	\$ 42.44
April	Sum Reading	1,200		15.0%	180	\$9,900	\$ 55.00	\$278	\$334	\$8,250	\$9,566	\$ 0.03	\$ 53.15
<b>Appeal Mail Ttl</b>		3,600		10.3%	372	\$19,380	\$ 52.10	\$278.00	\$1,001	\$5,383	\$18,379	\$ 0.05	\$ 49.41
<b>Renewals - Qkly</b>													
Date	Qty	Seg Basis	Resp %	Resp #	Resp \$	Avg \$	CPM	Ttl Cost	\$/M Mld	Net \$	Cost/\$ Raised	Net per Donor	
Sept	800		25.0%	200	\$10,200	\$ 51.00	\$278	\$222	\$12,750	\$9,978	\$ 0.02	\$ 49.89	
Dec	800		30.0%	240	\$12,240	\$ 51.00	\$278	\$222	\$15,300	\$12,018	\$ 0.02	\$ 50.07	
Mar	800		30.0%	240	\$12,240	\$ 51.00	\$278	\$222	\$15,300	\$12,018	\$ 0.02	\$ 50.07	
May	800		20.0%	160	\$8,160	\$ 51.00	\$278	\$222	\$10,200	\$7,938	\$ 0.03	\$ 49.61	
<b>Renewals Ttl</b>	3,200		26.3%	840	\$42,840	\$ 51.00	\$278	\$890	\$13,388	\$41,950	\$ 0.02	\$ 49.94	
<b>Total Mail</b>	88,300		2.4%	2,162	\$102,390	\$ 47.36	\$524	\$46,259	\$1,160	\$56,131	\$ 0.45	\$ 25.96	

### Annual Calendar -- Sample Library Foundation Year 4

Activity	Jul-04	Aug-04	Sep-04	Oct-04	Nov-04	Dec-04	Jan-05	Feb-05	Mar-05	Apr-05	May-05	Jun-05
<b>Major Giving</b>												
Board			x						x			
Peer-to-Peer				x						x		
Special Mail Appeals						x					x	
<b>Direct Mail</b>												
Acquisition					x					x		
Lapsed					x					x		
Special Appeals					x					x		
Renewals			x			x			x		x	
<b>Upgrading</b>			x			x			x		x	
<b>Planned Giving</b>												
Marketing					x	x				x	x	
<b>Web</b>												
Website	x	x	x	x	x	x	x	x	x	x	x	x
E-mail					x					x		
<b>Acknowledgements</b>	x	x	x	x	x	x	x	x	x	x	x	x
<b>Events</b>				x						x		
<b>Grantwriting</b>												
Research	x	x	x	x	x	x	x	x	x	x	x	x
Submissions												

Assumes national library awareness campaign in April.  
 Grant submissions will be driven by deadlines of grantors.

Sample List Plan -- Library -- assumes all rentals, no exchanges

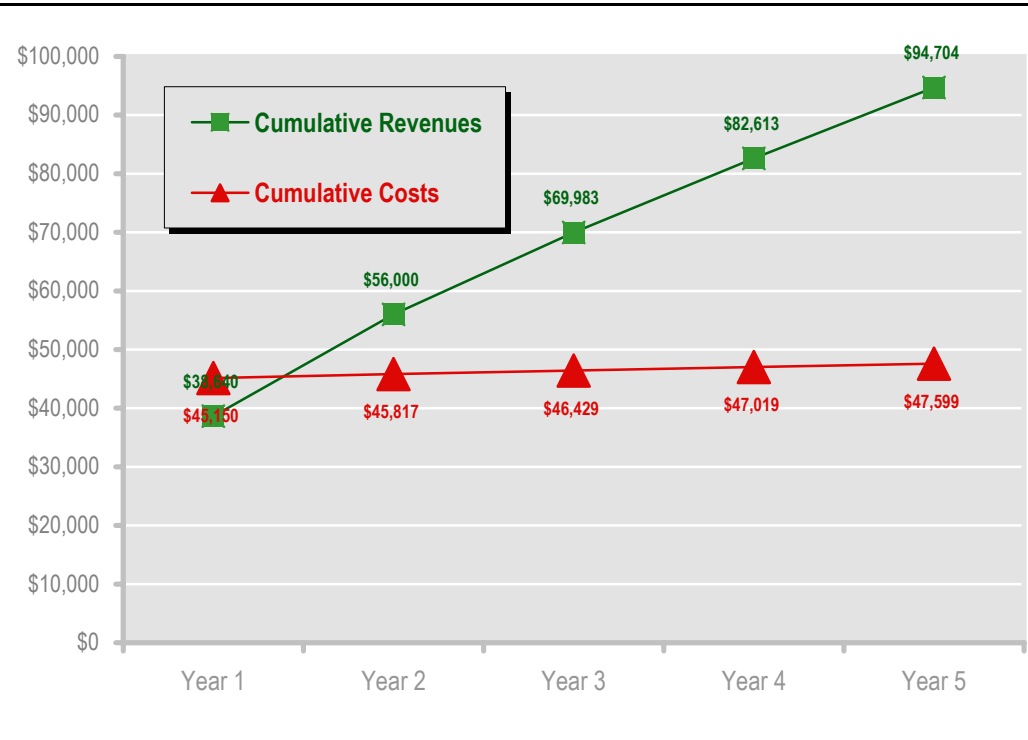
Envirionmental Groups - active members
Event Attendees (paid only)
Magazine -- Hi Demographics
Magazine -- Hi Demographics
Public Radio active members
Public TV active members
In house prospects

If able to exchange names with other local non-profits add:

Art museum active members
Symphony season ticket buyers
Historical museum/society members
Theatre ticket buyers

## Long Term Value Summary

Five Year Revenue and Expenses for Newly Acquired Mail Donors	
Inputs	
80,000	Annual Acquisition Mail Quantity
\$0.55	Total Unit Cost of Acquisition (list, print, post)
1.15%	Response Rate from Acquisition Mail
\$42.00	1st.Yr.Revenue per New Donor*
30.0%	Retention Rate, New Mail Donors*
\$51.00	Annual Revenue per Multi-year Donor*
50.0%	Retention Rate, Multi-year Donors*
\$51.00	Annual Revenue per Reactivated Donor*
10.0%	Reactivation Rate for 1-5yr Lapsed Donors*
5	Average # Mailings per Active Donor/year
2	Average # Mailings per Lapsed Donor/year
\$0.25	Average Subsequent Cost per Mailing
*Based on approximate 3-year average of values from donor Centrics™ Overall Program Assessment	



## **Addressing Government Funding in Direct Mail**

### **Lewis Kennedy Associates**

How does a library ... or any organization that is owned by government ... make the case for giving? How does it address government funding in its messages to donors and prospects without undermining its argument?

We have been successfully raising supplementary operating funds for libraries for several years. In doing so, we are guided by several principals.

1. *Government funding is usually not the issue.* It is a reality to be addressed, but it is seldom central to what the library is seeking to convey. Rather, it's support for activities government funding does not fully cover. So we never put the government support issue up front.

Here's how we treated it in the second page of a four-page letter on behalf of one large urban library:

This is your opportunity to stand proudly beside those in our community who refuse to view the Library as someone else's responsibility. Public funding only covers the basics. We must rely on people like you for the rest.

If there has been a dramatic cut in library funding, and public support is essential to keeping the doors over, government funding is the issue, and the situation changes. In such cases, the reduction is central to the message.

2. *It is important to acknowledge government support appropriately.* The public already knows that it is supporting the library through its tax dollars, so to pretend otherwise is to misleading. But because it is usually not central to what is being requested, this acknowledgement should occur within the context of the gift request, rather than being the central element. In another 4-page letter, we even acknowledge that the library had just passed a successful bond issue, again on the second page:

And while it's true that we've seen recent improvements in public funding, we still depend on private gifts to strengthen xxxxxx Public Library's ongoing efforts to move far beyond the basics – to be the best that it can be.

3. *Therefore, it is important to spell out what private funds will accomplish that public funds will not.* Be specific.

Your gift today will help make sure that new worlds of information will always be available to us at the XXXXXX Library. Specifically, your dollars will help to support:

**Vital book collections and materials.** Gifts from our family of Library contributors bolster the important Children's Book Fund and help purchase essential new books and curriculum materials for babies, children, and young adults. (It costs \$25 just to add one book to our children's collection!)

And we urgently need more private funding to enhance other special collections throughout our main library and its 14 branches -- from books on tape to magazines and reference books to videos and large print books, just to name a few. (It costs \$50 just to add one large print book to our popular collection!).

**Valuable Educational Programs.** Dollars raised by friends like you also help fund special adult reading programs, book discussions and exciting cultural performances and exhibits, such as the music of xxxxx Chamber Players or the xxxx Trio. And that's not to mention all the Library's crucial youth outreach programs, including Summer Reading, Homework Help, and A Library Card For Every Baby.

**Access to Information Technology.** Your donation, combined with those of your fellow Library contributors, will help fund the technology necessary to ensure that people have access to Library information through computers at home, work or school. Exciting ongoing projects include computer training, on-line information access, electronic access for the disabled, and computer system improvements

4. *By showing how private funds augment public funds, many donors will be moved to step forward.* The following statement closed one of our letters:

PS. With our CAMPAIGN FOR A GREAT LIBRARY, we're challenging you to help us raise \$50,000 to enhance one of our community's most cherished assts. Your gift today *will help the Library do an even better job* of offering access to the knowledge, information and technology we will all need far into the 21st Century. [emphasis added]

Some donors will not give to tax-supported organizations, and no amount of coaxing will change that. But some donors do not give to certain causes for a variety of other reasons, yet these organizations not only survive, but thrive. Their secret is that, rather than focusing on those who will not give, they form deep relationships with those who will. Public libraries can succeed by following the same course.

## Appendix V. How to Raise \$1,000,000

The purpose of this study, *Saving America's Libraries: Changing the Model for Library Funds Development*, was to develop “a preliminary draft of a generalized fundraising plan involving annual giving, stewardship, and the relationship of these programs to other library activities....”

Since completing the draft of this report, we have been asked to address a separate issue—raising \$1,000,000 in a major American city by getting 10,000 people to contribute \$100 each. No full implementation program can be designed without firsthand knowledge of the library and specifics of its current donor program. How many donors does it now have and how has it acquired them? What is their average gift? How many are at various giving categories? What are current retention rates? Etc.

First, we want to challenge the premise. Getting 10,000 people to contribute \$100 may not be the best way to raise \$1 million. In any organization, some donors will contribute less, some will contribute more, and a few can and will contribute far more. In one community-based organization, the average gift is over \$100, but 1% of donors contribute \$1,000 and more generating 16-17% of total income. Another 5% of the donors contribute \$500-\$999, providing 10% of income. While this is not strictly a 80/20 Pareto distribution, many non-profit fundraising programs have a variation of this.

The following gift chart provides an example of how such a library campaign might be structured in a major American city:

<b><u>Gift Chart of \$1,000,000 Campaign</u></b>					
# Gifts	Range	Average	Revenue	Pct Total	
7	\$10,000+	\$12,000	\$84,000	8%	
15	\$5,000-\$9,999	\$6,000	\$90,000	9%	
100	\$1,000-\$4,999	\$1,700	\$170,000	17%	
250	\$500-\$999	\$575	\$143,750	14%	
400	\$250-\$499	\$300	\$120,000	12%	
2,000	\$100-\$249	\$125	\$250,000	25%	
2,500	<\$100	\$56.90	\$142,250	14%	
<b>Total Amount Raised</b>			<b>\$1,000,000</b>	<b>100%</b>	

Here are the steps that might be taken to achieve this level of support:

1. Staff prepares for committee concurrence a case statement for the campaign. (This step is detailed in the full report and will not be repeated here.)
2. If possible, a challenge grant from a local foundation or philanthropist is obtained for the general phase of the campaign. (Revenue from this grant is not shown in the above chart, since it is non-recurring.)

3. A prospect list is developed based on current library donors and donors to other cultural organizations in the area that are known by library Board and committee members and staff.
4. A small committee is formed to identify, cultivate, and solicit the top gift prospects on this prospect list—those of \$1,000 and above.
5. The committee solicits those closest to it for lead gifts (\$10,000 and above) which can be announced during a kick-off event in Step #6.
6. At least one major event is held at the library to inaugurate this phase of the campaign, generating publicity. Lead gifts are announced, endorsements sought, and the benefits of this private support made clear to the community.
7. Gifts of \$5,000 and above are solicited through personal contact by committee members. More prospects are needed than gifts, and some who decline a gift at a specific amount will make lesser gifts or will make a gift at a later time.
8. Gifts of \$1,000-\$4,999 are solicited by personalized letters signed by committee members. There is staff follow-up on these gifts.
9. In the general phase of the campaign a prospect list is generated through list rental or exchange with other organizations. This process is described within the report itself and will not be repeated here. People who have been identified by the library committees can also be included here if they have not been included in any of the above activities.
10. A general solicitation goes out seeking gifts at various levels—\$50, \$100, \$250. The challenge grant is used to add excitement.
11. All donors are thanked in a manner appropriate to their level of giving. During this process every effort is made to prepare the donor for a renewal gift in a year's time. There may be a special donors' event at the library. There is regular contact through the year—in writing to all donors, and by phone to top donors.
12. Nine months after gifts were received, the library begins renewal and upgrade efforts, as described on page 12 of the report. These must be coupled with acquisition efforts (repeating steps 1, 3, 6-10 above) to replace those donors who do not renew and to increase the revenue available to the library.

Circumstances will vary depending on the community, the library's history of fundraising, the availability of philanthropic leadership, availability of lists and willingness of the library to exchange donor lists with other local non-profits, among others.