

NONPROFIT *Fiscal Fitness*



your newsletter about issues in the nonprofit business world

Blackbaud.

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Editor's Note

Fundraising is a nonprofit's lifeblood. Events, annual funds, major gifts, and planned giving are all key components to a well-rounded fundraising program, but each also has its own costs. In today's economic environment, nonprofits must be aware of all the costs involved with fundraising to justify the work being done and to maximize efficiency.

In this month's issue of *Nonprofit Fiscal Fitness*, Nancy Appel, executive director of development for [Hazelden](#), and Michael Lowstetter, chief financial officer for [Shepherds Ministries](#), describe what it takes to determine the real cost of raising funds.



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Transparency: The True Cost of Fundraising — Justify the Work and Maximize Efficiency

By Nancy Appel and Michael Lowstetter

In today's economic environment, fundraising is important to every nonprofit. But how do organizations reduce costs and improve impact? Nancy Appel, Hazelden's executive director of development, and Michael Lowstetter, Shepherds Ministries' chief financial officer tackled the topic of what it takes to determine the real cost of raising funds.

"Being transparent is the key to determining the real value of a fundraising campaign," explained Lowstetter. "We

want to look at the things running well and maximize those efficiencies.”

It’s more than the cost to raise a dollar and return on investment, Lowstetter and Appel said; it’s about justifying the work being done and maximizing the efficiency. To do that, organizations need to be transparent.

“We should ask ourselves questions like: What are we providing? What does it cost? How does the cost to accomplish one activity compare to the cost to accomplish another? Can we spend more to get more?” Appel suggested.

Popular fundraising measures are: return on investment, total revenue, total expense, cost to raise a dollar — total expense and total revenue are important, but are they enough?

According to Lowstetter and Appel, organizations must understand the process of fundraising to really be transparent and determine the true cost. Then “calculate the cost for the current year not when the funds actually come in. Evaluation is where the impact on the long-term process is determined,” Appel said.

Lowstetter and Appel offered up these tips in transparency:

Events

Events are the most time-intensive but can give organizations significant net revenue and a predictable scenario: Do the work, get the money. According to Appel, a one-time event may not be conducive to building long-term relationships and support around an organization’s mission.

Items to remember when calculating the true cost of an event:

- Location rental or facility costs (even if the event is held at the organization’s facilities)
- Food and service costs
- Consultant fees
- Design, printing, and mailing costs
- Staff costs of planning, attending, and follow-up

Annual Fund

Appel said that annual funds usually are high in cost to raise a dollar compared to other fundraising methods. “To be successful with an annual fund, a nonprofit really needs to identify those who are prospects for major gifts and build support for the mission.”

Items to remember when calculating the true cost of an annual fund:

- Design, printing, and mailing costs
- Telephone calls or campaign costs
- Staff cost
- Fundraising staff
- Gift administration

Major Gifts

While conducting a major gift campaign can be very cost effective, the return is unpredictable but can be terrific with just a few larger gifts, Appel explained.

One area that is expensive but necessary is staff and travel, added Lowstetter. “Travel is often required to make that connection with a potential donor. With costs going up, it can get pricey,” he said.

Items to remember when calculating the true cost of major gift campaigns:

- Gift processing costs
- Status reporting costs
- Travel and entertainment costs
- Staff costs: gift officer, president/executive director, gift administration

Planned Giving

Planned giving is very long-term in scope. It can be decades until gifts are realized. “These long-term gifts should be integrated into the total fundraising efforts and it can be done economically,” said Lowstetter. Although it can be difficult to measure potential because it’s hard to prove until you realize the gift amount”

Items to remember when calculating the true cost of planned giving campaigns:

- Design, printing, and mailing costs
- Telephone calls or campaign costs
- Travel and entertainment costs
- Legal, investment, and other consultant costs
- Gift administration and reporting costs
- Staff costs: planned gift officer, gift administration

Lowstetter said the ability to accurately calculate expenses for activities decreases greatly from events to annual fund to major gifts, and especially with planned gifts. “But the answer is in how transparent you can be,” he explained.

“Recognize fundraising not only as a means to build revenue, but also as a way to help your supporters have a voice in your work, demonstrate their gratitude, stay connected, and support your nonprofit status,” added Lowstetter. “And listen to them,” he said.



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web seminars

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[October 6, 2:00 p.m. ET](#)

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Advanced Budget Management

Reduce the time, hassle, and expense of your next budgeting cycle with Advanced Budget Management. It offers more flexible budgeting to satisfy even the most complex budgeting requirements.

[September 25, 2:00 p.m. ET](#)



in the news

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[Read the entire article.](#)

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