

By Joanne Fritz Updated March 20, 2018

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For charitable nonprofits, fundraising can be both a blessing and a nuisance. While fundraising helps organizations bring in new supporters and fans, it also never ends.

However, there are good reasons why charities must fundraise, beyond just keeping the doors open.

Charitable nonprofits or public charities (also known as 501(c)(3) organizations) serve the greater good. To do so, they must show that they have public support.

The Legalities of Fundraising

- Fundraising requires fulfilling several legal requirements.
- The first requirement has to do with becoming a 501(c)(3) tax-exempt charity. This designation allows a charity to tell its donors that their contributions may be tax-deductible. The “maybe” has to do with whether an individual itemizes deductions on his personal tax return.
- A non-exempt charity (also known as an unincorporated nonprofit association) that does not apply for and receive a 501(c)(3) exemption can raise funds, but donors will not be able to take a tax deduction.
- Charitable nonprofits must also register with their states of incorporation, so they can fundraise. If a charity fundraisers in other states, it will need to register with those states as well. Even when applying for out-of-state grants, a charity must follow the fundraising registration requirements for those states.
- If a charity hires a fundraising consultant or company, that person or entity may need to register with the state. The laws vary state to state, so check with yours to verify the rules. Such rules only apply to independent contractors and outside consultants, not employees of your organization.

Types of Fundraising

The methods nonprofits use to fundraise

- direct mail fundraising,
- telephone fundraising, and
- television specials (or telethons)
- online fundraising,
- smartphone-based techniques such as text-to-give,
- social media fundraising, and
- email fundraising have come on strong.

What we now call conscious consumerism has led businesses to team up with charities through cause marketing, sponsorships, and other corporate giving programs such as employee volunteer programs and donation matching programs.

Today, successful nonprofits run multi-prong fundraising campaigns and use a myriad of methods and tools to keep donations flowing.

- Finding and Keeping Donors
- Building a donor base takes time, patience, and good donor software.
- Where can your charity find donors?

First start with

- people close to your organization such as volunteers, board members, and individuals who use or who have benefited from your services plus their friends and relatives.
- Individuals who know about your organization personally are the best donors. Just think of grateful patients of hospitals, volunteers who care enough to give their time to a cause, and the parents and grandparents of children helped through your organization. That is your inner circle and your most likely and generous donors.
- Eventually work your way outward to the general public, reaching it through free media, word of mouth marketing, staging public events, and sending direct mail.
- To keep donors, think about how great businesses keep customers coming back to buy more. They say thanks, respond to customers concerns, fulfill expectations, and make the buying process easy.
- The same techniques work for donors, from promptly sending thank you letters by mail and email, to communicating regularly with newsletters and through social media, to responding to donor complaints with outstanding customer service.

The Role of the Nonprofit Board in Fundraising

Boards are not just for decoration. Board members are responsible for keeping a nonprofit fiscally sound. That means making good decisions, helping with fundraising, and making regular monetary contributions.

Successful charities have active board members who accept fundraising as part of their duties.

Here are just a few ways board members can support fundraising:

- Identify prospects to approach for contributions. This process is sometimes called prospect clearing or screening. Tapping into a board's contacts can be a powerful fundraising tool. For instance, once a year, board members can list 5-10 prospective donors such as businesses, foundations where the board member has a contact and individuals. Those names should be checked against current donor lists. If they are not current donors, board members can help decide how to approach each new prospect. Sometimes, board members can do the approach themselves or when accompanied by staff.
- Make thank you phone calls to donors. Some experts recommend that every donor receive one thank you call each year. Making these calls can be a perfect job for many board members. Organize a calling party where board members and other volunteers can get together and make calls. Board members can also prepare hand-written thank you notes to donors.

- Host an “ask event” at their homes. These are low-pressure events for the friends of the board member to introduce them to the charity. Make these events small, intimate, and low-key. The idea is just to spread the word about what the charity does for the community and provide the opportunity to get involved.
- Show up at all special events and engage with current and prospective supporters. A well-informed board member circulating at an event can send a powerful message to attendees. It shows that the board member is engaged in the charity’s work and cares enough to show up when it counts.

How to Supplement and Maximize Fundraising

Although fundraising from individuals remains at the core of most nonprofit success, it is not the only way to raise funds. In fact, charities must create a basket of income sources to remain sustainable. Moreover, they must also use a variety of fundraising methods to get the most from their fundraising.

Here are just a few of the methods and resources that can bolster the fundraising of a nonprofit:

- **Monthly Giving.** Getting individual donors to give repeatedly has become one of the fastest growing ways to maximize fundraising. It is easy to set up monthly giving programs and thus ensure a steady stream of income over time. However, it is not enough to just give a monthly giving option on a donation page. Monthly giving programs deserve great marketing.
- **Earned Income.** Most charities incorporate some level of earned income in their fundraising activities. Indeed, for many charities earned income has become the largest source of funds.
- For instance, nonprofits that provide services can charge fees or membership dues for those services. The YMCA is an excellent example of a nonprofit that earns its way through membership fees.
- Selling products can often generate a significant stream of income. The gifts shops of hospitals and art museums are examples. Large institutions, such as medical centers and universities have multiple ways to earn income, such as from tuition, patient fees, sports events ticket sales, and bookstores.
- Earned income can be tricky. Too much of it can trigger a tax bill unless it is mission related, or even result in having tax-exemption revoked. Learn the rules before starting any earned income project.
- Grants From Foundations, Corporations, and Government

Some nonprofits depend on grant money, but they are rare. Most charities, however, do look for grants that supplement their income or that support particular projects. Grants are not permanent so nonprofits must be careful not to depend on them. Grants also usually only go to nonprofits that are already financially stable. New charities are not good prospects nor will grants solve a charity’s financial problems.

Grant seeking is an art and science, so nonprofits must learn about the best grant seeking techniques, how to find grants that are promising, and how to write their grant proposals.

Crowdfunding and Online Giving

It is the unusual charity that does not have an online presence and a way for donors to give right online. All generations of donors now have the ability and desire to give online, whether by computer or with their smartphones. Although older generations still write checks and put them in the mail, fewer do so all the time. Plus, younger people, such as Millennials, likely don’t even write checks anymore.

- Crowdfunding has become immensely popular with the rise of social media. Although social media is a wonderful way to build relationships with donors, it also has great fundraising promise. Facebook, for instance,

has numerous ways for people to give to their favorite cause or even to raise money themselves for those causes.

- Many charities now take part in Giving Days, such as GivingTuesday, to raise funds online. A nonprofit is unlikely to raise massive amounts of money this way, but it supplements all the other ways they have to raise money.
- Fundraising today has become multi-channel, using online techniques, direct mail, email, social media, and crowdfunding to create that basket of income from multiple sources.

Trends in Fundraising

Closer Ties with Businesses. There has been a sea change in the business world. Consumers want to buy from socially responsible companies. Consequently, businesses, large and small, turn to nonprofits to help them show employees, shareholders, and customers that they care. From employee volunteering to cause marketing, businesses have become partners with many charitable causes.

More Donor Platforms. New ways for people to take charge of their giving have taken off in recent years with services such as Indiegogo.com, CrowdRise.com, GoFundMe.com, and Fundly.com. Such crowdfunding platforms have competed with charities, but charities can also use them. Nonprofits can help their supporters to use peer-to-peer fundraising through these new modes of giving to support their work.

Collection and Use of Data. Nonprofits can now know more than ever about their donors. They can use ever more sophisticated donor management systems to collect and analyze who donates, when, where, and how. That information should allow them to reach more donors, find major donors, and improve their donor retention

Rapid Expansion of Mobile Giving. More people than ever own smartphones, enabling them to make purchases, surf the web, and track their activities. Charities must keep up by making everything they do mobile friendly. Our mobile devices are computers in our pockets. Donors, volunteers, and supporters can be found and encouraged right there, not to mention the popularity of apps that let people do good during everyday activities.

Fundraising has changed tremendously in recent years, and the pace of that change promises to increase. Nonprofits must keep up with current practices and predict future ones. Only that will help sustain all the causes that make the world better.