

# NFP

**Fundraising Staff:  
Attracting and Retaining  
Key Talent**

**Interest in Cause-Related  
Products Growing**

## Communicating Your Organization's Financial Position to Donors

When individuals consider donating to a charity, they often wonder whether the money they give will be spent effectively. This is especially true in a tight economy, when donors may have less to give and be more selective about their gifts. Despite assurances that the bulk of the funds donated reach the targeted community, some potential donors may continue to question whether too much of their gift will be spent on overhead and too little on charitable activities. You can help allay these concerns by clearly communicating to donors your organization's financial position and its plans for the future.

When communicating with potential donors, many not-for-profit organizations focus on describing their mission and the value of their work to the community. But, when competition



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## Fundraising Staff: Attracting and Retaining Key Talent

In a tough job market, attracting and retaining fundraisers with strong track records can be a challenge for nonprofits. And, as the economy improves, key fundraising professionals may seek opportunities elsewhere if they don't feel fully appreciated by their employers. Fortunately, your organization can take action now to enhance retention among your best fundraisers and cultivate young talent that will eventually develop into fundraisers for the future.

For a nonprofit that relies on public donations to support its mission, the value of an effective fundraiser is obvious. A fundraiser who not only understands strategies for attracting donations, but who also has solid connections to affluent donors and members of the business community, is a tremendous asset. But, when there is an economic downturn, the rules seem to change. Even experienced fundraising professionals may have trouble bringing in a high volume of donations, and organizations may find it difficult to offer raises to fundraising staff while still maintaining services.

Since turnover among fundraising staff can lead to gaps in vital fundraising activities, your organization may want to be proactive with retention strategies for key fundraisers. If concern is raised about a specific staff member, it may be helpful to have an honest conversation with him or her about the current financial status of your organization and his or her expectations in terms of performance and compensation. Some fundraising staff members may, for example, agree to a freeze on their current base salary with the assurance of a bonus based on the specific fundraising goals. To encourage key members of your fundraising staff to remain with the organization through a long-term capital campaign, you could offer a bonus that will be paid out once the campaign has been successfully completed and more funds are available.

When a tight economy makes it difficult for your organization to offer generous financial incentives, some members of fundraising staff may be open to discussing other non-cash rewards. For example, these professionals may be interested in being promoted within the organization, taking on a new set of responsibilities, or working a more flexible schedule.

Regardless of immediate turnover concerns, your organization may wish to develop a strategy for recruiting new fundraisers and training young talent within your organization. Bringing on board a younger fundraiser in an entry-level position can allow your organization to gain access to additional skill sets, especially in emerging fields like online giving or text message donations. Younger staff members can then be mentored by more experienced fundraisers and introduced to important donors and other key stakeholders.



Since veteran fundraisers with a history of garnering major donations are always in the greatest demand, it may be possible to teach junior staff members the basics of donor relations and then give them the chance to develop their own strategies for securing gifts. This may be a viable option for organizations that are unable to compete with bigger nonprofits with more resources for compensating fundraisers.

Yet another option for cultivating fundraising talent is hiring a mid-career professional from outside the nonprofit sector. This recruitment approach can be especially relevant in a tight job market, when candidates with experience at for-profit companies in areas like sales, marketing, accounting, and law are likely to be seeking opportunities outside of their accustomed sectors. While these professionals may require more training in nonprofit fundraising, they can frequently offer fresh skills and new sets of contacts in the business community that can reinvigorate your organization's fundraising activities.

Fundraising is an essential aspect of your organization's ability to provide important services to the community. So, take action to enhance retention among your best fundraisers and cultivate fundraising talent for the future. ✧

## COMMUNICATING YOUR ORGANIZATION'S FINANCIAL POSITION TO DONORS

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is high among a number of organizations engaged in similar activities, donors may seek specific information about how your organization and its finances are managed. In particular, donors may be concerned about the long-term stability of your organization and the ability of your group to make optimal use of donations, especially larger gift amounts.

To help promote transparency about your organization's financial position, which can build donor trust and improve your organization's chances of attracting donations, you may want to consider releasing a financial statement to prospective donors and the general public. As a result of recently revised IRS 990 filing requirements for tax-exempt organizations, potential donors are now able to access through online databases, such as Guidestar, the 990 annual reports of all nonprofits, even the smallest organizations. These 990 reports provide donors with detailed financial information that can serve as a basis to compare one nonprofit to another. Many nonprofits make their 990 reports available on their websites or upon request.

But, just as completing 990 forms can be a complex undertaking for a nonprofit, they are often difficult for potential donors to understand. Moreover, the information provided may be interpreted negatively when viewed without the necessary background. For example, your organization may have high fundraising costs relative to competitors because it receives fewer large grants from foundations, corporations, or public sources. Similarly, your organization may have higher salary costs than other groups because the size and scope of your activities are greater or because of the high cost of living in your local area. These are nuances that are not communicated in a 990 report.

To help donors more fully understand your financial position, you may want to release your own financial report to select donors or as part of an annual report for the general public.



Through this report, you have the opportunity to explain your organization's effective use of finances using less-technical language, supplemented with charts and graphs. To help you prepare your financial report, you may wish to employ the help of a CPA, who can provide a general review of your organization's financial statements, or even a full audit.

In your financial report, be sure to provide information about your organization's assets and liabilities, including property, income, revenue sources, financial reserves, credit lines, and expenditures. If any information on the balance sheet could be viewed unfavorably, you can take the opportunity to more fully explain the reasons for these issues and how your organization intends to address them in the future. While it may be unpleasant to have to show a dip in income during the economic downturn, the acknowledgement of this shortfall can be used as a basis for urging donors to be more generous than they have been in the past.

In addition, your financial report can serve as a platform for emphasizing the need in the community for your group's services, especially if demand has grown in the current economy. The report could, for example, include a projection of anticipated demand in the community, along with your organization's targets for income growth to meet these needs. The report can also be used to alert donors to upcoming capital expenditures or special projects that could benefit from extra support. Through your report, you can assure donors that your organization has sufficient cash flow to cover basic expenses and sustain core activities over time.

At a time when nonprofits face tough competition for every dollar they earn, promoting transparency about your organization's financial situation can make all the difference in attracting potential donors. ✧

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## Interest in Cause-Related Products Growing

Americans are becoming increasingly open to purchasing products associated with good causes, and most would like to see more cause-related products enter the market, according to a 2010 survey by brand marketing consultancy Cone LLC.

The survey of 1,057 U.S. adults showed that 41% of Americans have purchased a product in the past year because it was associated with a social or environmental cause, up from 20% in 1993. Results indicated that 83% of respondents want more of the products, services, and retailers they use to benefit causes, and 81% believe companies should financially support causes at the same or a higher level during an economic downturn.

In addition, 88% of respondents said they consider it acceptable for companies to involve a cause or issue in their marketing, 85% indicated they have a more positive image of a product or company when it supports a cause they care about, and 80% are likely to switch brands to

one that supports a cause, assuming both are similar in price and quality.

The survey also found that 61% of respondents would be willing to try a new brand or one unfamiliar to them if it supports a cause. Further, 46% would try a generic or private-label brand, and 19% would be willing to try a more expensive brand. The findings indicated that mothers and young adults ages 18–24 are especially open to purchasing cause-related products.

“When price and quality are equal, we know most consumers will choose the product benefiting the cause,” said Alison DaSilva, executive vice president at Cone. “But cause alignment can have an even bigger influence on consumer choice, pushing them to experiment with something different and unfamiliar. Cause branding is a prime opportunity for companies to extend beyond their traditional market and increase exposure to potential new consumers.” ♦