THE CHRONICLE OF PHILANTHROPY
THE NEWSPAPER OF THE NONPROFIT WORLD

Crafting a Capital Campaign

- A strong rationale for support and committed trustees are keys

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Thursday, November 10, 2005; Pages 19, 21, 23.

Sister Maureen Doyle knew that something had to give. For almost two decades, the director of the Urban Community School had watched with pride the growth of her small nonprofit institution, which educates poor children in Cleveland. But as the school's enrollment increased each year, so too did its need for physical space.

The school, which has an annual budget of $2.9 million, had been enrolling far more students than its space and teaching staff could handle. "We were admitting as many as 415 students per year, but we really only had capacity for 400," says Sister Doyle. "The waiting list was getting longer, and we knew that we couldn't continue to grow our quality of service until we did something about space."

In March 2002, the charity decided to start a $16-million capital campaign to build a new facility and to add to its scholarship endowment. There was just one problem: The School had never previously run a capital campaign.

"Just 18 percent of our money comes from tuition fees, so we've always been in the business of fund raising," says Sister Doyle. "It's just that we never thought about doing more than one year's fund raising at a time. We had no idea where that kind of money would come from or how to even begin.

For small nonprofit groups, starting a capital campaign from scratch can feel like an enormous undertaking, and it is. It requires careful planning and an enormous commitment of time and effort. Determining whether a charity is ready to take on the challenge of a first campaign requires an in-depth audit of its own strategic goals and a hard look at the strength of its mission, board of directors, donor support, and executive leadership.

Making a Plan

Before even thinking about starting a capital campaign, a charity needs to create a strategic plan that looks three to five years into the organization's future, says Melissa Evans Fountain, director of capital and planned giving at Chatham Hall, a small private school for girls in Chatham, Va.

"Think creatively, but not unrealistically," says Ms. Fountain, who has lead several capital campaigns at an array of organizations over the last 30 years. "What programs would you like to see implemented in that time period? What capital improvements need to be made in order to house those programs? Do you need to create an endowment, so that you're not living hand to mouth?"

Ms. Fountain suggests getting as many people involved in creating the plan as possible, in order to give them a stake in the plan's success. For example, she notes, when she helped start the very first capital campaign for Saint Joseph College, in West Hartford, Conn., several years ago, the plan was shaped not only by trustees and chief administrators, but also by faculty members, alumni, and students; parents.

Once the plan is created, the charity should identify which needs cannot be covered solely with annual contributions, she says. The most critical among them becomes the goal for a capital campaign.

A charity must also build a compelling case for support, says Ted Grossnickle, a fund-raising consultant in Greenwood, Ind., who spent 20 years as a college fund-raiser.

"In a capital campaign, a charity is asking a donor for a very significant gift, and so they must provide a very good reason for why they deserve that gift," he says. "They need to explain that the gift is not only for a new wing on a building or for an endowed fund, but that it will make the community's quality of life better in some tangible way."

A nonprofit organization also needs to consider the long-term financial ramifications of its plan.

“In creating a case for support, some inexperienced charities forget to think beyond the finish line,” says Ann H. Moffitt, vice president of community relations at Keystone Human Services, in Harrisburg, Pa., which aids individuals with disabilities.

“An organization may want to build a building, but they forget that the upkeep of that building will cost them more money,” says Ms. Moffitt, who has previously led several small charities through their first capital campaigns. “They need to plan for how they will manage the project and be able to explain that plan to donors.”

Gauging Potential Support

Preparation for a capital campaign also involves evaluating the strength of a charity’s board of directors, says Ms. Fountain. Generally, about 25 percent to 30 percent of gifts to a capital campaign – and sometimes as much as 50 percent – will come from trustee, she says, so if an organization doesn’t see that level of financial commitment already, it might want to first spend some time recruiting a stronger board.

All trustee should be willing to give something, no matter what their means, says Joan W. Priest, a fund-raising consultant in Macungie, PA., and a former fund raiser at the Delaware Nature Society, in Hockessin, where she managed four capital campaigns.

“If your board isn’t fully committed, how can they possibly ask others who are not as familiar with the organization to support the project?” she says.

Indeed, many foundations and even some individuals will not consider making a gift unless charities can prove that all of their board members have contributed, adds Ms. Moffitt.

An organization should also consider its current pool of donors. Despite what many inexperienced charities think, most campaign donations will probably come from individuals, not foundations and corporations, says David Phillips, a fund-raising consultant in Charleston, SC. Another mistake charities often make, he says, is thinking that they need an exponential number of donors to achieve success.

“They’ll say, ‘OK, we need to raise $1-million, so we need to find 1,000 people to give us $1,000 each,’” says Mr. Phillips. “But you will never be able to get that many people mobilized effectively in the same way that you can mobilize a few very engaged people to do something significant. It’s like football. You don’t want to have the small guys on the line. They might be great athletes, but if you want to win you have to get the big fellas up front who can clear the path for the others.”

And yet, charities shouldn’t overlook a donor who are not obviously wealthy, says Lori Lamerand, chief executive officer of Planned Parenthood Mid-Michigan Alliance, in Ann Arbor. She has learned during the course of her organization’s current $1.7-million capital campaign that donors with seemingly insignificant financial means will sometimes dig deep for the right cause.

“We have a donor who had been giving to us in modest amounts for a very long time who ended up giving us $100,000 and a promise for another $100,000 at the end of the campaign if we still need it,” she says. The money raised will pay for construction of a new clinic and the endowment of a reproductive-health-training-program. “We never thought of this gentleman as a major donor, but apparently this project is something he is quite passionate about.”

Charities should also prepare for the opposite to happen, however, says Lynne Loftis, president of the Ella Sharp Museum, an art and history institution in Jackson, Mich., which is just completing its third capital campaign.

“Regular donors who give to a capital campaign may not necessarily be included to also continue giving general contributions, so you have to anticipate that potential loss of income,” she says. “A capital campaign is not a great time of growth, but it can also consume the organization’s manpower and resources, so it is important to prepare for that.”

Bringing In the Experts

Once an organization has a strategic plan, has prepared the case it will make to donors for support, and has taken a preliminary look at the financial strength of its board and current donors, the next step is to hire a fund-raising campaign consultant to do a feasibility study, says Kathryn B. Knox, director of

development at the Independence School in Newark, Del, who has led one endowment campaign and four capital campaigns for the 27-year-old institution.

A feasibility study is an extensive, formal evaluation of a charity's board, donors, top executive, and staff members, used to determine whether the group is logistically ready to undertake a capital campaign. It involves in-person interviews with major donors, as well with others who do not currently give to the charity, about their possible interest in supporting the project and their overall perception of the organization.

Feasibility studies aren't cheap – they can cost between $25,000 to $50,000, and even more in some cases – but fund raisers who have run capital campaigns say they are well worth the money. And while a charity could theoretically conduct a feasibility study on its own, most campaign veterans say it is preferable to hire a consultant for the outside perspective they could bring to the task.

Fear of Fund Raising

Every campaign needs a committed leader who is willing to participate in the fund-raising process. The refusal or inability of executive directors and board members to solicit donations is a common obstacle for charities that seek to mount a capital campaign, says Cedric Richner, a fund-raising consultant in Ann Arbor, Mich.

"Fear of asking for money is right up there with the fear of snakes and public speaking for many people, but to have a successful capital campaign, there is no getting around it," says Mr. Richner. "Most small, community-based nonprofits can fund 90 percent of their fund-raising efforts through about 50 well-handled personal solicitations. So if an organization's executive directors or board members are unable or unwilling to personally meet with that small group of donors, they are certainly not going to be successful."

It is a problem that one director of development at a small social-services charity in New Jersey, who prefers to remain anonymous, knows all too well. Her organization recently decided against starting a capital campaign to pay for the construction of a new facility, because, she says, her group's leadership refuses to participate. The chief executive, she says, "admitted that he doesn't have the nerve to ask anyone for anything, and that he thinks fund raising is a crude activity. Our charity's leaders are all people of integrity who have spent their entire careers focusing on the delivery of services, but they have never participated in fund raising and they have made it perfectly clear that they will not."

Some executive directors, however, find that their fears melt away in the face of the challenge. Pat Morris, executive director of the Coastal Georgia Historical Society, on St. Simons Island, says that before the start of her charity's first capital campaign a year ago, she was wary of meeting with donors. But now, she says, "I'll ask anyone for a dime."

"During the course of the campaign, I found out that I was even more passionate about my organization than I'd even realized," says Ms. Morris. "When you believe so much in a goal, it makes it much easier to ask people to help you achieve it."

Perfect Timing

Small nonprofit groups that are waiting for the "right" time to start their capital campaigns will be waiting forever, says Ms. Know, whose consultant was about to start feasibility-study interviews for the Independence School's current campaign when the terror attacks of September 11, 2001, occurred and the economy tanked.

"We decided to send a letter to everyone with whom we'd scheduled interviews, saying something like, "We understand if you don't wish to continue with this, but we hope you will," she says. "We felt like if we waited until the economy got better, we'd end up in competition with 17 other organizations. You've got to realize that no time is ever going to be perfect. You just have to remain flexible."

Perhaps no one knows that lesson better than Ms. Lamerand, whose predecessor died of breast cancer on the eve of the Planned Parenthood Mid-Michigan Alliance's capital campaign kickoff event in February. After being appointed chief executive officer, Ms. Lamerand consulted with her board and made the decision to continue on as planned.

“In order to be successful with a capital campaign, you need to have an element of being willing to just blunder forth,” says Ms. Lamerand, who had no fund-raising experience at the time. “You can’t stand around wringing your hands and say, ‘We can’t do this now,’ for whatever reason. In fact, I should say that there are things that appear to be insurmountable that, handled appropriately, can be leveraged to your advantage, as long as you are sensitive to the situation and have a solid program to present.”

Yet, while there is no such thing as “good” timing for stating a capital campaign, there is such a thing as “bad” timing, says Ms. Priest. For example, she says, a charity should avoid starting a campaign when it knows a similar local organization will do the same, or when a charity’s leadership is involved in some kind of controversy, or while the organization is toiling in obscurity.

Ms. Morris, at the Coastal Georgia Historical Society, says that the public’s ignorance about her organization’s work was a real impediment to its initial capital campaign plans.

“We’d done a pretty poor job of educating people about the breadth of our services and programs, so people were having a hard time understanding what we were about,” she admits. The charity runs the St. Simons Island Lighthouse Museum, so many people thought that attending to its upkeep was the group’s sole mission, she says.

Ms. Morris set out to change that by sending out news releases weekly, taking ads out in the local paper, and making presentations to local Rotary and Kiwanis clubs about their other programs and landmark-preservation activities. “We stared this public-relations effort as soon as we stared planning for our capital campaign,” she says. “I know that if we didn’t change our image, it would be a problem for us down the line.”

Even when a charity has a plan, a case for support, committed donors, and a strong board and leadership, a capital campaign still may not be the right answer. Charities should look at a a capital campaign as a last resort, thinking through every possible obstacle, says Sister Doyle of Cleveland’s Urban Community School, which opened its new, 67,200-square foot facility in September, the fruit of its fund-raising labors.

“You need to explore every other option first,” she says, “because the donor is going to.”