

AASLH

TECHNICAL LEAFLET BUNDLE

A PUBLICATION OF THE AMERICAN ASSOCIATION FOR STATE AND LOCAL HISTORY

Funding Your Organization

BNDL005

Historical organizations must constantly work to maintain a healthy bottom line. These technical leaflets won't change that, but they will provide you with information that can make your efforts to secure funding more effective. Together, these technical leaflets offer strategic approaches to improve your overall plan for securing funds and specific ideas to develop specific parts of your plan.

TL 062 – Securing Grant Support: Effective Planning & Preparation (1972)

TL 106 – Financing Your Historical Organization: Setting Goals (1978)

TL 205– Selling History: A Practical Primer on Museum Product Development and Licensing (1999)

TL 209 – Fundraising for the Small Museum (2000)

TL 223 – Planned Giving (2003)

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Technical LEAFLET

Financing Your History Organization: Setting Goals

By Laurence R. Pizer
Director, Pilgrim Society

Introduction

All organizations spend hours of staff coffee breaks and executive board meetings moaning about how much more they could accomplish if only they had more money. As you have no doubt noticed, moaning is not the answer, but planning and rearranging your operating procedures can give you an opportunity to increase your income and diversify your offerings to the public.

A wide range of groups are predisposed for their own reasons to grant money to organizations engaged in the study and presentation of history. Your task is to examine your work to see if your needs coincide with the desires of the granting organizations. Far from being a case of begging, the raising of money to develop organizations and initiate projects can be the creative matching of one set of groups capable of bringing history to people with another possessing an interest in spending available money for the benefit of the community.

In order to become organized in fund

raising, it is necessary to develop as complete an understanding as possible of your organization. If you have not already done so, commit your purpose for existence and long-term goals to paper. If you have no sense of direction, funding groups will avoid you. If you did receive an offer of money, you would be in danger of losing your way. An historical organization needs not just money but also projects that fit with its general purpose.

Develop a project orientation. Thinking about your organization in terms of separate projects will allow you to deal with portions of your operation separately, to allocate your funds wisely, and to seek additional money. Almost no one will give you a cent without knowing in advance your intentions for the money. You will have the easiest time explaining your plans if you divide your operation into portions that reflect honest and manageable divisions.

A good way to learn the technique of thinking in terms of projects is to review the history of your organization project by

project. Even if you did not organize your group on that basis over the years, now is a good time to start. Divide the permanent operations of the group into separate areas and then list the temporary activities, those with an initial and terminal date.

Next, determine what the funding basis was for each project and the short-term and long-term benefits derived from pursuing that work. It might surprise you to notice how the benefits dovetail. One area relies on another. Just think how organized you could have been if you had actually planned your work as you went along.

Here is an example. One local historical society gained a grant from its county centennial commission to purchase a microfilm reader and films of local newspapers to facilitate the writing of the centennial history. Those reels of microfilm allowed the society to commit itself to the development of a research facility for county history and, on that basis, to seek a mill levy from the county government. Several years later with increased patronage to back them up, they turned to the state bicentennial commission for funds with which to purchase a microfilm reader/printer. The story goes on. It is clear that each step followed from the one before, based on the ability of the group to comprehend the steps necessary to achieve its purpose.

Now, sit down in committee and write down every project your group would conduct if you had funds and personnel, including temporary series, collection campaigns, present offerings, and desired expansion. Before taking another step, reconsider each suggestion in the light of your organization's purpose for existence. Your group will act more effectively if you omit projects better suited to other local organizations. Funding will flow, not by shutting out your colleagues, but by conducting your own affairs most efficiently.

Return to your list and begin the search for funding. Determine who the major beneficiaries will be when each project is

completed, and you then have an initial hint at a likely place to begin your search for money. Either you will find that a group directly benefitting has funds for you, or an agency will accept your appeal because they are interested in assisting the group at whom you are aiming.

For your internal purposes, it will be valuable to divide your list of programs into those that are part of your basic function and those that are optional. You then will have produced a coherent long-term plan of action with an appended list of projects ready to go in the event of the appearance of unexpected funding.

Before you actually approach anyone with funding requests, you should clearly understand the process. Many funding organizations have firm guidelines for what they can and cannot grant, and the rest have firm opinions on what projects their funds can serve. Be prepared to receive counter offers from funders. They may agree to assist you if you will change the focus of your programs. It goes without saying that you should maintain some flexibility in your planning, but you must take care not to jeopardize the integrity of your organization to gain temporary funds.

During a collecting campaign, a historical society on the Great Plains unexpectedly came upon a superlative group of photographs and motion pictures dating back more than half a century. They sought funds locally to produce a television program on the history of their county in order to share their discovery widely. When they fell far short of the necessary total, they turned to the National Endowment for the Humanities for assistance. The NEH agreed to give them even more than their request if the society would change the focus of the program from one county to the entire plains area and the number of programs from one to six.

The society had to choose between committing its small staff entirely to the grant project, postponing other work while gaining funding and a wider reputation, or

staying with its original plan and waiting for more funds locally. Both courses of action possessed merit, but it was extremely important that the group realized the implications of the course they chose.

Accepting offered funds is not always the most fruitful route in the long run.

After the long process of initial planning, finally you can get to the arduous task of actually getting commitments for money. Divide your list of programs again, this time into categories of permanent and temporary projects. The two sub-sections demand different approaches for funding. Long-term programs include basic operation of the group, like collection office work, and affiliated areas, such as the printing of periodic newsletters, the operation of tours, and the publishing of books. One-time presentations might be a series of lectures clustering around a single topic, special purchases of equipment, intensive improvement of one area of the group's work, or the erection of a series of markers.

Permanent Funding

Most organizations turn to their membership for initial funding. In the early days of the group when expenses are low, membership funds might take care of newsletter printing costs and a few pencils, but quickly the needs of the group outstrip the proceeds from the membership, even after an intensive drive. It is possible to raise additional cash with a sliding scale of dues payments, using terms like patron, builder, contributor, and the like, but in most cases the increment brings only slightly more income and does not cover major expenses.

Membership Dues

The issue of raising the cost of memberships often arises when committees discuss funding. For many groups, the value of higher rates is questionable. In terms of total income, the point of diminishing

returns occurs very quickly. Even if you raise additional funds, by pricing part of your community out of your organization, you lose their interest. Designation as a charity or club of the rich might rob you of your audience as well as your membership total.

Admissions

Admissions can add to the total income for groups with displays, but, except for the best known attractions, the total raised usually does not measure up to hopes. A decision on admission charge must take into account many elements. Some persons measure value in terms of money, so they will think more of a museum if it is expensive to enter. Other persons will hesitate to enter frequently if they must pay to enter each time, so an admission charge can lower the total audience. If you seek additional funds elsewhere, a low audience total can be a detriment. Some groups solve that problem by providing a membership that grants unlimited admission aimed at local people or even free admission for all residents of a town or county.

Donations

Instead of admissions, a donation box can provide some money and allow the public to express their personal pleasure toward the exhibits. Stuffed with some dollar bills as seed money and equipped with glass sides for viewing and a lock for protection, a donation box will encourage satisfied patrons to contribute to your organization. Some will argue that the presence of a donation box is unprofessional and that it will make large contributions less likely.

Corporate Giving

Because businesses take tax deductions for charitable contributions, museums and historical societies have found it possible to raise substantial sums from local corporations. If there is no other means of raising

permanent funds, groups can turn to businesses with an expectation for continuing gifts. Few businesses have the luxury of committing large funds before they determine their annual tax situation. Therefore, it becomes necessary to educate the business community in advance to your importance to your locality and to their obligation—beyond simple tax advantages—to serve your area by providing you with operating assistance.

Some well established organizations have built an endowment on which to rely, and that can provide a cushion when other expected funds do not materialize. For the majority of groups without endowments, the desire to satisfy very real present needs and the hopes of building a very secure future clash. All but the richest patrons want a quick return for their contributions.

Government Aid

Increasingly, historical organizations have been turning to governmental units for continuing aid. Many states have passed permissive legislation allowing counties to grant a percentage of the real estate levy toward a museum or county historical society. In some instances, a state government can be convinced to support an ongoing organization, not formally part of state government.

When appealing to a governmental division for funds, historical organizations must realize that, however upstanding their motive, they are taking part in a political process, and they must act by the rules that apply there. It is vital to prepare a strategy to pave the way for your request. If you know any members of the board of commissioners, seek their advice for your presentation to the board. Timing and careful choice of argument to appeal to the commissioners might make the difference between success and failure. Consider whether a personal appearance will aid your chances and which members of your organization should take part.

One historical society rehearsed the

answers to questions that the commissioners might ask with the society board members assigned to take part in the public appearance. Each member received the assignment of answering one portion of the potential questions of the commissioners. When the committee appeared before the board, the only question posed to them was why they had waited so many years to ask the commissioners for an appropriation.

Even after a successful request, a group should not ignore the funders. Especially if the commissioners must renew the appropriation annually, the historical group should guard against a loss of interest by the commissioners. Not only do elected officials change, but so does the condition of the county treasury, and unfortunately historical subsidies appear to many politicians to be a relatively painless area for cutting.

A report to the board of commissioners enumerating the benefits to the county from their appropriation to your group is an important tool. Since the commissioners must read so many reports, yours should be concise, but, at the same time, complete since they may not realize the benefits from your organization in such areas as tourism, county reputation, and additional employment. Continuing periodic reports will help to maintain a more positive attitude toward the services you offer.

Public Referendum

If you plan to submit your appropriation requests to a vote of the people, gauge the likelihood of success of your petition before committing any formal action. It may well be more difficult to get your appropriation request passed if it failed the first time. If your chances for passage appear slim and you still want to try, plan a persuasive campaign to convince voters that this expenditure of funds is in their interest. Do not simply leave the decision to uneducated guesswork once they are inside the voting booth.

Temporary Funding

Once organizations have satisfied their needs for permanent funding, they have by no means finished the task of raising money. An organization that relies only on programs and activities financed out of permanent funds is missing opportunities to provide changing programs for the community and to enrich its own offerings. Short-term programs serve an important role in maintaining interest in the community beyond a small group of board members.

Preparation and organization are the first steps in gaining temporary funds. Knowing what resources are available and where to find them will substantially improve your chances of getting money. (See Technical Leaflet #62, *Securing Grant Support* by William T. Alderson.)

Knowledge of the interests of the granting agency is useful in initiating the process of application, and most agencies are pleased to help you at the outset of your quest. They find it easiest to deal with coherent proposals clearly inside or outside their guidelines, so they will be pleased to evaluate an idea from the start. If they turn down an idea, you can approach a more appropriate agency with it and save yourself time. If they like your thoughts, they can tell you what projects they would be likely to fund.

Many small organizations believe that grants go only to large organizations that are able to hire professional grant writers. That was never really the case, and, to a large degree, the opposite is true now. With the current concern over "elitism," many granting agencies are looking for small but competent groups to support.

Federal Agencies

The National Endowment for the Humanities, the National Endowment for the Arts, the Smithsonian Institution under the National Museum Services Act, and the Department of Health, Education, and Welfare in its Institute of Museum Services

recently have sought to increase their responsiveness to smaller organizations. Not only are they providing assistance to local groups, but they are actively promoting their programs in hopes of reaching a wider constituency.

The Museums and Historical Organizations Program of the Public Programs Division of the National Endowment for the Humanities has demonstrated its interest in widespread distribution of its awards by sending representatives across the country to meet with historical organizations. They have sought to learn how to be more responsive to a broad spectrum of historical groups while staying within the guidelines mandated by Congress. The Endowment accepts calls for advice and offers to help those with fundable ideas prepare acceptable applications.

The National Historical Publications and Records Commission, a granting arm of the National Archives and the General Services Administration, recently gained funds to provide for several types of records processing. To demonstrate their commitment to the broad community of historical organizations, they mandated state advisory boards not only to decide on applications from that state but to assist groups within the state in preparing applications.

State Resources

The best places to look for funds for many short-term projects are state arts councils and humanities commissions. In most states, these granting agencies are fully committed to the spread of programs not only in the cities but also in rural areas. To prove their seriousness, many of these agencies are hiring assistants to work in areas distant from the main office.

It is in your best interest to seek the advice of the agency to which you are planning to apply. They have a given amount of money and the responsibility to spend it in the most effective manner they can. If you are proposing a project in which they

are interested, they want to help you get the money, and they would rather help you adjust your plans before the formal application arrives than find themselves forced to turn it down with the suggestion that you reapply with corrections. You save both your time and theirs by discussing your project with them once you have formulated your ideas.

You may also find it helpful to contact successful former applicants. Not only will they be able to provide names of appropriate persons in the funding agency, but they can tell you the agency's interests in funding: what they will fund, what they will not fund, and what they look for in projects.

Unemployment Programs

Many historical societies and museums have been overly cautious in utilizing government programs that attack the unemployment problem by creating public service positions in nonprofit institutions. Fears of being saddled with unmotivated and untrained personnel have prevented many groups from taking full advantage of the opportunities presented them. Careful orientation to your project can minimize the difficulty of training and the need for motivation.

The best projects for temporary personnel are those with well-defined limits. The best time frame to coincide with CETA (Comprehensive Employment Training Act) and similar agencies is one-half year to one and one-half years. Since the employees will eventually leave your staff, it is best to assign them to projects either peripheral to your basic program or those involved with the enrichment of one area. Using temporary employees for continuing tasks will prove to be a waste of training.

In requesting a worker from a public agency, decide in advance how much time you can spend in training, how much responsibility you plan to give the temporary employee, and how pressing the need for the project is. Many times it is

better to wait for a desirable employee than to accept proffered assistance from an incompetent worker.

Be careful to state honestly the requirements that meet your needs. If you understate the qualifications, you will likely find yourself with an employee who is unsatisfactory. CETA can supply you with college graduates who are unemployed as well as with less educated candidates. Photographers who work with valuable prints must protect your collection, no matter what the source of their salary. Stenographers must pay careful attention to detail or their help is not truly helpful. In some cases training time may be saved by requesting employees in teams, such as a photographer and a clerk, so you can communicate with one new person and allow him or her to train the other.

In many cases if your requirements are stringent enough, it will be necessary for you to locate your own candidates, and, in effect, conduct pre-interviews on your own. Of course, you must remain within the guidelines of the funding agency, but if the individuals you find for your positions qualify with the funders, you satisfy both the letter and the intent of the law.

Conclusion

Often you will find that the funding agency is interested in paying for projects that bring results they can publicize, and that can work to your advantage. An architectural survey with slides or a public exhibit is more tangible and, thus, easier to publicize than park maintenance, for example.

Be sure to keep your list of potential projects up-to-date. Temporary grant opportunities might require immediate action, and a combination of experience in applying and an available list of many different kinds of projects will stand you in good stead. Memorial gifts or the opportunity for them often arrive without warning, and

donors sometimes shop around for organizations providing ideas that appeal to them.

Even the granting organizations themselves sometimes need to locate fundable projects quickly. A small historical society that had meticulously prepared several applications for the state bicentennial commission only to have them initially refused benefitted from such a situation. Because of the requirement of the bicentennial commission for hard match, many of the original grants were turned back unspent, and the commission found itself with an embarrassment of riches. Knowing that the historical society had a good track record with grants, they called them and suggested that an application for a certain amount for a fundable project would be in order. The historical society had long needed a microfilm reader/printer and an improved collection of microfilm, and the bicentennial commission was pleased to provide half the cost of both.

As it turned out, even the refused applications paid off for the historical society. Having readily available a fundable project of the size pictured by the funder brought an unexpected bonus, but one that was greatly needed and had already been carefully planned.

All the ploys in the world are no substitute for a professionally run program. Most funders are particularly concerned about what your track record has been with grants you have already received. They give money with the expectation that it will be spent wisely. Whatever your total budget, they are interested in the care you will bring to the projects you are asking them to fund. If you apply for projects for which you are competent or for which you will hire competent help, you will maintain a high level of performance and, thus, enhance your reputation.

Above all, remember that the work of your organization is its reason for existence, and adequate funding is only a means to accomplish its purposes.

For Further Information

Private Foundations

The Foundation Center
888 Seventh Avenue
New York, New York 10019

Foundation Research Service
1225 Nineteenth Street, N. W.
Washington, D.C. 20036

Taft Information System
1000 Vermont Avenue, N. W.
Washington, D.C. 20005

Government Agencies

Cultural Directory, Guide to Federal Funds and Services for Cultural Activities

American Council for the Arts
570 Seventh Avenue
New York, New York 10018

Institute of Museum Services
Room 309-G
200 Independence Avenue, N. W.
Washington, D.C. 20202

National Endowment for the Arts
Museum Program Office
Washington, D.C. 20506

National Endowment for the Humanities
806 Fifteenth Street, N.W.
Washington, D.C. 20506

National Museum Act
Office of Museum Programs
Smithsonian Institution
Washington, D.C. 20560

National Historical Publications and
Records Service
National Archives
Washington, D.C. 20408

National Park Service
Department of the Interior
1100 L Street, N. W.
Washington, D.C. 20005

Information about CETA funds is available from your local city or county government.

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history from Brown University and the University of Iowa with additional graduate study at the University of Nebraska. Before assuming his current position, Pizer was executive director and archivist at the Adams County Historical Society in Hastings, Nebraska, where he served as project director or administrator for a number of grant-funded projects. Pizer has also served on the Nebraska State Advisory Board to the National Historical Publications and Records Commission and as a faculty member for AASLH seminars. This essay is the synthesis of a session of the same title presented by Pizer to the AASLH Seminar on the Interpretation of History by Historical Societies and Museums, Western Region, in 1976.



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SECURING GRANT SUPPORT: *effective planning and preparation*

By William T. Alderson, Jr.
American Association for
State and Local History

"How can we get a grant?" Increasing numbers of historical organizations are asking this question as demands for their services expand rapidly and traditional sources of support fail to keep pace with inflation. The past thirty years have seen the development of many private foundations and governmental agencies that exist for the purpose of making grants for the support of worthwhile projects. This has made possible much work in state and local history that otherwise could not have been done. But the procedures for securing grants from these foundations remain for most organizations a great mystery.

This leaflet cannot provide a magic formula for developing grant proposals. What it does, however, is to suggest some general guidelines which have been found successful by agencies that have received grants, and at the same time point out some of the pitfalls that one may encounter along the way.

Grantsmanship is really akin to salesmanship. As the grant applicant you are the salesman. The product you are trying to

sell is a project that will help your institution accomplish its overall objectives of serving the people who make up its constituency. The buyer of the product is the foundation or granting agency, which has its own set of purposes, all or some of which may be realized by funding your program. What you are seeking, ideally, is a situation where the program your agency would like to undertake is exactly the kind of program the foundation would like to support because both your institution and the foundation see that kind of program as a primary objective.

The usual situation is not quite so ideal. More frequently the foundation has before it many proposals for many projects which are appropriate for it to fund. None of them is exactly what the buyer would have created himself, and only some are going to be appealing enough to receive his support.

Under these circumstances your success in obtaining a grant will depend upon three factors: (1) your projected program must be better than those of your competitors;

(2) you must be able to inspire confidence in your ability to do a job that will reflect credit on the foundation; and (3) you must have matched your program to a foundation that wants to accomplish the same thing that you want to accomplish. Let us consider these factors separately.

YOUR PROGRAM MUST BE BETTER

Good programs start with good ideas. And good ideas, while they may start with some moment of intuitive brilliance, need tempering just as does fine steel. The initial concept for the program should be thought and rethought, written, rewritten, and rewritten again.

Avoid consigning your program to the awful fate of design by committee, where good ideas are likely to be weakened by compromise. It should nevertheless be tried out on other people in whom you have confidence—your fellow professionals, the members of your staff. What are you really trying to accomplish? How will this particular grant program further the objectives of your organization and help you meet your responsibilities to your members and to the general public? Does it meet a genuine need?

Ask yourself whether the idea is really innovative. Most historical organization directors would prefer to get money for general operating expenses so that salary levels could be improved or exhibits refurbished. But it is important to recognize that most foundations are not interested in giving money for that purpose. The satisfaction the foundation gets out of giving money to your organization rests in its knowledge that it has helped to accomplish a specific objective. The glamour of supporting an old, on-going program is considerably less than that attached to funding a new direction, a new program. The foundation wants to feel that it is helping to extend the services of your society into new areas, or doing for the first time something that has needed to be done for a long time.

This does not mean that you should develop all kinds of brand new programs that are not related to the present operations of the institution. It does mean that you

should think about improvements on your present program in terms of projects that might be funded by a foundation, and that you should emphasize, when writing the grant request, the newness of the direction you propose to take.

Only by being aware of similar programs can you judge innovative features of your own proposal. This means that you must do some research. Find out what similar programs have been tried and show how your idea is different, how it will accomplish more or benefit a new audience. There is no need to reinvent the wheel. You should profit from the mistakes and accomplishments of others who have worked in the field by studying their efforts.

Your program must be better thought out than those of your competitors in organization as well as in conception. The key to this is thinking ahead farther and anticipating more of the potential problems that might arise along the way. In showing how you plan to build on or deviate from similar projects, indicate the structural improvements that you hope to make. One of the ways the foundation will measure your thoroughness as a potential grantee is by considering your careful background preparation.

It is also important that the administrative structure for the program be adequate to the task. Be realistic in projecting the amount of staff that will be involved and in estimating the costs of carrying out the project. Don't think too small. Thinking small may keep to a minimum the funds that will be requested of the foundation but it may also raise questions about your ability to realistically appraise an administrative problem. Instead of praising you for frugality, the foundation may question your understanding of how much work is involved in the project, and therefore may assume that the program is not likely to succeed.

At the same time, avoid going to the other extreme of padding budgets and staff beyond the requirements of the project. This induces a reaction on the part of the foundation that you are trying to "take them to the cleaners," and it may kill the project

regardless of the merits of the idea. Foundations develop a keen sense of project costs that immediately separates frills from necessities.

Your project must also be superior to its competitors in the need that it will serve. That need should be genuine. As any person who reads grant proposals for foundations will readily testify, far too many applicants try to work a gimmick. Most often the request is tied to some present-day fad or some currently popular emotional commitment of the general public—in recent years, for example, ecology, Bicentennial, or ethnic problems. Although grants should be sought in these areas of great need, the project must provide a genuine contribution. In other words, don't retread all of your rejected grants, manufacture projects of dubious worth, or tie them to current social issues in the hope that this will insure success. A poor grant request is poor under any circumstances, and the current fad will not help it much.

To put it another way, when seeking grants be sure that the motive for requesting the grant is service instead of self-service. Do you want the program in order to provide some benefits for the people who make up your constituency? Or is the purpose of the grant just to get money? Sincerity is all-important, and insincerity is almost impossible to hide.

Finally, your proposal must be better in its projected results. Assuming that you started with a good idea and have encompassed that idea in an effective organization which is working to meet a genuine need, the foundation now wants to know who or how many people will be affected by the program. The grant proposal should be clear and specific on this point. How will you evaluate the results of the program? Is there some way that you can measure the number of people who are affected by the program? If there is not a way of measuring numbers of people, is there some subjective appraisal, obtainable from people outside your own organization, that will demonstrate the effectiveness of the program after it has terminated?

This is a difficult area in the develop-

ment of the grant proposal. Unhappily, many foundations are statistically oriented. They want to measure success in terms of a numerical count of people who were directly affected by the program and whose reactions to the program can be measured statistically. Many historical agency projects do not lend themselves to this kind of analysis; the results are often intangible and long term in their impact on people. Many historical programs touch immediately a relative handful of people who, in turn, spread the benefits of the program far beyond the primary audience. If your program is of this nature, it behooves you as a grant applicant to remind the foundation that you are projecting long-term results in a program that directly reaches only a few people but indirectly will affect a great number.

YOU MUST INSPIRE CONFIDENCE

The second thing that you must do in selling your grant to a foundation is to sell yourself. You must sell your organization, and you must sell yourself as its director.

Grant funds are available for consultants to advise on specific problems of historical organizations.



PHOTO COURTESY HISTORICAL MUSEUM



ILLUSTRATION BY MICHAEL SOCIETY

Community involvement projects, such as a historymobile which takes museum exhibits to the public, are likely prospects for support.

The big question is whether the foundation not only can have confidence in your ability to carry out the project, but can save face if the worst happens and the project is a failure. If you have successfully completed projects funded by other foundations, your "track record" has been established and little else is necessary to inspire confidence. But if you have not built up such a "track record" you will need to incorporate in the grant proposal information that will help the foundation believe in your ability. You must provide the defense that foundation trustees could use against possible charges of unwise expenditure of funds.

There are several ways that you can do this. You can seek endorsements of your fiscal responsibility from persons with whom you have had financial dealings. You can seek endorsements of your program capabilities from people who have worked with you and can attest to your professional performance—the state historical agency, perhaps, or another professional who is known to the foundation. You can also build into the project an advisory board.

Such a board can be helpful in bringing about success for the project, but, more important, its very existence will reassure the foundation that the best thinking is available to the project.

Confidence in your organization will also be inspired by some elements of the grant proposal that are often not given the attention they deserve. The budget should not only be realistic, it must be added correctly. Grant requests that come in with nice round amounts of money suggest that the applicant has really not thought through the exact sums that will be needed. Some elements of the budget have to be estimated in round numbers, of course, but it is obvious that other figures can be computed even down to dollars and cents. The foundation may interpret a budget with all figures rounded off in large amounts as evidence of potential fiscal irresponsibility or inattention to details.

Confidence is also created by a well-written text. The amounts of money being sought are worth the extra effort to polish up the prose. Clear, expository prose rather than literary flourish is needed. See that it is concise, logical in its progression of ideas, and in good grammatical form. It should not be necessary to add that the proposal should be typed neatly and free of typographical errors; but a surprising number of requests violate that advice. If you are not an effective writer yourself, try to put the ideas in good form and find someone to help you write the proposal.

Finally, a word about brevity. The people who will make the decision on your proposal—foundation staff members and trustees—are confronted with enormous stacks of paper that they must read, understand, and make judgments upon. A forty- or fifty-page grant request may be justified for some proposals, but in this author's experience such justification is rare. Keep the body of the proposal short and to the point. Get the most important information of the proposal into the first two pages, because within those two pages you will either have captured the imagination of the foundation trustee or lost his interest. Be sure to provide all of the information that

is *essential* to reaching an intelligent decision. Exclude unessential information entirely, or at least relegate it to an appendix which the foundation trustee may read, or not read, as he chooses.

CHOOSE YOUR FOUNDATION CAREFULLY

The third element of salesmanship is finding a willing buyer. In seeking grants we sometimes forget that each foundation has its own special interests, just as we do. Each has things that it wants to accomplish, just as do our historical organizations.

You *must* study the foundation to whom you expect to apply for a grant. This is one of the essential parts of seeking grants, and a part that is too often overlooked. What are the stated purposes of the foundation? Does it have any policy limitations on geographic areas in which it will make grants? What kinds of projects has it funded in the past and for what purposes? Does it have a slant towards education or acquisition of artifacts? How and when are decisions made? Who are the members of its board of trustees, and do they have special interests that may coincide with your own? What size grants does the foundation prefer to make? Are most of its

grants in the five and six figure range, or does it prefer making smaller gifts of under \$10,000?

The best means of finding out whether your interests match those of the foundation is arranging a personal interview with the grants officer. This is the staff member who will receive, review, and process your grant request for submission to the trustees. Remember that the measure of his success as a grants officer is the quality of the proposals he brings before the board of trustees for possible funding.

The grants officer receives all kinds of applications. It therefore behooves you to inquire informally whether your particular project would be of interest to the foundation. A personal interview is by all odds the best way, even if it involves an investment in travel funds. It may help you to discover other mutual interests shared by the foundation and your organization. It may reveal other projects that the foundation would find attractive. Go with several project ideas and explore them.

Always precede your interview with a request for an appointment and with a written descriptive abstract of the grant project. Then be guided by the wishes of the grants officer. He may prefer a telephoned inquiry instead of a personal meet-

AASLH training programs for historical agency staff members have been supported by grant funds since 1967.





Small foundations are excellent prospects for local projects, such as the research and publication of area histories.

ing, or he may prefer that no verbal discussion take place until after a brief exchange of correspondence.

One caution should be mentioned in the matter of matching your interests to those of the foundation. Be sure that in your desire to obtain a grant you do not take on projects in which the foundation has an interest, but which are beyond the capabilities, finances, or purposes of your institution. Many an organization has agreed to attempt a project because a foundation was interested in that project and was willing to provide money to carry it out, only to find that they could not do a good job of it, that it unduly extended the finances and staff of the institution, and that its end result was an unsuccessful grant project that blemished the next grant request. Be realistic in keeping your proposal a two-way endeavor.

YOUR REQUEST MUST BE GOOD

With these basic principles of grantsmanship in mind, let us turn to some of the specifics of preparing a grant request. Since entire books have been written on this subject, the leaflet can touch on only

the most important points.

1. Develop the habit of thinking of your organization's program in terms of projects that will be suitable for grant support. Maintain a desk file of grant ideas. Work those ideas into rough drafts and then into more finished drafts as you have time. You never know when the moment will arise for funding a project, provided you can act quickly.

2. Study foundations in terms of the projects you are developing. At the federal level you should obtain guidelines for programs of the National Endowment for the Humanities, the National Endowment for the Arts, and the National Museum Act which is administered by the Smithsonian Institution. Some of your projects may qualify for funding by the Department of Health, Education and Welfare; the Office of Education; or the National Park Service. After you receive the guidelines, read them carefully for what they really say, not for what you wish they would say.

The best place to find out about the general policies of private foundations is in the publications of the Foundation Center in New York. Their *Foundation Directory* has

information on 55,000 foundations which have \$500,000 in assets or customarily make grants totaling \$25,000 or more a year. Publication of a supplementary *Foundation Center Information Quarterly* provides updated information on kinds of grants, where to obtain guidelines, and major areas of foundation concern. They also provide the *Foundation Grants Index*, a cumulative summary of all grants made by the major foundations within a given time period. The grants are listed by subject areas (education, humanities, etc.) and within each subject area alphabetically by the name of the foundation. These grant reports are taken from the magazine, *Foundation News*, which also contains articles on what is happening in the foundation field.

In addition to these relatively inexpensive publications you may wish to investigate one of the service organizations that collect and makes available more detailed information on each foundation. The Taft Information System publishes an extensive volume annually and provides updated information on foundations monthly. Subscriptions are currently \$250. The Foundation Research Service gives comparable information on individual foundations, but their fee structure varies according to the number of foundation reports you request. If your target is the big foundations, these services are well worth considering.

Remember also that many of the best prospects for your organization are small foundations not necessarily listed in any publication or analyzed by the special services. Most of them are local, family foundations. The best way to find out about them is to check with the Secretary of State of your state who has records of incorporation of foundations, or with the Internal Revenue Service with which foundations must register under the Tax Reform Act of 1969. Check also with trust officers of your local banks, who not only know about the private foundations but may very well serve as their officers.

3. Having identified the foundation to which you will send your proposal, write up a draft of the project with that specific

foundation in mind. Anticipate the kinds of questions that the foundation officer may ask about a project which is very familiar to you but totally unfamiliar to him. In other words, think in terms of selling your project to a well-educated, informed individual who may not be familiar with the work of historical organizations.

4. Prepare a tentative budget for the project. In doing this be as precise as possible. Obtain estimates from suppliers on items that will be required in predetermined quantities.

One of the most important steps in preparation of the budget is to make a distinction between direct costs and indirect costs. Direct costs are relatively easy to determine because they are costs that are directly and solely attributable to the project itself. As shown on the sample grants budget, these frequently cover salaries, retirement contributions, printing, purchasing or leasing equipment, and similar items. As a general rule, expenditures that can be backed up by invoices, salary records, or special office records (such as long distance telephone calls) will be listed as direct expenditures. You can prove to an auditor that these

Consider specific aspects of your historical collections that may need the kind of attention a granting agency is willing to fund.



CANADIAN GOVT. PHOTO CENTRE

funds were spent for the project and not for any other purpose.

Indirect costs are more difficult to determine, but they are important to the financial health of your organization. Considerable help is given in *A Guide for Non-Profit Institutions*, obtainable from the Department of Health, Education and Welfare. Indirect expenses may include estimated portions of time spent on the project by other members of your regular staff: the director, his secretary, the bookkeeper, even the maintenance staff. They will also cover expenditures that are difficult to account for with precision: office stationery, wear and tear on office equipment, photocopies of documents, and occasional use of a motor vehicle owned by the institution. Indirect expenses may or may not include such items as office rental or office equipment, depending on whether they can be isolated or are inextricably interwoven in the administration of your organization.

Indirect costs may be included in the grant request (if they are allowable by the foundation) in two ways. The first of these involves preparation of an itemized listing of your estimated indirect expenses. This will be submitted to the foundation for its approval or for negotiation to arrive at a figure that is mutually acceptable to both of you. The second way is to add to the direct costs of the grant a certain percentage for indirect expenses. That percentage is usually determined by an analysis of your overall financial operations by an experienced accountant. Many organizations that carry on extensive grant activity with federal agencies negotiate an acceptable percentage with one government agency and are then privileged to use the same rate on contracts with other government agencies. The federal government will allow indirect expenses arrived at either as a percentage of total salaries involved in the project, or as a percentage (much lower) of the total direct cost of the grant.

5. Indicate in your discussion of expenses any contributions involving monetary outlay that your organization is making to the project. Foundations are impressed by a group that in the figurative sense puts its

own shoulder to the wheel. Your participation may involve donating building space or the time of part of your regular staff. It may be contributed time of volunteers or waiving the cost of office supplies. Differentiate the support you are providing from that requested from the foundation, and try to place a realistic monetary value on it. A willingness to share general expenses is evidence of your commitment to the project for which you are requesting funding.

6. With the project described and the budget developed, the next step is to communicate with the foundation. In advance of this, it will be very useful to prepare a brief summary of the project in not more than two pages—something that you can enclose in a letter to the foundation or can give to the foundation's grants officer at the time of a personal interview. Such a summary should be prepared with the greatest care for conciseness, clarity, and persuasiveness.

7. The formal application necessary for each grant will be determined by the foundation to which you are applying. Most foundations want the request in some kind of consistent order for their own purposes, and you should follow their instructions to the letter. If they do not have such guidelines, the following essential elements should be included.

- (a) A face sheet giving the name of your organization, the title of the proposal, the amount requested, the time period in which the project will be carried out, the person in your organization to whom correspondence should be addressed, and a 150-word synopsis of the project.
- (b) A narrative statement of the need and benefits of the project, written in good English prose that avoids clichés and presents substantive evidence to back up your claims.
- (c) A statement of the plan of the project or the procedures that you will follow in carrying it out.
- (d) A report on the personnel who will do the work, including a brief statement of their qualifications.

Sample Budget

MAIN STREET HISTORICAL SOCIETY

Proposed Budget

History Lecture Series

DIRECT EXPENSES	Subtotals	Totals
Salaries		
Coordinator (60% of full time)	\$6,000	
Secretary (30% of full time)	1,800	
Social Security, retirement, hospitalization (15%)	1,320	
	<u>\$9,120</u>	\$9,120
Lecturer honoraria (12 @ \$200)		2,400
Travel		
Coordinator: 2 trips to Washington @ \$170	\$340	
Per diem (6 days @ \$25)	150	
Lecturers: 12 trips @ \$170	2,040	
Per diem (3 days per trip @ \$25)	900	
	<u>\$3,430</u>	\$3,430
Supplies (Stationery, badges, etc.)		240
Telephone (long distance only)		120
Printing of announcements and program		450
Postage		150
Taping and Transcribing Lectures (12 @ \$40)		480
Total Direct Expenses		<u>\$16,390</u>
INDIRECT EXPENSES		
Indirect expenses are estimated as follows:		
5% of time of director, assistant director, and bookkeeper	\$1,440	
Office Space (60% use of 250 sq. ft. @ \$4)	600	
Office Equipment (depreciation and service)	315	
Telephone, Photocopies, and Miscellaneous	100	
Total Indirect Expenses	<u>\$2,455</u>	<u>\$2,455</u>
TOTAL AMOUNT REQUESTED		\$18,845

- (e) A budget, showing not only what will be required the first year but what expenditures you anticipate for future years.
- (f) A statement or certificate that yours is a non-profit organization and has a determination letter to that effect from the Internal Revenue Service. (You may want to attach as an appendix to the proposal a photocopy of the determination letter itself.)
- (g) Finally, the grant request should have a place for the dated signatures of whoever has the right to approve the undertaking of the project by your institution. This approval sometimes is vested in the director and sometimes in the president of the board of trustees. Occasionally approval must be given by the entire board in a formal resolution that would be attested to by the board secretary.

8. Once the application has been received by the foundation it will go through a formal review process by the staff of the foundation, and usually by outside experts as well. In that review the foundation will be asking such questions as: Will the project meet a genuine need? Does the applicant demonstrate an ability to succeed? Is the project well conceived? Is the budget realistic? The outside expert who reviews the proposal may very well be one of your colleagues. Remember that the professional judgment he uses in determining the merits of the proposal will go beyond the general considerations of the foundation itself.

9. On the basis of the review of the proposal the foundation may suggest certain modifications for your consideration. A grant is a contract, and changes in the original proposal must be acceptable to both parties. You may find that the proposed changes will be beneficial to the project; you may have some suggestions of your own. Beware, however, the kind of modifications that take the original proposal too far afield from the major objectives of your organization, or present you with a task too large for the available funds.

10. Next comes the receipt of the official grant letter or the contract for the project. Read such documents carefully. They not only state when and how you will receive the funds, but also establish certain requirements which should be rigidly adhered to. These requirements will include accounting for the expenditure of the funds and the preparation of periodic budget or progress reports. Mark the due dates for these reports on your calendar and make sure you get them in on time. Your punctuality will help inspire the confidence that you want the foundation to have in your work.

11. Once the project has concluded, the foundation will want a final report. The excitement of the activity is over by this time, and there may be a temptation to give the final report short shrift while you pursue new projects. Don't. Your final report establishes your reputation with the foundation. It should be detailed enough to show the foundation what was accomplished, and it should be honest in assessing both the successes and the failures of the project. No foundation expects you to do a perfect job on a grant. Honest admission that certain phases of the project did not go as well as expected will again help to inspire confidence.

Obtaining grants is not easy. But neither is it so great a mystery as many historical society and museum directors think. The essential elements of the process are imagination in the development of new ideas for worthwhile programs, analysis of the administrative machinery necessary for carrying out the project; attention to detail in the development of the actual proposal; careful stewardship of the funds which the foundation has made available to you for the work; and the regular investment of staff time and funds in the development of future grants.

There is yet one remaining element: give generous credit to the foundation for its part in your success. Your ego as a salesman is less important than the satisfaction of a customer to whom you may want to make another sale.

CHECKLIST OF GRANT CONSIDERATIONS

DO

- Be sure that the project is in the best interests of your organization.
- Consider the project's impact on your organization: time, space, indirect expenses.
- Develop projects that extend your present activities.
- Be precise in budgetary details, including all costs.
- Exhibit an awareness of similar programs being done elsewhere.
- Match your proposal to the foundation's goals.
- Publicize your past record of projects and fund raising.
- Consider personal interviews with grants officers.
- Keep good records, especially of grant expenditures.
- Invest time in considering future grant possibilities.
- Be generous in recognizing your source of support money.

DON'T

- Forget former objectives; take a totally different direction.
- Fractionalize your staff and resources.
- Ask for general operational support.
- Overload your budget with frills or marginal needs.
- Retread last year's request to the latest fad, or fleeting emotional commitments.
- Assume that foundations have unlimited money for any type of project.
- Ignore past accomplishments because they seem unrelated.
- Discuss only one project; seek the foundation's reaction to many possible projects.
- Become dependent on grant support for general operational expenses.
- Cut off staff suggestions or new ideas because you are too involved.
- Take all the credit for the project's success.

FOR FURTHER READING

Aid to Education: Programs of Some Leading Business Concerns. 7th ed.; Council for Financial Aid to Education, Inc., 6 East 45th Street, New York, New York 10017.

Foundation Center Information Quarterly. Columbia University Press, 300 Boulevard East, Weehawken, New Jersey 07087. \$7.50 per year.

The Foundation Directory. 4th ed.; New York: Columbia University Press, 1971. 642 pp.

Foundation Grants Index, 1970-1971: A Two-Year Cumulative Listing of Foundation Grants. New York: Columbia University Press, 1972. 292 pp.

Foundation News. Council on Foundations, Box 468, West Haven, Connecticut 06516. \$10 per year; bimonthly.

A Guide for Non-Profit Institutions: Cost Principles and Procedures for Establishing Indirect Cost Rates for Grants with the Department of Health, Education and Welfare. Washington, D.C.: Department of Health, Education and Welfare, 1971.

Grove, Richard, "Taken for Granted: Notes on the Pursuit of Money," *Museum News* (June, 1971), pp. 18-19.

Historic Preservation Grants-in-Aid: Policies and Procedures. Washington, D.C.: National Park Service, 1972. 78 pp.

SOURCES OF INFORMATION

Private Foundations

The Foundation Center
888 Seventh Avenue
New York, New York 10019

Foundation Research Service
1225 19th Street, N.W.
Washington, D.C. 20036

Taft Information System
1000 Vermont Avenue, N.W.
Washington, D.C. 20005

Government Agencies

Department of Health, Education and
Welfare
330 Independence Avenue, S.W.
Washington, D.C. 20201

National Endowment for the Arts
Museum Program Office
806 15th Street, N.W.
Washington, D.C. 20506

National Endowment for the Humanities
Division of Public Programs
806 15th Street, N.W.
Washington, D.C. 20506

National Museum Act
Office of Museum Programs
Smithsonian Institution
Washington, D.C. 20506

National Park Service
Department of the Interior
1100 L Street, N.W.
Washington, D.C. 20005

Office of Education
Applied Research Program
400 Maryland Avenue
Washington, D.C. 20202

As Director of the American Association for State and Local History, William T. Alderson, Jr., has been involved actively in nearly all facets of "grantsmanship." He has evaluated grant proposals while serving in an advisory capacity and on reading panels for a number of governmental agencies and private foundations, in addition to having prepared numerous proposals for AASLH grant projects. He has also frequently lectured to nonprofit organizations on the subject of securing grant support.

Alderson, long active in the field of state and local history as writer, archivist, and educator, holds degrees in history from Colgate and Vanderbilt Universities. He served as state librarian and archivist for Tennessee before becoming director of AASLH in 1964. He has since been on the official panels of many national organizations and currently holds membership and chairmanship on the Accreditation Commission of the American Association of Museums, is a Fellow of the Society of American Archivists, and is a member of the Board of Directors of the American Heritage Publishing Company.



TECHNICAL LEAFLET 62

Technical Leaflets are published by the American Association for State and Local History for the purpose of bringing useful information to persons working in the state and local history movement. The series does not follow the same categories month after month,

since the selection of subject matter is based upon varied inquiries received by the Association's home office. The leaflets, which are detachable from the magazine, are copyrighted © and should be cataloged as part of *History News*.

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Reprints are available for \$.50 each. For information on bulk rates, write to the Association at 1315 Eighth Avenue, South, Nashville, Tennessee 37203.

Selling History: A Practical Primer on Museum Product Development and Licensing

This technical leaflet is based on a presentation of the same title that was given at the 1998 AASLH Annual Meeting by the authors.

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BY SANDRA L. HARRIS & SANDRA M. NARVA

As financial support for arts and humanities dwindles, museums and historical societies turn to innovative ways of increasing revenue and preserving their bottom line. Almost all have incorporated some sort of product sales in their fundraising efforts. Whether we discuss a small store run by one volunteer or large operations with multiple locations, the basic concepts are the same. This leaflet will serve as a guide for establishing or evaluating proprietary product development and licensing for historical institutions.

KNOW THYSELF

Before plunging in, take time to do a self-study to determine your museum or historical society's identity, or, in marketing terms, a brand. This means latching on to what makes your organization tick, what makes it unique and special. A brand is how you want to be identified and positioned in the marketplace and, consequently, recognized by the public. To uncover your brand, it is helpful to analyze your collections and mission, as well your museum's long-range plan, exhibition schedule, and public programming. Are there specific collections for which you are known or warrant increased public awareness? For example, if you represent a local history museum with a wonderfully rich collection of regional samplers and quilts, it is most appropriate to focus upon these collections.

Next, step back and look at how the public perceives your institution and what they come to see. Is it your gardens rather than your collections? If you don't have current information, undertake a visitor study. The results of what your brand is, or should be, may surprise you. Product development or licensing may not single-handedly establish the brand that you aspire to, but in conjunction with other programs, publications, and exhibitions the product will help solidify the broader recognition of your identity.

Once you have a brand in mind, familiarize yourself with diverse product markets. Subscribe to and read trade publications about trends in different consumer product industries. Speak with local retailers and buyers for national chains about what sells and who are the best manufacturers. Attend trade shows to speak with manufacturers and see introductions of product lines before they hit the retail market. Educate yourself and your institution on the markets that interest you because they change often, sometimes seasonally.

Choose what makes your institution unique in your city, and capitalize on that in your product choice.

PRODUCT DEVELOPMENT DEFINED

In this leaflet, we define proprietary product development as the process in which museums or historical agencies design, produce, and sell custom items based on their collections or programs for sale in their own stores or catalogs. The following are key elements to consider in product development:

Mission

Your institution's mission should guide the mission of your sales. The following questions must be answered:

What are your goals for product development?

Choose specific topics and themes. It is impossible to address every aspect of your institution in a retail program. The most effective route to take is to parallel permanent and temporary exhibit missions with complementary products.

What is your niche?

Many museums make the mistake of trying to compete directly with traditional retail stores. Choose what makes your institution unique in your city, and capitalize on that in your product choice.

Offer unexpected or different services and become known for it!

Remember UBIT!

The IRS is serious about unrelated business income tax (UBIT). Any product you sell which cannot somehow be related to your mission is subject to tax under these laws, despite non-profit status.

BUDGET

Proper planning of projected spending is crucial to your success. Whether the retail program has an independent budget, or is part of the institution's budget, those responsible for buying need to understand exactly how much they have to work with, preferably a year in advance. In addition to an annual figure,

devise the budget monthly and by product category to reflect seasonal trends and to support special projects or events.

VENDORS

The relationship your buyer establishes with vendors is complicated, and cannot be taken lightly. As much as possible, store personnel do extensive vendor research before choosing companies to work with. Attend trade shows, shop other stores for ideas and contacts, and request samples for review. Do not be afraid to negotiate to find low minimum quantities and compare prices. Vendors will often be more flexible than one might expect in order to get and keep your business. Many vendors now specialize in the museum market specifically and understand the special concerns museums have. Regardless of the product, choose vendors who can understand and respect your mission.

Your store needs to be considered as a part of your total museum package you offer to visitors. Thus, it must be included in all of your marketing efforts.

PRODUCT SUGGESTIONS

Historical organizations have unique possibilities for product development. Often the collection and exhibits showcase themes that translate well to products. Before getting caught up in the “mug and T-shirt phenomena,” try to discern what you can do a little differently. First and foremost, add accompanying educational literature with as many products as possible. Also, stock your shelves with hard-to find books. Supply reading lists and sell the books on the list. Become known as “the place” to find books on a subject your museum highlights. Invite the authors of these books for book signings and readings while offering educational materials and activities with education staff. Try to focus on items that reflect events and holidays important to your region. For example, Arizona’s Statehood Day is Valentine’s Day.... The Arizona State Capitol Museum Store ties merchandising, history, and a well-known gift-buying occasion together! Find a local

theme and run with it. Again, become “known” for these items in your publications, events, and displays.

As in any other area of museum work, when choosing products to develop, remember your audience! Ask the following questions:

Who are my current customers? What do they buy? How much do they spend? Have they suggested items we could sell? What niche is missing which we could fill?

Set goals for expanding the areas you can best address, whether attracting new customers with new items or selling more to current customers, increasing the price point or decreasing when necessary. Always keep a balance of old and new, higher priced and lower priced stock as you test new waters. Museum store customers tend to be very loyal, and want some continuity in your look and style of merchandise, even as you offer new items.

MARKETING

The most unique products are of no value sitting on shelves all year! Your store needs to be considered as a part of your total museum package you offer to visitors. Thus, it must be included in all of your marketing efforts. The efforts can range from a paragraph in the newsletter

to full catalogs. Most importantly, remember to budget part of the store or advertising budget specifically for marketing your products. Most small to medium sized museum stores find the majority of their business is from walk-in visitors. Therefore, focus the majority of your energy and money on getting people through the door! Once inside, your well-trained staff can ensure sales. Direct mail is risky and requires a lot time and money; it is often better for larger institutions with staff focusing solely on catalogs. Your website is another good way to market products. The ideal situation is to update sites and change products with the season. However, if you do not have staff time to update it, choose a few “staples” from your inventory such as books or signature items which can stay on the site for extended periods. In addition, be sure you are set up and adequately staffed to ship these items out in a timely manner. Smaller museums often lack this ability. Again, don’t expect the web to match or surpass your walk-in sales.

STAFF TRAINING

A well-trained staff is the most important element of product development and sales. Evaluate your own store staff by the following criteria:

Docent Training

Has your store staff been trained in exhibit content? The best way for store staff to sell products relating to your organization is to have the same knowledge interpreters and docents have.

Sales Training

Does your staff know how to sell? Selling products is the same as giving a tour; provide information, answer questions, and make the experience personal. Training in customer service and matching your visitors' interests/needs with available products is crucial.

Staff Meetings

Is your store staff included in exhibit or education meetings? When store staff understand the education and exhibit plans of the institution, they are better prepared to function as a part of the whole institution.

Education Department

Do you consider store staff as an extension of the Education Department? Do you encourage the staff to get additional training and attend conferences?

Measure Results

Are your product choices working? Measure daily, weekly, monthly, annually through accurate inventory records, visitor data, and sales data. Whether done manually or with a point of sale system, your store manager should have reports as a top priority. Most importantly: expect mistakes! Don't dwell on them, and don't be afraid to get rid of dead ideas and products! If you have a product that sits on the shelf no matter how many times it is moved or put on sale, by all means lower the price or include it "free with purchase!" This allows you to make room for better items.

Product development can be an excellent way to extend your mission beyond the walls of your institution. However, it takes a great deal of planning and requires the same level of professionalism and knowledge as every other position in the museum. Without seriously evaluating the basic elements noted above, your chances of success are slim.

Key issues to remember:

- choose specific themes and product lines that uniquely express your mission
- consider product development as part of all museum planning
 - seek buy-in from all staff so the store products are part of programming
 - follow national retail trends, but create your own niche
 - measure your result.

Has your store staff been trained in exhibit content? A well-trained staff is the most important element of product development and sales.

LICENSING

For years, licensing has been used to promote well-known comic characters, designers, professional sports teams, and blockbuster movies, but now has branched out to every type of market and consumer product imaginable.

Though the commercial aspect of licensing may first seem at odds with the mission of the museum world, it has been successfully applied to produce museum-licensed product. Museums have a long history of licensing; Colonial Williamsburg began their successful reproductions programs over 50 years ago, and since then, larger and mid-size museums have jumped on the bandwagon. Some museums, like the Smithsonian Institution, have a vast array of licensees, appropriate for the collection's breadth. Many smaller museums have entered into limited licensing programs and continue to produce proprietary products for sale in their shops. Licensing may not be appropriate for every cultural organization in America. Before jumping into a licensing contract, a slew of concerns must be addressed.

WHAT IS LICENSING?

For the purposes of this leaflet, licensing is a legally binding agreement between a company—known as a licensee—that takes upon the responsibilities of designing, manufacturing, and distributing consumer goods based upon or incorporating the name, collections, logo, or intellectual expertise of the entity legally owning these rights—also referred to as the licensor. In the case of museum licensing, a licensee is usually a retail consumer products company and a licensor is a museum or historical agency. The tie binding the parties is a legal licensing agreement. Payment for use of these rights is through a royalty, typically a percentage of the wholesale price of each product sold. The major advantage of licensing is that, unlike the standard proprietary product development process in which museums are responsible for all costs of design, inventory, and sell-through, licensing permits museums to align themselves with companies responsible for all aspects of manufacture and distribution. Simply put, your organization's products become part of a manufacturer's line and are promoted and sold by them as having been derived from your collections.

If a curator, assistant director, or retail manager is already swamped with work, it is not appropriate to appoint them licensing coordinator.

Advantages of licensing include:

- little or no cost for product development
- no inventory to store or distribute
- regular royalty payments, generating additional income
- increased recognition of your name and collections
- potential for far-reaching distribution of your product

Drawbacks and risks involved include:

- special staffing with licensing expertise may be required
- programs may take years to establish; royalties won't be realized for at least another year
- success of products cannot be guaranteed
- you must police your name, trademark, and copyright from copycats

Is licensing a good direction for your organization take? If your museum or historical society wants only a few new products for the shop, then stick with proprietary product development. On the other hand, if you want products with greater distribution throughout the country or internationally, licensing may be appropriate. Licensing takes time, energy, patience, and persistence, so appropriate research and planning are important.

It is important to research the rights to your collection in the licensing process. Are artifacts under copyright or do their deeds of gift specifically note they are not to be reproduced for retail sale? If the copyrights of several key collection pieces are not clear, are you willing to do what is required to secure them? Typically, this is a financial agreement that may mean an outright lump-sum payment or part of the licensing proceeds paid to the copyright owner.

Another important factor to consider is staffing. Be realistic about this—if a curator, assistant director, or retail manager is already swamped with work, it is not appropriate to appoint them licensing coordinator. Will you need to hire someone or contract a consultant? Also of concern is the time-frame—do you have the years required

for the start-up of the licensing program? Unlike immediate payments made for image use of your collection, full-fledged product licensing programs take years to see a return due to product design and introduction cycles. Financially, if your museum needs an immediate influx of money, licensing is not the best way to go about meeting that demand.

The how to's of a successful licensing program

After taking a good hard look at your organization and collections, decide what product lines strategically promote the brand image you decide upon. That is, are the furniture, clothing, toy, home accessory, or print media markets the best match for your expertise, collections, and mission? Or, if your research found that visitors flock to your garden, wouldn't pursuing garden-related product be a good option? The licensing market is becoming saturated with similar products, like reproduction furniture, calendars, and jewelry.

What will distinguish you and your brand from others in the marketplace, and how will you sell it to potential licensees? The field is extremely competitive, so the more creative you are, the more likely your program will be a success. Licensing is a creative process—think out of the box.

Another consideration is how large a licensing program you envision. Do you want one or two products introduced by the same manufacturer, or a comprehensive line of products introduced by several licensees? If you are new to licensing, you should begin working with one licensee. After the process becomes more familiar, branch out to others.

Going hand-in-hand with other factors is the all-important consideration of how much money your organization expects to make from licensing proceeds. Low-ball this figure, since you may have difficulty projecting future royalty earnings until a successful program is up and running. Remember that licensing should not be viewed as a panacea to all financial obligations.

After establishing the type of products you want to have, the next step is finding a manufacturer to partner with. While researching products and markets, compile a short list of manufacturers that fit the needs of your program. Next, solicit prospective licensees. Approaching companies you want to license with can be intimidating and is not for the faint of heart. Be ready to launch a hard sell of your organization. Over the course of a licensing agreement, licensees expend significant amounts of money on design, manufacture, packaging, and marketing, so the license or products you pitch must generate profit, set the product apart from competition, and seem extremely worthwhile to the manufacturer's business plan. If they view it otherwise, your offer will be declined. Prepare yourself by developing marketing materials to sell your brand, and clearly explain the merits of your organization. Be prepared to answer, "so what" and "what does this mean to me?" Keep in mind many companies may not regard your collection as important to base products upon, especially if much of it is in the public domain, since they can get it elsewhere without paying for the rights.

Review the quality of the manufacturer's products. Look for them in stores, examine samples, review detailed financial and company information, and so on.

Name recognition is also important in selling licensed products; unless the company you are pitching to has a successful license with another museum, it may be difficult to convince them that your museum's name will drive sales.

While you are in discussion with prospective licensees, review the quality of the manufacturer's products. Look for them in stores, examine samples, and review detailed financial and company information, the names of key employees, a list of their best customers, and so on. Follow up on this information to confirm the stability and quality of their organization. Remember the

licensee will be selling your product and name, so you want to make sure they are up to your standards. If you don't like the quality of products or feel a company is not financially stable, you should decline to work with them.

After lining-up a licensee, your organization needs to draft a contract prior to beginning any product development. Work with a lawyer on this—don't do it yourself for the first time. A short letter of agreement may seem good at the beginning of a license, but make sure all areas are covered, because you will be held liable to the terms of the agreement. Many licensing manuals include samples of agreements and can act as a guide for

drafting your standard contract. Every license will be different, due to the terms you negotiate and the type of product being produced, but as a rule of thumb the following areas need to be covered in the agreement:

- names, addresses, and titles of who represents both parties
- definition of what will be licensed—state the collections, or if possible the accession numbers of the pieces the product will be based upon. It's better to limit yourself in the beginning, and then amend the license later.
- a royalty percentage
- dates royalty payments are due—monthly, quarterly, bi-yearly, or yearly are all common—and the type of sales reports you want to track the success of products
- beginning and end date of the agreement—do not leave the end date off, as this means the manufacturer will have the license forever!

- your right to retain copyrights and place copyright approval on the product and all accompanying materials

At this time you should agree upon an approval process and include it in the contract. As the licensor, you must see designs during each step of the design process—make sure you have final approval of all stages, including concept and final designs, colorways, packaging, and collateral materials. This is the time to place, in writing, the control you have over the use of your images, collection, and name.

Finally, after accomplishing these preliminary stages, product development begins.

Unlike the process of in-house product development where the museum is responsible for deciding everything, licensed product development is undertaken as a partnership between the licensor and licensee. The licensee uses its experience in the market to define the specific type of product to develop or goals for a certain introduction, and they draw upon the expertise of the museum to provide inspiration for these products. Needless to say, this is a dynamic relationship and each side has a responsibility to steer the direction of the product line.

You will provide the licensor whatever access they need to your collections. Some may need regular 35 mm photographs, while others may require color transparencies or access to actual artifacts to take sketches and precise measurements. It is your responsibility to approve of the manner in which collections are used. Additionally, due to the unrelated business income tax (UBIT) law, it is the museum's responsibility to make sure all licensed product are reproductions of, inspired by, or derived from pieces in their museum collection. If you don't find a design appropriate or if it is too far removed from the original, you have the right to express your opinion and reject the concept, or work with the licensee to refine it.

Throughout the entire development process, the licensor needs to provide approval or corrections on designs. If the process runs smoothly, approvals can be

obtained during the first pass-through, but often the process can take several months and, in the worst cases, deadlines for market introduction may not be met. Each museum or historical society needs to determine who has the authority to approve designs—some museums require the curator in charge of the collection to provide approval, while other museums assign product development teams composed of various staff members. Small organizations may require the approval of the director, curator, or board. The approval process is repeated for all copy including packaging, collateral material such as the provenance card or

hangtag required to accompany each product, advertising, and press releases. An important aspect of licensing is inclusion of the museum or historical society logo and copyright on the product; it is the licensee's responsibility to see that they are legible and permanently affixed.

Once products are out on the market, sales figures and royalty checks will speak to the product success. Maintenance is an important aspect of licensing that shouldn't be overlooked—the person assigned to act as liaison with the licensee will play an active role in making sure that royalties are sent in on time, that all terms of the license are upheld, and that copyrights aren't

infringed upon. Licensing is an on-going process as the typical life span of a retail product is only a few years.

In order to keep building royalties and retain a unified licensed line, prepare for an on-going product development process; as soon as one line of products is introduced another will be in development.

Prepare to experience growing pains and bumps in the road along the way; licensing is a process perfected only through time and experience. Though licensing is not an appropriate solution for all museums, it can generate additional funds and increase name recognition for creative, entrepreneurial-minded organizations willing to invest the time and resources required.

Prepare to experience growing pains and bumps in the road along the way; licensing is a process perfected only through time and experience.

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EPM Communications, Inc. publishes a monthly newsletter, *The Licensing Letter*, and a yearly publication, *The Licensing Letter Sourcebook*. Both can be obtained by contacting EPM Communications, Inc. at 160 Mercer Street, 3rd Floor, New York, NY 10012. Phone 212-941-0099.

The Licensing Book publishes monthly issues focusing upon special topics. To obtain a yearly subscription, contact Adventure Publications Group at 1501 Broadway, Suite 500, New York, NY 10036. Phone 212-575-4510.

The Museum Store Association publishes a quarterly publication entitled *Museum Store*. To obtain information, contact them at 4100 East Mississippi Avenue, Suite 800, Denver, Colorado 80246-3048. Phone 303-504-9225.

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Fundraising for the Small Museum

By Salvatore G. Cilella, Jr.
Executive Director
The Columbia Museum of Art

T

he key to the successful management of any fundraising program is an understanding of A) the Institution, B) the Marketplace, and C) the Continuity of Approach. These three elements—a knowledge of the internal culture of the institution—an understanding of the marketplace outside the institution, but the place where the fundraising occurs—and a knowledge of how to manage donor relationships, are all critical to successful raising.

A. THE INSTITUTIONAL CONTEXT OR “KNOW THYSELF”

What is your institution and where is it going? As a player in your institution, do you know why it exists—its purpose or mission? Do you know where it is heading—its goals, objectives, priorities, and needs? What strategies have been articulated to get it there—its strategic or long-range planning? And last, how do its constituents perceive it—its image/identity?

Purpose/mission—Do you know why your institution exists?

As a major fundraising player do you know what your mission is? Do you have a mission statement? Does your staff and board have a clear understanding of your mission? Does your membership and development staff understand why you exist? If they don't ... you have serious fundraising problems.

The mission statement is the starting point for all fundraising in any institution. All fundraising, from membership to deferred giving, must be mission driven. If it is not, it is a waste of time and money—your two most precious resources.

The mission statement should be concise and easily understandable by all constituents—members, donors, board members, staff, political, and policy-making groups. The best mission statements are meaningless if no one knows they exist. Peter Drucker of the Drucker Foundation for Non-profit Management cites the Salvation Army as the nation's best managed charity, in part because its mission—“to meet human needs in his name without discrimination”—is so clear that it could be silk-screened on a T-shirt.

If you have a mission statement, how do you promulgate it? Orientation sessions? Board notebook? Posted at the front door? Printed on the masthead of all publications? A frontispiece for the long-range plan? For the staff handbook? Personnel manual? Emergency manual? Again, the Salvation Army insures that “followers are reminded of that mission constantly. It hangs on the bulletin board of the East 52nd Street center ...”

Examples of non-mission fundraising abound. They usually involve the uninformed, well-intentioned, board member who is frustrated by the lack of money your institution is receiving from the community and goes out on his own. As a manager, you should allow no fundraising in your institution unless it is mission driven/based. In fact, the establishment of a sound mission statement will shut down practically all “wild hair” or “loose cannon” attempts by well meaning supporters.

Goals, objectives, priorities, and needs—Do know where your institution is heading?

Institutional goals must be set before development goals are set and before fundraising begins, because, ultimately, organizational goals determine fundraising goals.

More importantly, goals require enlightened and courageous leadership. If your museum or your development officer is not successful in fundraising, it may be your fault as the director. It may be that you have not sold the “vision thing” to your staff. Leadership/management must be willing to make tough choices and decide which projects have priority over others. But they cannot be developed in a vacuum and they must never be imposed from the top down. Board and staff input are essential to developing them because, when the time comes to achieve them, the pertinent constituencies will have bought into the plan.

Goals should be developed each year during the budget process and when the long-range plan is revised on an annual basis because those plans should be tied to staff performance and evaluations.

For obvious reasons, organizational and fundraising goals must be:

- **Practical** Here common sense should rule. Your attempt to wipe out hunger in our lifetime may be admirable but hopelessly impractical.
- **Believable** This is a close second to practical. Will the supporters who you approach for money believe that you can achieve your goal with their money?
- **Salable** Can you package your goals so that they are palatable to a donor or set of donors? Or are you a marketing klutz who cannot organize them so that they are attractive?
- **Current** Are the goals you are trying to sell to a donor outmoded or outdated ideas that other museums have abandoned years ago?
- **Articulated** Can you explain what your goals are in a sensible way that is understandable by the intended donor, or are your goals so obtuse that no one understands them?

Above all, your goals, objectives, priorities, and needs should be quantifiable. Examples are countless and easily produced.

- The goal for FY 99-00 is to increase our audience from the inner-city area by 10%.
- Our second goal is to increase museum attendance by 20% from the local community and 10% from tourism.
- Our third goal is to increase school attendance by 14% during the next fiscal year.

If it's not quantifiable, it isn't a goal. Examples of non-goals are "to increase and diffuse knowledge among mankind", "to provide better educational programs for our community", "to broaden our base", "to enhance our image."

In setting any fundraising goals whether they are for annual funds, capital campaigns, project support, membership, or deferred giving, the museum must consider three factors:

1. The level of past support to the institution
2. Frequency of past support by the museum's donors or constituents and
3. The museum's financial needs or goals for the year or multi-year long-range plan

Too often appeals for funds fail because they are based on only one or two of these factors. The most common mistake is to appeal for funds solely on the basis of need. For example, the museum does a year-end mailing to all its members and says that it "needs" \$25,000. Why? Who and what determined that need? A deficit? If your membership's level of past support is extremely low (it has never exceeded \$15,000) or has infrequently supported you in the past (no sustained record of giving by any meaningful group of supporters), the museum will never be successful in reaching that \$25,000 goal.

The chances for success for any appeal rely heavily on all three factors. And what this means is that the museum must ask often. It must get its donors in a cycle of giving and that means managing donor relations.

Strategic/long-range planning—What strategies have been articulated to help your institution reach its goals?

Now that you know **who** you are (the mission or identity); you know **how** you want to fulfill that mission (through goals and objectives); you must move the organization along from point A to point B in order to reach your goals and fulfill your mission. Through long-range, strategic planning, you must ask and try to answer the question "**What** are the precise steps we will take to get where we want to go?"

From the fundraiser's point of view, long-range planning is a consensus process whereby the management group and the board agree on a series of precise and specific steps, both large and small, to reach the institution's various goals.

In order to be meaningful, every aspect of the strategic plan should have a price tag and a timetable for execution. This allows the development team to concentrate its resources on institutional needs. It also

allows the management team to analyze the cost effectiveness of the strategies proposed.

Direction and approval for the strategic plan should come from the board. The production and implementation of the plan should come from the staff.

Image/identity (the life and death of fundraising)—How do your institutions' constituents perceive it?

Within the institutional context, the museum must also examine its organizational image. How is the museum perceived by the market which will make a leisure time decision to visit it, spend money in the museum, join as a member and, if all goes well, make a conscious decision to give the institution a donation?

A working knowledge of the organization's image is essential to both the fundraising goal and to the successful selling of the museum.

Because of the diversity of funding sources, it is imperative to know your subject inside out. It is important to understand these images in order to be creative about one's fundraising. In fundraising, a poor image, poorly focused image, or misunderstood image will be far more damaging than inarticulate goals, poor long-range plans, and no mission statement.

In addition to these concerns, museum management and the development office must understand the museum's standing in the community and deal with it accordingly. With occasional exceptions such as the United Way mess several years ago, the public holds most non-profits in high esteem in general. But, bad press, bad-mouthing by disgruntled staff or board members, real or perceived mismanagement, real or perceived slights of donors or collectors, and a host of other evils, can and will damage your best laid fundraising plans.

In summing up the institutional context, one must recognize that development is a well organized, defined, management tool directly related to and integrated with the organization's goals and mission. It is not a once and done endeavor but an ongoing, structured, management function designed to create understanding and to gather support for the institution.

Too many non-profits operate in a vacuum. Fundraising without sufficient prior planning or without reference to a larger thing called your organization is doomed to failure. "What makes the Salvation Army so successful is a combination of three essentials to organizational development: it has a clearly defined and easily understood mission; it holds itself accountable for carrying out its mission and for seeing that money goes to the purposes for which it was raised; and it pos-

sesses superior marketing skills” (All quotes on Salvation Army from *The New York Times*, Wednesday, November 17, 1999, p. D1)

B) THE MARKETPLACE

The second step of successful fundraising must be a clear understanding of the marketplace in which you must operate and seek funds. Who gives what to whom and how much do they give?

Since the early 1970s, American non-profits have received donations from **private** sources in roughly the same proportions:

- Individuals 90%
- Corporations 5%
- Foundations 5%

In 1998, Americans contributed \$174.52 billion to non-profit organizations, according to Giving USA 1999. This represents a 10.7% increase over the previous year. Individuals contributed \$134.84 billion. Bequests totaled \$13.62 billion bringing the total giving by individuals to \$148.46 billion or 85% of all giving.

Although this is less than the model above, the good news is that foundation giving is up substantially to \$17.09 billion or nearly 10% of all private giving. The continuing increase in the stock market has propelled the assets of some foundations to new levels, and the trend of increasing foundation grantmaking is expected to continue, according to Giving USA 1999.

Corporate giving, on the other hand, has not budged from its 5% past performances despite the good economy. In 1998, it gave away \$8.97 billion a 9.3% increase over the previous year but only 1% of pre-tax income, down from 1.1% reported for the two previous years.

For comparative purposes, **total private** giving since 1983 has tripled from \$62 billion given that year.

Individuals

- In 1963, giving by individuals was only \$10 billion. Individual giving has grown by a factor of 10 for the last 37 years. Because individuals gave 85% of all donations last year and several years before, they are your prime targets.
- Unlike the corporate or foundation world, where you can peruse a corporate directory or the foundation directory, there is no central file to search for individual donors, and as a result it makes your job more demanding and challenging.
- Information about individuals can be gleaned from newspapers, official records, and annual reports of

other similar non-profits. Questionnaires to members, board member information, and corporate reports are useful if your prospect is a corporate type.

- Individuals should be considered for the full range of fundraising possibilities from membership to deferred giving to remembering the institution in their will. But most importantly, you must determine the individual’s needs and then attempt to fit them into a part of your program.
- A committed and active donor base for your institution is vital to the overall success of your entire fundraising program.

Every two years, the Independent Sector, a Washington-based coalition of charities and grant makers representing the non-profit sector commissions a survey to measure volunteerism and individual giving. In their most recent survey, the Independent Sector concluded that the average contribution by the American households surveyed, including those that gave nothing to charity, increased by nearly 16% after inflation. Giving by blacks and young people appears to be on the rise, and the higher income, more generous donors have not flagged in their commitment to charities.

Every time the independent sector does its study, it identifies factors that induce people to give. These should not only give you hope but incentive to go after the big gifts.

1. Volunteerism. The Independent Sector found that volunteers in non-profit organizations give twice as much as non-volunteers. Are you asking your volunteers for gifts?
2. Income tax deductions do not induce giving but they do increase the size of the gift. Are you pointing out the tax implications to your donors in the 31% and 38% tax brackets that their donated dollars are important to you but also that Uncle Sam subsidizes them at a greater rate?
3. People who go to church regularly are better donors to secular charities. Church-going folks gave 2.1% of household income as opposed to .6% by non-church goers. If you are in a particularly religious community, and many small historical societies are, you have better chance of being successful in your fundraising.
4. People who are asked to contribute are more than twice as likely to do so as those who are not solicited. Of people who were asked to give money, 85% did, compared to 36% who were not asked. Are you asking people for money or just waiting for it to come over the transom?

5. Bequests—a growth area for everyone. Only 4 in 10 said they had a will and only 13 percent included a charity in their will. Bequest giving varies from year to year with the death rate and because of the varying amount of time it takes wills to go through probate. However, according to Giving USA 1999, within the context of annual volatility there has been a steady increase in the value of willed giving. Are you providing a mechanism for your donors and members to remember you in their will?

There is no question that individuals are your best source of funds and your greatest energies should be channeled in that direction.

Corporations

According to Giving USA, arts groups should not count on corporate growth for more support and noted the trend that the larger arts organizations are taking a larger share of the pie.

Corporate giving, because of its seemingly obvious deep pockets is the least productive source of private giving. During the 1970s and 1980s an unimpressive three out of ten companies gave donations of one kind or another. Conversely, seven of ten gave nothing. During the 80s, the “Five Percent” club was started by farsighted and socially conscious businesses in Minneapolis. “5%” was to represent a percentage of pre-tax income donated during the year.

Generally, corporations give because they **hope** to show evidence of good corporate citizenship, to strengthen employee relations, reach important constituencies, encourage employee creativity, increase media coverage, promote products, increase sales, and increase productivity of their employees. What companies feel they **actually achieve** by supporting the arts are: an enhanced image, reached important constituencies, strengthened employee relations, encouraged employee creativity, increased media coverage, good corporate citizenship, product promotion, increased productivity, and increased sales.

Though direct giving is still the source of most corporate support, the role of **corporate** foundations is significant according to Giving USA 1999. In 1998, they accounted for more than a quarter of all corporate giving. In addition, corporations support non-profits through marketing, community relations, and advertising budgets, which are generally separate from charitable giving budgets, and so, this support is not counted in the Giving USA estimate.

Foundations

Foundations, there are some 44,000 of them in the United States, deal with every imaginable issue. The larger ones like Rockefeller and Ford are constantly changing focus and responding to areas of global concern, such as the abolition of nuclear weapons, national and international security, peace initiatives, world population control, and environmental issues. If you are a small local concern this should not stop you from applying to them if you think you have a fit with their program. Several years ago, the Columbia Museum of Art applied to the Rockefeller Foundation for an exhibition catalogue for a show on Guatemalan textiles. Because the foundation was interested in South American issues and culture, the museum was successful.

But it is the local and family foundations that remain an area of lucrative fundraising for local and small museums. In fact, most foundations are small, locally oriented, and give large numbers of small grants. Foundations in low-asset categories often have little or no full-time staff and although some respond quickly and effectively, many do not. The few foundations which publish annual reports are generally more responsive. Foundations with national or regional giving programs are usually in the higher giving categories, have full-time program officers, evaluate proposals systematically, give larger grants, and publish annual reports. However, there is great diversity and generalizations do not always apply.

As you begin your research, be aware that there are four basic types of foundations: Independent, Corporate, Operating, and Community. All foundations have the following common characteristics. They have been started with a single or multiple sources of funds such as an individual or family. They are non-governmental, non-profit organizations, managed by their own trustees or directors, and established to maintain or aid social, cultural, educational, charitable, religious, or other activities to serve the common welfare.

Independent foundations are characterized by a staff and a broad charter but may move into new fields in response to changing social needs. Examples of large independent foundations are Ford, Rockefeller, Carnegie, and Mellon.

Corporate Foundations, while obviously begun with company funds, are constituted independently but make grants with high regard for the corporation’s visibility and business interests. They are not to be confused with direct giving programs which are administered within the corporation but are usually coordinated with any existing foundation or marketing

budgets which are heftier than contributions budgets.

Corporations establish corporate foundations for several reasons. During a profitable year, the company can provide more money to its foundation for a larger tax break. On a down year, the foundation is fairly well insulated from the corporate low and can continue to make payouts on a three-year grant commitment regardless of the roller coaster effect of the business cycle. A corporate foundation can make grants or gifts to foreign recipients and a company cannot legally. A foundation creates a buffer between any customer or client pressure placed on a company by a pet charity. Rejection can be the foundation's decision and not the company's. In addition, "foundation" has an air of respectability and a positive, beneficial public relations aspect.

The primary purpose of an **operating foundation** is to operate its own programs determined by its charter or board. It does not exist to give away money although a few have been known to make small grants externally.

A **community foundation** is much like a private foundation except that its funds are derived from several sources. Investments are made and managed by trustee banks and grants are always local. The governing board is usually representative of its community rather than the whim of a single powerful family as found in the private foundation. The identity of each fund within the foundation is preserved. They are either donor directed or unrestricted. The efficiency of the community foundation is that it has a central administration for all the funds rather than each donor or fund paying for separate administrations of its assets and resources. The community foundation is rather like a money market or mutual fund but instead operates to make grants.

And where does the money go? Unfortunately, last year all categories of non-profits saw increased giving from all sectors **except** giving to the arts and humanities. Health organizations, human service organizations, environment/wildlife organizations, and public/society benefit organizations all reported contribution increases of 20% or more. The latter group includes groups like the United Way who raise money for themselves and others. Two categories, education and religion, reported increases of 10% or more but these two groups get the bulk of the money each year with religion gathering nearly 45% of all private giving. Giving to the arts decreased by .8% but that meant in dollar terms a decrease from \$10.62 billion to \$10.53 **billion**.

Every year for the past several years, the federal government has chipped away at the NEA, the NEH, and

the IMLS where their combined yearly budgets for grant making is now approximately \$403 **million**. The museum field spends an inordinate amount of time writing grant proposals chasing after a comparatively small amount of money. The question is, should your resources—time and people—be spent chasing federal money or going after the private sector, particularly, individuals? The answer should be obvious.

C) CONTINUITY OF APPROACH

How do you get support from all sources on a continual basis? How do you go about raising the necessary funds for the operation of your institution and its programs? Who do you approach and how do you approach them?

Once an understanding of the museum's mission, its goals, its image, and its long-range plan is in place, and there is an understanding of the realities of the donor universe or the marketplace, an understanding of the concept of the "Continuity of Approach" or "The Circle of Fundraising" or "The Management of the Development Process" is now essential.

This concept consists of three distinct components:

- Cultivation
- Solicitation
- Recognition

Cultivation can be further defined as identification and education. Professional fundraisers call "identifying" prospective donors "prospect research." As Geotler Associates state in a recent newsletter "The essence of strategic fundraising involves the right volunteer asking the right prospect for the right amount at the right time."

Step one is to identify "suspects," a large pool of individuals (this strategy also works for foundations and corporations) who are suspected of having the financial means and inclination to make a major gift to your organization. Sources for suspects are many and diverse. An institution's best suspects for major gifts are probably already a part of the museum's constituency. They may include past contributors, those who utilize the museum's services, or other members of the family including advisory boards, volunteer groups, docents, staff, etc. Most potential major donors have demonstrated their philanthropic inclination by giving to other institutions where they have been recognized in annual reports, newsletters, program guides, or memorialized on plaques. National, regional, and local periodicals publish lists of the top paid execu-

tives and the wealthiest families, many of whom live or do business in your community. Some fundraising firms now offer prospect research services of individuals who have a given net worth such as \$1 million in a pre-determined geographic area. Don't waste time and energy on some millionaire in another area. If you know about him or her, you can be assured that someone else has known about them for a long time.

Step two is to move your suspect to a prospect. This is accomplished by screening those suspects by the staff, knowledgeable board members, or those in the community willing to lend their knowledge of giving patterns. The success of the process depends on the knowledge of the participants. If you are fortunate to have computer files on suspects, there are software packages that will help you track gifts and tendencies. Once identified, it is the museum's responsibility to educate them as much as possible about its cause. Invite them to lectures, seminars, meetings, receptions, openings, lunches, teas, dinners, etc., based, of course, on the proven affinity on their part for your institution.

Cultivation is a genuine, sincere desire on the part of the organization to make itself a part of the immediate community by involving members of that community in its mission and goals. It is not pandering. If you find it somehow offensive then you are forgetting the long-term goals of the non-profit you are attempting to help. By strengthening your system of recruitment through your volunteer group, your board, and your members, you will feed the "new donor" or "new friend" monster on a continual basis.

Solicitation occurs after sufficient cultivation of the prospect. It is known variously as the actual approach or asking for the order. This is the simplest yet hardest aspect of fundraising for most people. Don't hide behind hours and hours of so-called research in the form of receptions, cocktail hours, and openings to cultivate the prospect without ever asking for the gift. Sufficient research and education is important, but it should never be used as an excuse to delay the inevitable.

Do not approach this part of fundraising as a supplicant or beggar. Do not view your institution as a destitute charity. Position your case or organization as "well" or as "superior," not haughty but "good." Deal from quality. Think in terms of investments and returns on those investments. John D. Rockefeller was eloquent on this point, "Never think you need to apologize for asking someone to give to a worthy cause, any more than as though you were giving him an opportunity to participate in a high-grade investment. The duty of giving is as much his as the duty of

asking is yours. Whether or not he should give to that particular enterprise, and if so, how much, it is for him alone to decide."

The greatest sin in all of fundraising is not asking for the order. Do not expect the solicited to respond if you do not have a specific dollar figure in mind. You will embarrass a prospect if you do not ask them for a specific amount of money. Why? Because they want to know the length and breadth of your need, how much of that they are being asked to bear, and by inference, what others are being asked to bear.

In what ways do you ask people for money? The manner of asking an individual, a corporation, or a foundation is closely related to motivation and method. Why do people or organizations give? The motivation for giving money is as varied as the types of people who give. It is incumbent on the solicitor—you—to determine what motivates your prospect to give. Social scientists have identified various reasons as motivations for giving. Listed here are a few:

- **Ego** The most obvious reason—"I want my name on the building"
- **Immortality** Related to ego, but in essence an effort to buy eternity with a major gift.
- **Sincerity** A rarity in the age of cynicism, but some people genuinely believe that their money can make a difference.
- **Tranquillity** "If I give you this one-time gift, I would like you to go away and leave me alone forever."
- **Guilt and/or peer pressure** "If all of my friends are giving, I should too."
- **Fear** Related to immortality but more applicable to health agencies than museums. An example would be the donor who gives \$100 to the American Cancer Society in the hopes that they will find a cure before he gets it.

While there are a lot of motivating factors for giving, there are just so many methods of asking prospects for money. They include phone solicitation, mail solicitation, a grant proposal, or the best and hardest—face to face. For all large gifts, a personal visit is the most effective way, and it is usually used in conjunction with peer pressure. Large, proven donors should be sent to visit large, potential donors. A case statement is a good idea for the solicitor to have during his visit with the prospect and something tangible he can leave behind. A case statement is a formal, written document making a strong "case" for the prospect's money. It not only helps you "state" your "case," it helps you put down on paper what it is you want and how you intend to use it.

Direct mail solicitations for annual gifts and member-

ships summon up the herd instinct. Here the appeal is to join others in your cause, and Americans are natural born joiners. A simple letter that includes a business return envelope with paid postage is an effective method of asking for support.

Telephone solicitation for memberships and small annual fund gifts, although universally hated by those who receive them at mealtime, have proven to be the most cost effective method of fundraising. Volunteers and paid professional callers work in most situations, but the museum team needs to be sensitive to which works better.

When seeking bequests and deferred giving, a personal visit, a handsome brochure, and a pitch for fiscal responsibility is most effective.

When selling a memorial program, nostalgia and sympathy can be tastefully blended in a newsletter ad or direct mail piece.

For project support, nothing replaces a well-written, short, but concise proposal.

As a general rule of thumb, when approaching corporations, foundations, and major donors use reason and logic in the proposal and case statement. When cold prospecting, using direct mail for membership, or annual appeals use emotion, not logic.

Recognition or donor stewardship, also known as “taking care of the donor” should not be overlooked. The museum must work hard at saying thank you. Recognition or the show of appreciation, just like cultivation, must be genuine and sincere. It means pristine gift records, which in turn produce proper thank you letters. Gratitude can come from all involved in the project. Large pan-organization gifts should be acknowledged by the Chief Executive Officer.

Thank you luncheons, receptions, dinners, openings, and lectures are all vehicles of saying thank you and become a means of cultivation for the next or higher

gift. Plaques, lists of names on walls or doors, near the front door, on paintings, lists in the annual report, in your newsletter, in brochures, are all ways of saying thank you and recognizing people for their contributions to your institution.

With the close of the circle through recognition, the museum is positioned for the continuing circle of donor relationships. Cultivation has already begun with the last recognition. Each and every donor is important to the museum and the circle of donor continuity must not be broken.

SUGGESTED READINGS

L. Peter Edies. *Fundraising: Hands-on Tactics for Non-profit Groups*. McGraw-Hill Companies, 1992.

Joan Flanagan. *Successful Fundraising: A Complete Handbook for Volunteers and Professionals*. NTC Publishing Group, October 1999.

Joan Flanagan. *The Grass Roots Fundraising Book: How to Raise Money in Your Community*. NTC Publishing Group, 1982.

B. Burke Keegan. *Fundraising for Non-profits: How to Build a Community Partnership*. HarperCollins, Inc., 1994.

Mal Warwick. *The Five Strategies for Fundraising Success: A Mission-Based Guide to Achieving Your Goals*. Jossey-Bass Inc., 1999.

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Planned Giving

By Terry L. Davis and Kenneth M. Wolfe, JD, CPA

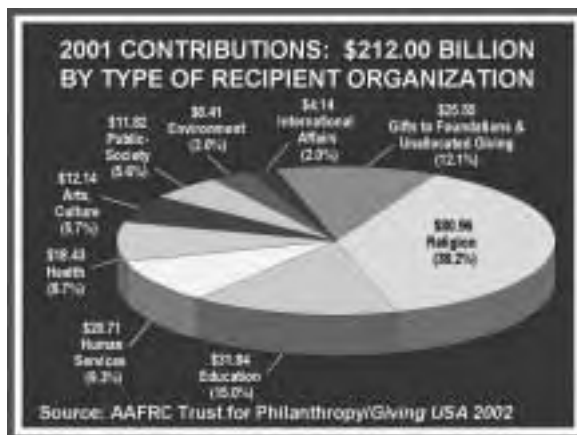
THE PHILOSOPHY OF PHILANTHROPY

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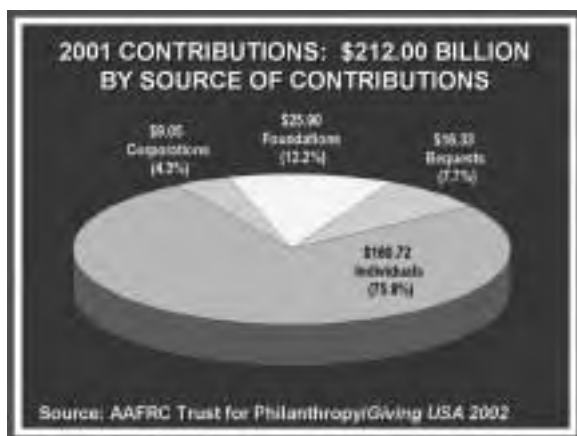
hilanthropy, according to the American Heritage Dictionary, means (1) the effort to increase the well being of mankind, as by charitable donations, (2) love of mankind in general; (3) a charitable action or institution. It stems from the Greek word *philanthropos*, which means loving mankind. To most philanthropists, it's a philosophy for living life.

Manuel Arango says in his essay "Democracy, Social Responsibility and Philanthropy" (published by the Indiana University Center on Philanthropy in 1996) that "Philanthropy is as ancient as human existence and the innate concern we feel to help each other. From the simple and direct acts of charity that humanity has practiced since the times of our ancestors, philanthropy has now touched, through increased information, all the structures of society. It promotes change and participation in the solution of problems that frequently exceed the capacity of the State. Information and organization equal power—power to induce change with noble goals."

Over time, philanthropy has progressed from the act of “helping” to the act of “giving.” It wasn’t until the end of the 19th Century that philanthropy became associated with the giving of cash or assets. Philanthropy, as we know it today, came about largely due to the inability of local, state, or national governments to keep pace with social needs. It has deep roots in the church, and even today churches receive the lion’s share of charitable contributions. In 2001, Americans gave away \$212 billion, according to the 2002 annual report of the organization most known for tracking philanthropic trends, Giving USA. As illustrated in the chart below, churches received 38.2% of that total.



When one speaks of philanthropy, one generally speaks about the giving of cash or assets from individuals, foundations, or corporations to nonprofit charitable or educational institutions, as designated by the IRS. As shown in the chart below, individuals accounted for over three quarters of all charitable contributions in 2001 (75.8% of the total). Although corporations and foundations are important, individuals truly make the difference in philanthropy.



Giving is closely tied to the economy—capital markets, corporate profits, growth in personal income. That may explain why total giving did not keep pace with inflation in 2001, increasing just one-half of one percent (0.5 percent) from 2000 to 2001 compared to a 6% increase from 1999–2000. According to Giving USA, giving in 2001 decreased 2.3% compared to the previous year, when adjusted for inflation. “In six of the eight recession years since 1971, giving dropped by 1 to 5 percent when adjusted for inflation. Despite fears ..., in fact, the change in giving in 2001 falls within the normal range for a recession year,” says Lee P. Arnoult, CFRE, chair of the American Association of Fundraising Counsel (AAFRC) Trust for Philanthropy. “Americans’ commitment to philanthropy remained strong even in the face of downward economic pressures. The \$212 billion total is the highest level of giving ever reported. Even adjusted for inflation, the total is the second highest on record. Once again giving sustained a string of increases each year since 1955 except for 1987,” reports John J. Glier, chair of the AAFRC. And Eugene R. Tempel, CFRE and executive director of the Indiana University Center on Philanthropy writes in Giving USA that “People are more aware than ever of the role philanthropy plays in our lives and communities. Giving USA estimates are important information about this vital dimension of our society and about the gifts that enable charitable organizations to fulfill their missions.”

According to those who study philanthropy, an estimated **\$18 trillion** will be transferred to the next generation of donors. This phenomenon has created a frenzy among nonprofit organizations that are scrambling for a piece of this enormous pie. Most commentators agree that nonprofits will benefit from this extraordinary transfer of wealth, as individuals realize that this inheritance gives them the ability to make transformational gifts to charities they believe in. While tax avoidance is always an incentive, many experts believe that individuals will increasingly be motivated by the fact that this new found “social capital” can benefit mankind in very personal ways.

This brings us back to philanthropy as a philosophy. It is imperative that organizations involved in fundraising take an ethical approach to fundraising—always matching up donor needs to the needs of society. Philanthropy has evolved into a two-way philosophy; one that satisfies donor concerns, both

emotional and financial, as well as the concerns of the charitable organization.

A WORD ABOUT CAMPAIGNS

The key to a sound fundraising campaign—whether it’s for your annual fund, endowment, or a building—is matching the needs of the organization to the needs of the donor. When you do research on how to develop a campaign you will learn the importance of a solid *case for support* for your cause. Your case for support is the hook on which all other components will hang. It will be necessary for you to develop materials for your campaign. They will include your case for support, a list of those who already support your organization, financial and investment policies, a list of key staff members and their responsibilities, and a list of key volunteers. Volunteers are essential to a well-directed campaign. Your board members are often your best volunteers in fundraising, since they know and appreciate the true value of your organization.

When you plan your fundraising campaign, don’t forget to budget appropriately for your needs. Here is a beginning checklist of items to include in your campaign budget:

- ✓ **Printed materials, including design and printing costs**
- ✓ **Postage, including any bulk mailing you may want to do**
- ✓ **Consultants, if you should decide to hire one**
- ✓ **Travel for your consultant(s) and staff**
- ✓ **Long distance phone calls**
- ✓ **Meeting expenses for any workshops you might do on planned giving instruments**
- ✓ **Special events, such as presentation breakfasts, lunches, or receptions.**

Since this Technical Leaflet focuses on planned giving as a tool, we will not spend a lot of time talking about the various components of a campaign. However, it is essential that before you initiate a planned giving program, you know how you will use the gift when you receive it. Be sure to do thorough planning before you ask for money. Remember that the philosophy of philanthropy is not only to benefit the charitable organization, but to benefit the donor and society as well.

Your organization should always encourage unrestricted bequests in order to give you maximum flexibility. After all, who knows what will be the most pressing need in the future? For many charities, unrestricted bequests represent the single best source of future endowment funds. Because bequests are non-repeatable by their very nature, many institutions institute a policy of designating unrestricted bequests to the institution’s general unrestricted endowment fund (as “quasi” endowment and not permanent endowment). At the time the bequest is received, your board may prefer to designate the gift to a more pressing need—a building or conservation project for example. Needs vary by institution, but it’s important for your board to develop a policy for how unrestricted bequests will be used in advance, preferably through a board resolution. This prevents bequests from being used to support the general operating budget, which is not a prudent course of action for such gifts long-term.

PLANNED GIVING

Planned giving, also referred to as “deferred giving,” might be most simply described as “charitable gift and estate planning.”

Bequests represent the most significant source of planned giving dollars for charitable institutions. Life income gifts—charitable trusts, pooled income funds, and charitable gift annuities—are the other major components of a planned giving program. Finally, planned giving also refers to complicated outright gifts involving real estate, securities, and other assets. In higher education, where planned giving programs are more mature, it is not unusual for planned gifts to represent 30% of total annual fundraising results. Clearly, the potential for planned gifts to help your organization is significant.

Tax Incentives

For many years, Congress has encouraged philanthropic support through incentives in the tax code. Publicly supported charities are entitled to the most advantageous treatment possible under the tax law. Currently, gifts of cash to public charities may be deducted up to 50 percent of your adjusted gross income in the year of the contribution with a five-year carryover for any unused portion. Gifts of appreciated

assets—such as securities, real estate, and antiques—may be deducted up to 30 percent of adjusted gross income with the same five-year carryover. Furthermore, bequests are fully deductible for federal estate tax purposes as charitable contributions. Publicly supported charities are those that are qualified for tax-exempt status under Internal Revenue Code sections 170(b)(1)(A), 170(c), 2055(a), and 2522(a). Planned gifts are designed to take maximum advantage of these tax benefits.

The Appeal to Donors

Planned gifts have become increasingly popular because they are tailored to a donor's individual situation, and the assets they own. These gifts can be funded with cash, marketable securities, mutual funds, real estate, life insurance, and retirement plans. Because planned gifts are structured around each donor's circumstances, friends find that they can often do more for your organization than they otherwise thought possible.

Planned Giving Expertise

There are many different ways donors can contribute to your organization. But you must remember that planned giving is directly tied to the ever-changing tax laws—at both federal and state levels. Furthermore, general knowledge of investments, finance, and estate planning is essential when advising donors. Therefore, it is imperative that untrained people do not try to consult with donors on the technicalities of planned giving. It is risky business for an organization to launch a planned giving program without the knowledgeable personnel (paid or volunteer) and proper systems in place to carry it through successfully.

But don't let that stop you! Even all-volunteer organizations can effectively manage a planned giving program given the proper procedures and professional assistance. It can be as simple as asking someone to put your organization in his or her will. For more complicated gifts, you can contract with a planned giving professional to consult with you and your donors. Some organizations include a planned giving expert on their board. Another option is to ask a group of local professionals to serve on a "planned giving advisory board" for your institution. These volunteer groups usually include professionals in law, accounting, investments, insurance, real

estate, and financial planning. Finally, it's imperative that you always encourage donors to seek the advice of their own advisors before entering into a gift. Your institution *never* wants to be in the position of having a donor rely on your staff for tax, legal, and financial advice.

TOOLS OF THE TRADE Planned Giving Instruments

Bequests

Many friends would like to make a significant gift to your organization but are concerned that they may need the assets during their lifetime. For these individuals a charitable bequest allows them to make a larger contribution while maintaining maximum flexibility. Charitable bequests and other estate gifts are fully tax deductible as a charitable contribution, so estates pay no federal estate tax or state inheritance tax.

Estate gifts can be made via a bequest under the donor's will or through a trust (increasingly, individuals are avoiding probate by establishing trusts to hold their property during their lifetime). Donors may also designate your organization as the beneficiary of a life insurance policy or retirement plan. The donor's attorney can help design an estate plan that protects their family, preserves their property, and also benefits your organization. Bequests can be a percentage of the estate, a dollar amount, specific property, or the remainder of the estate after gifts to other beneficiaries. Unrestricted bequests should be encouraged because it's difficult to predict what one's most pressing needs will be in the future, but some donors will want to restrict their bequest to endowment or a particular use.

Simple Bequest in Will

I hereby give, devise, and bequeath to the XYZ Historical Society, Anycity, Anystate, ____ percent of my net residuary estate (or the sum of \$_____ or the following described property, or the rest and residue of my estate after payment of the foregoing bequests). This is an unrestricted gift and may be used to further the objects and purposes of the XYZ Historical Society.

If you already have a will, you can simply add a codicil (addendum) to your will. But remember that

a codicil must be executed with the same formalities as a will.

Suggested form of codicil to a will

I, donor's name, a residence of Anycity, Anywhere, declare this to be a codicil to the Last Will executed by me on _____, 19__, this codicil being as follows: I hereby give, devise and bequeath to the XYZ Historical Society ____ percent of my net residuary estate (or the sum of \$_____ or the following described property, or the rest and residue of my estate after payment of the foregoing bequests.) This is an unrestricted gift and may be used to further the objects and purposes of the XYZ Historical Society.

Except insofar as said Will is expressly or by necessary implication changed by this codicil, I do hereby ratify, republish, and reaffirm my said will and each and every part thereof.

Retirement Plan Assets

While any asset is appropriate for funding a bequest, retirement plan assets should always be considered first. Funding a charitable bequest with a qualified retirement plan—like a traditional IRA or 401 (k) plan—is particularly appealing because **both income tax and estate tax are avoided**, making this a very “tax-wise” gift. Savings Bonds and deferred compensation are also doubly taxed at death (both income and estate tax is due). Donors should therefore be encouraged to bequeath these types of assets to your organization rather than leave them to family members.

Life Insurance

Many of your donors may have paid-up life insurance policies that they no longer need to protect dependents. Donating these policies to your organization results in a current income tax deduction and converts an asset that is no longer needed into a significant gift. Donors can also name your organization as the partial or sole beneficiary of an insurance policy. Another method is for a donor to purchase an insurance policy solely for the purpose of making a deferred gift. The policy is written with your charity as the beneficiary. The charity holds the policy and makes annual premium payments with an annual gift from the donor. And the donor gets a tax deduction for the amount of the annual premium. This method is a good one for those who may not otherwise be capable of making a significant planned giving gift.

However, organizations must be sure that the annual premium payment for the insurance policy does not take the place of an annual unrestricted gift to the organization.

Gifts with a Retained Income

Many donors want to make a meaningful gift to your organization but do not wish to relinquish the income generated by the gift asset. If this describes one of your potential donors, they should consider a life income gift. These are methods of making a current gift to your organization while retaining an income for the donor's life, and, if desired, for the additional life of the donor's spouse or other beneficiary. Depending on the donor's choice of gift asset and the method selected, s/he can generally expect to obtain some or all of the following benefits.

- Retained income for life, and, if desired, the life of his/her spouse or other beneficiary.
- The possibility of an increased rate of return on the gift assets.
- A charitable income tax deduction.
- Avoidance of capital gains tax.
- Removal of the gift property from the donor's taxable estate.
- Reduced estate settlement costs.

There are three types of life income gifts encouraged by Congress under the tax code—pooled income funds, individual charitable trusts and charitable gift annuities.

Pooled Income Funds:

A Pooled Income Fund is conceptually a charitable mutual fund, combining smaller gifts from a large number of contributors for investment purposes. If your organization is not large enough to establish its own pooled income fund, you can direct your donors to the pooled income funds offered by the larger mutual fund companies like Fidelity, Vanguard, and Schwab. The minimum contribution for these funds can be as low as \$25,000.

Individual Charitable Trusts:

For larger contributions (usually \$100,000 or more) many donors find individual charitable remainder trusts appealing. These trusts are extremely flexible and can be structured to pay either a variable income with growth potential or a fixed income that will not

change. Furthermore, the donor can determine the trust income or “payout” rate within certain limitations. Under current tax law the minimum payout is 5% (this produces the largest income tax deduction) and the maximum payout is 50% (practically, most trusts have payouts ranging from 5% to 7%). Trusts can be funded with cash, marketable securities, and even real estate. Charitable trusts are very attractive when funded with highly appreciated assets like stock and real estate because *capital gains tax is totally avoided*.

Donors can establish a charitable trust through their attorney, stockbroker, or bank trust department. Additionally, many community foundations offer charitable remainder trusts. You should develop relationships with bank trust departments in your area and your local community foundation, so that you may assist donors with these gifts. Alternatively, if your organization is large enough, you may want to offer charitable trusts to your donors as another option (assuming state law permits).

Here's how a charitable trust works:

Mr. and Mrs. Jones, both 71, have been coming to your organization for many years and have a special interest in your mission. In addition to their annual gifts to your museum, they would like to give something to help your organization in perpetuity. The Jones' have decided to create a charitable remainder trust with the gift of \$100,000 of appreciated stock for which they originally paid \$10,000 many years ago. The trust will pay them an income of \$6,000 each year, far more than the 2% dividend they are currently receiving on the stock. They will also avoid any capital gains tax on the \$90,000 of appreciation in the securities funding the trust. Furthermore, they will be entitled to a charitable income tax deduction of over \$37,000 in the year of the gift.

Gift Annuities

Donors in their seventies and older often prefer the fixed and guaranteed income provided by charitable gift annuities. Gift annuities are a simple contract with your organization. In exchange for the gift (cash or securities) your organization agrees to make life-

time annuity payments (for either one or two annuitants). Gift annuities are particularly attractive when funded with cash because a portion of the annuity payment is considered a tax-free return of principal (further increasing your return). Charitable gift annuities are the most conservative of the life income gifts because the obligation to make annuity payments is backed by all of your institution's assets. Most charities follow the annuity rates recommended by the American Council on Gift Annuities.

Many states regulate charitable gift annuities, usually through their insurance commission. Therefore, you will need to determine the requirements of your state before issuing gift annuities. If you are uncomfortable with the financial risk involved in gift annuities (they are a general obligation of your organization), you should check with your local community foundation. Many community foundations offer gift annuities and the eventual gift could be restricted to your organization.

Here's how gift annuities works:

Ms. Smith, age 75, has been a student of history her entire life and feels that your organization is an educational institution worth supporting. When she learned about the benefits of charitable gift annuities, Ms. Smith realized that she could do something for your organization in addition to her annual gifts. Ms. Smith has decided to enter into a charitable gift annuity by giving \$10,000 to your organization. The annuity rate at her age is 7.3%, which translates into \$730 per year, and she is pleased that this will remain constant during her lifetime. Ms. Smith is also pleased with the current income tax deduction of nearly \$4,000 this year.

Your residence and life income gifts

For many donors, the equity in their personal residence represents one of their most substantial assets. Additionally, it is often an asset that is not considered when planning a gift to your organization. Donors can contribute a residence to your organization, retaining the right to continue living in the house during their lifetimes (a life estate). The donors

receive a current income tax deduction based upon their ages and the appraised value of the residence. Capital gains tax is avoided and the donors have made a significant gift without affecting their current lifestyle. The residence need not be the donor's primary residence, but may be a second home, vacation home, or farm.

It should be noted that accepting property can be risky. There are environmental and legal issues that must be researched thoroughly. Never accept property without consulting an attorney or planned giving expert. It is customary practice for governing boards, rather than management, to consider and accept all proposed real estate transactions, as well as any gifts that might encumber the organization in any way.

Here's how contributing a residence works:

Mr. and Mrs. Brown, both age 75, would like to make a significant life income gift to your organization. They were therefore excited to learn that they could donate the remainder interest in their vacation house to your organization and receive the same benefits as a life income trust arrangement without altering their current lifestyle. The Brown's originally paid \$75,000 for this vacation house and it is now appraised at \$150,000. Mr. Brown is pleased that they will receive a charitable income tax deduction of over \$73,000 this year as a result of the gift and Mrs. Brown is happy that they can continue to use the property. Both are thrilled to be able to make such a large gift during their lifetime.

Charitable Lead Trust

The charitable lead trust is a highly specialized estate planning technique that can be very attractive to wealthy individuals who wish to benefit your organization. Lead trusts are the exact opposite of life income gifts described above. Namely, they are designed to provide an income to your organization (and other charities if desired) for a period of years and then to distribute the remaining trust assets to the donor or his/her heirs, typically children or grandchildren. Lead trusts are very appealing to donors who would like to transfer significant assets to heirs at a reduced cost in

terms of estate and gift taxes, while also benefiting charities like your organization. These trusts can also be structured to provide current income tax benefits rather than estate tax savings (attractive if a donor has unusually high income in a given year).

OPTIONS FOR STAFFING

A history organization's development staff can be as large as several people, or as small as one. But no matter the size of the organization, fundraising is an essential element in the management of a successful nonprofit.

In many of America's small to medium sized nonprofits, fundraising is primarily the responsibility of the director or CEO. Often, the CEO depends upon the assistance of program, finance, and/or administrative staff members to be successful in raising funds for the organization.

As you can see, negotiating a planned giving instrument such as a Charitable Remainder Trust can be a complicated task. Those who are not professionals in estate planning, investments and tax law should never try to talk specifics with potential donors. If you cannot afford to have a planned giving professional on staff, you can always hire one as a consultant or create a planned giving advisory board with local experts. Finally, it's always critical to involve the donor's advisors in the gift process.

Remember too, that if you are raising funds for an endowment campaign, investment policies and practices are essential. You will need to develop an investment committee to inform your policies, and to act as stewards of your endowment funds. There are many options for managing endowment funds—similar to those of employing a planned giving professional. You can hire an assets manager, or work with one of the many financial investment companies in the market today.

RESOURCES

American Association of Fundraising Counsel

www.aafrc.org

American Council on Gift Annuities

www.acga-web.org/

American Fundraising Institute

www.afri.org

Association of Fundraising Professionals

www.afpnet.org

CBS Market Watch (for historical stock quotes)

www2.marketwatch.com/tools/quotes/historical.asp

Council on Foundations

www.cof.org

Independent Sector

www.indepsec.org/

National Center for Charitable Statistics

nccs.urban.org/

National Committee on Planned Giving

www.ncpg.org/

PG Calc, Inc. (gift calculator)

www.pgcalc.com/

Planned Giving Resources

(includes gift annuity regulations)

www.pgresources.com/

Planned Giving Today

www.pgtoday.com/

Statistics of Income (SOI) – IRS

www.irs.gov/taxstats/Index.html

The Center on Nonprofits and Philanthropy

www.urban.org/centers/cnp.html

The Chronicle of Philanthropy

philanthropy.com/

The Foundation Center

www.fdncenter.org/

The NonProfit Times

www.nptimes.com/

The Payton Papers

www.paytonpapers.org

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Ken Wolfe is an attorney and certified public accountant. He has been a fundraiser at the Colonial Williamsburg Foundation for the past seventeen years. Since 1986 he has served as director of planned giving at Colonial Williamsburg, working with donors who include the Foundation in their estate planning, either through a bequest or life income gift.