

# Identifying Potential Funding Sources

The universal question for organizations that embark on fund development is usually 'Where can we find donors?' The easiest answer is to first look close to home and then fan out your efforts.

The first prospects should be the people already involved with your organization. Each individual should be asked to give a gift proportionate to their interest in the cause and their ability to give. Keep in mind that all gifts are equally important.

Many organizations are reluctant to ask their own board members and volunteers since those people are already giving so much of their time. The opposite should be true; that these people believe so much in the organization, that they should be willing to make a financial gift to help achieve its vision and mission.

Start with the board first and then ask other volunteers and staff for a gift, preferably a pledge over three to five years. The organization will have far more credibility with other prospects when it can report that it has a high percentage, preferably 100 percent, participation from its volunteers and staff.

Some organizations set an annual goal for the organizational "family", which increases over time as people become more comfortable with giving and they become proud of what their gifts accomplish. Successful organizations discuss giving expectations during the recruitment process for new directors, volunteers and staff.

Henry A. Rosso organized prospects in a series of concentric circles according to their affinity to an organization, as shown in Illustration #1. Those closest to the centre of the circle should be asked for a gift first and then move outward to the other prospects.

## Individuals

The majority of gifts to charities in Canada are from individuals – 72 percent of donations in 2003. Their donations of \$6.5 billion were the highest ever reported and an 11 percent increase from 2002. Donations from individuals come from tributes (in memory, in honour or in celebration), mailers, telefundraising programs and major gifts (face-to-face asks).

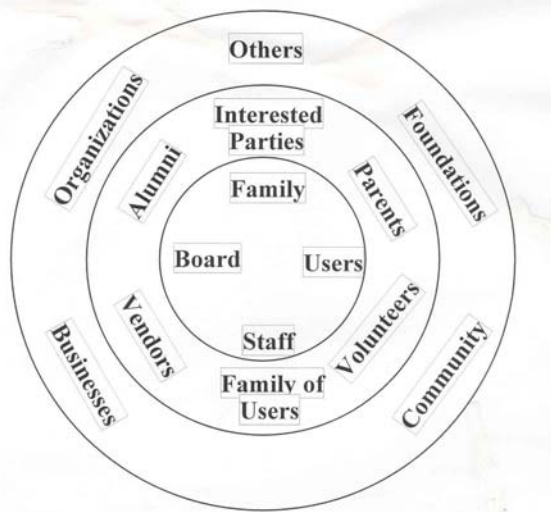


Illustration #1 – Rosso's Circle of Influence

It is important to keep in mind that only 25 percent of tax filers reported charitable donations in 2003. The percentage peaked at 29 percent in 1991 and there has been a steady decline in the percentage of tax filers making gifts, which seems to have stabilized at about 25 percent.

The average gift, according to tax returns is \$1,160, an increase of 10 percent from 2002. The median donation made by Canadians increased to \$220 in 2003 from \$210 the previous year. Research by Imagine Canada has shown that the most generous 25 percent of donors contribute the greatest share of donated money. David Foot, author of *Boom, Bust & Echo 2002*, forecasts that non-profits will experience a surge in donations and volunteers, because giving and volunteering tend to increase with age, and the huge Baby Boomer generation is entering the period of their lives when their families are grown and they begin to reach out to their community. The likelihood of giving is high among older Canadians, and the amount increases with age. Experts suggest that fundraisers are well advised to aim some campaigns at the 65 and over age group, as they are likely to be donors (80 percent) and donate the greatest amounts of any age group. Research indicates that the higher the education level, the more likely a person is to give. Foot agrees, stating that the Depression Era (1930-39) and the Roaring '20s (1920-29) generations are among today's wealthiest Canadians, and are in a strong position to give. They are also the most likely to donate property to land trusts.

A potentially fruitful source of revenue for charities in the new millennium is legacy gifts. Some members of the prosperous Roaring '20s and Depression Era generations will be reaching the end of their lives. By acting now to engage these people in legacy giving programs, charities may benefit from the transfer of wealth in the next decade.

Some significant demographic trends have been identified, which are creating a complex landscape in which to raise funds:

- "Our population is becoming one of the most ethnically diverse in the world. Immigration now accounts for more than 50 percent of total population growth. Visible minorities are growing six times faster than the total population.
- More women are earning high salaries and generating significant wealth. Baby boom women are reaching the point in life when, having achieved significant success, they are considering the potential impact of their own philanthropy.
- The impact of generational groups promises to be felt in the next 10 years. The impact of the legacy of the Depression and Second World War generations is likely to be realized that that time. By 2011, half the baby boom generation will be over the age of 55."

These shifts are unfolding at a time when the number of Canadian donors is not growing rapidly. As well, privacy legislation in some jurisdictions makes it harder to prospect for new donors. Taken together, these factors create a complex environment in which to generate revenue."<sup>1</sup>

Refer to Appendix #H-2 for more information about Canada's age distribution.

## **Foundations**

Granting foundations provided about 12 percent of the funding to Canadian charities in 2003. Imagine Canada's 2004 Directory of Foundations and Grants reported there were 2,348 foundations in Canada, with assets of more than \$12 billion. They reported making \$1.1 billion in grants in 2003, a slight decline from 2002 mainly due to financial market conditions. Foundations are an important funding source for land trusts; however, they cannot answer the need for ongoing operational dollars as most foundation funding is for short-term projects. Fifty percent of Canadian foundations are in Ontario and some from other provinces provide national support. Imagine Canada lists six types of foundations, which are different in asset size,

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<sup>1</sup> Spears, Marnie A., Morrison, Gillian (2005). *Philanthropic Trends*. Toronto, Canada: KCI, Ketchum Canada Inc. p 7

staff, interests and granting procedures. Fewer than 15 percent of all foundations have paid staff.

- 1,986 family foundations, i.e. McConnell Foundation, Ivey Foundation
- 146 community foundations managing assets of \$2 billion<sup>2</sup> - some have an Environment Fund or manage specific endowments for projects benefiting the environment
- 116 corporate foundations, i.e. TD Friends of the Environment
- 79 special purpose foundations, i.e. Ontario Real Estate Association Foundation
- 17 service club foundations, i.e. Rotary, Kinsmen
- 4 government foundations, i.e. Ontario Trillium Foundation

Expert consultant, Ken Wyman<sup>3</sup>, says that funders throw away up to 66 percent of funding proposals without a second glance. Big Online, an internet-based funding database, offers the following five tips to keep your proposal in the running:

1. **Is your prospective funder interested in you?** The number one reason for rejection is that the funder's interests lie elsewhere. You can determine your prospect's funding interests quickly by reviewing the organization's profile and grant history on one of the available sites.
2. **Is your information correct?** Email or phone, if a phone number is provided, to check that the contact information is correct: spelling of contact's name and title, organization's address. Although databases do their best to keep the information up-to-date, information changes frequently and without notice.
3. **What are your funding requirements?** Do you need deficit funding, matching funds or gifts-in-kind, and does your prospect provide the type of funding you require? Do your homework before submitting a proposal.
4. **Do they have the funds?** Use a database to confirm your prospective funders' budgets and deadlines. In the absence of specific deadlines, proposals sent just before or after the organization's year-end tend to be the most successful. Submitting your proposal just before year-end may allow you to snatch up any unallocated funds, while sending a proposal right after year-end can put you first in line for a spot in the funder's new budget.
5. **Should you send a letter of introduction and enquiry?** Definitely yes! This step will demonstrate your professionalism and, if the funder responds positively, will confirm your eligibility for funds, thus avoiding wasting their time and yours.

There are a limited number of granting foundations that fund land trusts across Canada; however, some of those foundations have identified environmental issues as a top priority. There are also environmental funds available through local community foundations, which raise and manage endowed funds for community benefit.

## Corporations

Corporations, generally companies with 100 staff or more, provide support to charities through donations and sponsorships. Donations often come from a proposal to a corporate foundation specifically set up to provide support to charities.

Sponsorship money comes from the marketing budget and is not a donation. This financial support often helps cover the cost of advertising, printing and special events expenses. The corporation often expects significant recognition and publicity in return for its sponsorship, such as name and logo on publications, signage, display, event tickets and/or the opportunity to speak.

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<sup>2</sup> Canadian Community Foundation, April 2005

<sup>3</sup> From Stewardship and Community Involvement, Fisheries and Oceans Canada at [www.heb.pac.dfo-mpo.gc.ca/commuity/tools\\_e.htm](http://www.heb.pac.dfo-mpo.gc.ca/commuity/tools_e.htm)

Corporate sponsorship, donations and grants account for 3 percent of the total revenues to the voluntary sector. Sports and recreation receives 15 percent of corporate support and arts and culture gets about 8 percent.

Generally corporations support causes that align with their corporate vision and values, and enhance their roles as good corporate citizens.

## Businesses

The 2.6 million small business owners and self-employed entrepreneurs in Canada are often overlooked or underestimated in their capacity and interest in supporting their community. According to the Canadian Federation of Independent Business, 95 percent of Canadian businesses employ fewer than 50 employees.

These companies are often strong supporters of local charities, serving on their boards, attending events and providing donations of cash and gifts-in-kind. The decision-making process is often more streamlined than in larger corporations. These business owners understand how important a healthy community is to their business success, and many are willing to become involved and make a financial investment.

## Organizations

Organizations may include service clubs and other environmental organizations, which raise money and then grant it to land trusts and other worthy causes. Gifts are often the result of a customized proposal and effective communication through newsletters, displays and presentations.

## Prospect Cultivation

### The Involvement/Planning Cycle

The world of fund development has developed a tried and true prospect cultivation cycle that includes:

- Identification – Prospects
- Information – Research, prospect screening and discovery calls
- Interest – Cultivation calls
- Invitation – Solicitation
- Investment – Closure of gift
- Interaction – Stewardship
- Renewal – Donor feels involved and committed enough to give again.

The Involvement/Planning Cycle, shown in Illustration #2 takes the form of a circle because the relationship between the land trust and its donors is continuous. As the organization undertakes new challenges and initiatives, the cycle repeats itself. The cultivation process is an ongoing activity. The onus is on the organization

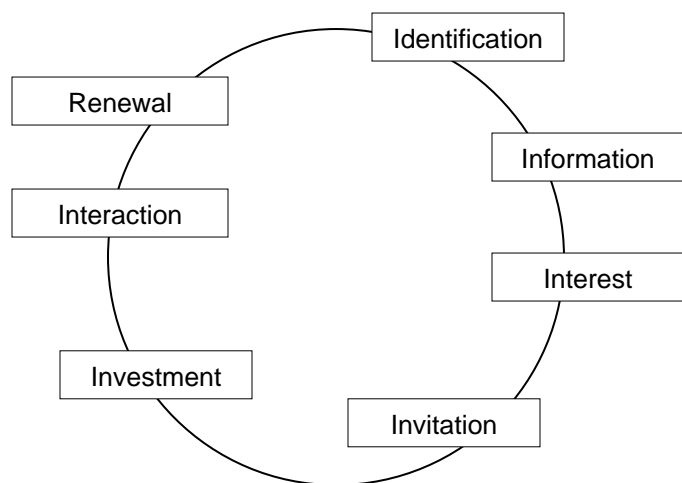


Illustration #2 – Involvement/Planning Cycle

to activate and maintain this cycle in the interest of long-term retention and appreciation of donors and volunteers. This cycle will enhance the organization's chances to acquire new donors, renew gifts from previous donors and encourage regular donors to upgrade their gift.

James M. Greenfield's Pyramid of Giving (refer to Appendix H-4) illustrates his theory of how organizations can move donors up from their first introduction to the organization, through more information and involvement, to the ultimate planned gift. However, it does not always work in such an organized flow. Donors and supporters enter at all levels of the pyramid, when they are ready. In some cases, the first donation an organization ever receives from a donor is a bequest from that individual's will. The key is to be aware of the 'I Cycle' and to focus efforts on helping people move through the cycle, starting with when they choose to enter.

#### **Linkage – Ability – Interest (L-A-I) Principle**

Rosso describes a research concept known as the L-A-I principle of prospect identification in his book, *Achieving Excellence in Fundraising*. The rules of fund development, which have been proven over time, maintain that all three principles must apply when separating prospects, who may actually give a gift, from suspects during the evaluation process. The elimination of just one of the three principles will invalidate the process and reduce the gift candidate from a prospect to a suspect.

"The principle is timeworn. It is a heritage of the past, a piece of wisdom passed on from one clan of veteran fund raising practitioners, and it is as described below.<sup>4</sup>

**L – Linkage:** A linkage relates to a contact, a bridge, or an access through a peer to the potential donor. If there is access to the gift source, then this link to the prospect makes it possible to arrange an appointment to discuss the potential of a gift. If accessibility is not a reality, then it would be difficult or downright impossible to arrange for an appointment. Solicitation becomes a matter of a letter or telephone approach, and neither is effective in the production of large gifts.

**A – Ability:** Through research, it can be determined that the potential gift source has sufficient discretionary holdings to justify a gift solicitation at the appropriate "asking" level. Two perceptions pertain: the asker's perception that the prospect has a gift capability at the level suggested, and the prospect's own perception that such a gift capability is a reality. Some wealthy but financially insecure individuals who are not brought up in the tradition of philanthropy are not sure that they have sufficient resources to give at the level requested. They may not be psychologically prepared to give.

**I – Interest:** If the potential contributor has no interest in the organization or little knowledge about its work, then the person will be prone to make a small gift or none at all. Interest in the organization and an understanding of its mission and accomplishments are imperative in the identification of valid prospects."

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<sup>4</sup> Rosso, Henry A. (1991). *Achieving Excellence in Fund Raising*. San Francisco: Jossey Bass p. 29