

## Commission to Plan for the Future of University Development at Fresno State University

### A Brief Glossary of Development Terms

**“Fund raising.** *The gentle art of teaching people the joy of giving.*” –Hank Rosso

#### **Advancement/Development**

Advancement includes everything Fresno State does to align its mission with constituents who possess similar values, concerns and aspirations and those inclined to share their time, talent and treasure with the University.

The definition of advancement varies from university to university. One campus may define it strictly as fundraising. Another may define it as only public relations and marketing. At most universities, it is defined as fundraising and public relations and all functions that fall under those categories, including: development, advancement services, alumni affairs, community relations, foundation board activities, legislative relations, marketing, publications, special events, web-site development and social media.

Development is the traditional name associated with fund-raising activities.

#### **Advancement Services**

Advancement Services provides the backbone for Fresno State’s Advancement operation. Advancement Services staff gather, organize, manage and disseminate information to guide the sound, efficient and effective operation of the University’s Advancement and Development enterprise.

Functions regularly managed by Advancement Services departments include: database management and reporting, gift and biographical records management, gift receipting and donor stewardship, gift accounting, prospect research and tracking, grants management, divisional budgeting, and events management.

#### **Annual Giving (also Annual Fund)**

Annual Giving, or the Annual Fund, is the building block for all fundraising. It serves to establish a base of donors that can serve as an effective device to inform, involve and bond a constituency to the University.

Of the bulk of money given away annually in the US, historically around 75% comes from individuals. It stands to reason that they represent the most reliable source of givers to the annual fund. (Of course, corporations and foundations may contribute to the annual fund.)

Individuals tend to give from three sources: discretionary or disposable income, their assets, and estates. Annual Giving generally seeks funding from individuals’ discretionary income.

The very process of annual fund solicitation can encourage the contributor to become more knowledgeable about the organization, more understanding, and therefore more supportive.

The primary objectives of an annual giving program are: (1) To solicit and secure new gifts, repeat gifts, and upgraded gifts; (2) To build and develop a base of donors; (3) To establish patterns and habits of giving by regular solicitation; (4) To expand the donor base by soliciting gifts from new prospects; (5) To raise annual unrestricted and restricted funds; (6) To inform, involve and bond the constituency to the University; (7) To use the donor base as a vital source to identify potential major donors; and (8) To promote giving habits that encourage the contributor to make capital and planned gifts.

The arithmetic of annual giving generally adheres to the following “formula”: (1) The top 10% of gifts received during the annual fund will have the potential to produce 60% of the money required to meet the goal; (2) The next 20% of gifts will account for 15-25% of the money required; (3) The remaining 70% of gifts will cover the remaining 15-25% of funds required.

### **Auxiliary Organization**

The State of California adopted a framework whereby some essential services are provided to state universities through entities called auxiliary organizations. These non-profit organizations are recognized by the respective campuses as separate legal entities under parameters outlined in special legislation contained in the Education Code.

Auxiliaries are by nature hybrids. They are private entities nestled within the framework of a public structure. They are related to the university at the same time that they are separate from it. Auxiliaries enhance the capabilities of the campus in the areas of property purchase or management, procurement, investment and business administration.

Each auxiliary operates with the campus pursuant to a special written agreement. The Board of the CSU and campus presidents have oversight and general supervisory responsibility, and auxiliary organizations operate within policies established by the Board of Trustees, the Chancellor and the campus. Most auxiliary organizations are incorporated, and all have governing boards. The Fresno State College Association, the first organization in the State, was established in 1922.

### **Call Center**

In fall 2007, Fresno State entered into a MASTERS Program for On-Campus Phonathon Management with RuffaloCody. The program provides total, year-round program management of the call center using paid Fresno State students to contact alumni, parents and friends of the University. The organizational goal is to bring fund-raising efforts across the campus into a coordinated program that addresses the needs and styles of each constituent unit or school. RuffaloCody’s program at Fresno State also includes a large component of research focused on increasing data integrity.

### **Challenge Gift/Grant**

A challenge gift or grant is intended to help Fresno State by stimulating new or increased support from a defined constituency(ies). The overt purpose of a challenge gift/grant is to increase fund-raising capacity and enlarge the private funding base of a particular program, effort or the entire University.

The challenge gift or grant is used as both a level and an enticement designed to stimulate “new” or “increased” donations above current fund-raising levels. The gift challenges members of the University constituencies to demonstrate the value they place on the University and/or program and to demonstrate their concern about the continued and enhanced excellence of these entities.

The traditional “gold standard” of challenge gifts/grants is for the donor to state that the University’s receipt of the challenge gift or grant is completely contingent upon receipt of a minimum amount of gifts it is challenging (ex. 1:1, 2:1; 3:1), and the University has to announce the minimum threshold as well as the maximum amount of giving that will be matched (ex: “...up to \$1 million.)

### **Corporate Matching Gifts**

A company that sponsors a matching gift program establishes guidelines by which the company will match employees’ or other individuals’ philanthropic gifts to the University. Match rates and other criteria vary among programs. For example, employee matching gifts often are dollar-for-dollar, but some companies will give double or even triple the original donation. A majority of companies will not match gifts to athletic programs.

Procedures vary with each company. Typically, individuals must submit request forms to their employers. They usually can get information about their matching gift benefits from their human resources department. Some companies will match gifts of retired employees, spouses of employees, and corporate board members.

Among universities, 72% indicated in a 2009 survey that they have matching gift programs whereby the actively solicit donors to request matching gifts. This request most often is part of the Annual Fund, the department responsible for enhancing and improving the matching gift revenue stream. (In 2009, an average .48 full time equivalent employee was dedicated to matching gift efforts.)

Matching gifts present an opportunity for donors to feel better about their giving and for companies to support their employees’ philanthropic interests. That said, in 2009, Over 78% of survey respondents estimates that less than 10% of their gift revenue was from matching gifts.

The most used methods for informing donors about the potential for matching gifts are: (1) Information posted on the university’s web-site, (2) Direct interaction with donors during the phonathon, (3) text appearing in solicitation pieces, and (4) text appearing on gift receipts or acknowledgements.

## **Endowment**

Endowments empower the University to better achieve its teaching, research and public service missions by providing a stable source of revenue for student financial aid, teaching, research, professorships, operating expenses, and capital improvements.

The classic definition of “endowment” is a gift made on the stipulation that the principal be maintained in perpetuity and that only income from the investment of the gift be expended. Thus endowment represents the legacy to the present of the past generation of University supporters.

Endowments by definition are meant to provide support in perpetuity, so endowment managers make investment and spending decisions with the long term in mind. Most endowments have widely diversified portfolios to minimize long-term risk.

Some policymakers have suggested imposing minimum spending requirements for college and university endowments. Given the volatility of financial markets, colleges and universities must have the flexibility to determine a spending rate that balances current and future needs.

## **Major Gifts**

The amount of money that comprises a major gift depends on the organization. A major gift is any gift so large that its size is different in magnitude from the university’s usual range of gifts and has the potential to have a significant impact on the university, a program or activity.

While the definition of major gifts varies greatly with institutions, one thing is clear: major gifts are inspired gifts that have a significant impact on the development program and the university. Defining major gifts by their size alone is insufficient to characterize the role they play in the university’s vitality.

Gifts of significance come in many forms. They may be substantial cash contributions, gifts of appreciated securities, or in-kind gifts such as contributions of valuable art or tangible personal property. Often major gifts are in the form of multi-year pledges given outright or through planned giving vehicles such as bequests, charitable trusts, or gift annuities. Regardless of the form they take, major gifts usually come from donors who have contributed several smaller gifts over a period of time.

Major gifts are given to universities that earn the trust and confidence of the benefactors. Big ideas compel those philanthropically minded individuals to invest in, partner with, and commit to meaningful contributions to worthy organizations. Regardless of the particular motivation for giving, the roll of the major gifts officer is to engage the donor in the important work of the university and deepen the benefactor’s involvement in the university’s mission and values system.

## **Major Gift Portfolio**

Major gift officers carry a major gift prospect portfolio that may approximate this example. Maintain a total of 120-150 major gift prospects in active solicitation cycle (those not in perpetual stewardship). Perpetual stewardship means that (1) the prospect is a donor, but no further gifts are expected and (2) the donor requires or enjoys continued contact.

Maintain 20-30 *top prospects* who will move through the solicitation cycle in 12-18 months. Maintain 20-30 *emerging prospects* and cultivate them to become *top prospects* within 12-18 months. Maintain approximately 60 *discovery prospects* who should be qualified as major gift prospects within 6 months of assignment. Provide *stewardship* to approximately 20 major gift donors after the proposal has been funded.

### **Planned Giving**

Planned giving, sometimes called gift planning, is a method of supporting the University that enables donors to make larger gifts than they could make from their income. While some planned gifts provide life-long income to the donor, others use estate and tax planning techniques in ways that maximize the gift and/or minimize the impact on the donor's estate.

Whether a donor uses cash, appreciated stock/securities, real estate, artwork, partnership interests, personal property, life insurance, a retirement plan, etc., the benefits of funding a planned gift can make this type of charitable giving very attractive to both donor and the University.