A Best Practice Fund Development Program

for an Independent, Nonprofit
Biomedical Research Institute©

THE GREENWOOD COMPANY
Transformational Productivity in Fund Raising™

"Of all the motivations that inspire philanthropy, 'making a difference' and 'improving the world for future generations' are likely to be at the top of almost everyone's list. In no field of human concern can one's charitable giving have a more profound and decisive impact on the future of civilization than by supporting research that seeks to conquer the major diseases of our time."

David L. Mitchell
President, The Greenwood Company

The Greenwood Company

The Greenwood Company is a selective, mid-sized, fundraising firm that specializes in the design and management of comprehensive development programs, including campaign planning and feasibility studies, campaign management, and fund development planning studies in support of the capital, endowment, and operating needs of nonprofit organizations.

Most of the firm's work has been conducted on behalf of hospitals, health systems, medical research organizations, and health policy centers. However, an increasing number of clients are in the educational, cultural, social welfare, and international service sectors as a result of referrals from satisfied health-related clients who understand that Greenwood Company fundraising methodologies developed for the health sector can be especially effective when applied to other nonprofit industries.

The Greenwood Company was founded in 1979 and has served nonprofit organizations in 28 states, including every geographic region of the country. The company's primary services include:

- Fund development planning studies;
- Campaign planning and feasibility studies;
- Capital and endowment campaign management;
- Comprehensive long-range development plans;
- Gift solicitation training programs;
- Interim development program management;
- Major gift and planned giving programs;
- Strategizing, training gift approach teams for, and negotiating complex outright and deferred ('planned') gifts of all types and sizes;
- Employee fund raising;
- Board development;
- Constituent education programs;
- Board retreats; and
- Executive recruitment.

The Greenwood Company has conducted campaign planning and feasibility studies and fund development planning studies and has managed successful capital and endowment campaigns for hospitals, medical centers, and research institutions, independent schools, social and animal welfare organizations, cultural organizations, and international NGOs that are among the most respected nonprofit organizations in the United States.

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The Importance of Philanthropic Support to the Future of Independent, Nonprofit Biomedical Research Institutes

By virtually any measure, the United States remains the undisputed international leader in biomedical research. Year after year, U.S.-based scientists garner a disproportionate share of Nobel prizes in medicine, chemistry, and physics, as well as other prestigious scientific awards. Leading medical and scientific journals are dominated by articles from investigators in America's research institutions.

In fact, the vast majority of significant advances in medical diagnosis and treatment over the past century were discovered and developed in American laboratories: advanced antibiotics; vitamins A, B, and D; chemotherapy; polio vaccines; coronary angioplasty and bypass surgery; cardiac pacemakers; statin drugs to lower cholesterol; antiviral drugs to treat AIDS, hepatitis, and other deadly disorders; laparoscopic surgery; numerous advanced imaging technologies; and many other life-saving treatments.

America's preeminence in biomedical research can be traced in part to vigorous federal grant support, excellent graduate and post-graduate scientific training, and a societal culture that rewards creativity, ingenuity, and entrepreneurship.

But what has also contributed to the U.S.'s distinction in biomedicine is generous philanthropic support, a uniquely American phenomenon. Year after year, private contributors supplement federal grantmaking agencies by providing the resources necessary for medical investigators to pursue 'hunches' that could ultimately yield an elusive cure for Alzheimer's disease, heart disease, or HIV/AIDS.

Within the overall arena of biomedical research, history has shown that nearly all high-impact biomedical breakthroughs have occurred where different scientific or technical disciplines intersect – not within the individual 'silo' disciplines themselves. And the scientific organizations that are generally best equipped to encourage interaction and collaboration among investigators from different disciplines – and to give investigators the freedom to pursue their research without administrative direction – are nonprofit, independent research institutes that operate without excessive bureaucracy and without a typical university departmental structure that tends to compartmentalize specific medical problems in artificial ways.

These independent institutes are able to focus intensively on specific scientific challenges and concerns, and to promote scientific creativity, innovation, and responsible risk-taking with longer-term research horizons than is typical in most university environments.

With few exceptions, the nation's independent biomedical research institutes were created to complement – not to compete with – the nation's medical schools, which were established primarily for medical education and only secondarily to treat patients and conduct biomedical research.

A common premise among independent institutes is that gifted, creative scientists, when permitted to work in an environment that promotes interdisciplinary collaboration and 'high-risk/ high-payoff' research, are more likely to make important contributions to medical knowledge than in a large research center organized by academic specialty.

Too often, medical schools and teaching hospitals with bench research programs are characterized by institutional complexity and bureaucracy, invariably resulting in frequent committee meetings for scientists to attend, extensive paperwork to complete, and numerous policies and procedures to follow and enforce. Collectively, these factors diminish the amount of time that investigators actually spend on their research pursuits.

Medical schools and teaching hospitals are also usually physically organized by department or area of expertise, so that scientists must go out of their way to seek out potential collaborators from other disciplines.

In sharp contrast, a hallmark of a typical independent biomedical research institute is the significant amount of interaction and collaboration across a wide range of scientific fields which is fostered by the physical proximity of its scientists to one another.

Thus, it should come as little surprise that an increasing number of the most talented young investigators completing their research fellowships are gravitating toward independent institutes – rather than toward medical schools – to pursue their scientific careers.

But, despite the many attractive features of independent research institutes, nearly all of these institutes – with the exception of a small number with unusually large endowments – rely more heavily on competitively awarded grants from the NIH and other federal agencies to support their operating budget than do the nation's leading medical schools and teaching hospitals with large research programs.

This heavy reliance on federal support is due to the fact that most independent institutes do not have access to significant funds from other sources (e.g., tuition and clinical activities) as do their medical school and teaching hospital counterparts. Thus, the indirect cost rates of most independent research institutes are usually substantially higher than the rates at most medical schools and teaching hospitals.

Without question, federal grant support continues to represent a highly desirable form of ongoing research support, because it enables an investigator to recover the direct cost of research and

the investigator's institute to recover the costs of supporting the investigator. (In contrast, most foundation grants cover direct costs but provide little or no allowance for indirect cost recovery.)

Moreover, peer-reviewed, competitively awarded federal grants also provide a method of external assessment of an investigator's work, which is important to ensure that the work is of the highest quality.

However, even the most optimistic financial projections for an independent institute's operation reveal a perpetual annual budget shortfall that amounts to approximately 10% to 20% of the institute's operating budget – no matter how large the number of principal investigators. Without access to income from a large endowment portfolio, a typical independent institute must obtain significant funds from non-federal sources for its general operations and capital funding requirements.

However, the competition for NIH and other federal grants has never been tougher – and is steadily increasing. Thus, an institute's ability to maintain federal funding at a level necessary to sustain its operation is increasingly based on its ability to recruit and retain top-caliber scientists who can compete effectively for federal grants. 'Second-tier' investigators simply cannot obtain consistent funding from federal sources, thus they do not represent a prudent target for an institute's investment.

Furthermore, while the NIH and other federal agencies provide research support for scientists after they are established at a particular institution, federal sources do not provide funds for research centers to recruit new scientists. Instead, such funds must be obtained entirely from philanthropic contributions and other non-governmental sources. Moreover, the NIH does not provide funds to construct research laboratories for new faculty scientists. Such funds must also be obtained from other sources.

Most independent biomedical research institutes constantly search for new sources of revenue to augment existing sources and to provide financial relief for their central budgets which regularly experience shortfalls in revenue. Many institutes have eagerly pursued technology transfer or other types of affiliation agreements with established pharmaceutical companies or biotechnology companies, based on the expectation that such relationships will provide meaningful financial relief for the institute's central budget.

However, the reality is somewhat different from this 'urban legend.' While commercial affiliations can be extremely beneficial to certain institutes in expediting the movement of basic discoveries into commercial applications, commercial funding sources have largely abandoned the type of 'big ticket' first-rights technology funding agreements that were popular in the 1980s and 1990s.

Today, the most common industry-academic relationships in biomedicine are very narrowly focused (usually on one or two laboratories) and are time-limited (usually two to four years at a time), and they pay for work that is in addition to, but not generally part of, an investigator's mainstream research efforts.

As a result, despite the lure of a block-buster drug that might someday emerge from such a partnership and provide the investigator and the institute with a significant royalty stream (e.g., the Cohen/Boyer patent benefiting the University of California and Stanford), most commercial affiliations have not provided research institutions with the level of financial relief for central budget needs which they seek.

Independent institutes are certainly well advised to pursue commercial affiliations and funding arrangements as a method of moving its discoveries to the market-place. Such efforts, when successful, can enhance an institute's public image that its work is relevant to real-world health concerns and that its discover-ies are sufficiently innovative to attract private investment.

Moreover, potential donors will view such institute-corporate interactions as providing a 'Good Housekeeping Seal of Approval' for the institute, elevating its image as a potential candidate for gift support. However, such agreements should not be viewed as offering the potential for significant central budget relief.

Therefore, in order for an independent institute to expand or improve in quality, it must obtain philanthropic support to fund the construction and equipping of any new research buildings, to recruit new faculty scientists to occupy these facilities, and to cover the unfunded indirect costs associated with foundation grants. Funds for these priority purposes can only be obtained through philan-thropic sources, with the occasional exception of capital funds from Congres-sional 'earmarks' or other governmental funding programs.

Major philanthropists in biomedical research are most attracted to those organizations that possess world-class scientific talent whose stated objective is to produce groundbreaking discoveries that may lead to the prevention, diagnosis, and/or treatment of life-threatening diseases.

With rare exception, the nonprofit biomedical research institutions that have been most successful in developing a strong base of philanthropic support are those that emphasize their expertise in tackling specific diseases (e.g., prostate cancer, diabetes, or Parkinson's disease) or categories of diseases (e.g., cancer or heart disease) and that highlight their 'bench to bedside' capabilities.

While certainly compelling, pure basic research without a disease context or focus seldom has strong appeal to major benefactors from the lay community.

The ability to demonstrate a compelling need for philanthropic support is occasionally an issue in ongoing fund-raising programs and periodic capital campaigns for biomedical research institutions that are known to rely heavily on federal grant support and increasingly on commercial technology licensing agreements with industry for significant sources of operating and capital funds. Nevertheless, this occasional impediment to fund raising can be overcome through the educational component of any effective gift approach.

Moreover, the increasingly blurry line differentiating the role of a nonprofit basic research institute from the role of biotechnology and pharmaceutical companies in drug development sometimes makes the development of the case for philanthropic support of nonprofit independent research institutes more challenging than in the past.

In summary, by any measure, the nation's independent research institutes have an irrefutable and, in most cases, very compelling philanthropic case for support to fund their capital, operating, and endowment needs.

Ironically, unlike the nation's leading medical schools and teaching hospitals that operate robust 'best practice' fundraising programs, only a small number of the nation's independent research institutes have developed high-performance fundraising programs that consistently fund a meaningful portion of their operating and capital budgets.

While most independent institutes lack access to 'grateful patients' and other obvious constituencies of donors, and while fund raising from the private sector has been somewhat foreign to the traditional biomedical research culture, the harsh realities of the current and anticipated federal grant scene, combined with the increased costs of conducting cutting-edge research and long waits for commercial deals to pay off, are prompting the nation's independent research institutes to recognize the need to significantly upgrade their fund development efforts in order to remain financially viable.

Except in the most unusual instances where an institute is supported through a massive endowment, the only independent research institutes that will be able to survive in the future are those that operate 'best practice' fund development programs in keeping with the principles outlined in this document.

Key Elements of a 'Best Practice' Fund Development Program in an Independent, Nonprofit Biomedical Research Institute

What follows is a description of a mature and effective ('best practice') fund development program designed specifically for an independent, not-for-profit biomedical research institute that has achieved scientific (and sometimes clinical) excellence and is maximizing its net income from philanthropy.

This model is based on The Greenwood Company's considerable familiarity with fund development programs at the nation's leading academic medical centers, independent research institutes, healthcare delivery systems, and community hospitals.

The Image of the Institute

In order to be very effective in raising substantial funds from charitable donations, an independent biomedical research institute should be well regarded in scientific circles as well as among those private funding sources that are knowledgeable about scientific matters.

Since most independent biomedical research institutes of national stature derive a substantial portion of their philanthropic support from their respective local regions, the institute should have a high profile in its home region and be highly regarded by the philanthropic establishment of that area.

A positive local and national image for a biomedical research institute includes perceptions that reflect:

- high visibility and strong brand identity, particularly in the institute's local community;
- prestige and status for those whose names are associated with the organization;
- cutting-edge science, preferably with a readily apparent relationship to diseases of significant concern to a lay audience;
- strong governing board leadership, consisting of people of stature in the local, regional, and national communities;
- sound management;
- financial stability and strength and bright prospects for future federal grant support; and
- active community involvement and outreach.

The Priority Setting Process for Fund Raising

A 'best practice' fund development program for an independent biomedical research institute sets funding priorities that at all times correctly reflect the institute's top capital and operating funding priorities, tempered by the reality that donors are more likely to be interested in certain types of compelling

needs (e.g., disease-oriented research programs, new laboratories and specialized research equipment, recruitment of young investigators) than in other more mundane needs (e.g., facility renovations to meet seismic codes, routine equipment upgrades, general 'operating funds,' etc.).

Accordingly, a 'best practice' fund development program is integrally involved in the institute's capital budget planning process at a very early stage so that senior development staff and governing board (or supporting foundation board) members can choose the most compelling capital needs for philanthropic funding well in advance of the need for the funds.

Such needs are ordinarily identified as much as two years – or even three or four years (in the event of the construction of major new facilities) – in advance of their actual funding by the fund development program, and rarely less than one year in advance of funding. Such lead time is essential so that fund development staff and governing (or supporting foundation) board members can plan and execute appropriate fundraising programs on behalf of these needs. Institute managers and faculty scientists assist the fund development staff in developing persuasive arguments for these capital funding needs.

The Case for Philanthropic Support

A mature and successful fund development program for an independent biomedical research institute possesses a succinct, compelling, and easily understood 'case statement' that outlines:

- the institute's mission, vision, history, and major accomplishments;
- qualities that define the institute's 'value proposition' and that differentiate it from other research organizations;
- the institute's impact on major health concerns;
- sources of, and constraints on, principal funding sources (federal grants, endowment income, commercial relationships involving technology licensing agreements, etc.); and
- the vital role played by philanthropic support in addressing these diseases.

Above all, the case statement establishes an obvious, compelling, and direct connection between philanthropic funding and important scientific discovery.

In addition, the institute possesses specific case statements for individual program or capital needs for which it currently seeks philanthropic support.

If the institute is not currently engaged in a capital or endowment campaign, it ordinarily identifies a small number of key capital, programmatic, and/or endowment needs for which philanthropic support is currently sought. Each need should be compelling in its obvious importance and relevance to particular diseases of lay interest and possibly to other specific concerns of the local community.

Typical examples of compelling needs include:

- new 'high-risk – high-reward' scientific projects that are not yet sufficiently developed to be eligible for federal grant support;
- new scientific instruments and equipment that are critical for specific, essential experiments;
- new or renovated research or clinical facilities;
- faculty recruitment and laboratory start-up support;
- community outreach programs;
- unrestricted support to enable faculty scientists to accept foundation grants that cover only the direct costs of research, by applying unrestricted gifts to cover the unfunded indirect costs associated with these grants; and
- permanent endowment for faculty chairs, fellowships, etc.

The cost of such priority needs ranges from equipment that costs as little as $25,000, to facility and recruitment needs costing $10 million or more.

The institute's chief development officer should always be consulted early in the institute's capital, programmatic, and faculty recruitment budget process so that the most compelling and attractive needs can be selected for philanthropic marketing.

Funding needs should be identified at least 18 months (and often as much as two or three years) before they are actually funded. Such lead time is necessary so that the institute can adequately plan and complete the following steps necessary to procure these funds:

- preparation of a specific case statement;
- volunteer enlistment and training; and
- donor prospect identification, cultivation, education, and solicitation.

The institute's faculty scientists typically assist the development office in developing persuasive arguments for these needs.

Fund Development Program Governance Structure, Composition, and Fundraising Responsibilities

The Most Common Institute Governance Model

The governing boards of most 'best practice' independent biomedical research institutes with a mature and effective development program are comprised of at least 15 (and often as many as 25 to 30) lay volunteers who have stature, credibility, and influence in their respective communities. Board members typically serve for up to three, three-year consecutive terms, followed by a mandatory year off the board before becoming eligible for re-election.

In order to foster a 'culture of philanthropy' throughout the institute and to set an example for institute employees and external community donors, each governing board member makes a personal gift to the institute each year, which is meaningful in relation to

his/her own individual financial capacity. (Most members should have the financial capacity to give at least $10,000 per year as an annual gift – preferably more.)

When the institute embarks on a capital or endowment campaign, each board member is expected to pledge (over three to five years) a contribution that is generally much greater than what he/she donates on a year-to-year basis – preferably five to 25 times as much.

Further, each member of the board's Development Committee – and hopefully many other board members as well – participates in at least two or three face-to-face gift solicitations for significant gifts each year.

While many institutes of international scientific stature aspire to recruit trustees from a national, even international, constituency, those institutes whose boards consist of a significant portion of trustees from the institute's surrounding area (within approximately 50 miles) are often more successful in their fund development efforts than those institutes whose boards are truly national or international.

Just as Former House Speaker 'Tip' O'Neill frequently quipped that "all politics are local," philanthropic support of the nation's leading independent biomedical research institutes remains largely a local phenomenon because donors who provide philanthropic support for these institutes receive considerably more social reinforcement of their gifts to those organizations where they reside than to organizations located far away.

Examples of world-class research institutes (some with clinical programs) that operate very successful development programs and whose boards are populated largely, but not exclusively, by leaders from the surrounding community include:

- Sanford-Burnham Institute (San Diego area)
- Cold Spring Harbor Laboratory (New York City area)
- Dana-Farber Cancer Institute (Boston area)
- J. David Gladstone Institutes Foundation (San Francisco Bay Area)
- Huntsman Cancer Center (Salt Lake City area)
- Fred Hutchinson Cancer Center (Seattle area)
- Memorial Sloan-Kettering Cancer Center (New York City area)
- Rockefeller University (New York City area)
- Southwest Foundation for Biomedical Research (San Antonio area)
- Whitehead Institute (Boston and New York City areas)
- Wistar Institute (Philadelphia area)

One of the few leading independent biomedical research institutes that have historically maintained a more national governing board is the Salk Institute for Biological Studies in La Jolla, an organization that was founded by the New York-based March of Dimes organization

and has been governed by a national board ever since it was founded in the early 1960s.

In an independently incorporated, not-for-profit 501(c)(3) biomedical research institute, a mature and effective fund development program – along with its chief development officer – reports directly to the institute's chief executive officer (i.e., its president or director). The development program is guided and assisted by the Development (or Advancement) Committee of the institute's governing board, as one of several board standing committees.

The Bifurcated Board Model

Some of the nation's older educational and research organizations, most of which are located on the East Coast, use a bifurcated board governance structure that acknowledges that not all excellent board members are necessarily well suited for institutional governance responsibilities yet still 'bring a lot to the table' in other respects.

In the bifurcated board model, board membership is split between board members who are 'governors' in the sense that they assume all legal duties and responsibilities of corporate governance, while other board members serve in non-governance but essential supporting roles such as donor stewardship, fund raising, and giving the organization prestige and caché.

For example, Harvard and Brown universities, Memorial Sloan-Kettering Cancer Center, Massachusetts Institute of Technology, and Woods Hole Oceanographic Institute employ bifurcated governance structures. Brown University is governed by 'The Brown Corporation' consisting of a 12-member Board of Fellows and a 42-member Board of Trustees, while Harvard is governed by 'The Harvard Corporation' consisting of a seven-member 'President and Fellows of Harvard College' that runs the university on a day-to-day basis, and a 30-member 'Board of Overseers' elected by Harvard alumni. Woods Hole Oceanographic Institute is overseen by a 140-member Corporation that elects a 30-member Board of Trustees to handle governance responsibilities.

In the bifurcated board model, usually a small number of board members (10 to 20) serve in a formal governance capacity – much like the executive committee of a standard board of trustees – and meet several times a year, sometimes monthly. The board's non-governing board members, often numbering 40 to 100 or more, meet less frequently (usually quarterly) and help the organization in other, non-governing ways.

Non-governing board positions are granted for different reasons:

- to retain the allegiance of longtime governing board members who do not wish to remain in a governance capacity;
- to acknowledge the importance of major benefactors who do not seek involvement in board oversight activities;

- to act as the primary volunteer structure for the fundraising program; and
- to provide a 'farm team' structure in which potential governing board members can be evaluated for their potential to later serve as governing board members.

In a mature organization with a well-developed fundraising program and many benefactors, a bifurcated board model provides a useful vehicle for maintaining a 'lean and mean' governance structure that can function efficiently while bestowing board status on a large number of key supporters who help the organization in many other ways, especially in fund raising.

However, while the bifurcated structure can be highly effective in encouraging non-governing board members to maintain their philanthropic support, the fact that their fundraising roles and responsibilities are not clearly defined significantly limits this structure's effectiveness as a desired model for a young research institute seeking to dramatically increase the productivity of its fund development program.

The Supporting Foundation Model

A board structure that has proved to be the preferred fundraising volunteer structure for most of the nation's nonprofit community hospitals, publicly-supported universities, and many cultural organizations that are quasi-governmental entities or membership organizations is the 509(a)(3) supporting organization (also commonly referred to as a 'supporting foundation'), which is also a 501(c)(3) nonprofit corporation under the Internal Revenue Code.

The supporting foundation's sole responsibilities include procuring philanthropic gifts, managing these assets, and making grants to the parent corporation. In nearly all cases, the parent corporation serves as the foundation's 'sole corporate member,' having ultimate total control over the foundation's assets and programs.

The distinct advantage of the 'Parent Corporation/Supporting Foundation' model is that it allows the parent corporation to focus on complex financial, legal, regulatory, and operational issues, while its supporting foundation can focus on procuring philanthropic support for the parent corporation.

Because governing board roles and responsibilities have become highly labor-intensive for volunteer board members who otherwise have busy personal and professional lives of their own, the added responsibility of fund raising is often given short shrift – which is always to the detriment of the research institute.

Moreover, many major donors are in a position in life where they do not aspire to invest considerable time and energy in governing board responsibilities. Therefore, they often find involvement on a supporting foundation board to be more satisfying and tailored to their lifestyle preferences and time constraints than serving on a parent board.

At most annual meetings of officials from AIRI (Association of Independent Research Institutes) member institutions, there is considerable discussion among institute executives and chief development officers concerning the increasing challenge of encouraging their respective governing board members to participate actively in their institutes' fund development programs, given the time and attention these board members must commit to other institute governance concerns.

Moreover, many institutes find that, while the individuals who have been recruited to serve on their governing boards may have diverse skills that are well suited to complex governance concerns, these board members do not necessarily possess either significant giving capacity or the key social and business connections with major donor prospects.

As a result of this challenge, there has been some discussion at recent AIRI meetings concerning alternative governance structures that would provide greater volunteer leadership and support for an institute's philanthropic funding needs.

Thus, there is no compelling reason why the supporting foundation model would not provide a very effective method of improving fundraising productivity for certain independent research institutes as it has for community hospitals, public and private universities, and other nonprofits.

The supporting foundation is governed by its own volunteer board of trustees of at least 20 (often as many as 30) lay volunteers who have stature and credibility in the community in which the institute is located.

A 'best practice' supporting foundation maintains certain key standing committees that reflect the foundation's mission of resource development: executive, nominating/trusteeship, fund development, finance/investment, grants/allocations, and strategic planning.

Because the most important functions of a supporting foundation are to procure new gifts in support of the institute and to steward past gifts, the foundation's fund development committee may often consist of several more specialized sub-committees focused on major gifts, planned giving, special events, and other *ad hoc* activities.

The existence of the development committee and its various sub-committees provides the proper accountability for the productivity of each of the foundation's fundraising programs, and encourages foundation board members to become immersed in the gift solicitation process in order to prevent the foundation from becoming predominantly 'staff-driven.'

The 'best practice' supporting foundation board meets at least six times per year, and preferably as often as 10 times per year, to encourage continuity and participation. Board committees meet

at least once between board meetings and provide reports on their respective activities at full board meetings.

Board members of a supporting foundation board typically serve for up to three, three-year consecutive terms, followed by a mandatory year off the board before becoming eligible for re-election.

A 'best practice' supporting foundation board is supported by a salaried foundation President who serves as a senior-level member of the institute's administrative team and as the institute's primary fundraising spokesperson.

Fundraising Potential

A mature and effective fund development program for an independent biomedical research institute generates gift revenues each year in the upper range of its fundraising potential. Such potential is heavily influenced by such factors as:

- the extent of wealth in, and the particular philanthropic trends of, the institute's local region;
- the level of interest of the local area's philanthropic leadership in the institute's work;
- the extent to which the institute must compete for philanthropic support with local academic medical centers that possess strong biomedical research programs;
- the extent to which major national foundations are interested in the impact of the institute's programs;
- the institute's ability to relate its research programs to the amelioration of particular health- or disease-related concerns of profound importance to philanthropists;
- the institute's unique history, the status and prestige of associating with the organization, and the uniqueness of its scientific accomplishments;
- whether the institute is able to accept restricted foundation grants that cover only direct costs and do not provide for full indirect cost recovery; and
- whether the institute has access to affluent 'grateful patients' who have benefited or might benefit directly or indirectly from the institute's research scientific contributions, or who have availed themselves of the institute's clinical programs (if such programs exist).

The nation's leading independent biomedical research institutes with 'best practice' fund development programs generally obtain gifts and grants from philanthropic sources each year (including unrestricted, temporarily restricted, and permanently restricted funds) which average between 20% and 30% of the respective institute's total operating budget.

For an institute with an operating budget of nearly $100 million (e.g., the Salk Institute for Biological Studies), it is reasonable to expect that $20 million to $30 million should be raised each year from private, non-governmental sources.

Similarly, for an institute with an operating budget of approximately $50 million per year, $10 million to $15 million is a reasonable amount to expect in philanthropy on an annual basis.

Those institutes that consistently raise more than 25% of their operating budget from private sources generally have very well developed planned giving programs that generate significant sums from bequests, in addition to mature major gifts and private grants programs.

Because foundation grants often represent a substantial potential source of funding for independent biomedical research institutes, whether an institute is able to accept foundation grants that cover little or no indirect costs influences how much of an institute's philanthropic support will come from foundation sources.

If an institute has access to funds from other sources (e.g., unrestricted gifts or unrestricted endowment income) that can be earmarked to cover indirect costs associated with the research for which the grants provide direct costs (e.g., Salk Institute), then foundation grants typically comprise a large share of the institute's total private support.

On the other hand, if an institute does not accept foundation grants for restricted purposes (i.e., other than support for fellowships or equipment, which do not require indirect cost recovery), unless the grants are accompanied by indirect cost support or supported through unrestricted gifts (e.g., Scripps Research Institute, Gladstone Institutes), then foundation grants ordinarily comprise a more limited share of the institute's total private support.

The Cost of Fund Raising as a Percentage of Funds Raised

The fundraising program in most nonprofit organizations typically yields the highest return on investment of any activity conducted by the organization. It is not uncommon for most mature fund development programs to generate five to ten times more in gift revenue than what is spent to raise these funds (example: $1.00 is spent to generate $5.00 to $10.00 in gift revenue). Consequently, 'best practice' nonprofit organizations invest as much as is required to maximize their philanthropic potential, while at the same time adhering to acceptable industry standards of what is considered an appropriate fundraising expense ratio.

A mature and effective fund development program for a leading independent biomedical research institute generally should strive for a cost of fund raising that is somewhere between 15% (meaning that it costs about 15¢ to raise $1.00) and 30% (meaning that it costs about 30¢ to raise $1.00).

Whether an institute is at the lower or higher end of this cost range depends primarily upon the fundraising capacity of the program. However, it can also be heavily influenced by whether the institute is capable of accepting foundation grants – some of which can

be in the millions of dollars (e.g., Gates Foundation) – for specific research projects which provide little or no funding to cover the institute's indirect costs of conducting the specified research.

As a consequence, independent research institutes such as the Salk Institute that use unrestricted gifts and endowment income to cover the unfunded indirect costs of restricted foundation grants tend to have a much lower fundraising cost ratio – and also a much higher gifts and private grants total – than other institutes that do not accept such grants.

Most leading biomedical research institutes have sufficient fundraising capacity to be at or below a fundraising cost of 25% (example: spend $1 million to raise $4 million) and most should strive for 20% to be consistent with industry standards and donor attitudes toward appropriate fundraising costs.

When a 'best practice' fund development program in an independent research institute conducts a major fundraising campaign, it ordinarily generates substantially more in new gifts and pledges annually during the pledge payment period (usually three to four years) than during years in which no campaign is conducted.

Thus, it is not uncommon for an institute that raises $5 million to $10 million per year in a non-campaign mode to generate $10 million to $20 million per year in new gifts and pledges during each year of the three- to four-year period in which a campaign is conducted. In such instances, the institute's fundraising cost ratio drops significantly during the campaign period.

While it is generally desirable for an independent research institute to strive to maintain fundraising cost ratios within the 'best practice' range, such efforts should not be made at the expense of raising funds from major gifts.

In other words, if keeping fundraising cost ratios to a minimum is achieved by avoiding appropriate investments in the institute's major gifts staff and programs to maximize the organization's large gift potential, then the institute is not engaging in prudent business practices.

Fund Development Staff

A mature and effective fund development program for a 'best practice' biomedical research institute is managed by an experienced development professional who reports directly to the institute's chief executive officer and carries the title of 'Vice President for Institute Relations' (or minor variations on this title).

If the institute uses a supporting foundation as its primary fundraising structure, the institute's chief development officer carries the title of foundation 'President' as well as Vice President for Institute Relations of the research institute.

Ideally, the Vice President for Institute Relations also has management responsibility for the institute's overall external affairs, including media relations, public relations, community relations, and publications.

Even while overseeing the institute's non-development areas, the Vice President should still focus 80% or more of his/her time and attention on fund development activities, with the remaining 20% applied to non-fundraising pursuits such as marketing and public relations.

The Vice President is expected to maintain a dominant focus on the cultivation and solicitation of gifts of $100,000 or more, which typically comprise the largest portion of gift income on a year-to-year basis.

The Vice President is responsible for:

- guiding the institute's comprehensive fundraising strategy and organization;
- helping the institute's senior management identify the most appropriate capital funding priorities for philanthropic support;
- working closely with members of the institute's governing board (and supporting foundation board, if such a foundation model is used) in planning and executing major gift approaches;
- monitoring the relative effectiveness and productivity of each member of the fund development staff;
- assuming direct responsibility for managing relationships with, and handling gift approaches to, many of the institute's most important benefactors; and
- serving as a senior-level spokesperson for the institute, along with the institute CEO and other members of the senior management team.

The Vice President for Institute Relations serves as a key member of the CEO's senior management team, together with equivalent senior administrators who manage the institute's finance, scientific affairs, legal affairs, human resources, information services, strategic planning, and other key administrative functions.

The Vice President also works closely with the institute's governing board and the Development Committee organized to oversee the institute's fund development effort (and works extensively with the foundation board if such a board exists).

The Vice President for Institute Relations at a 'best practice' biomedical research institute has previously compiled an outstanding record of fund development program management in a major health-related fund development program and is a skilled administrator who functions effectively in complex organizational structures.

The Vice President is also highly experienced and extremely effective in personally cultivating and soliciting large gifts. Because such gifts are critical to the success of any institute fund development program, the Vice President must be highly skilled in choreographing the identification, cultivation, solicitation, and stewardship of such gifts, and must set both a symbolic and substantive example for governing board members and development staff to follow in their own major gift approach efforts.

Because compensation levels associated with the nation's leading healthcare fund development managers have risen considerably in recent years, the Vice President for Institute Relations earns a salary that is equivalent to the most highly compensated senior members of the institute's senior management team other than the CEO position.

A mature and effective fund development program also employs a sufficient number of additional dedicated and effective staff to provide adequate support for the institute's various fundraising programs: major gifts (including individuals, foundations, and corporations), planned giving, donor acquisition and retention, and special events.

The staff team for a fund development program (not including publications, community relations, and other non-development functions) that consistently yields $10 million to $15 million per year for a biomedical research institute ordinarily consists of at least the following positions:

- Vice President for Institute Relations
- Director of Major Gifts
- Director of Planned Giving (part-time at a minimum)
- Director of Foundation Relations
- Director of Donor Relations and Stewardship
- Director of Events
- Director of Development Services (donor database, gift processing and acknowledgment, prospect research, donor files, IT, budget, etc.)
- Clerical Support (two positions)

Fund Development Programs and Support Services

Effective fund development programs in a 'best practice' biomedical research institute typically operate six basic fundraising programs and maximize revenue from each of them. These include:

- Major Gifts Program
- Private Grants Program
- Campaign Program
- Planned Giving Program
- Donor Acquisition/Renewal and Annual Giving Program, including an Employee Gifts Program
- Special Fundraising Events

Effective institute fund development programs also operate various support functions to provide the necessary resources to support the fundraising programs. These include:

- Prospect Identification, Research, and Management
- Database Management, and Gift Recording and Acknowledgment
- Donor Stewardship and Communications

What follows is a brief explanation of each of these programs and functions in a mature and effective fund development program.

Major Gifts Program

Regardless of whether an institute is conducting a major capital campaign, the major gifts program is always the centerpiece of the fund development operation and receives the greatest emphasis in terms of senior staff time and attention as well as the most time and effort of board members.

The major gifts program, which focuses primarily on current gifts from living individuals and family foundations, nearly always generates the most gift revenue each year (except in rare instances when a large deferred gift matures) and is responsible for keeping the ratio of expenses-to-funds-raised in line with accepted norms. The major gifts program enjoys the lowest cost ratio of any fund development program – usually no more than **10%** and often less than **5%**.

A well run major gifts program for a leading independent, nonprofit biomedical research institute with an operating budget of approximately $30 million makes no fewer than 30 approaches to individuals, corporations, and foundations each year for gifts of $100,000 or more. At least 10 of these approaches are for gifts or private grants of $1 million or more.

Each gift approach is carefully planned for maximum effect, and each usually involves at least one trained member of the governing or the supporting foundation board, a senior institute official, and the head of fund development. Many approaches include a scientist as well as a written proposal that is left behind after the verbal presentation in which the gift request is made.

The most compelling major gift requests seek support of exciting, high profile capital, programmatic, or endowment needs that will make possible important new research initiatives, faculty recruitments, critical facilities or instruments and equipment, and community outreach programs and services.

When an institute conducts a major capital campaign, the number of gift approaches increases dramatically, usually up to 50 to 75 gift approaches per year in the external community phase of the campaign.

Private Grants Program

A 'best practice' independent research institute operates an active program of identifying, and then submitting grant applications to local, regional, and national foundations, businesses, and corporate foundations whose grant programs support the type of research programs that the institute operates.

The level of private grant procurement activity is usually far greater if the institute is able to accept foundation grants for restricted purposes when the grants do not cover the indirect costs of the research that is supported. Without this capability, the institute must forgo applying for such grants unless they can be used to fund facilities, equipment, and postdoctoral fellowships, which do not require indirect cost recovery.

While very few of the nation's largest, professionally staffed foundations support basic biomedical research, most metropolitan areas contain small to medium-sized family foundations that support research institutes in their respective regions, particularly if these institutes operate community outreach programs or activities that engage young people in science.

A 'best practice' private grant procurement program usually works closely with the institute's grants and sponsored projects office to ensure the necessary coordination of grant applications and proper compliance with budgetary and reporting standards and practices.

Campaign Program

A mature and effective fund development program at a leading independent biomedical research institute periodically conducts a capital and/or endowment campaign over a defined time period. The campaign effort is designed to address a substantial, compelling, and urgent funding need (e.g., a new building) or set of needs (e.g., new facilities, equipment, faculty recruitments, endowment, etc.) by generating a substantially higher level of gift income than is available through year-to-year fundraising activities.

A successful fundraising campaign is carefully planned and should always be preceded by an intensive campaign planning study, conducted by a reputable consulting firm, which evaluates the level of volunteer and donor support for the institute's capital funding goals and objectives.

If the study recommends that a campaign be undertaken, a 'working goal' is set for purposes of soliciting lead gifts in a 'quiet phase' over 18 months from members of the institute's governing board (and supporting foundation board, if one exists), senior management, faculty scientists, staff, and a small number of external lead gift prospects.

An official campaign goal is set only after these commitments are formalized, and the external community phase of the campaign is conducted over 18 to 30 months involving those capable of making campaign commitments of $25,000 or more (but with a particular focus on those capable of giving $100,000 to $1 million or more).

A fundraising campaign focuses primarily on major gifts that are paid within a three- to five-year pledge period. Such gifts ultimately comprise 90% of the campaign goal. If the campaign seeks a significant amount for endowment, irrevocable deferred gifts are counted toward the campaign at full or discounted value, depending on the donor's age. An institute may also elect to count revocable bequest expectancies so long as they are accompanied by a signed campaign pledge form that agrees to fulfill the pledge through the bequest.

Planned Giving Program

A planned giving program focuses on gifts that are made through estate plans and features income, capital gains, and estate tax savings for the donor.

In contrast to the major gifts program which focuses on current (lifetime) gifts of assets that are easily liquidated (e.g., cash and stock), a planned giving program focuses on procuring testamentary bequests (through one's will or living trust), deferred irrevocable gifts (e.g., a charitable life estate involving one's residence, a charitable gift annuity, or a charitable remainder trust), other complex gift instruments (e.g., a charitable lead trust), and transfers of assets that cannot be readily liquidated (e.g., commercial/residential/agricultural real estate, stock in a privately held corporation, retirement plans, or rare real property such as classic automobiles).

Of all the fund development program's various efforts, a planned giving program is the most arcane and challenging to establish and properly administer. However, it can dramatically increase the level of philanthropic commitments received during a given year.

In fact, a planned giving program ordinarily accounts for some of the largest gifts that an independent research institute can expect to receive over an extended period of time.

Planned gifts are often made to an institute's permanent endowment, and they usually represent the principal method for an institute to amass a substantial endowment over time, inasmuch as most cash or stock gifts made during a donor's lifetime are restricted for specific immediate use rather than for permanent endowment.

An effective planned giving program requires competent staffing and stewardship by a skilled professional (employed on either a full-time or part-time basis, depending on the size of the institute's operating budget) who is conversant with current federal and state tax laws as well as the leading estate planning vehicles and techniques.

A 'best practice' planned giving program generally conducts the following activities to attract and cultivate prospective donors of planned gifts:

First, the program is managed by a skilled part-time or full-time Director of Planned Giving who is well versed in the technical aspects of all the leading planned gift instruments and is adept at applying these instruments in interactions with prospective donors.

The Director also works closely with all institute fund development staff to make certain that they are conversant with the basics of these gift instruments and that they are capable of selectively incorporating planned gift instruments in their gift approaches when such instruments have the potential to leverage larger gifts.

Second, the planned giving program organizes a donor recognition group (or 'society') that is designed to pay special

attention to those who indicate their intention to provide for some type of deferred gift for the institute or one of its special programs. Members of this group, which should be separate from groups that recognize current lifetime gifts, are:

- invited to at least one hosted donor cultivation and recognition event per year, held exclusively for the group's members;
- invited to selected special gatherings to which annual and major donors of lifetime gifts are also invited;
- included on the mailing list for regular institutional newsletters and publications;
- sent periodic publications which provide updated information on current laws and issues surrounding charitable estate planning; and
- solicited for annual gifts and occasionally major gifts for particular special fundraising campaigns, unless they have requested not to be solicited for such purposes.

Priority constituencies to approach for membership in the planned giving recognition group include: former and current governing (and supporting foundation) board members; senior managers; faculty scientists; older support staff; and current and past donors who are known to be 60 or more years old.

Third, the 'best practice' planned giving program conducts an ongoing direct mail program to recruit new members of its donor recognition group with two high quality, personalized mailings per year to all of the institute's past and current donors who are known to be 60 or more years old.

At least one of the two mailings should be an invitation to attend a reception for members of the planned giving donor recognition group, which features a major speaker on a current health or disease-specific topic of keen interest, providing prospective donor recognition group members an opportunity to participate in a recognition group activity before committing to formal membership.

Fourth, the planned giving program is assisted by a dedicated professional advisory group consisting of 10 to 15 volunteer 'agents of wealth' who represent insurance, trusts and estates, commercial and residential real estate, retirement investment, and other professional advisory sectors relevant to issues involving seniors and their financial needs.

Fifth, the planned giving program should avoid using publications that focus exclusively on the technical aspects of planned gifts but instead are balanced with compelling personal profiles of donors who have made provisions for deferred gifts to the institute. The cumulative effect of such case studies, over time, pays significant dividends.

Sixth, the planned giving program should market charitable gift annuities aggressively in the current economic environment, if it holds a state-issued license to issue such annuities. For those 70 years old or older, gift annuities can provide an excellent vehicle to substantially increase one's investment income

compared with what can be earned through conventional stock and bond investments. Moreover, as federal and state income tax rates increase, the portion of gift annuity income which is not subject to marginal income tax rates grows in financial impact.

Finally, it is imperative that all fund development staff who are involved in major gift approaches be well versed in the basics of all major deferred and other planned giving vehicles: bequests; charitable remainder trusts (all types); charitable life estates involving residences; charitable gift annuities; charitable lead trusts; gifts of securities and real property; and other complex giving instruments. A useful working knowledge of these gift vehicles is a prerequisite for major gift officers to maximize the giving potential of all prospective major donors.

Donor Acquisition/Renewal and Annual Giving Program, including an Employee Gifts Program

A 'best practice' donor acquisition, donor renewal, and sustaining 'annual giving' program typically generates a steady stream of gift income from small- to medium-sized donations ($10,000 or less, with most from the direct mail program), with proportionately less effort (but greater cost-per-dollar raised) per donor than is entailed in the major gifts or planned giving programs.

An annual giving program is important for two reasons: first, to generate a significant amount of unrestricted or loosely restricted gift income to support the institute's research programs and related projects on a predictable year-to-year basis; and second, to develop a constituency of future major gift and planned giving donors by attracting new donors and nurturing their involvement in the life of the institute over time.

An annual giving program seeks to acquire new donors by seeking first-time donations, then renewing these gifts a year later at the highest possible rate of renewal (75% is an appropriate 'best practice' objective), and subsequently encouraging increased gifts from those who have become regular annual donors.

An effective annual giving program includes compelling direct mail requests as well as in-person gift invitations directed at selected prospects at least once each year. Direct mail requests that seek specific gift amounts are generally much more effective than those requests that do not suggest a specific gift amount.

Moreover, direct mail requests that invite prospective donors to join donor clubs or societies (which offer compelling membership benefits) at specific higher gift levels (e.g., $150, $1,000) can be more effective in acquiring donors with greater long-term philanthropic potential than appeals for any gift amount.

Because an institute's annual giving program relies heavily on direct mail, it always has a much higher fundraising cost ratio than do major gifts or planned giving programs.

A comprehensive and multi-faceted donor acquisition and annual giving program for an independent, nonprofit

biomedical research institute contains several key components:

- An annual board campaign, making personalized approaches to each member of the governing (and supporting foundation) board.
- An annual employee campaign seeking three-year, payroll-deducted commitments and providing special recognition for those who contribute a particular minimum percentage of their total income (e.g., the equivalent of one hour per pay period). (See the following 'Employee Giving' section for more details.)
- A year-around program of first-gift acquisition mailings to selected mailing lists purchased through direct mail list vendors, targeting affluent individuals whose demographic profile, intellectual interests, consumer spending habits, and disease-specific giving habits make them most likely to respond to a request for gift support.
- Regular community lectures, held on campus and at selected community locations as well as other regional sites with concentrations of wealthy residents, showcasing institute scientists whose presentation topics are geared toward a lay audience and whose speaking style is informative and entertaining. Newspaper ads, public service announcements, and targeted mailings are used to attract the type of individuals most likely to become regular donors. Lectures are followed by tasteful verbal 'pitches' to join various donor recognition groups, and follow-up mailings to lecture attendees are used to solicit first-time gifts.
- Well-organized and executed gift renewal and gift upgrade programs, using a series of up to four letters and phone calls to seek recurring gifts at the same or higher levels, depending on one's frequency of past giving.
- A donor recognition program with a specific name and set of membership benefits for all annual donors of $250 to $999 (for unrestricted or restricted use);
- A totally separate donor recognition program (and program name), providing a considerably richer set of donor benefits, for donors of $1,000 to $4,999 (for unrestricted or restricted use); and
- An elite donor recognition program with a unique and highly personalized set of donor benefits for those who contribute $5,000 or more in a given year (for unrestricted or restricted purposes), or who have made cumulative lifetime gifts of $100,000 or more.

An effective **annual employee campaign** is very important not only for the dollars that are contributed but to convey to community donors – individuals, foundations, and businesses – that the institute's major internal stakeholders (i.e., the employees) are themselves committed financially to the institute's mission.

A successful employee annual giving campaign seeks ongoing, payroll-

deducted commitments and provides special public recognition for those who contribute a particular minimum percentage of their total income through payroll deduction (e.g., the equivalent of one hour of pay per 80-hour pay period, amounting to 1.25% of one's gross earnings).

The most effective employee campaign begins with institute senior managers participating at the 100% level with a minimum of one-hour-per-pay-period pledges (but preferably two-hours-per-pay-period), followed by managers soliciting pledges from management colleagues and rank-and-file non-management employees soliciting pledges from peers. Peer gift solicitations are conducted after all employees have been educated about the importance of employee support to the institute's financial well-being and ***also*** to the institute's public image as a worthy recipient of philanthropic support from community donors.

The inaugural employee campaign to launch the on-going employee giving effort is chaired by Employee Campaign Co-Chairs, each of whom recruits a group of Captains who are responsible for recruiting Employee Campaign volunteers. In this manner, the Employee Gifts Committee is constructed over a period of approximately eight weeks. The Manager Gifts Committee is co-chaired by a group of managers who are not members of the senior management team. The Manager Gifts Committee is recruited, trained to make peer solicitations, and conducts gift approaches over the eight weeks in which the Employee Gifts Committee is being recruited.

Employee Gift Committee members are trained by the development (or foundation) staff at an Employee Campaign kickoff, attended by the governing board (or foundation board) chair and the institute President/CEO. Institute senior and middle managers have no role in the campaign except to participate as donors (i.e., no supervisor approaches any employees for gifts or serves as an Employee Co-Chair, Captain, or Volunteer). Institute managers are approached for gifts by either a peer manager or development (or foundation) staff.

All institute employees are fully briefed about the importance of employee giving in a series of briefings offered at department meetings held prior to the kickoff of the Employee Campaign. All employees also receive written materials on the Employee Campaign. Hoped-for employee participation in the campaign entails an on-going payroll-deducted pledge, which employees may amend or cancel at any time. All employee pledges are confidential; pledge cards are held by the development office (or foundation) in strictest confidence; institute management has no access to pledge cards. Payroll deductions are then entered into the donor database and institute payroll system by people who do not discuss this information with anyone.

After the inaugural employee campaign is conducted, information about employee giving is presented during new employee

orientation to extend the opportunity to participate to new employees. An annual employee campaign is conducted to renew employee donors who may have made one-time gifts the previous year and to solicit new on-going pledges from those employees not already participating.

'Best practice' employee giving programs (after the inaugural campaign) promote employee giving via the institute intranet and facilitate pledges and gifts online.

A 'best practice' donor acquisition and annual giving program quantitatively tests the effectiveness of different formats and messages in its direct mail pieces. For example, a sophisticated direct mail testing program measures gift results based on:

- letters that are short, medium, and long;
- letters that contain different messages and content (e.g., Alzheimer's disease, Parkinson's disease, diabetes, stem cell research, etc.);
- different types of outer envelopes (window vs. closed vs. personalized invitation style);
- different letter signers (e.g., board members, scientists, high profile community leaders, respected celebrities, etc.);
- different gift requests (e.g., unspecific gift amounts, or specified gift requests of $100, $250, $500, or $1,000); and
- donor recognition societies and donor membership benefits, versus no recognition societies.

To conduct the proper testing to determine the most effective approach to donor acquisition, gift renewals, and gift upgrading, an independent research institute should retain the services of a high-quality direct mail or 'phone-mail' consulting firm to help the annual giving staff design and produce the overall testing and mailing program.

Because the cost of renewing a previous gift is only a fraction of the cost of acquiring a first-time gift, a 'best practice' annual giving program for an independent research institute also includes multiple personalized mailings and phone calls to previous donors, inviting them to renew or increase their previous year's gift.

In addition, 10 to 11 months after making their previous gift, every donor who gave $1,000 or more the previous year receives a personalized stewardship report that describes how the previous year's gift was applied and that requests a renewed or increased gift. This stewardship approach ensures a much higher gift renewal rate than a renewal program that fails to explain in a compelling manner how the donor's previous year's gift was applied.

Special Fundraising Events

The primary purpose of a special fundraising event – in contrast to a hosted donor cultivation or stewardship event – is to elevate the profile of an institute and its fund development program among important donor prospects.

Fund raising is a special event's secondary purpose because of the high cost (in relation to funds raised) of staging a special event and because of the relatively low fundraising potential of special events when compared with the revenue potential of major gifts and planned giving programs. In addition, special fundraising events are far more labor-intensive than either major gifts or planned giving programs.

A successful special event raises the institute's profile, involves a substantial number of important donors and donor prospects in ways that other cultivation activities are not able to accomplish, and nets a modest amount of money in relation to the staff and volunteer time required to conduct it.

A special event is generally considered successful when it significantly raises the profile of the institute's fund development program and consistently nets at least 50% of the amount of gross event revenue.

Every independent, nonprofit biomedical research institute should seek to conduct one – and preferably no more than one – special fundraising event each year. Additional fundraising events organized by the institute itself should be avoided in order to reduce the likelihood that attention and support will be diverted from the signature event.

In the case of certain independent research institutes, it is not uncommon for various civic and other affinity groups in the institute's local community to organize and conduct their own special fundraising events to benefit the institute, usually in support of a specific disease area. Such events are appropriate so long as they:

- do not rely on institute fund development (or foundation) staff to conduct the event;
- use the institute's name in a professional manner;
- seek to net a minimum of 50% from event revenues;
- do not request the institute's donor list for purposes of generating event participants; and
- coordinate such events with the institute's development staff to avoid schedule conflicts or other problems.

Prospect Identification, Research, and Management

A 'best practice' independent research institute places considerable emphasis on systematically identifying and researching potential major donors, and then carefully managing all information related to monitoring the status of relationships that develop with these prospective supporters.

Names of prospective donors are assembled from a variety of sources: local news publications; referrals by board members and scientists; local social club and civic organization rosters; donor rosters from other regional nonprofit organizations; lists of previous annual donors; lists of memorial or testimonial gifts; institute campus visitors; attendees of community lectures; and other public sources of information.

A 'best practice' fund development program retains specialized vendors (e.g., Blackbaud/Target Analytics, WealthEngine) to conduct 'wealth screenings' of its donor database at least once per year, to identify those individuals with the financial potential to make major gifts. This information is used by development staff and board members for purposes of targeted gift approaches through direct mail (e.g., highly personalized invitations to join $1,000 per year giving societies) or for special campaigns, or to develop invitation lists for donor cultivation events.

At any given time, a 'best practice' institute fund development program is preparing in-depth background profiles on those prospects it determines have the capacity to give the institute $100,000 or more. It is not unusual for an institute's development office to maintain several hundred such prospective donor profiles as it enters a major campaign; this information is either compiled by in-house staff skilled in advanced prospect research techniques, or outsourced to vendors who specialize in prospect research.

As background information on prospective major donors is prepared, prospects are 'assigned' to members of the development (or foundation) staff who have responsibility for major gifts. Making such assignments is particularly important in development programs in which multiple staff members are involved in major gifts, to ensure the proper coordination of 'who is doing what with whom' at any given moment. These prospect assignments are recorded in an interactive electronic database (e.g., Blackbaud's 'Raiser's Edge'), and narrative and other information on all mailings, personal contacts, meetings, and other encounters with prospects are entered by development (or foundation) staff on the database's prospect management system, so that information on the institute's relationship with its donor prospects is always up-to-date and accessible to all development staff as needed.

The proper management and timely inputting of this critical information are fundamental to the success of any effective major gifts program in which multiple development (or foundation) staff and many board members and others are involved in the prospect identification, cultivation, and solicitation process.

Database Management, and Gift Recording and Acknowledgment

At all times, a 'best practice' fund development program for an independent, nonprofit biomedical research institute maintains a comprehensive and up-to-date set of gift solicitation, acceptance, processing, acknowledgement, management, and stewardship guidelines.

A 'best practice' institute fund development program maintains a common electronic donor constituency database that contains comprehensive information on all donors, donor prospects, and other individuals of interest to the fund development program. Such a database is constructed on a sophisticated

software platform developed by one of the nation's leading companies specializing in fundraising databases (e.g., Blackbaud's 'Raiser's Edge').

The database is maintained by the fund development office (or by the foundation) and information is made available as needed (but on a highly restricted access basis) to other administrative departments in the institute. As these databases grow in sophistication, 'best practice' development programs are encouraged to utilize the growing capabilities of such systems in their day-to-day fund raising.

One of the major functions of the fund development program's database is to maintain detailed gift records on all gifts made to the institute or its foundation. An important function of those who are responsible for maintaining an accurate and current donor database is to attach a high priority to reviewing and retaining all written and other information that accompanies gifts, and then promptly and accurately acknowledging all gifts, regardless of size.

All gifts are formally accepted, recorded on the database, and acknowledged within two business days with a minimum of an official gift receipt, which is necessary for the donor to claim an income tax charitable deduction.

In the case of all memorial and testimonial gifts, the individual being honored, or the family of the individual being memorialized, is sent a letter or note mentioning the name of the donor who has made the memorial or testimonial gift, with no mention of the gift amount. In the case of all non-tribute type gifts of some pre-determined gift amount – usually $100 or more – an individualized letter of thanks is sent in addition to, or in lieu of, a perfunctory gift receipt.

Gifts of $1,000 or more are usually acknowledged with a personalized letter from the institute CEO or chief development officer (or foundation president), as well as a letter from the faculty scientists whose work the gift supports, if the gift is restricted for the program.

Gifts of $5,000 or more are usually also acknowledged with a personalized letter from the CEO of the institute as well as the chief development officer (or foundation president) or board chair.

Major gifts of $25,000 usually justify three letters of thanks: from the chief development officer (or foundation president), the institute CEO, and the faculty scientist whose research is being funded. In addition, a phone call to the donor from these individuals which precedes their thank-you letters is also advised.

The underlying philosophy of gift acknowledgment is that it is impossible to thank donors too much for their philanthropic support.

Donor Stewardship and Communications

A 'best practice' independent, nonprofit biomedical research institute understands the importance of regular, high-quality, substantive communications with its donor constituency.

At a minimum, an institute produces a regular newsletter or magazine providing updates on institute programs and services of distinction, personal profiles of investigators, donors and volunteers, articles on topics of interest to the donor family, a calendar of community events, pictorial features on recent events, announcement of significant gifts, and other pertinent information. At least one issue of the newsletter each year includes a list of all donors to the institute.

An institute also holds periodic donor stewardship events, hosted by the institute, which are intended to sustain and enhance the strength of the relationship between donors and the institute or special programs of keen donor interest.

Moreover, the development program is attentive to the importance of donor recognition by maintaining an attractive and up-to-date 'donor wall,' located in a place of prominence and heavy traffic (usually in the institute's main lobby) which provides a list of:

- all current annual donors of a certain gift level (usually $1,000 or more);
- a separate alphabetical list of the names of all donors who have made cumulative gifts (including realized planned gifts) to the institute totaling $10,000 or more, divided into groups based on cumulative gifts of:
  $ 10,000 – $ 24,999
  $ 25,000 – $ 49,999
  $ 50,000 – $ 99,999
  $ 100,000 – $ 249,999
  $ 250,000 – $ 499,999
  $ 500,000 – $ 999,999
  $ 1,000,000 – $ 2,499,999
  $ 2,500,000 – $ 4,999,999, and
  $ 5,000,000 or more; and
- a separate alphabetical list of the names of all donors who have arranged for a planned gift (e.g., bequest) to the institute.

Moreover, the institute fund development office (or foundation) manages an institute-wide program of donor recognition plaques that recognize gifts of specific amounts to 'name' various areas of the institute facilities and campus. The plaques are attractive, clearly visible, and unified in design.

Finally, an institute maintains a visually stimulating, informative, and easy-to-access website that contains information describing: how to make a gift; the institute's mission and objectives; the roster of its board of trustees; the roster and contact information for fund development staff; donor societies and membership benefits; current fundraising priorities; upcoming community events; donor profiles; links to streaming videos that pertain to the institute; and news of significant developments at the institute, etc.

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201 California Street, Suite 630
San Francisco, CA 94111

415.837.5858 415.837.5850 (fax)

www.thegreenwoodcompany.com