

# 5 Proven Tips for Community Foundations to Better Engage Donors



# Introduction

Within community foundations, large and small, the line between grantmaking and fundraising is becoming increasingly blurred. With donor-advised funds, for example, program officers facilitate donor stewardship and engagement by assisting donors with selecting worthy causes and overseeing grant distributions. According to the National Philanthropic Trust's 2017 Donor-Advised Fund Report, donor-advised funds (DAF) are on the rise. The Trust reports that grants from DAFs exceeded \$15 billion in 2016, contributions to DAFs totaled \$23.27 billion, and the total number of DAFs increased by 6.9% to 284,965 in 2016. Having strategies in place for donor management and engagement for both the programming and development aspects of community foundations can ensure that donors remain active and engaged.

This guide contains helpful information for staff and board members working within a foundation with multiple donors. If your foundation is considering different ways to manage and engage donors in a meaningful way, this guide will provide you with valuable tips to complement or enhance your current efforts.



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## Integrate Grantmaking and Development Goals

Community foundations attempting to make a specific impact on an area with its grantmaking should integrate their grantmaking and fund development goals together. This approach provides community foundations with a more cohesive process to community grantmaking. For example, if a foundation makes a concerted effort to raise funding for its grantmaking initiative of summer enrichment programs for youth, then it may be able to raise more funding for its endowment. This can increase the annual grant awards to community-based agencies providing innovative summer activities for youth in the community.

## **Opportunities**

Aligning the strategy within a foundation can help guide all staff members in seeking a specific goal. Whether your community foundation is trying to raise additional funding for unrestricted grantmaking, or if it is attempting to solicit funds for particular programs and services, aligning fund development goals with grantmaking strategies can ensure that the resources raised are allocated to a specified area of community interest. Utilizing advances in technology, community foundation staff members can use technology to quickly find connections between donors and potential giving opportunities and track data using dashboards and other metrics to determine best how to connect donors with the causes they wish to support.

## **Challenges**

While a community foundation can establish goals for specific initiatives that will seek to improve the community, it is essential to recognize that not all donors will be interested in supporting every particular cause. The community foundation model provides flexibility for donors to make an impact on their community; so, it is important to be open to assisting all donors with making a philanthropic impact in whichever social problem or issue they are most passionate about.

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## Create or Revamp Your Donor Stewardship Program

Community foundations are fortunate to have many donors that believe in and support the work they do in the community; however, more donors means more responsibility. Establishing or revamping a donor stewardship program can ensure that donors remain engaged and aware of opportunities in the community. Stewardship is an integral part of the solicitation cycle, and it assists in renewing donors.

According to the Fundraising Effectiveness Project, a project of the Association of Fundraising Professionals, the retention rates of new donors has steadily been declining since 2008, a reduction of -3.4% each year. While the repeat donor retention rate has been decreasing steadily over the past six years, it is only decreasing by an average of -1.68%. The data shows that it is most cost effective to renew a donor rather than acquiring new ones; therefore, implementing successful stewardship means successful fundraising. Nonprofits are never able to say “thank you” enough when it comes to funding development; however, creating a strategic plan to thank your donors will establish a donor advocacy that may lead to additional gifts.

## **Opportunities**

Creating a stewardship program beyond the “thank you” letter and tax receipt shows donors that you care. Donor stewardship can execute in a variety of ways:

- Foundations can automatically send out annual letter from the board chairman for those donors that have given for the past five years
- A personalized quarterly donor newsletter can be sent out to all or specific donors from your email communication tool to inform them of the impact in the community. Many community foundations are moving towards grants management systems with strong Constituent Relationship Management (CRM) capabilities. This enables staff to track relationships with all their constituents end to end, segment constituent lists by specific criteria or preferences, and easily create and deploy customized communications en masse
- Special events can be hosted at the community foundation to thank fund founders. Managing these events can be made easier using software with integrated events management and CRM capabilities, which many grants management solutions on the market today have

## **Challenges**

Stewardship programs can cost staff time and money. While donors should be stewarded strategically, it is important for the type and size of acknowledgment to match the type and size of the gift that was given by any particular donor. For example, the stewardship plan for a donor giving \$1,000 may be different than a donor that contributed \$25,000. However, it is important not to get caught up in the size of the gift but to investigate the overall giving potential of a donor. If you have had a donor contribute \$500 a year with the capacity to give \$5,000 a year potentially, it would be in the organization’s best interest to customize the stewardship plan accordingly.

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## Track Donor Contact Preferences

Managing and engaging donors can be challenging if you do not know their preferred method of contact or what subject matter they are interested in receiving. Millennial donors—who are mobile-first—may prefer communication via email and social media, while Baby Boomers may still prefer phone calls and face-to-face opportunities. The adage of, “if you fail to plan, you plan to fail,” rings true in fundraising, but take note that if you plan too well, you could fail as well. Having a standardized plan with the flexibility to adjust accordingly will allow your foundation to say thanks in a meaningful way without getting off track.

While your donor base may prefer one way of communication today, it is essential to consider how donors may prefer to communicate in the next five years. Surveying and tracking how donors want to communicate can assist a foundation in ensuring that it is reaching donors at the right time and in the right way. If your organization plans to switch from a direct mail newsletter to a digital newsletter, it may be helpful to roll this change out to assess its effectiveness.

## **Opportunities**

Tracking donor preferences allows a foundation to cultivate the most effective communication strategies specific to various donor groups. Increasing the return on investment and discovering the best timing to contact a donor can raise additional funds and assist the foundation in crafting an effective communications plan.

## **Challenges**

Tracking data can be time-consuming and expensive when your foundation is not utilizing software with CRM capabilities. While some methods of communication may be cheaper (email, social media, etc.), they may not be the most effective for the targeted audience. If email marketing is more efficient, it is vital that the community foundation uses it to their advantage; however, many community foundations have benefited from other channels as well. The additional cost must be justified, and the organization must then indicate how additional gifts were received and how the investment was impactful.



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## Educate Donors on Giving Opportunities

Community foundations are unique organizations because they know about all of the various issues facing their local community. This specialized knowledge puts community foundations in a perfect position to educate donors on giving opportunities not just within the foundation, but also with other organizations doing impactful work in the community that would benefit from a grant via a DAF.

Most fundraising professionals will tell you that fundraising is both an art and a science. Therefore, it is important to listen to donor interest, but also to never underestimate the power that community data can have during a conversation with a donor. A foundation may see that many children in the community are not reading at grade level, the animal shelter is overcrowded, or unemployed workers do not have adequate access to job training programs. The collective knowledge held within a community foundation can be an opportunity to engage current and prospective donors in making an impact on specific community-related issues.

## **Opportunities**

Educating donors about various needs can encourage them to provide support to organizations creating positive community change. Donors may discover new issues that they are passionate about and potentially increase their giving to have a meaningful impact on a new topic that they may not have been aware of in the past. If a donor is already interested in a specific issue, periodical updates will help the donor understand how the issue is addressed in the community and potential opportunities for further support.

## **Challenges**

Tracking and educating donors can be time-consuming, but some donors are moved to give to different causes for different reasons. Some donors, if presented with a good enough case, are willing to contribute to a cause outside of their typical philanthropic passions. Donors are motivated for various reasons, so placing donors into predetermined categories could cause a community foundation to lose out on an opportunity for a donor to make an impact in a strategic focus of the community foundation.



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## Organize Staff Responsibilities in a Strategic Way

With grantmaking and donor management becoming more integrated within community foundations, it may be time for your foundation to consider restructuring staff responsibilities accordingly. For example, if your organization has a large percentage of DAFs, a staff position could be created that is a mix of grantmaking and development. The staff member could focus mainly on donor stewardship but also assist with executing a grant to the donor's selected nonprofit organization. This approach creates a unique opportunity for this specific staff member to return to the donor to share the impact their grant had on a community-based organization.

## Opportunities

Reorganizing staff responsibilities can increase productivity, community impact, and could potentially increase donors with the utilization of more donor-centric services. Also, having different staff members handle aspects of various grantmaking and fund development processes can streamline workflow within the foundation and allow for staff members to improve internal practices.

## Challenges

A foundation that has been around for a more extended period that employs seasoned staff members may find more resistance in changing job responsibilities. If foundation leadership is unable to secure buy-in from current staff members, a shift in obligations could result in staff members resisting the change or leaving the foundation entirely.

# Conclusion

Fundraising is an ever-evolving component within the nonprofit sector. Since fundraising is both an art and a science, it is important for foundations and nonprofit organizations to be creative in their fundraising efforts but also be aware of emerging trends within the field. It is important to acknowledge that fundraising is a moving target, and will continue to be, since the way donors wish to be engaged is constantly changing as certain donor markets begin to develop and others decline. While we may not know what is in store for the future of fundraising, considering and implementing the tips within this guide can assist foundations in navigating changes and maintaining high levels of donor retention and satisfaction.



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