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# Packaging your Budget for Donors

An article from Veritus Group to help you succeed at major gift fundraising.

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## What you will learn

1. What the Project Support Portfolio is and how it will transform your offers to donors.
2. How to implement the PSP™ for your organization
3. How to use PSP™ to inspire your donors to give.

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Building Authentic Donor Relationships

In 2004 the Sony Corporation came out with a revolutionary product. It was the LIBRIe, the first e-book reader with electronic ink display. It was impressive back then and technology experts saw it as a leader in what would most assuredly become the first of many new products of its kind to sweep across the globe.

But there were problems. And, as reported in a recent edition of the Wall Street Journal, "...the software was in Japanese, it required a computer to download a book, and the selection was limited." Today, Amazon.com's Kindle dominates the e-reader business worldwide and hardly anyone remembers the Sony product. Why? Because Sony was focused on selling devices and Amazon was focused on selling books.

It's important to begin a discussion of packaging your budget for donors with this story because it is EXACTLY what most non-profits do with their numbers and financial information. The focus of their number crunching is on maintaining old accounting categories and practices rather than presenting program (the book counterpart) to their donors. And this old and antiquated system is hurting fundraisers which, in turn, is hurting the organization as it becomes increasingly difficult to raise money. So the accounting and finance focus is wrong. Add to that the fact that the donors are changing too.

Joshua Birkholz, in his book Fundraising Analytics, says, "Donors are approaching philanthropy in a completely different way. They are making decisions more thoughtfully. Their gifts are following their own intended purposes. Donors are seeking a return on their philanthropic investments. And they desire an increased level of personalization. Organizations embracing this change are climbing a mountain of success with zenith, while others, forcing their own models onto their donors, are fighting in the foothills."

We must never forget that donors choose to give because they want to make the world a better place. After donating to causes they are passionate about, they like to measure the effect of their gift. A bottom line figure in an outdated annual report, some accounting mumbo jumbo, a glossy marketing brochure or some program description that is too general doesn't get the job done anymore. Nor does it tell the donor what he or she wants or needs to know.

It is a fact that donors are changing. They are expecting more in their relationship with their favorite charities. And that is why it is so important for a non-profit to "package their budget," a process we at Veritus Group call the **Program Support Portfolio (PSP)**. There

are three important reasons why an organization should implement something like the Program Support Portfolio program:

1. To directly address the changing donor landscape and their requirements.
2. To support the fund-raising, marketing and communication functions of the organization by providing specific program information and pricing so that fundraisers can more effectively raise money.
3. To reduce donor attrition which averages 40-60% in most organizations and represents **multiple millions of dollars lost every year.**

The “Program Support Portfolio” system we have created is designed to show donors specifically what their money will “buy”. It also addresses the five most common problems that currently exist within most non-profits as relates finances and the budget:

1. The budget is organized for organizational purposes, not for donors.
2. The program part of the budget is understated and therefore fundraisers are not focused on raising the total amount needed.
3. Overhead is seen as a necessary evil and not as an integral part of program.
4. It is almost impossible for fundraisers to represent what the organization does and quantify it because (a) they cannot get to the numbers within a program category and (b) the budget cannot be presented in ways the donor thinks and supports, i.e., in terms of what is being done for people and/or the planet.
5. Because of this situation, fundraisers and donors will tend to want to fund programs that are outside the budget, causing even more problems internally.

All of this results in a financial situation that younger, more inquisitive and business minded donors find troubling and sloppy and the organization runs the risk of losing support from this very important and growing public.

Gone are the days when a donor just gives to your cause because “I trust them.” There may be trust, but they will want to verify how things operate and, more importantly, they will be thinking about what the organization does in end result and specific categories vs. accounting terms. That is why we created this approach to packaging the budget.

The three words, **Program Support Portfolio**, have a special meaning:

**Program:** this is strictly about program, CURRENT program, what the organization currently does for people and the planet in an integrated manner. And this view goes down to the smallest level of the organization so that donors can grasp and support what is happening in every part of the organization. The reason we focus on current program is because that is what the current budget is all about. Our job in major gifts is to secure funds for the current program – not something new.

**Support:** this is about how a current program is supported. And it means that ALL the costs are in, both direct and overhead. Most fundraisers are only securing the direct program costs with their fundraising, NOT the overhead. This is a huge problem and one of the reasons many non-profits are in financial trouble.

**Portfolio:** this means that there is a broad selection of things a donor can support in the current program. It could be children, youth, young adults, couples, seniors, animals, the environment, issues of justice, economic development, drug rehab, single parent care, child care, job training, spiritual work, housing, feeding, etc. – any number of ways to help. And the donors could look at it as all of the above PLUS a specific PLACE that they are interested in. It also means that there are different “price points” to any and all categories of help. So, if the donor wants a \$1000 project, she can find it. Or if it is \$10,000 or \$3 million, she can also find it. When you package your budget you will want to have a “portfolio” of current program opportunities a donor can fund. Portfolio is defined as “a group of possible investments donors can have in an area they are interested in.” In the PSP system, each program for support in the portfolio contains four critical elements:

1. Program category
2. People group helped
3. Location
4. Price point

You must be able to offer the donor a current program to support that meets criteria in EACH of the four areas above. Why? Because that is the way donors think. If one is able to get a donor to say what her interest is, she would, more often than not, say, for example, “I want to support the education (Program Category) program for children (People Group) in Newark (Location). And I am willing to participate with you at this time at the \$50,000 (Price Point) level. This is why you need to have all of these fields of information decided/determined in advance. You want to present your total budget in all the ways you

logically can. Doing it this way results in a truly donor-driven budget that will result in gaining full support for what your organization wants to do in a specific area.

So now that we've laid out the rationale for setting up the Program Support Portfolio process, before even beginning to implement it, let's consider some things that are of great import to ensure its success:

- 1. Make sure your leadership is on board.** Believe it or not, we have seen multiple situations in large and small non-profits where the fundraising "troops" are yearning for more program information to present to donors, however upper management, including the top leader, is totally indifferent to the idea. The top person actually does not know where the money comes from! Unbelievable. Getting top leaders on board is vital. We have been involved in situations where the top people wag their heads in agreement to this approach, but do not mandate it down through finance and program, and other times when a relatively low-level finance person was holding the entire organization hostage by not implementing the program because "he just didn't think it was worth the effort." A good leader will make the difference in seeing the process through.
- 2. Make sure program understands what you are trying to do.** You may find this hard to believe, but many program people do not know where the money comes from in their organization. Can you say "DONORS"??? This is another unbelievable dynamic in many non-profits. The program people are so focused on "doing" program that they cannot give any time or attention to service the donors, the very source of their funding! Now, there are a lot of program people who have this right. But we've been around this long enough to know you had better make sure the program folks are tracking before you dive into implementing PSP.
- 3. Make sure there is a commitment to allocating overhead to program categories.** OK, this is a BIG one – a really big one. We have attended meetings with intelligent, competent, well placed professionals in some pretty impressive organizations and had them tell us they could not support allocating organizational overhead to individual program categories and projects. So, in a \$50 million dollar organization you could have \$10-12 million in overhead that just sits there and can't be raised without going through all kinds of rather dubious tricks and sleight of hand moves to make the ratios turn out fine. This is another unbelievable situation. In one case, a leader of a large non-profit was asked, "So, do you think, Al (not his real name), that you could run this organization without that \$10 million in

overhead?” “Of course not,” he said, “don’t be silly. Of course we couldn’t do it.” So we followed up with, “Well then, what you are saying is that you need this overhead to deliver the program, right? And it then seems that proportionately allocating the organizational overhead to each of the programs and projects makes sense. It’s an actual cost of doing the program!” He would not hear of it. Although we felt like screaming, we took a breath and moved on, but the point here is that you need to gain a commitment from the “powers” on allocating your overhead to program categories.

So now that these three critical issues have been considered, we are ready to move ahead to the general steps needed for implementing the Program Support Portfolio system into your organization

First, with leadership, program and fundraising folks at the table, **come up with a definitive list of program categories.** You might think you already have these because they are on your website and annual report. Believe us, this doesn’t mean anything. We have seen websites and annual reports that label program with marketing labels, not program. We have seen websites and annual reports that list accounting categories instead of program categories. We have seen annual reports and websites that list program categories that are obviously not thought out and don’t make much sense. Now is a good time to get everyone in a room and ask the questions, “What do we do? What are the categories? How can we say it in a donor centered way? What are the sub-categories?”, etc.

1. Next, **create definitions (descriptions) for each program category.** This is important so that everyone is on the same page about what the category means.
2. **Divide the entire budget into your list of program categories,** including any program expenses that may be sitting in departments/divisions that mostly are overhead cost centers. As you are dividing the budget down, pay special attention to types of people served or types of beneficiaries (i.e., for an animal charity it might be grouping costs by types of animals) and location or geography (i.e., where the money is being spent). Why? Because donors are interested in the program category AND the type of people served AND where it all happens: category, beneficiary and location. So, as you are dividing the budget down, make sure you have a matrix that captures this information for each program category.
3. **Allocate any remaining overhead proportionately to the program categories.** The result of implementing this point will be that, whereas you started

with an organizational budget of \$50 million which divided down into \$12 million of overhead and \$38 million of direct program expense, you now have a list of program categories, each one sub-divided into program beneficiaries and location – the whole list totaling \$50 million dollars – an actual “shopping list” of programs and projects ready for presentation to donors.

4. **Remember, this exercise is NOT about organizational ratios for watchdog agencies.** That reporting thing still needs to happen as it does now. This has nothing to do with that. This is exclusively about packaging your entire budget into program categories for presentation to donors to secure their support. Conceptually, if all your donors “bought” every single one of your categories, your entire budget would be raised, including the overhead. That is the objective.

We think you can see that, performed correctly, this new source of information will revolutionize fundraising. And MGOs and even direct marketers, for the first time, will have an organizational budget that actually translates into a list of programs and projects that donors can support.

If you’ve actually gone through the whole exercise of packaging your budget for donors, you will have each and every fundraiser in your organization literally kissing your feet in appreciation. Why? Because you have made their jobs so much easier. Remember, the MGO’s job is to maintain and build a relationship with a donor. It is not his or her job to come up with the “product.” Yet, even as this is being written, there are thousands of MGOs out there struggling to come up with something to show their donors, while the managers and leaders of these good folks turn their backs on them, at the same time expecting them to perform. This is not right. But now you know what to do. How can you use the information you’ve been given? Here are some ideas, which are not listed in any particular order of importance:

1. Reports of all types. Use the PSP information to tell donors and other publics what you are doing and how much you are spending in each program category. PSP is a good source for annual reports.
2. Direct mail. PSP information can be used to formulate offers and asks for direct mail appeals, newsletters and receipt letters and stuffers. In newsletters, this information can be very helpful to more fully explain what you are doing in a specific category.

3. Online content.
4. Brochures and collateral. Use PSP information to create category brochures or other collateral which explains the various program initiatives of the organization.
5. Radio, television and other electronic media. PSP information can be used to explain how funds are used, or for offer/ask creation in documentaries and fund-raising efforts for radio, television, the production of DVD's, CD's and other forms of electronic media.
6. Events. Use PSP information to frame offers, asks and project presentations for events.
7. Major donors programs. PSP information can be used to match the donor's interests and passions to a category of program service and thereby create an offer or ask that is appropriate for the donor.
8. Planned Giving. When explaining to a donor how her planned giving involvement with the organization can help, the PSP information can be a critical piece for making your case as to how the donor's funds can be used.
9. Capital Campaigns. While capital campaigns are usually forward looking, i.e., building something in the future to meet a current need, the PSP information can be useful in explaining how similar programs to the one being planned for in the capital campaign have worked in the past and how this one will work in the future.
10. Foundation Proposals. Use PSP information to create foundation proposals that match the funding criteria of the foundation.
11. Church and club presentations. PSP information can be used to create projects for churches and social clubs and match their areas of interest to the category in the PSP system.

These are just a few ways you can use the PSP information to not only raise money, but also report back to donors on how money is being used. You can marry the PSP financial information to results statistics in the creation of powerful feedback to donors on how their money was used and what a difference it made.

One thing is for sure, if you can pull this off, which, admittedly will not be easy, you will see tremendous growth in your revenue as it becomes easier and easier to tell your donor WHY you need the money and WHAT you did with it.

With these two critical and strategic arenas as the key drivers for successful fundraising, we at Veritus can't imagine why any MGO would want to do his or her job without this information.

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**Veritus Group** is a full-service mid and major gift consulting agency serving non-profits all over the world. Through our **Major Gift Academy**, we strengthen development professionals and non-profit major gift programs with a donor-centered philosophy that is focused on accountability.

You can reach us on the Web at [www.majorgiftacademy.com](http://www.majorgiftacademy.com) and [www.veritusgroup.com](http://www.veritusgroup.com).

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