THE POWER OF BEING UNDERSTOOD

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We remain an independent member of the RSM International network globally, which encompasses:
- 120 countries
- 760 offices
- 38,300 people internationally

This is accelerating our vision to be the first-choice advisor to middle market leaders globally.
STRATEGIES FOR A SUCCESSFUL FUNDRAISING CAMPAIGN

Part 2 – Understanding the accounting, risk and technology components of a campaign

April 19, 2016
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RECAP OF PART 1
Recap of Part 1: Sample capital campaign timeline

<table>
<thead>
<tr>
<th>Model Capital Campaign Operating Plan Summary</th>
</tr>
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<tbody>
<tr>
<td><strong>CAMPAIGN FEASIBILITY STUDY</strong></td>
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<tr>
<td><strong>CAMPAIGN OPERATING PLAN</strong></td>
</tr>
<tr>
<td><strong>LEADERSHIP RECRUITMENT</strong></td>
</tr>
<tr>
<td>- Co-Chairs, Honorary Co-Chairs, Campaign</td>
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<tr>
<td>Leadership Gifts Committee, Constituency Leaders</td>
</tr>
<tr>
<td><strong>BOARD CAMPAIGN</strong></td>
</tr>
<tr>
<td>- Current and Former Board Members</td>
</tr>
<tr>
<td><strong>TOP PROSPECT CULTIVATION/SOLICITATION</strong></td>
</tr>
<tr>
<td>- Identification, Research, Solicitation of Top 25 'Ready' Prospects</td>
</tr>
<tr>
<td>- Identification, Research, Qualification and Cultivation, Leading to Solicitation, of 'Next' 50 Prospects</td>
</tr>
<tr>
<td><strong>PR/MARKETING/COMMUNICATIONS</strong></td>
</tr>
<tr>
<td>- Integration of Campaign Messages Into Existing Communication Initiatives and Development of Campaign Events, Publications and Publicity</td>
</tr>
<tr>
<td><strong>CORPORATE CAMPAIGN</strong></td>
</tr>
<tr>
<td>- Identification, Research, Qualification, Cultivation, Solicitation</td>
</tr>
<tr>
<td><strong>FOUNDATIONS</strong></td>
</tr>
<tr>
<td>- Identification, Research, Qualification, Cultivation, Solicitation</td>
</tr>
<tr>
<td><strong>GOVERNMENTS (Local/State/Federal)</strong></td>
</tr>
<tr>
<td>- Advocacy/Cultivation, Solicitation</td>
</tr>
<tr>
<td><strong>CAMPAIGN LOGISTICS</strong></td>
</tr>
<tr>
<td>Solicitation Materials, Prospect Tracking Reports</td>
</tr>
<tr>
<td><strong>GENERAL CAMPAIGN</strong></td>
</tr>
<tr>
<td>- Development and Execution of Targeted Campaign Initiatives for each Constituency</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>CAMPAIGN PLANNING</th>
<th>LEADERSHIP GIFTS PHASE</th>
<th>PUBLIC PHASE</th>
</tr>
</thead>
<tbody>
<tr>
<td>Qtr. 1</td>
<td>Qtr. 2</td>
<td>Qtr. 1</td>
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<td>Qtr. 2</td>
<td>Qtr. 3</td>
<td>Qtr. 2</td>
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<tr>
<td>Qtr. 3</td>
<td>Qtr. 4</td>
<td>Qtr. 3</td>
</tr>
</tbody>
</table>

Public Kick-Off
PART 2

Understanding the accounting, risk and technology components of a campaign
Agenda

• Building from the ground up
• Technology and systems
• Risk management
Learning objectives

By the end of this session, you will have an understanding of:

• Preparing to properly account for a campaign
• Technology considerations for effectively conducting a campaign
• The risks associated with a campaign and the controls needed to address those risks
BUILDING FROM THE GROUND UP
Establish the overall plan

• Gain clear understanding of campaign:
  – Purpose
  – Objectives
  – Strategies
  – Goals
  – Estimated timeline
Build the foundation

- Leadership and development team meetings:
  - Fundraising goal
  - Development plan
  - Intended purpose/use restrictions
  - Tax-exempt bond/other financing considerations
  - Donor advised funds
Put up the donor framework

• Review draft SOGI to assess if they:
  - Reflect planned use
  - Address all scenarios (LOI/Pledge/DAF)
  - Determine allowable modifications

• Donor response process for:
  - Coordination between development and accounting
  - Acceptance
  - Thank you
  - IRS communications
HVAC: Installing the reporting system

• Determine reporting needs during campaign for:
  – Internal management
  – Development team
  – Campaign chairs/committee
  – Board
  – External stakeholders
Putting on the roof

• Determine general ledger requirements for:
  – New accounts and/or subaccounts
  – New report formats
  – Interface with donor software

• Donor software
  – New needs and requirements
  – Appropriate interface with accounting software
The construction “punch list” – a CFO’s perspective

• Gift Acceptance Considerations
• Accounting System
• Accounting for Commitments to Give
• Planned Giving
• Soft Credit Considerations
• Donated Goods and Services
• Campaign Staffing
• Campaign Expense Allocations
• Reserve for Pledges
• Reconciliations (GAAP versus Fundraising Progress)
SYSTEMS AND TECHNOLOGY
## Annual campaign / campaign basics

<table>
<thead>
<tr>
<th>Campaign Time Period</th>
<th>Campaign Goals</th>
<th>Pledge</th>
<th>Gift</th>
</tr>
</thead>
</table>
| ![Calendar](calendar.png) | ![Thermometer](thermometer.png) | ✓ Letters of Intent  
✓ Donor Advised Fund Recommendations  
✓ Gifts in Kind | ![Gift Box](gift_box.png) |

### Giving

<table>
<thead>
<tr>
<th>Designated Funds</th>
<th>Restricted Funds</th>
<th>Unrestricted Funds</th>
</tr>
</thead>
</table>

### Campaign Budget

- **Revenue**
- **Expenses**
Annual campaign / campaign basics continued

Inventory

Campaign Reporting

Pace
- Time Period
- Card for Card

Fundraising Dashboard

Acknowledgements and Tax Reporting

- Goods and Services
- Deductible Contributions

Accounting Systems Integration
Campaign structure

Affinity Groups
- Professions
- Young Leaders
- Giving Levels

Staff & Volunteer Assignment
- Includes Board

Campaign Goals
- Goal Per Node
## Campaign structure example

### Campaign Team Members (27 items)

<table>
<thead>
<tr>
<th>Name</th>
<th>Role</th>
<th>Type</th>
<th>Participation node</th>
</tr>
</thead>
<tbody>
<tr>
<td>Abby Cohen (8-10000000)</td>
<td>Campaign Chairman</td>
<td>Team Solicitor</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Josh Gold (8-10000012)</td>
<td>ASSIGNMENT</td>
<td>Unassigned</td>
</tr>
<tr>
<td></td>
<td>Helaine Levy (8-10000011)</td>
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<tr>
<td></td>
<td>Nadav Segal (8-10000010)</td>
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<tr>
<td></td>
<td>Noam Segal (8-10000011)</td>
<td>Campaign Vice-chairman</td>
<td>Team Solicitor</td>
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<tr>
<td></td>
<td>Marilyn Maghen (8-10000013)</td>
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<tr>
<td></td>
<td>Jonathan Roth (8-10000015)</td>
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<tr>
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<td>Patrick Smith (8-10000014)</td>
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<tr>
<td></td>
<td>Billy Maghen (8-10000003)</td>
<td>Team Chairman</td>
<td>Team Solicitor</td>
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<tr>
<td></td>
<td>Ethel Roth (8-10000021)</td>
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<td>Phil Silvers (8-10000020)</td>
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<td>Allison Smith (8-10000019)</td>
<td>ASSIGNMENT</td>
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<tr>
<td></td>
<td>Mickey Levy (8-10000014)</td>
<td>Team Vice-chairman</td>
<td>Independent Solicitor</td>
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<td>Molly Berstein (8-10000022)</td>
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<td>Golda Meir Society</td>
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<td>Anne Katz (8-10000023)</td>
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<td>Major Gifts</td>
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<td>Rebecca Segal (8-10000024)</td>
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<td>Jon Stewart (8-10000005)</td>
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<td>Aaron Gold (8-10000027)</td>
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<td>Evelyn Katz (8-10000025)</td>
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<td>Chris Ross (8-10000026)</td>
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<tr>
<td></td>
<td>Farrah Favaret (8-10000026)</td>
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<tr>
<td></td>
<td>Dean Martin (8-10000008)</td>
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<tr>
<td></td>
<td>Susan Segal (8-10000007)</td>
<td>Worker</td>
<td>Team Solicitor</td>
</tr>
</tbody>
</table>
Who are our major individual prospects?

Donor Profile

Demographic

Financial

Areas of Interest

Donor Research

Wealth Screening

Donor Action Plan

Move Management Plan

Opportunity & Pipeline Management

Proposal Development Tools
Who are our major institutional prospects?

Donor Profile

Financial

Areas of Interest

Donor Research

GuideStar

Charity Navigator

Donor Action Plan

Move Management Plan

Opportunity & Pipeline Management

Proposal Development Tools
Planned giving & endowments

Planned Giving & Endowment Management Systems

Planned Giving
- Planned Giving Calculations
- Accounting Considerations

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Marking and communications

Donor Segmentation
✓ Giving Levels
✓ LYBUNT/ SYBUNT
✓ RFM Scores

Email Marketing
✓ CAN-SPAM Compliant
✓ Open Rate
✓ Click Through Rate
✓ Online-Offline Integration

Distribution Lists
✓ List Generation
✓ Finder Codes
✓ Scanning
Leveraging social media to find and cultivate individual donors
Innovation / The Third Platform

Mobility
- Increase in mobile devices has required businesses and people to be “always on, always connected”

Cloud
- The cloud removes the burden of storing, archiving, and managing data from consumers and organizations

Social
- Technology is changing the way we interact with one another, with machines, and with organizations
- Friend raising / Crowdfunding

Big data
- Access to data and data analysis tools will help consumers and organizations make better decisions

Internet of things
- Everything is connected
- Connections happen without human intervention from any device or object

Learn more about the third platform through our recorded webinar and whitepaper.
RISK MANAGEMENT
Let’s take a closer look at risk…

Root cause(s)
- External
- People
- Process
- Technology
- Relationships

Risk areas
- Business
- Strategy
- Operations
- Human Capital
- Technology
- Reputation
- Regulation
- Financial

Effect(s)
- Reputation
- Financial
- Stakeholder
- Sustainability
Fundraising risks to consider

• As it relates to your fundraising campaign, the following are risk management topics to consider addressing:
  – Proper recording of gifts (when is a legal commitment by the donor incurred and reconciliation between fundraising and accounting)
  – Lack of transparency (how will funds be spent?)
  – Manipulation of financials to show “healthier” organization
  – Segregation of duties (billing donors vs. cash collection); public recognition of donors serves as a control
  – Safeguarding of cash receipts (i.e. lockbox)
  – Collectability of donations
Fundraising risks to consider, continued

• As it relates to your fundraising campaign, the following are risk management topics to consider addressing:
  – Adhering to donor intent (which depends on how fundraising language is drafted)
  – Compliance with charitable registration laws (in each state)
  – Social media and the media (who is authorized to speak to the media)
  – System back-ups and access to programs (internal)
  – Security & privacy of donor information (external)
  – Use of third parties for fundraising (including cloud)
Use of third parties for fundraising

• A third party fundraiser implies arm's length but it should never mean surrendering control - it is a governance duty to safeguard the organization's assets.

• The following points should be discussed by the board of directors and built into organizational policies and procedures in order to capitalize on the benefits of third party fundraising initiatives:

• Expectations for Evaluation:
  - Define measurable goals expected by the third party fundraising initiative.
  - Clarify understandings including exclusivity as the beneficiary or whether funds are being shared and with whom, what would constitute cause for cancellation and other possible scenarios listed below.
  - Monitor progress against goals at reasonable intervals and decide at each point whether to proceed as planned.
  - Identify how external requests or complaints will be handled.
  - Conduct post-event (or campaign) evaluation and provide recommendations to the board of directors for future ventures.
  - Adhere to Donor Bill of Rights / member of Association of Fundraising Professionals.
Use of third parties for fundraising

• Adequate controls are exercised:
  - Protect your organization’s trademark and reputation first
    • Never loan, sell or transfer your charitable registration number to any group that promises to raise money on your behalf
    • Define the duration of your mutual agreement
    • Don't allow a transfer of third party responsibilities outside agreed-upon contractors (or volunteers)
    • Review all materials containing your charity's logo and approve before printing
    • Ensure the third party acts within your charity's policies and procedures
    • Avoid any prohibited conduct articulated within the values of your charity or other regulatory bodies, including deceptive fundraising representations
  - Check insurance and liability - what are the risks - who is covering what, where and for how much?
  - Clarify when funds will be received and state the deadline in your agreement
    - If tax receipts are to be issued ensure proper compliance
    - Obey state, local and federal regulations
    - Be cautious of commission-based fundraising agreements
Third party management program

Independent Reviews

Oversight & Accountability
- Contract Termination
- Ongoing Monitoring & Risk Assessment

Documentation & Reporting
- Planning
- Due Diligence
- Risk Assessment
- Establish 3rd Party Mgmt Program
- Contract Negotiation

People Process Technology

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"Personally identifiable information" (PII), as used in US privacy law and information security, is information that can be used on its own or with other information to identify, contact, or locate a single person, or to identify an individual in context.

First name and last name, in combination with any of the following:

- Social security number
- Date of Birth
- Genetic Information
- Driver’s license / State identification card information
- Financial account numbers
- Credit card / Debit card numbers
- Face, fingerprints, or handwriting
- Etc…

In many fundraising campaigns, some of the data above is collected by the NFP organization; so it is critical to think about how to protect it.
Cyber risk to donor data

What are the methods?

Figure 8.
Number of breaches per threat action category over time

2014 Verizon Data Breach Report
Current approach to cyber security

- Understand that modern threats are built to bypass preventative controls, but many organizations **place almost 100% reliance** on these mechanisms for their security.
- You must have robust detective and corrective controls.
Practical Feedback - Drafting a comprehensive control

Best practice is to address the following elements when drafting control language:

- **When** - frequency of the control performance (e.g. daily, weekly, monthly, quarterly, annually, per event, continuous)
- **What** - subject of control; identify the source of the documentation used to perform the control and the control activity (i.e. reviewed, approved, reconciled, segregated, etc.)
- **Who** - preparer & reviewer/approver (identity both by title); identify all levels of review involved in the control / consider addressing competency of people performing task (if appropriate)
- **Why** - purpose of the control/review; explain why the control is performed (e.g., reviewed for completeness and accuracy)
Make plans to join us for part 3 of this webcast series:

- **Part 3 – Obtaining the green light and maintaining momentum**
  - Wednesday, May 18, 2016
  - Noon EDT | 11 a.m. CDT
  - 60 minutes
  - Up to one CPE credit
THANK YOU FOR YOUR TIME AND ATTENTION