



Managing Fund Development

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Fund-raising Overview

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1.1 Historical Perspective: The Growth of Credibility and Professionalism of Fund-raising Management

(A) THE STARTING POINT

Upon entering the new century, much needs to be reviewed about the burgeoning field of fund-raising management. *The Nonprofit Handbook: Fund Raising, Third Edition*, will place in perspective the history of the fund-raising field, the major developments of its progress, and the issues requiring solutions. More than 60 seasoned experts in the field of fund-raising management will identify the important developments we are now working with. All will provide further evidence of the fund-raising verities that should never be ignored or forgotten by the true professional.

(B) WHAT IS PHILANTHROPY?

Much understanding of philanthropy's current state can be gained by reviewing its key developments and placing them in historical perspective. A succinct definition by Robert L. Payton, former director of the University Center of Philanthropy, states, "Philanthropy is voluntary action for public good." It is important to remember the role of fund raising in this context. We will be talking about the philanthropic process because we are a critical element of the larger picture. *All* philanthropy is made possible by these essential ingredients:

The charitable cause

A strong case (bigger than the institution)

The potential donors—individuals, foundations, and corporations

A marketing and communications program to generate a cultivated audience

Volunteer leaders and solicitors for face-to-face solicitation to achieve pace-setting gifts

Supplemented by other methods for reaching out for contributions: direct mail, phone mail, telemarketing, planned giving, and the burgeoning Internet

The voluntary spirit—the basic motivation for philanthropy

Last but not least, the enablers—the fund-raising managers

Today, any not-for-profit organization needs some measure of all these elements to achieve maximum success.

(C) THE PROBLEMS AND PROMISE OF PHILANTHROPY

A review of major developments and activities in philanthropy and the fund-raising profession since World War II helps to clarify how far we have come and how prepared we are for the new century.

Although the last 55 years is only 1 percent of recorded history, it has proven to be a seminal period in the development of fund-raising management. It has been a time of establishing ethical practices, professional standards for accreditation, courses on philanthropic studies, training programs, and building intercommunications.

As defined in *Webster's New World Dictionary*, "a profession is a vocation, requiring advanced education and training, and involving intellectual skills." We are now on the brink of becoming a true profession.

(D) THE CLIMATE FOR FUND RAISING IMMEDIATELY AFTER WORLD WAR II

In the early 1940s, much of America's resources were absorbed by wartime efforts. As the war ended, many not-for-profits, colleges and universities, hospitals and medical centers, social services, museums, and health causes were establishing development offices and wanted to immediately organize fund-raising campaigns to make up for the years lost by the Great Depression and the war. Competition for the philanthropic dollar was soaring. Although postwar jobs were scarce, the established fund-raising counseling firms such as

Ketchum, Kersting and Brown, John Price Jones, Ward Dreshman & Rheinart, American City Bureau, and Marts and Lundy could all provide senior campaign directors imbued with deep experience gained in prewar efforts. Their established techniques were proven, and now they were providing a frontline experience for the new generation of returning war veterans. This created a trend of too much, too fast, for several years.

In 1946, my first assignment was with the New York Metropolitan Museum of Art for its seventy-fifth anniversary campaign for \$7.5 million, conducted by the John Price Jones Co. Inc. (JPJ). Thomas J. Watson, founder of IBM, was the campaign chair. Top government leadership, including the governor and the mayor, and a distinguished array of volunteers supported this effort. JPJ had assigned its most experienced professionals to conduct interviews and develop a campaign plan that anticipated most contingencies. However, the one issue not given enough attention was the state of the economy immediately after peace was won. By the end of 1946, only \$4 million of the \$7.5 million goal had been raised. Most fund-raising professionals involved agreed in hindsight that the campaign would have had a much greater chance to succeed if it had been conducted a year later.

Although the situation has improved considerably since, at that time there was little public understanding of the role of professional fund raisers, whether they work for a firm or a not-for-profit organization. Some felt that we were exploiting the philanthropic process and that successful campaigns could be accomplished by voluntary effort without the expensive services of fund raisers, paid out of donated funds. Many leaders seemed confident that the talent and skills that made them successful in their fields would be all they needed to plan and implement a successful fund-raising campaign.

(E) THE FABULOUS 1950s: REACHING FOR THE AMERICAN DREAM

With the demands for the services of not-for-profit organizations far exceeding the resources, the field of fund raising continued to grow at an accelerated rate. Many charities had set up development departments and had conducted successful capital campaigns. The seasoned professionals were ready to link up with any efforts that could improve their professionalism, share experiences, attract new talent, and increase public understanding of the field. Informal meetings in small groups to explore these needs became more commonplace. By the end of the 1950s, people in the field were comparing experiences and sharing lessons learned. Another gain was the stabilization of society and better-developed career paths with an economy recovered from the war years.

(F) THE 1960s: COMPETITION AND PROFESSIONALISM GROW APACE

In 1960, \$11.5 billion was given by individuals, corporations, and foundations, an increase of 9 percent from the preceding year. Yet the needs were growing at a faster rate.

1.2 The Combining of Forces

The American Association of Fund-Raising Counsel (AAFRC), incorporated in 1935, had 30 of the leading professional fund-raising counseling firms as members. From the start,

members had agreed that ethical and standard practices should guide their conduct when serving their clients. The Fair Practice Code that they established emphasized ethical practices; it was soon emulated by most in the profession.

In 1960 the National Society of Fund Raisers, now the Association of Fundraising Professionals (AFP), was established with the objectives of guiding the fund-raising field into greater professionalism, setting ethical standards, encouraging exchange of ideas and discussions of experiences between agencies, building intercommunications, and aiding the general public to understand the contributions being made by this budding profession. Similar organizations in specific fields—higher education, hospitals and medical centers, and private foundations—were forming today's Council for Advancement and Support of Education (CASE), Association of Healthcare Philanthropy (AHP), National Catholic Development Council, Council on Foundations (COF), and the Foundation Center.

Donors and donees began to communicate with each other and become aware that they shared many problems and challenges. These groups recognized the most pressing needs and the limited resources available, and encouraged a combined effort to allocate funds where they were most needed.

1.3 Major Milestones

(A) THE 1970s: PHILANTHROPY BEGINS TO GET ITS ACT TOGETHER

John D. Rockefeller 3rd was an extraordinary factor in improving public awareness and understanding of American philanthropy. Foundations and charitable giving were under scrutiny by Congress as it deliberated on the Tax Reform Act of 1969. JDR 3rd enlisted Peter G. Peterson, chairman of Bell & Howell, to form a commission, known as the Peterson Commission, to study American philanthropy and foundations. Its members were 15 private citizens representing education, the arts, the legal profession, former government officials, labor, publishing, and corporate executives.

In the course of the legislative process, some of the provisions harmful to philanthropy were eased or eliminated in the final version of the bill. Yet the experience as a whole raised an uneasy question: Who spoke for philanthropy when the chips were down?

The Peterson Commission identified more of philanthropy's problems than its solutions. However, it had tremendous influence on the formation and deliberations on future studies embodied by the Filer Commission formed three years later.

In November 1973, JDR 3rd once again responded to his strong conviction that the role of philanthropy in our society was little understood or appreciated, and organized the Commission on Private Philanthropy and Public Needs. He appointed John H. Filer, chairman of Aetna Life & Casualty, as chairman. He also made a start-up grant of \$25,000 with the caveat that the commission was now "on its own" to raise the necessary funds.

The Filer Commission's membership included 27 leaders from the fields of religion, labor, government, education, foundations, corporations, and ethnic groups. The commission's activities reached a scope never before obtained: "An Advisory Committee was formed of more than 100 experts from the fields of economics, law, sociology, and taxation, plus representatives of many philanthropic and nonprofit areas. . . . It sponsored in

the course of two years of operation no fewer than 85 studies of various aspects of philanthropy and nonprofit activity; extensive analysis of laws and precedents of philanthropy."¹ On November 7, 1975, Filer and JDR 3rd presented the final report to George Shultz, and William Simon, assistant secretary and secretary of the U.S. Treasury, respectively, and the chairs of the House Ways and Means and the Senate Finance committees. The *Wall Street Journal* characterized it as "two & one half cheers for philanthropy." The report had a powerful and lasting impact. It established the continuing need to expand research, it emphasized that in our pluralistic society, strengthening the partnership between the private and public sector is essential; it enhanced a continuing dialogue between donors and donees; and most important to the fund-raising field, AAFRC agreed to donate its professional services to raise the more than \$2 million needed to fund its programs, as a public service, waiving all fees. (AAFRC received glowing recognition of this voluntary action.) The final total achieved was \$2,311,584 from 738 donors at a cost of less than 2 percent. I was very proud that our member firms agreed to donate their professional services to make this a most successful campaign. This was a major and lasting step to increase both understanding of and respect for our profession by many top leaders and government officials. All combined to, at last, give the field of fund-raising management the credit and respect so well earned over the years.

Included in the report's recommendations was the establishment of a permanent, quasi-governmental commission. Many in our field strongly agreed that a permanent commission was needed but it should be *private*, above and beyond political pressures. Further, a private commission could perform research and advocate action in many important areas that would never be undertaken by government because of political restraints. Key national not-for-profit organizations were stimulated to combine resources to try to put a commission together. In July 1976 the Coalition of National Voluntary Organizations (CONVO) was formed. Soon it had enlisted 47 national not-for-profit organizations, among them the American Cancer Society, the Council for Aid to Education, the Council of Jewish Federations and Welfare Funds, the AAFRC, and the United Way. CONVO's program was formed in order to:

- Maximize the contributions of the voluntary sector in meeting America's human needs
- Increase public understanding of the history, accomplishments, and rich capacity of the voluntary sector to improve the quality of American life
- Gather and disseminate data on the scope and nature of the philanthropic process
- Study public policies that impact on the private sector
- Promote the accountability and accessibility to the public of both donor and donee organizations.

(B) THE GENESIS OF THE INDEPENDENT SECTOR

CONVO's progress was slow in the 1970s because its leadership did not have enough movers and shakers. In fact, there was concern that the energy expended on the Filer Commission had exhausted the interest of many of the sector's leaders.

¹Report of the Commission on Private Philanthropy and Public Needs, *Giving in America, Toward a Stronger Voluntary Sector* (1975), Commission on Private Philanthropy and Public Needs, p. 1

The National Council of Philanthropy (NCOP)—an organization of not-for-profit executives and corporate giving officers that organized annual conferences of donors and donees—began meeting with CONVO representatives to explore the possibility of combining the two organizations to establish a new organization that would be greater than the sum of the two parts. Brian O’Connell, seeking a new change in his career, had just resigned as executive director of the National Institute of Mental Health. We approached him to do a feasibility study on this merger.

The study report was encouraging, and John W. Gardner, founding chair of Common Cause, agreed to chair an organizing committee. After 18 months of deliberations, the organizing committee, with the approval of both CONVO and NCOP boards, recommended the formation of the Independent Sector in early 1980. Its board would have 45 members representing a full spectrum of major leaders from the private sector, including corporations and foundations. Its programs would address:

- Public education to improve understanding of the sector’s role
- Communications within the sector so that shared problems and opportunities may be identified and pursued
- Improved relationships with the government
- Research to provide a body of knowledge about the sector
- Encouragement of effective operation to maximize the sector’s capacity to serve society.

Today IS members consist of over 700 major foundations, corporations, and leading national not-for-profit organizations. While it is not quite a commission for philanthropy, it has been a highly successful coalition for representing donors, donees, and the best interests of American philanthropy. However, its programs are inevitably influenced by the combined interests of its members. A true commission would have a broader program base, using its resources to improve such problems as elitism; gender and ethnic prejudices; finding sufficient funding; and providing mentoring resources to new, controversial not-for-profit organizations.

1.4 The Maturing of the Philanthropic Process

(A) THE 1980s

Led by the example of Independent Sector, the historical schism between donors and donees was fast disappearing. Most elements in our field began to work together in earnest. One successful example was the formation of the National Center for Charitable Statistics in the fall of 1980, under the aegis of the National Charities Information Bureau. Its purpose is to aid states to put reports from charitable organizations on computer to improve data gathering and (it was hoped) establish a uniform state report, saving thousands of dollars in preparation costs. Two years later IS took full responsibility for its operation. Today all states have the reports of their not-for-profit-organizations on computer, facilitating statistics gathering.

Bimonthly consortium meetings began with the chief executive officers of the AFP, AAFRC, CASE, IS, AHP, and the United Way to identify the field’s most pressing needs, to bring each other up-to-date on their respective programs, and to begin to share resources to deal with common problems.

In 1984 the AAFRC Trust for Philanthropy was established to foster programs to promote more effective philanthropy. This enabled the professional firms to deal with issues that are beyond their self-interest. Funding for its programs comes from contributions from corporations, member firms, and selected foundations.

The AAFRC Trust for Philanthropy began working with the Association of American Colleges in 1986 to raise funds to establish courses on philanthropic studies in 15 liberal arts colleges. By the end of the 1980s more than 20 institutes of higher education offered courses on philanthropic studies, ranging from Duke and Boston College to the University of Maryland and Seton Hall; two programs were based overseas—York University and Stockholm Universitet. Several colleges also set up centers on philanthropy. They are collaborating with each other and national not-for-profit organizations on the development of a core curriculum and sponsoring research programs to build the much-needed body of knowledge a true profession requires. These activities are well received by students and are producing enthusiasm in the new generation to pursue careers in the nonprofit world.

In 1986 Indiana University established its Center on Philanthropy after consulting with an eclectic group of academic scholars and fund-raising management practitioners. Bringing to its campus The Fund-Raising School that had been based in California and organized by Henry Rosso strengthened this bond. Academicians and practitioners collaborating on a joint project? A few years earlier this would never have even been considered. The center's courses on philanthropic studies are a fine example for other academic institutions.

National Philanthropy Day (NPD) was organized in 1981 by Douglas Freeman, a Los Angeles attorney specializing in estate, tax, and charitable planning, to promote and celebrate the philanthropic process nationally. Annually, National Philanthropy Day gives recognition and awards to the local community's top volunteers, donees, and fund-raising managers. In 1986, after the AFP Foundation assumed responsibility for this program, 32 of its chapters held NPD celebrations.

(B) THE 1990s

The 1990s were a decade of dramatic changes. Stimulated by a tremendous growth in our economy, giving has not only multiplied but outpaced a modest inflation.

The AAFRC Trust for Philanthropy estimated that the total giving in 1999 totaled \$190.16 billion—an increase of 9.1 percent.

According to the Foundation Center, there are 37,765 active grant-making foundations. Growth in the 1990s exceeded growth in the 1980s. And, more than ever, foundation giving includes providing not-for-profits with initial funds to enable them to develop self-help programs to broaden their giving base. Their giving in 1999 totaled \$19.81 billion, an increase of 16.5 percent.

Susan V. Beresford, president of the Ford Foundation, highlighted in the July 15, 1999, *Chronicle of Philanthropy* developing trends in foundation management. New donors have a global philanthropic vision; a growing number of high-technology entrepreneurs bring an investment approach to grant making with a more businesslike approach to be clear about desired returns; the multiplicity of grant-making organizations is likely to generate greater concern about what constitutes good philanthropic practice; and the changing landscape means that there will be greater need for working alliances that do not now exist between foundations.

The growth and influence of community foundations are a major factor of giving. In 1998, 555 community foundations had assets of \$25 billion, gifts to them exceeded \$2.8 billion, and grants were over \$1.5 billion.

The 1999 totals for corporations reflected gains and the stock market surge. Their giving totaled \$11.02 billion, an increase of 16.5 percent.

A true reflection of growing individual assets, bequests in 1998 were \$13.62 billion, up 7.8 percent.

A 7.2 percent growth to \$143.71 billion from individuals showed, once again, that giving is a people business. Adding totals from bequests, individuals accounted for over 87 percent of all giving. Philanthropy is and always will be a "people business" flourishing when committed volunteers approach cultivated prospects face-to-face. Si Seymour said it best:

No campaign ever fails because too many people say no. They fail when not enough people are asked.

Every cause . . . needs people more than money. For when the people are with you and are giving your cause their attention, interest, confidence, advocacy and service, financial support should just about take care of itself. Whereas without them—in the right quality and quantity, in the right places, and in the right states of mind and spirit—you might as well go and get lost.²

1.5 The Current State

(A) KEY ORGANIZATIONS

Organized in 1960, AFP now has over 25,000 members and 157 chapters in the United States, Canada, and Mexico. Its membership is the most eclectic of fund-raising organizations as it includes development officers from all fields of charity—hospitals and medical centers, museums, colleges and universities, social services, research groups, and the like. And today, over 64 percent of its members are women—the male bastion keeps dwindling.

More than 4,000 development executives have qualified for its CFRE program (Certified Fund Raising Executive). This accreditation has these partner organizations: the Association for Healthcare Philanthropy, Association of Lutheran Development Executives (ALDE), Council for Resource Development (CRD), and National Catholic Development Conference (NCDVC).

National Philanthropy Day is now celebrated by 110 AFP chapters involving nearly 40,000 participants. As these events honor the volunteer, donor, and fund-raising manager of the year, the local community increases its understanding of and appreciation of the philanthropic process.

The Council for Advancement and Support of Education is the largest association of educational institutions. Its membership includes more than 2,900 colleges, universities, and independent elementary and secondary schools in the United States, Canada, Mexico, the United Kingdom, and 27 other countries. Representing these institutions are over 20,000 advancement professionals.

²Seymour, Harold J. *Designs for Fund Raising: Principles, Patterns, Techniques*. New York: McGraw-Hill, 1966, p. ix. (Paperback edition: Ambler, PA: Fund Raising Institute, 1988.)

In 1999 the Association of Healthcare Philanthropy had 2,807 members representing over 1,600 healthcare organizations in North America.

(B) WHAT MAKES A GOOD AND SUCCESSFUL FUND-RAISING MANAGER?

In addition to having professional skills and related experience, managers must care about our society. Since managers are dealing with contributed funds, they must be like Caesar's wife, with a deep and durable integrity. Selective integrity is no more effective than open dishonesty.

Managers must take the time and effort to earn (not demand) the respect of others. Fund-raising managers are like coaches helping to guide the team—a task that requires mutual respect.

Managers must develop enthusiasm for the mission of the organization. This can be contagious and always rubs off on those whom the managers are working with.

Fund-raising managers must be alert and prepared to deal with some common misconceptions:

- Members of a nonprofit board and its key leaders often believe that the skills that made them successful in their careers equip them to plan and organize a fund-raising campaign—without any professional guidance.
- Potential donors must be cultivated prior to any solicitations. This is best accomplished by a good marketing program. But marketing, as such, never should be used for fund raising. No charity can begin to reach its fund-raising potential without an organized fund-raising campaign set up with professional guidance.
- Cause-related marketing is *not* philanthropy. Corporations charge their promotional expenses to business expenses, not their contribution budget. And only a select few charities with national constituencies are eligible to participate.

(C) A BURGEONING FIELD HAS A BROADENING BASE

We have made some remarkable strides in opening this field to ethnic groups and have diminished male preponderance. The rapidly growing number of women in the field demonstrates that the ready presence of female intuition seems to make women particularly equipped to flourish in a "people business." AFP, the Council on Foundations, United Way, the Foundation Center, Independent Sector, and the Ford Foundation are just a few major national philanthropic organizations that are now headed by women who are well paid for their skills.

The glass ceiling is beginning to become pretty lofty. However, the salary gap between men and women remains an unsolved problem. Solving this will take patience, persistence, and coordinated effort by board members and executives in the nonprofit sector, but it must be high on everyone's agenda.

Thirty years ago a remarkable thing happened in Canada. Charlotte Whitton was elected mayor of Ottawa. In her campaign she said, "In today's world, a woman must do

twice as well as a man to be perceived half as good." "Luckily," she went on to say, "this isn't very difficult."³

(D) THE ALL-IMPORTANT VOLUNTEERS

Just about every campaign relies on pace-setting gifts made possible by face-to-face solicitation—peers to peers who are enthusiastic, affluent, and influential. Over the years, volunteers have become much more sophisticated with high expectations for good organization, planning, and staff support from fund-raising managers. The trauma created by the United Way and New Era scandals have deeply increased their awareness of the extent of their responsibilities. They take their commitments and assignments more seriously. Our field's progress has engendered much more of their respect. The toughest road is to find ways to lure the newly wealthy entrepreneurs into devoting more time and funds to philanthropy. (The older generation is culturally more geared to give back something to society.)

This fact is borne out further by some pertinent statistics compiled recently by Jerold Panas, Linzy & Partners, an established reputable fund-raising counseling firm in Chicago, Illinois: To raise a dollar from special events, it costs \$0.50 to \$1.00; from phonathons, \$0.20 to \$0.40; from direct mail, \$0.30 to \$1.20; from personal involvement of volunteers, \$0.07 to \$0.15.

(E) FORM 990

Federal and state laws now require public disclosure by way of the uniform federal/state Forms 990. All not-for-profit organizations with income of over \$25,000 must have their 990 report available on the Internet. Active and potential contributors can determine a not-for-profit organization's program and fund-raising costs as well as executive salaries and actual funds spent on programs. Managers must deal with the filing of these reports with clarity, documentation, and integrity.

Development directors are used to acting as coaches, and it is important that they work with the executives, board members, and certified public accountants to ensure that the organization's 990 form is filled out with accuracy, full documentation, and integrity. New not-for-profit organizations must expect negative reactions to their high fund-raising costs, but the 990 form can point out that these costs will reduce over the next few years.

The Nonprofit Accountability Collaborates (990-NAC Activities) has been formed under the co-sponsorship of the National Center for Charitable Statistics at the Urban Institute and the Independent Sector. Thirty national groups, ranging from the American Institute of Certified Public Accountants to United Way of America, also support the 990-NAC, established in 1998.

³John J. Schwartz, Quoted in "The Dwindling Male Bastion," *Fund-Raising Management* (December 1994).

1.6 *Where Are We Today?*

Even the most cynical person would agree that fund-raising management has made phenomenal progress. Most fund raisers are proud to be a member of this near profession. We are proving that we care about society and are willing to accept lower compensation and fewer benefits usually available in similar positions in the for-profit sector. We can take heart in the fact that our careers, even in a small way, are helping to make a difference in improving society. Our efforts are helping the next generation to acquire better values. Collectively, we may be reducing the prevailing public cynicism about what America stands for.

1.7 *How Well Are We Prepared for the Twenty-first Century?*

Philanthropy's critical issues are many and complex. A list of items that need urgent attention was presented in a recent book on our field.⁴ Solving these problems would foster a much greater capacity by the philanthropic process to deal with society's accelerating needs as we enter the twenty-first century. We need to develop more effective ways to:

- Reduce parochialism and open up wider communications between donors and donees and the varied philanthropic causes.
- Set up and adopt a universal code of ethics.
- Persuade more able young people to make philanthropy their career.
- Apply the principles of our pluralistic society to improve the partnership between the public and the private sectors.
- Educate state and federal legislators and their administrative staffs on the importance of making philanthropy more effective—which cannot be accomplished with punitive legislation and reduced tax incentives.
- Help board members to better understand and accept increased responsibility for their stewardship.
- Increase the interest and development of philanthropic studies at all levels of education.
- Establish a single generic certification process for all professionals.
- Increase the level of professionalism of fund raisers, foundation and corporate program officers, and trustees.
- Increase the public's understanding of philanthropy and fund raising.
- Attract, train, and retain more minorities.
- Identify and train leaders from the new generation.
- Preserve for posterity the wisdom and experience of the older generation.
- Increase accountability.
- Establish guidelines and ranges for executive salaries and benefits to ensure the principle that the mission of all philanthropic organizations is never secondary to personal gain.

⁴John J. Schwartz, *Modern American Philanthropy: A Personal Account* (New York: John Wiley & Sons, 1994).

- Compensate all staff on the basis of skill, responsibilities, and real seniority, regardless of gender or ethnic background.
- Reduce the commercialization of the field and strengthen the essential values of voluntarism.

Your own experiences will help you identify other critical issues. What is important is that each of us should bear in mind that fostering more effective philanthropy requires the energy of all of us in the field. A constant goal is to help the key local and national organizations to work together using their combined resources to improve our effectiveness. And each of us should be prepared to give our time and talents to aid these organizations.

Suggested Readings

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