# Top 5 Fundraising Risks: What You Need to Know and Do

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The expression ‘no money, no mission’ reminds each of us that fundraising is *fundamental* to the health and survival of every nonprofit organization. Whether you raise funds from institutional or individual donors, planned giving or celebratory events, attracting financial support is both essential and risky to the success of your mission.

Like any activity worth pursuing, fundraising—in every form—produces interesting risks (possibilities). There is no such thing as zero-risk fundraising. Putting that impossibility aside, let’s explore 5 top fundraising risks and corresponding ‘must know’ and ‘must do’ strategies.

## 1. Donor Dissatisfaction

The risk of donor dissatisfaction can grow as you achieve fundraising success. The larger your volume of donors, the greater the risk that one of those contributors will become unhappy with someone or something at your nonprofit.

What to know:

- ***No two donors—despite demographic similarities, contribution levels, or relationships to your mission—are exactly alike.*** If you’ve met one donor, you’ve met one donor!
- ***You can never know exactly what a donor will do.*** Today’s convivial donor could become your dissatisfied, vocal detractor tomorrow.
- ***Stewarding donors with care and grace is essential to fostering mission support beyond the donation***.

What to do:

- ***Resolve to stop making assumptions about why someone supports your nonprofit and what aspects of your work—or recognition—are meaningful***. It’s hard to know what attracts someone to your mission, especially for nonprofits with thousands of financial supporters. But learning what you can about the answers to those questions is fruitful. What is an individual donor’s personal ‘why’ for supporting our mission? What recognition of their support do they desire?

- ***Identify and monitor 'key risk indicators' of looming donor dissatisfaction.*** What signs and signals do you see when you look at donor data up close, or when you step back? A dear friend consistently contributed $500 per month to a nonprofit whose mission she admired. She stopped making those donations six months ago. Crickets from the nonprofit, which has a four-person development team.
- ***Express warm appreciation to any and every departing donor.*** Perhaps your long-time donor can no longer afford to support your work. Or an institutional donor's priorities have shifted, and their financial support must as well. Convey your gratitude for the donor's support and leave a lasting positive impression. "We deeply appreciate all you have done to support our work and hope our paths will cross again in the future! We welcome any questions or connections at any time, including inquiries unrelated to financial support. Our door is open!"

## 2. Unrealistic Fundraising Goals

This risk plagues the nonprofit sector. It is fueled by pressure, from our Boards and ourselves, to keep up with rising expenses and beat our best results, year over year. Without any data or insights to suggest that we can raise 5 or 10% more, we plug overly-optimistic projections into our budgets and hope for the best.

What to know:

- ***It's ok to acknowledge when you simply, honestly don't know.*** "We saw that 10% of our donors decreased their total support last year, but we do not know the reasons why. We have identified three practical ways to learn the real reasons a donor might decide to decrease their support. We are going to implement those strategies this year and report back what we're learning mid-year." I've attended many development team presentations where I sensed I was being given a plausible—but not evidence-based—explanation for a fundraising target.

What to do:

- ***Before identifying financial targets and goals in your key revenue or fundraising streams, identify what you don't know.*** Say your nonprofit knows that 5% of long-time contributors increased their total support last year while 10% decreased the amounts they are giving. But you don't know what inspired the donors who upgraded or downgraded their level of giving to do so. Personal circumstances? Fondness for one of our programs or allure of another mission? General worries about economic conditions?
- ***Pinpoint and disclose assumptions behind each fundraising target.*** Use the notes section of budget working papers to describe, in words any reader will understand, what led you to choose the target in each category (e.g., individual giving, government grants, philanthropic grants, etc.).

## 3. Missed Opportunities to Upgrade

While vacationing with a dear friend who leads an amazing nonprofit, I pleaded with her to ask all her regular donors to consider giving more in the coming year. I was delighted to learn that a percentage of those asked to do so responded positively and no donors rebuffed the ask.

What to know:

- ***It's not unusual to assume that people are contributing the most they can—or want—to give.*** That assumption stops us from asking every donor to consider giving more. Asking for money remains a delicate undertaking. Humble, experienced fundraising professionals will acknowledge that the fear of rejection accompanies every ask.

What to do:

- ***Identify multiple 'whys' behind your ask for greater support this year that will resonate with donors and funders.*** When you're vague, you leave the 'why' open to the donor's imagination. Consider A/B testing your clear, unapologetic but truthful 'why' statements to gain helpful insights. A colleague told me he receives an annual letter from the President of a valued vendor that says, "This year we provided an across-the-board 3% cost of living increase to our hard-working team. We are increasing our monthly rates by 2% to help offset that cost. We believe in our people and we hope you see and experience their commitment and professionalism in every interaction with you. If you want to share concerns—or accolades—about our team or a specific member, please contact me directly. I would love to hear from you."

- ***Identify the networks in which your donors participate and, when appropriate, ask for introductions to other potential donors.***

## 4. Failure to Meet Donor Requirements

In a fundraising fantasy world, all donations are fully unrestricted, and available to spend as wise leaders deem appropriate. In the real world of nonprofit finance and fundraising, most nonprofits receive support in three different forms:

- Unrestricted donations that can be spent on core programs, infrastructure and administration costs, or set aside in a rainy-day fund.
- Restricted grants and donations that must be spent for specific purposes and often within a specific timeframe.
- Technically unrestricted donations that have strings attached.

What to know:

- ***Don't assume a donor providing an unrestricted donation isn't expecting something in return.*** Perhaps it's displays of gratitude or an opportunity a stranger might not receive (a guided tour, an invite to a program, etc.). Or it could be something you cannot provide (e.g., preference in your bidding process for contracted work).

What to do:

- ***For restricted funds, track use of the funds and meet all official reporting requirements*.** Ascertain additional related informal donor expectations to the restricted funds—and gauge whether you can meet them.

- ***For unrestricted funds, know your donors*.** Take time to learn what expectations they have generally in relation to your organization as well as any assumptions that may be implied in their donation.

## 5. Contributor Catastrophe

The origins of the phrase "guilt by association" dates to the 1940s and 1950s and refers to the practice of assuming the guilt or culpability of an individual based on the company they keep. As we wrote in *Manage Risk With Intention This Year*, "…when nonprofit teams gather to engage in blue-sky thinking about mission-advancing possibilities, they almost always mention the emergence or arrival of a generous, high net worth donor." Recent experience has shown us that connection to a once-prominent, once-respected philanthropist can spell disaster for their "associates" when illegal or appalling conduct comes to light.

What to know:

- ***You can never know everything about the past conduct—nor predict the future behavior—of a generous donor.***

- ***It is a mistake to ascribe admirable character to an individual—or moral superiority to an institutional donor—simply because they have provided financial support to your worthy mission.***

What to do:

- ***Be prepared*.** As part of your crisis communication planning, develop a clear, straightforward plan that outlines your steps and key considerations should you learn about potential donor misconduct. Consider creating a decision tree.

- ***Err on the side of caution before re-branding or creating long-term forms of recognition*.** Nonprofits around the globe have spent countless sums re-branding, renaming and re-decorating programs and facilities after learning concerning information about a past donor. Ask: how costly or difficult would it be to walk back this recognition should disturbing information come to light in the future?

## Bonus Risk

If it seems too good to be true… you're probably on a super slippery path to being scammed.

What to know:

Awareness of the top fundraising scams is a must to protect your mission, assets and reputation. Examples include:

- ***The Fake Donation Overpayment scam*****:** If your nonprofit hasn't received an out-of-the-blue offer from a far off 'philanthropist,' you're in the minority. This scam often begins with an email indicating the sender's intent to send a donation and request to confirm the mailing address. The scam continues with the receipt of something that looks like a check, followed by a quick request (before the fake check clears) to wire the amount of the mistaken overage.
- ***Copycat websites*****:** Fraudsters solicit donations from websites that have very similar names to a legitimate nonprofit—possibly yours.
- ***Investment "opportunity" frauds*****:** This scam begins with the promise of a grant or investment opportunity. The telltale sign it's fraudulent is the request for an administrative fee to finalize or process the award, grant or contract.

What to do:

- ***Be prepared to investigate any incoming, large donation that is completely unexpected*****.** Never hastily 'return' a portion of a donation prior to a full investigation of the circumstances.
- ***Notify in-house or external counsel immediately*** if you learn from any constituent about the possibility of a copycat website site attempting to fool donors into thinking they are contributing to your mission.
- ***Be a skeptic*****.** Legitimate philanthropies never request or require an up-front administrative fee from grantees. This is not a trend, it's a trick.

Fundraising can be effective, and even fun, if you always keep the mission of your nonprofit top of mind. But you can never eliminate concerning risks (possibilities) from your fundraising efforts. The most effective sector leaders know that taking time to understand the risks is always a safer path to success than scrambling the jets at the first sign of a check.

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