Donor Management

Policies & Procedures

Managing Your
Fundraising Database

Table of Contents

Donor Management Policies & Procedures
Managing Your Fundraising Database

By Diana V. Hoyt

Diana is Chief Strategist & Trainer for Formula for Fundraising a business created to help nonprofits build a foundation for success. She provides fundraising training to staff and volunteers, fundraising consulting and development planning. Diana has more than thirty years of professional and volunteer fundraising experience. She created five nonprofit development offices in the Greater Phoenix area and has been involved in almost every facet of the development process. She created MatchMaker FundRaising Software and is a business development director for Arreva.

Diana has been a member of the Association of Fundraising Professionals for over 30 years and is a current member of the Association of Philanthropic Counsel.

Diana holds a bachelors degree from Kansas University and a masters degree from Arizona State University. Prior to her involvement in fundraising and fundraising software, she taught high school and junior high mathematics in Arizona, Missouri and Germany.

Introduction

Thousands of nonprofit organizations and NGOs around the globe are intent on transforming the world through health care, education, conservation, or the arts. These organizations are funded by charitable gifts from individuals, corporations, foundations, and entities such as civic organizations.

Funding also comes from government sources. Government funding is often restricted, contractual, and subject to huge reporting requirements. Nonprofits can also charge fees for service. Museums and zoos are good examples of fee-for-service organizations.

Most nonprofit organizations, however, must raise the bulk of their income from charitable dollars. Managing donor information and accounting for the success of the organization's fundraising efforts becomes paramount to creating a sustainable organization.

Having policies and procedures to manage an organization's database will enable the organization to provide meaningful reports to the organization's stakeholders, to send timely acknowledgements to donors, and to increase donor retention.

Tools for Donor Management

Nonprofits have numerous choices regarding the database management tool they select. These products are referred to as fundraising or donor management software or a CRM. They are available either online or as installed software. They manage a wide range of fundraising activities, from volunteer tracking to special events.

Organizations that opt to use Excel spreadsheets, QuickBooks, or another accounting package have chosen to hamper their fundraising efforts. These tools were not designed to manage the many facets of charitable giving. Products designed to manage donor information will include application documentation and training on how to use the product. They will continue to be upgraded as both fundraising and technology change. Having the right tool will make the fundraising effort more efficient and successful.

Once an appropriate software application is selected and up and running, all staff that will interface with the application need to be trained. When new hires come onboard, they need to go through the training and review the organization's donor management policies and procedures. Having staff trained and knowledgeable will make a difference moving forward.

Follow the Money

Financial support arrives at the nonprofit in numerous ways and in a variety of forms. The nonprofit might receive a check in the mail or an online donation paid with a credit card. If the nonprofit is doing a silent auction as part of a special event, a volunteer might bring in a piece of art for the auction or a gift certificate for dinner at a restaurant.

What happens to the items of financial support when they come in? Where do they go? How are they managed? Does everyone in the organization know the procedure? Look at the Donor Data Management flow chart for a museum with a gift shop (See page 12). Your organization flowchart may be less complicated. Rework this document to fit your organization. Understanding the flow of financial support, cash or in-kind, coming into the organization will make it easier to manage.

Depending upon the organization, charitable transactions will go to the development office first or to accounting. The process is easier if the transactions first go to development. Because the development staff is conducting the various fundraising activities, they will know what the transaction should be applied to. Is the donation for a specific grant, or is it a gift resulting from the annual appeal? The decision regarding the income fund account the funds are applied to is consequently a development decision. For example, grant monies are usually restricted for a specific purpose and need to be applied both in development and accounting to a specific income fund.

It is also important that the development staff receive any correspondence that comes with the donation and the envelope it came in. Having the envelope will help confirm addresses if the address on the check is different. This will keep the donor database up-to-date.

If donations are made by credit card, then the accounting staff will normally manage the credit cards. The development staff needs all the information for the donation except the credit card number. It is acceptable, however, to give the development staff the last four digits of the credit card.

When information needs to flow between the development and accounting departments, one individual needs to be designated as the responsible party. This is not a function to be left to chance.

A determination needs to be made regarding in-kind donations as to how much information if any the accounting department wants. The determination may be made based upon the value of the in-kind transaction or some other factor. In regards to in-kind, it is helpful if development creates a form, such as the example on page 13, to receive in-kind donations. For some organizations, in-kind is critical to the delivery of their mission. For others, in-kind might only be those items secured for the silent auction. Tracking the disposition of in-kind is important. Where and how was it used?

The organization should have Gift Guidelines to determine the types of gifts, both monetary and in-kind, that it will accept or decline.

Initial Data Entry

Data entry is not a casual exercise. Initially, the organization needs to determine who will have access to the database and what levels of information they will be managing. A volunteer coordinator may have different access than a director of development. The software will have a security system that enables the nonprofit to designate access within the software.

A key element of fundraising is building relationships with donors and perspective donors. Relationship building requires appropriate communications, and appropriate communications involve having good data. Misspelled names or bad addresses result in mail thrown in the trash. Establishing policies for data entry will result in a much cleaner database.

Having worked with dozens of nonprofits, I am convinced that the worst thing that happens to any database is staff turnover. Without guidelines, the new hire will do it their way. New staff needs to be aware of the policies and monitored in the beginning to confirm that they are adhering to the policies. The organization should not allow the new person to do it their way rather than the way the organization wants it done.

Standards for data entry will greatly improve the efficiency and effectiveness of the database for reporting and communications. The most critical aspect of data entry is consistency. Having policies will help establish consistency in data entry.

Some of the policies you establish will be based upon the culture of your organization and your location; i.e., mid-west states versus states in the northwest. Also, take into consideration the age of your donors: Are they matures, boomers, or millennials?

<u>Using Prefixes</u>
Do you use prefixes in addressing donors? Do you have options in your software in using prefixes?

<u>Using Salutations</u>
When you write letters, do you use a familiar or formal salutation? This will partially be determined by your decision regarding prefixes. Does your software allow you to override a default set-up and do it the way the donor wants it?

<u>Using Abbreviations</u>
Having a policy regarding abbreviations will help your organization create reports and mailings that look more professional. You should determine if you will use abbreviations and which ones will be acceptable.

<u>Constituent Entry</u>
When entering constituent information, capture as much contact information as possible, including phone numbers and email addresses.

If the information for a spouse or significant other is available, their information should be attached to the constituent record. You will want to include cell phone numbers and email addresses if available. Software applications will manage this information in different ways.

Anecdotal Information
Most software has space to capture information specific to the constituents. An organization needs to determine what type of information to collect and store. Information can include donor interests or their level of involvement in your organization. Once the types of information are determined, the codes and subsequent values will be created and then assigned to appropriate constituents. This process requires input from the staff who will be interfacing with constituents or who are responsible for some aspect of the fundraising/volunteer process.

The information can include items as simple as whether or not the constituent will receive the monthly newsletter, or an invitation to the golf tournament, or if they adopted a puppy or kitten at the shelter. It can also include information gleaned from prospect research. If it is available, note this information for both the primary constituent and the spouse or significant other. This information is usually captured using user-defined codes sometimes referred to as attribute codes or tags.

Business Titles
When using business titles, use the title as it appears on the business card. For instance, you might have CEO or Chief Executive Officer. Business people often have a title based upon their preference or their company's standards. It is best to do it their way.

Business Names
For any non-individual entry, a business, foundation, church, school, civic organization, confirm the business name on the check. You might want to check the information against the business's web site. The name as spelled on the check is usually the best source for data entry.

Additional Donor Information

One of the important facets of donor management software is its ability to track numerous pieces of information. When selecting your software package, inquire as to how much information you can keep and what the querying and reporting capabilities are of the product. You will want to know how easily you can add information in the beginning and the future. Some items for consideration:

Relationships
Most applications easily manage spouses or significant others. Do you need to track other types of relationships, such as golf partner or Great Aunt? Carefully consider what your organization needs to track and how your software can manage the relationships.

Notes and Ticklers
When managing donor information, the organization may need to keep information in the form of notes, and to create a tickler reminding the end user to communicate with a

donor in the future or to complete a task, such as beginning the process of writing a grant.

<u>Special Notes</u>
A critical facet of donor management is being able to mark a donor as anonymous or deceased. I mention these two in particular because they cause the greatest concern with donors and their families and, consequently, with the organization. The application might have other special notes such as “do not mail” or “do not email.” Special notes will help block donors from receiving certain communications or being listed on specific reports. If a donor is deceased, what happens to the spouse’s record? What happens to the giving history? The answers to these questions can affect the relationship of the surviving spouse and the organization.

Entering Transactions

The software application the nonprofit selects should be able to manage cash transactions as well as in-kind donations. The various types of transactions have items particular to that type of transaction. For example, membership needs a renewal date, and an event needs an activity to attach the transaction to, such as the purchase of tickets or a sponsorship.

<u>Fundraising Codes</u>
Prior to launching a fundraising activity, the development staff responsible for the activity and the data entry people should decide on the codes that will be attached to the incoming transactions. By making the decisions in advance, data entry people are prepared for the influx of money, and transactions are properly coded from the beginning. This will help ensure accurate reports. The most important codes are the motivation code and the fund code. The motivation code refers to the activity that resulted in the gift. Examples include *Year End Appeal* or *Email Appeal*. The fund code is where the money will be used—for general operations or a specific project.

<u>Entered Date</u>
All transactions have an entered date that is used for reporting purposes. Various stakeholders will want to know how much money came in during a particular date range for a specific activity. The entered date will enable the organization to create the report. Organizations need to determine what the entered date will be. Will that date be the actual date the transaction is entered? Or will it be the date on the check or when the credit card transaction was entered at the bank? An organization needs a very clear policy regarding the entered date.

<u>Tribute Gifts</u>
If the organization receives tribute gifts—gifts in memory of, in honor of, or in celebration of—how do you code and track these transactions? An organization should have a written policy regarding the management of these gifts. How are the appropriate parties to the transaction acknowledged? How are these gifts recognized in a publication? Organizations have the opportunity to receive more tribute gifts if they create a strategy around this facet of charitable giving.

Corporate Matching Gifts
Educating donors about corporate matching gifts—what they are, who gives them, and how they are given—can increase an organization's income without much effort. Properly tracking and recognizing these gifts is important and helps build the relationship with both the initial individual donor and the corporation they work for.

Pledges
Many nonprofits create opportunities for donors to make a pledge to the organization. Pledges might be made for a capital campaign or an annual appeal. Pledges are also often secured at events such as an ASK event. When soliciting pledges, it is important to have the donor fill out and sign a pledge form that states the amount of the pledge, how the donor plans to pay it (monthly, annually, etc.), over what time period (six months, one year, five years, etc.), and when the first payment will be made. With this information, the fundraising software will expedite sending out pledge payment reminder notices. This last step is critical if you plan on collecting the money. It is highly recommended that a pledge not be logged into the donor management software unless the organization has a completed and signed pledge card.

Posting Transactions
Have someone designated to post transactions to the software. This person will review the transactions for accuracy and then post. Posting a transaction makes it a permanent part of the database. Any changes to the transaction after posting will be recorded and a paper trail created.

Process for Managing Donor Information

The nonprofit organization's ability to communicate with its constituency depends upon the quality of the data that is entered and what happens after that. Accuracy is critical, and having policies for data entry as previously mentioned is paramount.

Following are some suggestions that will enhance the quality of an organization's data and make for happier donors:

- When entering new constituents, again fall back on a set of established policies. Be as thorough as possible and add any available and appropriate information using attributes and notes.
- Be cognizant of any flags in your donor management software that alert you to a possible duplicate entry. Most applications will help you catch possible duplicate entries.
- Have a time standard for processing gifts and generating thank you letters. The rule within the fundraising industry is that thank you letters are prepared and mailed within 72 hours of receiving a gift.
- Create templates for the types of thank you letters your organization needs. These can include general thank you letters, letters for in-kind gifts, and letters for memorial gifts. These should be periodically updated. Having prepared

templates will streamline the process of generating thank you letters. Always have letters hand-signed in blue ink.

- In setting up the organization's donor management system, a decision needs to be made regarding paper files. Determine what makes the most sense for your nonprofit. An example might be to keep hard files on all corporate, foundation, and government transactions, and on individual donors of $500 or more. For a capital or endowment campaign, the organization might want to keep files on all donors who pledge $1,000 or more. The scope of your campaign will help determine the baseline.

The End Results

When setting up a newly purchased donor management software package, the team which will be utilizing the data needs to consider what it wants to accomplish with the data. If you have a system in place, it is never too late to review it and determine if changes need to be implemented.

There are two major functions to consider: communications and applying fundraising strategies. Communications include being able to email your constituents or send them a direct mail letter. With fundraising strategies, a nonprofit most often needs to segment donors based on giving patterns or interests. Keep the following in mind:

- Mailing Lists allow you to thank, solicit, or communicate success to your full database or a select group of constituents.
- Attribute Codes will allow you to pull lists to implement fundraising strategies and mailings.
    1. Solicitation lists
    2. Newsletter lists
    3. Volunteers, Board members, Legacy Circle
- Financial Reports
    1. Monthly accounting reconciliation reports—the fundraising data and accounting information should reconcile on a monthly basis. It is important to catch any discrepancies and correct them as soon as possible.
    2. Routine reports for appeals or campaigns should be run monthly for fundraising committee meetings, the board, and appropriate staff meetings.

Keeping Your Database in Top Form

To have a top-performing database that will help you be a successful fundraising organization, a number of tasks need to be diligently and routinely executed.

Manage Duplicates
Run a duplicate name report and merge and purge any duplicates. Duplicates sneak into the best of databases. Following the nonprofit's policies and procedures will help decrease the number of duplicates. It is recommended that you do this every quarter.

Business Names
Run a list of all business names and review it for errors and possible duplicates caused by typos. Do this at least every six months.

NCOA and CASS
Use a company that has certifications from the postal service to perform a database hygiene screening. These two procedures will clean up bad addresses and certify that the addresses you have are valid. This process is not expensive and will, in the long run, save the organization money. This should be done twice a year.

Consolidating Codes / Values
Over time, lists in any application will grow. Reviewing lists once a year and merging or purging can catch redundant information and errors.

Deleting Non-donors
If you have a constituent that has resided in your database for five to seven years and has never given or volunteered, then it would make sense to delete them from the database. The organization needs to establish a time limit for cultivating a non-donor, and periodically review the non-donor list. There may be constituents such as government officials that you decide to keep for reasons other than fundraising. Keeping these constituents in the database is appropriate; just establish a policy. These items will keep the bulk of your data in good shape and truly improve the performance of your fundraising program.

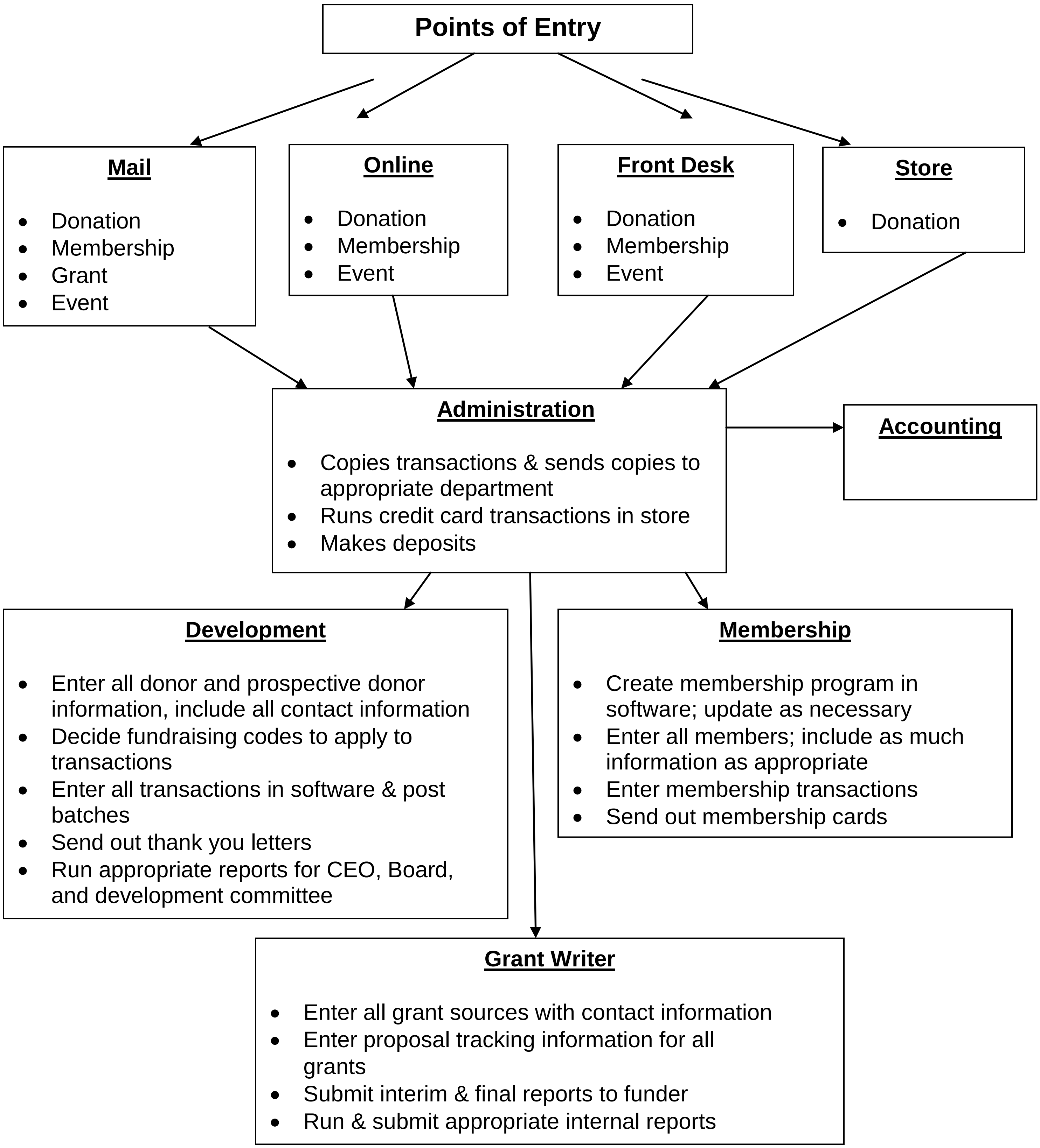
Backing up the Organization's Database
If you have an installed application, it is recommended that you have very definitive back-up procedures. Know who is responsible for managing back-ups and how often the back-up occurs. Many server-based systems currently use vendors to back up their data in the cloud. This is a very affordable and secure means of managing data back-ups. If an organization chooses not to use a cloud back-up system, then routinely make a copy of the database on a removable drive and keep it off-site.

Conclusion

Choosing the right software for your fundraising database is just the beginning. Establishing a solid foundation of database policies and procedures will maximize your fundraising success by supporting your team with the most accurate and effective data possible. From the earliest stages of data entry, to your ongoing efforts to create mailings, useful lists, and reports for your Board and stakeholders, database policies and procedures can make all the difference to your organization.

Contact Formula for Fundraising today to find out how we can help take your fundraising to the next level!

Donor Data Management Flow Chart



Organization Name
1000 South Nonprofit Drive
City, State Zip Code
Phone Number

IN-KIND DONATION FORM
Goods & Services

NAME ______________________________

ADDRESS ______________________________

CITY ______________ STATE_____ ZIP CODE __________

PHONE ______________ EMAIL______________________

DESCRIPTION OF DONATED ITEM(S) ______________________

____

____

____

____

____

____

____

VALUE (Estimated by Donor) $__________________

Thank you for helping support the mission and programs of Name of Organization.
Your kind consideration is appreciated.