

CHAPTER

13

Fund Development

In Chapter 11, the topic of service fees was considered. Chapter 12 then covered government contracts and grants. In this chapter, several other revenue enhancement strategies used by human service agencies and programs are explored under the topic of fund development.

Attempting to cover the multifaceted topic of fund development in one chapter necessarily precludes coverage of all possible approaches. The strategy adopted here is to identify and briefly describe some of the more common as well as some of the more entrepreneurial approaches to fund development. The chapter begins with a discussion of some of the more traditional approaches (foundation grants, United Way affiliation, annual campaigns, special events, and client donations) and then moves to some of the more entrepreneurial approaches (affinity marketing, bequest programs, life income programs, commercial ventures, and for-profit corporate subsidiaries).

Foundation Grants

Foundation grants have long been a major source of funding for human service agencies and programs. Foundation grants have become even more attractive in recent years because of the bull market on Wall Street. Most foundations have at least a portion of their assets in stocks. The significant increase in stock values during the 1990s has resulted in significant increases in the assets of many foundations. Individual investors have also done well in the stock market in recent years; as a result, donations to foundations have also increased.

Some 44,000 foundations exist in the United States today. The combined assets of these foundations total some \$230 billion (Council on Foundations, 1999). The ten largest foundations (Table 13.1) have combined assets of over \$80 billion. The largest foundation in the United States (\$17 billion in assets) is the Bill and Melinda Gates Foundation named after the chairman of the Microsoft Corporation and his wife. By law, foundations must expend an average of 5 percent of their assets each year in grants. When one considers the number of foundations (44,000) and their combined total assets (\$230 billion), the potential foundation funding available each year is truly impressive. On average, foundations award some \$15 billion in grants each year.

TABLE 13.1 The Ten Largest Foundations in the United States

	Assets in 1999
1. Bill and Melinda Gates Foundation	\$17.1 billion
2. David and Lucille Packard Foundation	13.0 billion
3. Ford Foundation	11.4 billion
4. Lilly Foundation	11.1 billion
5. Robert Wood Johnson Foundation	8.1 billion
6. W. K. Kellogg Foundation	6.2 billion
7. Pew Charitable Trusts	4.8 billion
8. John D. and Catherine T. MacArthur Foundation	4.2 billion
9. Andrew W. Mellon Foundation	3.5 billion
10. Rockefeller Foundation	3.5 billion
	Total \$82.9 billion

Source: Adapted from *The Chronicle of Philanthropy*, 11(21) (August, 1999):8.

Not all foundations exist exclusively for the purpose of funding human service agencies and programs. Foundations are created for a variety of purposes including health, education, the arts, and the environment. Nevertheless, many foundations do support human service agencies and programs. The challenge for human service administrators is accessing information about these 44,000 foundations and their funding priorities.

Types of Foundations

Foundations can be classified in many different ways. For purposes of this discussion, foundations are classified into five major categories: family foundations, corporate (business) foundations, general interest foundations, special interest foundations, and community foundations. Note that these categories are not mutually exclusive. Consequently, an individual foundation can be included in more than one category. For example, a family foundation could also be a special interest foundation, a corporate foundation could also be a general interest foundation, and so on.

Family Foundations

Family foundations are usually named after the founding family member(s) and derive their original assets from family donations. Referring again to Table 13.1, the top ten largest foundations in the United States are all family foundations. The combined assets of all family foundations in the United States exceed \$100 billion. Family foundations make grants totaling some \$6 billion annually (Council on Foundations, 1999).

The funding interests of family foundations are usually tied closely to the wishes of the family member(s). For example, the Bill and Melinda Gates Foundation has two primary interests: global health and learning. With respect to learning, the foundation states that it is particularly interested in closing the “digital divide” between those who have access to the Internet and those who do not.

Corporate (Business) Foundations

Many foundations are closely associated with specific American businesses. Foundations of this type were usually started by a specific business and they maintain strong ties to that business. Corporate (business) foundations usually derive their grant making funds from the profits of the business. The types of programs they fund are frequently related to the nature of the business. Examples of corporate foundations include the Sears Roebuck Foundation, Federated Department Stores Foundation, and Mutual of New York Foundation. Again, not all company-sponsored foundations have human services as a funding priority, but many do. For example, the Mutual of New York Foundation funds community-based agencies that serve people who have AIDS or are HIV-positive. Corporate foundations awarded grants totaling in excess of \$8 billion in 1998 (Council on Foundations, 1999).

General Interest Foundations

General interest foundations are those that have a generic funding priority such as education, health, human services, the environment, or the arts. General interest foundations are usually willing to consider proposals for any program or activity that falls within their generic purview. A good example of a general interest foundation is the Robert Wood Johnson Foundation, whose funding interest is the broad area of health. Many human service agencies and programs with a health component have benefited over the years from funding from this important foundation.

Special Interest Foundations

As their name suggests, special interest foundations have narrowly defined (specific) funding interests. Special interest foundations exist for such purposes as addressing specific health issues (e.g., cancer), particular social problems (e.g., teenage pregnancy, literacy), or particular target groups (e.g., women, children, the elderly). Special interest foundations will usually only consider proposals for programs and activities that fall within their narrowly defined areas of interest.

Community Foundations

Yet another type of foundation is the community foundation. Although community foundations can be an important source of funding for human service agencies and

programs, they are generally less well known than other types of foundations. Because they are less well known, community foundations warrant special mention.

A community foundation serves as a sort of clearinghouse for individuals, families, and businesses that desire to have their charitable activities managed by trained professionals, but who do not want to hire their own staff. Consequently, a community foundation is really a collection of grant making programs that are frequently quite diverse in terms of funding interests and priorities. For example, the New York Community Trust, a community foundation, administers some 1,300 different grant making programs.

A community foundation usually serves a defined geographic area such as a city, a county, or sometimes even a state. Some 500 community foundations exist across the United States (Council on Foundations, 1999). Most major U.S. cities as well as many medium-sized cities have a community foundation. Some community foundations are quite large in terms of assets; others are modest in size. Two of the largest community foundations are also two of the oldest. The New York Community Trust has assets of \$1.7 billion; the Cleveland (Ohio) Foundation has assets of nearly \$1.5 billion. More modest in size are the Vermont Community Foundation and the Waco (Texas) Foundation with assets of \$13 million and \$12 million, respectively (*Chronicle of Philanthropy*, 1998:8; 1999:14).

The Arizona Community Foundation is a good example of an average-size community foundation. The Arizona Community Foundation has assets of some \$200 million (*Chronicle of Philanthropy*, 1999:14). As Figure 13.1 illustrates, the goal of the Arizona Community Foundation is to serve the interests of the state's various communities through the provision of grants and technical assistance to nonprofit organizations (both human service and non-human service). The Arizona Community Foundation's funding priorities include families and children, children and youth, and social justice.

FIGURE 13.1 The Arizona Community Foundation

Goal: To meet the charitable needs of Arizona's communities through grants, technical assistance, and other services to nonprofit organizations.

Areas of Special Interest:

- Families and the elderly
- Children and youth
- Education
- Scholarships
- Neighborhood and community-based economic and social development
- The environment
- Social justice

Source: Adapted from Arizona Community Foundation home page <<http://www.azfoundation.com>> (3/13/2000).

Finding Out about Foundations

How can human service administrators access information about foundations, their funding priorities, and who can apply? Four good sources of information are the Foundation Center, the *Chronicle of Philanthropy*, the Council on Foundations, and the Internet.

One of the largest repositories of information about foundations is the Foundation Center. Located in New York City, the Foundation Center maintains information (including funding priorities and application processes and deadlines) on the majority of U.S. foundations including old, established foundations as well as newly created ones. The Foundation Center publishes annual compendiums describing foundations by type, state, funding priorities, and so on. The Foundation Center maintains an Internet home page which serves as a gateway to its online and hard-copy resources (see Appendix).

The *Chronicle of Philanthropy*, a monthly newspaper-type subscription service, contains funding announcements made by foundations, information on how to apply, and application deadlines. The *Chronicle of Philanthropy* essentially provides the same type of information about foundation grants that the *Commerce Business Daily* provides about federal government contracts, grants, and cooperative agreements (see Chapter 12). The *Chronicle of Philanthropy* also maintains an Internet home page (see Appendix).

A nonprofit organization based in Washington, D.C., the Council on Foundations (1999), describes itself as working to “support foundations by promoting knowledge, growth and action in philanthropy.” Its Internet home page provides a useful gateway to accessing information about community foundations throughout the United States (see Appendix).

Finally, more and more individual foundations today—in particular, the larger foundations—maintain their own Internet home pages that provide basic essential information on funding priorities, application processes, and submission deadlines. For example, the Pew Charitable Trusts is a well-established foundation in Philadelphia, Pennsylvania. By consulting its Internet home page, one can discover that in 1998, the foundation had assets of \$4.8 billion and made 298 grants totaling \$213 million to nonprofit organizations. The Pew Charitable Trusts has a specific fund directed at health and human services (The Pew Charitable Trusts, 1999).

United Way of America Membership

Another traditional source of funding for many human service agencies and programs is the United Way of America. The United Way is an affiliated fund-raising organization, which means that it conducts joint fund-raising activities on behalf of its member agencies. The national United Way of America is an umbrella organization that represents some 1,200 independent local United Ways. Local United Ways in turn represent their affiliated health and human service members. The

major fund-raising activity of both the national United Way of America and local United Ways is their annual campaign, which has strong ties to the business community. In 1999, the United Way annual campaign raised \$3.5 billion (United Way of America, 1999).

While member agencies do give up some individual fund-raising discretion (e.g., no independent fund-raising activities during the annual campaign), United Way membership has considerable financial benefits. Once a human service agency is accepted as a member, it is generally guaranteed to receive at least some United Way funding each year. Because United Way funds come from private sources, they have the additional benefit of satisfying the “matching” or cost sharing requirements imposed by many government and foundation grants.

Though specific criteria for United Way affiliation can vary from community to community, some consistency also exists. The requirements for membership in the local United Way of New York City are generally reflective of the criteria used by many local United Ways. To become a member of the United Way of New York City (Figure 13.2), a human service agency must meet the following criteria: provide services in one of the five city boroughs, possess an Internal Revenue Service designation as a 501(c)(3) nonprofit organization, have been incorporated for at least three years, have a full-time executive director and an active board of directors, and provide certain documents (a copy of its most recent audit and IRS 990 submission). United Ways generally exclude from membership organizations whose primary missions are religious, cultural, or educational in nature.

Information about the national United Way of America (see Appendix) as well as information about local United Ways can be accessed through the Internet. In addition to the Internet home page maintained by the national United Way of America, some 350 local United Ways now maintain their own home pages.

FIGURE 13.2 United Way of New York City

Affiliation Criteria

1. The agency must provide health and/or human services to at least one borough of the City of New York.
 2. The agency must be an Internal Revenue Service (IRS) 501(c)(3) nonprofit organization.
 3. The agency must be incorporated for at least three (3) years.
 4. The agency must have a full-time paid executive director.
 5. The agency must have a responsible and active board of directors.
 6. The agency must submit a copy of its most recent financial audit conducted by a certified public accountant (CPA) and a copy of its most recent IRS 990 Form.
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Source: Adapted from The United Way of New York City, home page <<http://www.uwnyc.org>> (3/13/2000).

Other Traditional Fund Development Approaches

Foundation grants and United Way membership are only two of several traditional fund development and fund-raising approaches. This section describes annual campaigns, special events, and client donations.

Annual Campaigns

Just as the United Way conducts an annual campaign, so do many human service agencies and programs. Annual campaigns can be defined as a once-a-year major fund-raising effort that usually involves direct mail and/or telephone solicitations to agency or program members, friends (both individuals and businesses), volunteers, and clients. Annual campaigns frequently occur in the later months of the calendar year when individuals and businesses may be looking to make a charitable contribution in order to reduce their taxable income.

When conducting annual campaigns, many human service agencies distinguish between two types of activities that have long been recognized by fund-raising professionals: donor renewal and donor acquisition (Smallwood & Levis, 1977). *Donor renewal* is the activity associated with contacting those individuals and business that have previously donated to the human service agency. *Donor acquisition* is the activity associated with identifying individuals and businesses that might donate to the agency. Many human service agencies and programs treat donor renewal and donor acquisition as two separate and distinct activities within their annual campaigns. The reason for this dual approach is that donor renewal activities are less costly and have higher success rates than donor acquisition activities. The primary goal of an annual campaign is to get previous donors to make another donation. A secondary goal is to get previous donors to increase the amount of their donation.

A problem for a relatively new human service agency or program conducting an annual campaign is, of course, that it has a small existing donor base and thus must expend more resources in donor acquisition than in donor renewal. New human service agencies and programs that conduct annual campaigns will be largely involved in expensive donor acquisition activities. Consequently, new human service agencies and programs might best think of an annual campaign as a long-range approach to fund development that may not produce significant revenues over the short term. However, after a number of annual campaigns, some of the activity will shift from donor acquisition to donor renewal. The use of board members and volunteers is one way that both new as well as established human service agencies and programs can reduce the costs of annual campaigns.

Special Events

Special events is a generic term used to describe a variety of fund-raising techniques including award dinners, auctions, raffles, "thons" (e.g., walk-a-thons, bike-a-thons,

skate-a-thons), and other one-time or periodic happenings. A human service agency or program keeps the net proceeds (the excess of revenues over expenses) from the special event. Consequently, a special event seeks to maximize revenues and minimize expenses. In order to minimize expenses, a special event attempts to get individuals and businesses to donate goods and services that can be auctioned, raffled, or given away to participants.

Award dinner (e.g., “person-of-the-year”) special events seek to have the facility, the decorations, the food, the drinks, the flower arrangements, the door prizes, and so on donated. The individuals and businesses providing the goods and services receive recognition and an income tax deduction for their donations.

The main attraction of an awards dinner is the honoring of some individual (frequently a celebrity, elected official, or community leader) whose name familiarity will attract interest and attendance. Individuals attending the dinner are charged a price (e.g., \$150 per person). The amount charged for the awards dinner (over and above the estimated actual cost) can be taken by participants as a tax-deductible charitable contribution. Participants have a good time, help to promote a worthy human service agency or program, and also receive a tax deduction.

Auctions function in essentially the same way as award dinners, except that in the case of auctions, individuals and businesses are solicited to donate goods and services of significant market value (e.g., airline tickets, hotel accommodations, cruise ship vacations, restaurant meals) that serve as the attraction. It is not unusual for a special event to combine both a nonaward dinner and an auction. Dinners and auctions are particularly attractive special events for the winter months because they can be held indoors.

A variant of the basic auction special event is the celebrity auction. In celebrity auctions, goods and services are donated by national or local celebrities (elected officials, sports figures, actors, or television personalities). Sports memorabilia (particularly autographed items) usually attract spirited bidding as do such items as lunch with the mayor or dinner with a local TV personality.

Raffles generally involve selling a small number of raffle tickets for a particularly attractive prize. For example, luxury automobile raffles have become popular in recent years. In raffles of this nature, the donation of a luxury automobile is first secured. The vehicle might have a sticker price of \$50,000. A finite number (e.g., 500) of raffle tickets are then sold for a donation of, say, \$100 each. The attraction from the donor’s perspective is that because only a small number of raffle tickets are sold, the donor actually has a real chance of winning. The individual or business donating the luxury automobile receives a tax deduction, the winner of the raffle gets the car, the nonwinners get a tax deduction, and the human service agency raises \$50,000. A caution here is that in some communities raffles, like the one just described, are considered to be gambling. Human service agencies and programs considering raffles should seek legal advice before proceeding.

“Thons” (e.g., walk-a-thons, bike-a-thons, skate-a-thons) are particularly good springtime special events as they can be held outdoors. Thons can be relatively inexpensive special events in that participants generally receive a T-shirt (or some other small token acknowledging their participation) and refreshments, both of which can be donated by individuals and businesses. Participants solicit

pledges from family members, friends, and business associates to support their walking, biking, or skating effort.

Thons frequently require securing the approval and cooperation of the local government, including both the police and fire/rescue departments. A parade permit may be required and police and fire/rescue may be necessary for crowd control and emergency purposes (e.g., participant illness or overexertion). Some municipalities charge organizations for the cost of police and fire/rescue services. In other cities, parade costs may be included as part of the government's overall operating budget. A major downside of thons is that in many communities specific types of thons have already been adopted and are already associated with particular charitable causes and particular nonprofit organizations.

Special events also represent a way to involve a human service agency's board of directors and volunteers in fund-raising activities. The responsibility for securing donated goods and services is frequently undertaken by board members and volunteers. Thons represent a way in which agency board members, staff, volunteers, clients, friends, and others can become involved in fund-raising and show their support for a human service agency or program.

Client Donations

A fund development activity that is frequently overlooked by many human service agencies and programs is client donations. Unlike client fees, which were discussed in Chapter 11, client donations are freewill offerings made to a human service agency or program by service recipients. In addition to raising revenues, a formalized donation fund-raising activity provides clients with an opportunity to contribute something (even small amounts) toward the cost of maintaining the program. For at least some client groups, being able to contribute toward the cost of a program lessens the feeling that they are receiving some sort of welfare. Programs funded under the Older Americans Act have long been required to have a donation policy in place for just this reason.

Entrepreneurial Fund Development Approaches

As competition for funding has become more intense in recent years, human service agencies and programs have become more creative in their fund development approaches. This section looks at several entrepreneurial approaches to fund development including affinity marketing, bequest programs, life income programs, commercial ventures, and for-profit corporate subsidiaries.

Affinity Marketing

Affinity marketing, also referred to as *cause-related marketing*, involves situations in which human service agencies and programs enter into joint venture promotional campaigns with businesses. These joint ventures can take several forms. Three major forms are sales promotions, credit card promotions, and charity shopping malls.

Sales promotions involve a business donating some amount of money in relation to its sales to a human service agency or program over some period of time. Frequently, these sales promotions are timed to coincide with a particular holiday or special community event. For example, a local supermarket might advertise that for every turkey sold during November, some amount of money (e.g., 50 cents per turkey) will be donated to a local homeless shelter to help provide Thanksgiving dinners.

Credit card promotions usually take the form of a donation being made to a human service agency or program each time the card is used during some specific period of time. For example, a credit card company such as MasterCard or American Express might advertise that it will make a donation to some human service agency or program every time its credit card is used during December.

Historically, credit card promotions have been a fund development strategy employed by only large multistate private nonprofit organizations. However, as competition among credit card companies and among the banks that issue them becomes more intense, credit card promotions at the state and community levels are becoming more prevalent. With respect to sales campaigns, even small human service agencies and programs operating in small communities can use this approach to fund development. All that is required is an idea and a cooperating business.

The *charity shopping mall* is a recent variation on the theme of affinity marketing. Charity shopping malls are operated and maintained by e-commerce Internet sites. Several of these e-commerce charity shopping malls have recently appeared on the scene. All are operated by for-profit businesses. Under the concept of a charity shopping mall, an individual charity (such as a private nonprofit human service agency) registers with an individual e-commerce Internet business. The Internet business pledges to donate some amount of its sales to the various charities on its registry. For example, Amazon.com typically donates 5 percent of sales to the charities on its registry (Moore & Williams, 1999:25).

The long-term fund development potential to human service agencies and programs of registering with a charity shopping mall are far from clear at the present time. E-commerce is still a relatively new concept. Nevertheless, many people predict that e-commerce will become the wave of the future. Consequently, charity shopping malls could become a significant source of revenue for human service agencies and programs in the future.

Affinity marketing, in all its various forms, represents a win-win situation for both the human service agency or program on the one hand and the participating business or credit card company on the other. The human service agency or program receives revenues it would otherwise not receive; the business receives publicity for being a good corporate citizen as well as the potential for increased sales.

Bequest Programs

Bequest programs are one variant of what is generically referred to as *planned giving*. In this form of planned giving, individuals include in their wills or estate plans a stipulation that certain funds, stocks, bonds, or property be transferred to a named

private nonprofit human service agency or program upon their passing. A bequest program is a method by which individuals can thank a human service agency or program for services or kindnesses they or family members received.

Bequest programs obviously require a high degree of tact and sensitivity in their implementation. Also, they do not necessarily generate significant revenues over the short term. A bequest program is perhaps best thought of as a long-term fund development strategy. Human service agencies that provide certain types of services (e.g., specialized transportation, in-home care, hospice) or serve particular types of clients (e.g., the elderly) may be best positioned to use bequest programs as a fund development approach.

Life Income Programs

Life income programs are another form of planned giving. Two variants of life income programs are charitable remainder trusts and pooled income funds.

Charitable remainder trusts involve a donor making a contribution of cash, stock, bonds, or property to a human service agency or program. In return, the donor is able to take a personal income tax deduction up to Internal Revenue Service limits. However, the donor also receives a guaranteed income stream for life based on the value of the donated assets. Upon the passing of the donor, the remainder of the funds in the trust is transferred to the human service agency or program.

Pooled income funds involve cash donations from a donor that are pooled and invested in stocks, bonds, and so on along with other such cash donations received by the human service agency or program from other donors. Again, the donor gets a tax deduction as well as an income stream for life.

Life income approaches require either that the human service agency or program have a sophisticated fund development professional working for it or that a relationship exists with a community foundation or the trust department of a bank. A community foundation or a bank trust department can handle the legal and financial paperwork involved as well as invest and manage the funds.

Commercial Ventures

A commercial venture begins when a human service agency or program (either government or private nonprofit) essentially goes into business. For purposes of this section, a *commercial venture* is operationally defined as any situation in which a human service agency or program provides goods and services to another organization or to the general public.

Human service agencies become involved in commercial ventures more often than many people realize. Three examples illustrate this point:

- A government human service agency operates a large congregate-meals program and contracts to provide another private nonprofit human service agency with home-delivered meals.

- A private nonprofit human service agency operates a job training program for food service and custodial workers and also operates a restaurant, a catering service, and a custodial service. While undergoing training, trainees work in the restaurant, the catering service, and the custodial service.
- A self-help program operated by a small, rural, private nonprofit human service agency goes into e-commerce by creating an Internet home page and selling handicraft items made by elderly members of the community.

Most of the time, commercial ventures are perfectly legitimate entrepreneurial forms of fund development. However, the Internal Revenue Service restricts the extent to which private nonprofit human service agencies and programs can compete with private sector businesses and still maintain their IRS 501(c)(3) status. The Support Center is a San Francisco-based private nonprofit organization that provides programmatic and financial technical assistance to other private nonprofit organizations. According to the Support Center (Figure 13.3), private nonprofit human service agencies and programs engaging in commercial activities need to be aware of two major concerns. First, if a commercial venture is not directly related to the exempt purposes for which the private nonprofit organization exists, then a human service agency or program is required to pay taxes (at corporate rates) on the income earned. Second, if the size of the commercial venture becomes too large (if the tail begins to wag the dog), the agency's IRS 501(c)(3) status could be jeopardized.

Before launching a commercial venture, a human service agency or program should consult with its legal advisors and accountants. This admonition should not, however, be interpreted as discouraging the undertaking of commercial ventures.

FIGURE 13.3 Internal Revenue Service (IRS) Regulations Concerning Commercial Ventures Conducted by Private Nonprofit Organization 501(c)(3) Organizations

1. "Unrelated business income" is income generated from the operation of a commercial venture that is not substantially related to the human service agency's exempt purpose.
2. All IRS 501(c)(3) nonprofit organizations are subject to a tax (at corporate rates) on unrelated business income.
3. As a general rule, revenues derived from commercial ventures are not considered unrelated business income when all work is performed by volunteers.
4. When commercial ventures go beyond a human service agency's exempt purposes, the agency's IRS 501(c)(3) status could be jeopardized.

Source: Adapted from "What Is the Unrelated Business Income Tax?" <<http://www.igc.org>> (10/18/99). Copyright © 1994–97 Support Center, 706 Mission Street, 5th Floor, San Francisco, CA USA 94103-3113. (415) 541-9000. Reprinted with permission. All rights reserved.

For-Profit Corporate Subsidiaries

The creation of a for-profit corporate subsidiary avoids the problem of a private nonprofit human service agency or program placing its IRS 501(c)(3) status in jeopardy by becoming involved in a commercial venture. A for-profit corporation can usually engage in any lawful business activity that it desires.

Creating a for-profit corporate subsidiary is relatively easy. Though the procedural requirements (filing status, number of incorporators, etc.) vary from state to state, the basic premise is relatively straightforward. A for-profit corporation is created that is controlled by the private nonprofit corporation. Control can take a variety of forms. One form is to have the board of directors, or a subgroup, of the private nonprofit human service agency also serve as the board of directors of the for-profit corporation. The interlocking board of directors ensures that the activities of the for-profit corporation will not diverge from the intentions of the private nonprofit human service agency.

The profits of the for-profit corporation are taxed as would be the case with any for-profit business. The aftertax profits, minus any retained earnings needed to continue or expand the operations of the for-profit business, are donated (transferred) to the private nonprofit human service agency subject to IRS limitations. An additional benefit of creating a for-profit corporate subsidiary is that operating costs (e.g., staff, facilities, equipment) can be shared by the private nonprofit human service agency and the for-profit corporation.

Summary

This chapter has briefly explored the topic of fund development. Several traditional approaches to fund development were identified (foundation grants, United Way affiliation, special events, and client donations) as well as several entrepreneurial approaches including affinity marketing, bequest programs, life income programs, commercial ventures, and for-profit corporate subsidiaries. The fund development approaches discussed are not the only ones that exist, but they represent a good cross section. Numerous books and monographs are published each year that can be consulted to further explore the fund development approaches identified in this chapter or to learn about other fund development methods.

In the next chapter, the discussion moves from fund development to risk management. Risk management is a relatively new concept for many human service agencies and programs, but one that is rapidly gaining acceptance. The argument can be made that fund development is concerned with raising revenues for a human service agency or program, whereas risk management is concerned with holding on to those revenues.