

Welcome to LAPA's Annual Performance Report which shares findings from our work during 2007.

"LAPA News & Views," is a newsletter from [LAPA/Laurence A. Pagnoni & Associates, Inc.](#), providing indispensable tips on nonprofit fundraising.

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A NOTE FROM LAURENCE **Results for our Clients from 2007** **By Laurence A. Pagnoni**



The word "change" reverberates through our presidential election cycle. While we do not endorse candidates, I would like to take this opportunity to remind you that LAPA was created to change our corner of the world, the nonprofit sector.

LAPA News & Views has often drawn attention to the fact that our sector is populated in large measure by small and midsize organizations. In a previous issue (February 2007), we reported that the National Center for Charitable Statistics determined that 72% of nonprofit organizations have revenues of less than \$500,000 and 61% have revenues of less than \$250,000. These organizations represent the "heart" of our country, which is to say the generosity of the millions of donors who fund them and the dedication of the hundreds of thousands of nonprofit professionals who devote their lives to realizing their organizations' charitable purposes.

LAPA's mission is to provide a new model of fundraising, a vital option to assist small and midsize nonprofits in securing more revenue than would otherwise be available to them. Outsourced development support is becoming more essential in the nonprofit sector. We feel it is a vital option, one of the most effective ways a nonprofit can energetically apply advanced fundraising strategies.

In this election season, we have decided to publish our "platform." Here are some observations on which we have built our values over the years:

LAPA's experience over the past 13-years shows the following:

- Small and midsize nonprofits are increasingly challenged by declining revenues and escalating demands for client services.
- Nonprofits lose potential revenue by hiring one or two development personnel with basic skills but limited exposure to critical areas of fundraising.
- For small and midsize organizations, the *right person* with the *right skill set* for the *right task* is often based outside of the agency, not within it.
- Fundraising is usually a slow and painstaking process—that's why it's called *development*; you must look beyond the short-term to be successful.

LAPA serves as a “back office,” providing fundraising services for small and midsize nonprofits.

Our model is as follows:

- LAPA employs senior staff and consultants all of whom have extensive experience in the nonprofit sector—more experience than a small or midsize nonprofit can afford to hire.
- Our contracts cost about 20% below the cost of hiring in-house staff.
- Each client gets a unique team. We assemble a team with backgrounds in different talent and skill specialties that match your agency's mission. Together, they bring a collective wisdom to problem solving and project management that is greater than the sum of their parts. Our outcomes over the past 13 years prove that this approach produces a higher return on the fundraising dollar than one-person development departments, or development departments that do not use fundraising council.
- We publish our results annually (this report card), documenting our outcomes and disclosing clients' yearly return on investment—this is rare in fundraising. In 13 years, we have never failed to raise more money for a client than the amount the client paid in fees.
- Because it is in our clients' best interests, we take a long view and plan for long-term results. For this reason, our contracts are for three year terms. Moreover, we have shown flexibility in creating contracting terms that work for our clients.
- LAPA has created a respected brand in the nonprofit sector. Funders know that when a client becomes part of our portfolio they are serious about growth and development, and this knowledge often reflects positively on client success.

2007 PERFORMANCE REPORT

Private Foundations and Corporate Giving

- On average, in 2007, LAPA clients earned \$4.20 for every dollar they spent on our services. Clients either *doubled or tripled the return on their investment* in LAPA services. Our top-performing client earned more than three times what it paid in consulting fees.
- For 72% of its clients, LAPA *exceeded revenue benchmarks* set forth in its contracted scope of work.
- In 2007, LAPA received funding for its seven retainer clients, totaling just shy of \$2M.
- Thirty-five percent of funding secured in 2007 was earmarked for *general operating expenses*.

Government Grants, Individuals, Major Gifts, and Capital Campaigns

- Much of LAPA's work in 2007 focused on government grant proposals, individual giving campaigns, major gift solicitation, and campaign feasibility (capital, reserve, and comprehensive), the results of which will be presented in our report next year.

Not Just About the Return on Investment

While providing an important perspective, these statistics do not represent the full scope of our services. In addition to increasing revenues, LAPA seeks to remove the institutional barriers that prevent a nonprofit from generating vastly more revenue. We, therefore, foster the kind of relationships with our clients that enable them to build crucial knowledge and skills. We have a high commitment to organizational development as well as to fundraising, and we provide appropriate guidance as a client's capacity expands. It was particularly gratifying to us to hear one of the respondents to our 10-year survey say that LAPA "understands the interconnectedness of things and how one intervention may affect another." The client was alluding to an actual result we achieved together, based on an enhanced understanding of how the nonprofit world operates. That is the hallmark of a LAPA engagement.

This year, we provided campaign feasibility studies, major prospect research, and many other capacity enhancing services to several clients. While there is no monetary value that can be used to measure this work, clients have reported to us that they see this work as laying a vital foundation for future funding increases.

INDUSTRY BENCHMARKS

To compare LAPA outcomes against industry standards, we provide the following benchmarks of performance:

- Nonprofit organizations should spend no more than 35% of contributions on development. (*Better Business Bureau*.) The cost to LAPA clients for our comprehensive services is 24% of the return on their investment.
- Among nonprofits that raise more than they spend on fundraising, three out of four spend 30% or less of the returns on development. (*Joseph J. Cordes & Patrick M. Rooney, "Fundraising Costs" in Effective Economic Decision-Making by Nonprofit Organizations (Dennis R. Young, Editor), The Foundation Center, 2004.*)
- 1,500 nonprofits surveyed spent an average of 24% of their total public support on fundraising. (*Patrick M. Rooney, et al, "Research About Fundraising and Administrative Costs," Giving USA Update, Issue 2, 2003.*)
- Small nonprofits (those with budgets of \$200K or less) spend on development an average of 33% of their total public support. Fundraising costs of small organizations increase with age to an average of 37% of total public support after 30 or more years of operation. (*Patrick M. Rooney, et al, "Research About Fundraising and Administrative Costs," Giving USA Update, Issue 2, 2003.*)

Also note that:

- In private dollars, most development departments of small and midsize organizations raise just enough each year to cover the cost of their fundraising program, jeopardizing their ability to keep pace with growing programs and services.
- Turnover among development staff is high for small and midsize organizations, with average stays lasting 18-months—an insufficient time to leverage the talent and learning curve for long-term fundraising gains.

Don't know your development program's return on investment? Would you like to find out? If you do know, is your return sufficient for your need? A development audit may be in order. [Contact Blanche Norman](#) of the LAPA staff to learn the details of the development audit process.

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