

In-kind Fundraising: Securing Gifts of Needed Goods or Services

by Joe Ansel

Nearly all museums survive by active fundraising. Rarely do earned income, endowment revenues and government funds combine to provide adequate support. On average museums raise approximately 19% of operating income from private sources¹ and most museums simply can not operate without such philanthropic funds. Additionally, overall growth in numbers among non-profit organizations has increased competition for the charitable dollar and, as a result, fundraising by non-profits has become increasingly sophisticated. Notwithstanding such pressing needs, an important area of fundraising can be mismanaged or even overlooked by startup or smaller organizations--in-kind fundraising: securing gifts of needed goods or services.

Properly managed, gifts of goods or services can contribute substantially to operating revenue, but because in-kind gifts are not fungible, numerous management issues arise. Museums should:

1. Manage in-kind fundraising as part of the greater fundraising effort.
2. Balance the fundraising effort against the value of the goods to be obtained.
3. Seek only needed goods or services.
4. Reject unneeded items promptly, but very politely.

The Development Effort and In-Kind Gifts

While in-kind contributions should be managed by an institution's development department, development staff rarely understand detailed needs as others in the organization do. And since the need for funds remains constant and great, it is common to find museum staff in the education or exhibit department making impromptu requests in order to stretch departmental budgets or to make special exhibits or programs possible.

Problems arise immediately with this informal approach, if for no other reason than it can be embarrassing and ineffective to have two people in your organization independently making requests of a single sponsor. The sponsor may feel hounded and your own poor internal management revealed. And because salaries make up 50 to 70 percent of the typical museum's operating budget, cash is a constant and primary need for museums: in-kind gifts, given in lieu of cash, are rarely attractive. While many companies will give both cash and goods, the best tact is to plan a unified request which maximizes the total gift from any potential sponsor. Indeed in-kind requests and cash are often handled by different divisions within corporate sponsors and properly drafted combined proposals may result in much greater support than solely a cash request.

To head off problems and maximize donations, development staff should constantly seek information from within regarding potential in-kind gifts. I simply walked around to various departments and asked what would make the operation of the museum better--suggestions

¹ Grogg, Ann **Museums Count: A Report by the American Association of Museums**, American Association of Museums, Washington, D.C., p.85

came from every level of staff. This quarterly poll led to a list ranked by importance and value. Once in-kind needs are identified, development staff should team up with program staff who will specify and actually put the products or services to use. Program staff can even write the proposals or requests, provided the development department manages the process.

Regardless of the means, identify a staff member who can clearly express why the goods or services are needed; this same person may well place the gift into service once received. While cash is cash, a slight error in specifications may make a major in-kind gift altogether unusable. Program staff need the development department's help in properly approaching donors, but program staff remain key in specifying the museum's needs. Even when gifts are needed is important. Obviously, the donated steel reinforcing bar must be in place well before the donated concrete arrives!

Development, in conjunction with the accounting department, must track the value of in-kind gifts for general accounting and, in the event they are sold, to meet IRS reporting requirements.

Finally, the development departments remain best at recognizing and ranking in-kind gifts along with cash contributions and can provide an appropriate thank you letter, donor mailings, invitations to donor events and the like. Attend to the real value of in-kind gifts; the company which provides a modest donation of software should not be acknowledged at the same level as 100,000 dollar donors, but a prominent lawyer who completes a complex (and expensive) licensing arrangement gratis, probably should.

Balance the Fundraising Effort- Rewards vs Effort

As noted above, in-kind fundraising requires extra--and different--work than cash requests. Cash and in-kind proposals generally detail how the gift will be used, but in-kind gifts require that the gift be specified as well. Cash rarely requires "pick-up" and the disposal of "unwanted" cash is exceedingly rare! Plus the "storage" of cash generally produces revenue, while the storage of goods requires revenue. One moves cash with a phone call, while moving goods may involve a forklift. Cash doesn't spoil, in-kind gifts sometimes do.

As with all development efforts, a rudimentary cost benefit analysis should be performed before soliciting goods or services. While efficient means for small soliciting cash gifts exist, usually I would consider \$1,500 to be the lowest value worth a separate proposal for in-kind gifts. And if the chances of receiving the gift seem slim, \$5,000 would be a better cut-off value. It simply takes too much staff time to generate proposals and at lower values, staff may work themselves ragged only to generate meager returns. Focus on gifts that have high value where the museum's need is real indeed. An ideal in-kind gift is an expensive item or service which would have been purchased if not donated. Better to buy a needed item than spend double its value in staff time trying to secure its donation.

For smaller gifts, newsletters can sometimes generate good response—although newsletter requests also generate a good deal of junk gifts. So make your requirements very clear in newsletters. For example, don't advertise for "a fax machine;" rather ask for: "A high speed, plain paper, laser fax machine. Group 2 and 3 compatible with self-switching letter and legal

cassettes--in excellent condition.” People who read the request will understand that only a modern, usable machine will fill the museum’s needs.

Finally, consider the following inexpensive and neighborly way to prime suppliers and supporters for needed gifts. At the Exploratorium I instructed our purchasing agent to freely distribute one time admission passes among our suppliers and their employees at all levels. These passes required the user to fill in his or her business name and address when they were used. Our experience was:

1. Less than one pass out of ten issued was actually used.
2. Some folks who rarely, or had never, visited came to our museum.
3. Vendors who used the passes tended to provide an enhanced level of service to our museum—delivering products and services cheaper and faster than normal.
4. Occasionally, vendors gave unsolicited in-kind gifts of exactly those products we would otherwise have bought.

Seek Needed Gifts Only

Waste no time nor money soliciting marginal, exotic or off beat gifts. Each potential gift should have an advocate within the museum who has established the clear value of the gift and is responsible for receiving it and putting it into service. Business has discovered the considerable cost of carrying inventory, but many non-profit organizations have not. Storage costs and staff time required handle marginally valuable goods quickly turn such gifts into liabilities. Accessing real needs and refusing or discarded marginal gifts may be the most difficult aspect of in-kind fundraising. Once genuine needs are established the process of securing in-kind gifts resembles cash fundraising.

1. Identify, research and rank suppliers

Often an existing supplier can be approached. If a new need has been identified program or exhibit staff should research potential suppliers much as if the item were to be purchased. Remember to ask for accessories or service contracts which might enhance the product and increase the value of the gift. Rank the potential suppliers according to the quality of the gifts they might provide and the likelihood of a donation. Remember to check development records to see if potential suppliers have a records of donations.

2. Specify the right item

Specify the right item or service. Returning or discarding an item because your staff asked for the wrong thing can be a nightmare. And you are very likely to lose the donor in the process. Such mistakes waste time and may cause internal conflicts too.

3. Create proposals and follow-up

Create customized proposals and send one to the most likely and desirable donor first. If all proposals are sent in a single batch, two donors may offer in-kind gifts when only one item is needed—not an easy situation to handle. If the first prospect seems unresponsive, mail to the others in turn. Follow up the proposals with phone calls or

presentations. As with most fundraising, diligent follow up greatly improves the chance of success. I once called a donor multiple times, was turned down on the ninth call (But not definitively!) and finally received a 43,000 dollar gift on the thirteenth call. In fundraising no substitute exists for gentle, sensitive persistence. Remember to develop in-kind donors as you would any other donor, that is, try to: 1) establish a long term relationship based on their interests, 2) build the value of their gifts over time and/or 3) convert them to a cash donor as well.

4. Thank the donor with specific reference to their gift

While generic “thank you” letters may work for modest cash gifts, they are a real turn off for in-kind donors. Create mail merge acknowledgment letters which include specific reference to the item or service donated and mention how the gift has been used. Such letters only take a few more minutes to produce and are much more effective in promoting additional support.

Rejecting Useless Gifts

Museums receive useless, unsolicited gifts. If you are lucky, folks will call first to describe their potential donation. In such circumstances, listen carefully (The gift may have value!) and explain why your museum cannot use it. If possible suggest other charities who may want it. Thank them for thinking of your museum and remember that many who call may be members or even substantial donors to your institution. At times, I would take twenty minutes handling such calls to maintain good will. During conversations probe for gifts which you do need. Sometimes the offer of a white elephant leads to a valuable gift.

Gifts deposited at your doorstep are more problematic. Attempt to refuse these as well, but if the donor insists it may be simplest to take the donation while advising the donor that you reserve the right to discard the goods.

Where to Draw the Line

Not all unsolicited gifts are junk, some have high intrinsic value but still do not fit the mission of the institution to which they are offered. Science centers or children’s museums rarely possess the capability to preserve and maintain genuinely important artifacts. So regardless of value, when I worked at a science center, I would direct donors with such gifts to more suitable institutions. Occasionally, corporations offer trade show exhibits or other items which are well made and interesting, but if the exhibits embody a strong commercial message, it may be inappropriate to accept them. Outmoded or unsupported technology, regardless of its current usability or intrinsic value, may prove to be an expensive gift in the long run. Computer systems and software come to mind. So much staff time is consumed in learning to use new software and/or computers, the best course is to stick with well known market leaders.

Also don’t take the gift if you think you might use it, but don’t currently use similar goods and are not sure when you may put the gift into service. Donors occasionally show up to see their in-kind gifts in action and an ugly scene can result if their prized gift resides in dusty storage or is long gone.

Ask yourself if the donation will be usable over the long term and if it will still fit your museum as the institution changes. As an example, the Exploratorium in San Francisco installed a huge (34 tons) steam engine and generator display in 1974. Although the artifact itself was donated, the installation took eleven months and consumed considerable time and money.

Twenty-one years after receiving and installing the gift, the Exploratorium had the artifact hauled away; floor space became much more valuable than the artifact. Plus both the design style and content of the institution had changed so that the old engine no longer fit. Although some may argue that the artifact was a good exhibit for a long time, most likely the institution could have made better use of the space and the money the huge machine consumed.

Don't Overlook Services

Donated services may add much to your budget. Legal counsel, engineering, architectural services, tax preparation, marketing surveys, advertising design, drayage, crane services, concrete sawing, plastering, detailed interior design (with complete drawings) and organizational consulting are examples of services museums have received at no cost. And the quality of these services can often be as good, or better, than your institution would receive if you were a paying client.

One caveat, while board members are likely candidates for donated services, members of your Board should be giving cash, time and helping raise funds—don't let them off the hook with a modest donation of services. Rather attempt to expand your fundraising base, by developing a group of interested professionals, in addition to your Board, who will provide quality services when needed.

Conclusion

Properly managed, in-kind fundraising supplements other sources of revenue. In-kind gifts can expand your base of support—making supporters of individuals or organizations who will not give cash. Additionally, some organizations—often corporate donors—will give cash and valuable in-kind gifts; an in-kind fundraising program is essential to maximize the level of support from such donors. And note that in-kind donors can sometimes become cash supporters, thus in-kind gifts are just another way to build your cash contributions. In-kind gifts may also make possible programs or exhibitions which would otherwise be all together out of reach financially; for example by providing expensive equipment which makes possible a video program.

Finally, folks who cannot give cash may support your institution by plastering a wall, pouring concrete or providing any number of needed products and services. Such gifts have an outreach element—making supporters of the larger community—and involvement builds attendance. Both increased involvement and attendance raises the beneficial educational effect of your museum delivers to its visitors. By giving of what they have, your visitors may gain more of what your institution offers.

And although in-kind gifts are rarely sufficient to maintain a museum, at times such gifts may be a pre-condition for the institution's existence. Many non-profit institutions enjoy free or minimal rents and the use of a building is a major in-kind gift indeed.