CDFI Boards and Fundraising

Presented by FUND Consulting

Introduction/Agenda

Welcome to the session!

- Presentation of Data
- Panel Case Studies
  - Erika King, CNIMFG
  - Joshua Brackett, ACE Loans

#OFNCONF
FUND Consulting

- Women-owned business founded in 2000
- Staff of 10 based in Chicago
- Worked with nearly 250 CDFIs and raised over $333,627,583 in government and local grants, investments and tax credits for its clients.
  - Delivered over 100 market analyses
  - Completed nearly 75 strategic and capitalization plans for clients
- Work with majority of clients by placing them in a strategic cohort

Background on Board Research

- The need for increased board engagement was a key theme in many client strategic plans
- The 2014 survey results are based on the responses of 168 CDFIs representing approximately 20% of all CDFIs.
Profile of Survey Respondents

Board Survey Respondent Profile

- 73.1% Bank or Thrift
- 12.0% Credit Union
- 12.0% Depository Institution Holding Company
- 2.4% Loan Fund
- 0.4% Venture Capital Fund

Comparison to Nonprofit Sector

Board Participation in Fundraising by Organization Type

- General Nonprofit Sector
- Loan Funds
- Banks
- Credit Unions
CDFIs with Board Participation in Fundraising

- Survey results showed 30% of all respondents, 37% of loan funds, 13% of banks, and 10% of credit unions reported having boards engaged in fundraising.
- Almost half of all respondents do not consider their boards successful in fundraising.

![Survey Results Pie Chart]

Board Size

- Based on our survey responses, the average number of Board members across all types of CDFIs is 10.

![Average Number of Board Members by CDFI Type Bar Chart]
Board Composition

- CDFI board members across all types are most likely to represent banks and community organizations.

- CDFI banks and credit unions are more than twice as likely to have representatives of religious organizations on their boards and far less likely to have government representatives when compared with CDFI loan funds.

Sought After Skills

- Across all CDFIs, the top three skills sought in Board members are community awareness/accountability, network, financial/budgetary skills.

<table>
<thead>
<tr>
<th></th>
<th>All Respondents</th>
<th>Loan Funds</th>
<th>Banks</th>
<th>Credit Unions</th>
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<tbody>
<tr>
<td>Loan underwriting</td>
<td>28.50%</td>
<td>25.00%</td>
<td>20.00%</td>
<td>5.00%</td>
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<tr>
<td>Financial/budgetary skills</td>
<td>55.20%</td>
<td>50.80%</td>
<td>75.00%</td>
<td>55.00%</td>
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<tr>
<td>Fundraising</td>
<td>34.50%</td>
<td>42.50%</td>
<td>15.00%</td>
<td>15.00%</td>
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<tr>
<td>Marketing</td>
<td>16.40%</td>
<td>18.30%</td>
<td>35.00%</td>
<td>20.00%</td>
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<tr>
<td>Community awareness/accountability</td>
<td>74.50%</td>
<td>72.50%</td>
<td>80.00%</td>
<td>75.00%</td>
</tr>
<tr>
<td>Network/Contacts</td>
<td>57.60%</td>
<td>57.50%</td>
<td>60.00%</td>
<td>55.00%</td>
</tr>
<tr>
<td>Management</td>
<td>33.30%</td>
<td>30.00%</td>
<td>30.00%</td>
<td>50.00%</td>
</tr>
</tbody>
</table>

- Fundraising is cited less frequently as a skill pursued for board recruitment, with 34.5% of all CDFI respondents and approximately 42% of CDFI loan funds indicating fundraising as one of the top three skills they seek in Board members. Compared with 83% of organizations requesting board members to fundraise according to a 2012 survey conducted by the NonProfit Research Collaborative.
Board Committees

- 25% of respondents reported having a fundraising committee. 30% of loan fund respondents indicated having this committee.

Board Resistance to Fundraising

- While CDFI loan funds are more likely to utilize boards for fundraising, they are also more likely to experience board member resistance to raising funds.
Factors Contributing to Board Resistance

- Based on the experience of FUND’s clients, there are several factors that contribute to board resistance to fundraising:
  - The Executive Director/President did not set this expectation as part of the board recruitment process
  - The individual board members were not vetted according to their ability to raise funds
  - Board members are concerned about how active involvement in fundraising would affect personal and professional networks.

Resistance to Fundraising cont’d

- It is interesting to note that while only 30% of survey respondents indicated that their boards actively raise money, 57% report that their board members facilitate introduction to donors. Through insight gleaned from strategic engagements the FUND team has observed the following barriers to increasing the level of involvement from board members, from making introductions to actively securing funds:
  - The Executive Director is concerned about asking too much of board members
  - The Executive Director prefers control over every aspect of operations
  - CDFIs are seen as a hard sell in social philanthropic circles
How Much do CDFI Boards Raise?

- Respondents indicating that their boards engage in fundraising reported that their boards raised an average of $556,250 over the past three years. To account for the size of the organization, the FUND survey also included a question on what percent of the CDFIs budget board members are expected to raise. The most common response was between 10-20%.

Characteristic of CDFIs with Boards who Fundraise

- They have a give or get policy.
  - Average amount was $5,000 with $1,000 as the lowest requirement reported and $10,000 as the highest.
- They have written goals for each board member.
  - Goals may include monetary targets, facilitating a specified number of introductions, or sharing contact lists.
- They have written fundraising plans.
According to respondents, 72% of the plans are approved by boards, with 29.5% of boards participating in the drafting of the plan. There are several benefits to having a formal fundraising plan:

- Staff and board have a shared comprehension of fundraising constraints and capabilities
- Staff and board have a mutual understanding of how fundraising needs fit into programmatic needs
- Staff and board have agreed upon fundraising goals and targets.
Items for Consideration

- **Just ask!** Many CDFI executives have told us that they would not think of asking their boards to raise funds as they are grateful for the time the board members dedicate to help govern the organization. However, as the data presented indicates, many CDFIs have already jumped this hurdle with positive results.

- **Set up a structure that encourages board participation in fundraising.** The survey responses have shown that those with fundraising committees and formal fundraising plans are more likely to achieve funding goals.

- **Be clear about expectations.** Survey responses and client feedback has indicated that those who set clear guidelines during the board recruitment process and set clear goals and policies for the board are more likely to reach fundraising goals.

Contact Us!

- lsereleas@fundconsulting.com
- 773-281-8845
- [www.fundconsulting.com](http://www.fundconsulting.com)
- Facebook/fundconsulting