



## **ALLIANCE FOR COLLEGE-READY PUBLIC SCHOOLS**

### **Board Engagement in Fundraising**

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## **INFORMATION ABOUT THIS TOOL**

Alliance for College-Ready Public Schools has developed a highly successful board-driven approach to fundraising. This case takes a look at what they have done to develop this competency.

This case study was prepared by FSG Social Impact Advisors. FSG is a nonprofit consulting firm that provides guidance to foundations, corporations, nonprofits, and other public sector entities on issues of strategy, evaluation, and operations. FSG was commissioned by NewSchools Venture Fund to document “best practices” of portfolio ventures in a format that could be shared across the NewSchools portfolio. To complete this case study, FSG conducted background research on the Alliance for College-Ready Public Schools (Alliance) and interviewed Alliance’s Chief Development Officer, as well as Alliance’s CEO and COO. Misha Simmonds of NewSchools Venture Fund provided additional context on Alliance.

## **DISCUSSION QUESTIONS**

We hope that reading this case study sparks conversations about how the practices highlighted here relate to your own organization. To help facilitate that process, we have developed the questions below to help guide these discussions. We encourage you to keep them in mind as you read through the case study and to refer back to them as your organization reflects on the case study’s implications for your own organization.

1. What percentage of your organization’s revenue comes from government grants, foundations, corporations, and individual donors? What percentage comes from your board members?
2. Has your organization set targets for the percentage of revenue that should be generated from each funding source? Does your organization have a plan in place to diversify its funding base?
3. What is the current composition of your board? Is your board actively involved in your fundraising efforts?
4. What support systems do you need to create in order to effectively engage your board in this level of fundraising?
5. Do you have a staffing structure in place that allows you to effectively raise funds for your organization’s needs?

## INTRODUCTION AND OVERVIEW

Raising adequate funding is a significant challenge for charter management organizations (CMOs), who often must identify funds to support general operating costs for the home office while simultaneously fundraising for individual school sites. Though funding requirements are different for every CMO, generating enough dollars to sustain growth and maintain day-to-day operations is a universal challenge, particularly in states where K-12 education funding is especially low. The following case provides an overview of the Alliance for College-Ready Public Schools' highly successful approach to fundraising. While much of Alliance's development work has not yet been codified into easily replicable processes and systems, their experience offers valuable advice and lessons that may help other organizations think about ways to strengthen the effectiveness of their fundraising efforts.

### Alliance Background

The Alliance for College-Ready Public Schools (Alliance) is a nonprofit charter school management organization (CMO) that works to “open and operate a network of excellent, small, high-performing 9-12 and 6-8 public schools in historically underachieving, low-income, overcrowded communities in Los Angeles that will significantly outperform other public schools in preparing students to enter and succeed in college.” Its goal is to “create a network of 20 high-performing schools over the next five years and ultimately create a network of up to 100 public schools that will serve as highly accountable models of innovation with highly qualified teachers guided by core principles based on what research has shown to be the best educational practices.”<sup>1</sup>

Alliance opened its first charter school in fall 2004, followed by three additional schools in fall 2005. Currently, there are seven schools in operation throughout the L.A. area serving over 1,800 students in grades 6-11. Alliance plans to open an additional 13 schools over the next four years.

### Effective Fundraising Approach

Alliance was identified for this case because of its highly effective fundraising capability. Some of the elements that distinguish them in this arena include:

- ***Dollars raised.*** Alliance has raised more than \$29 million since 2004.
- ***Significant support to schools.*** Each school site receives a start-up grant from the home office ranging from \$230,000 to \$800,000, plus significant additional support for facilities. The amount varies depending on the extent to which grant applications submitted on behalf of individual schools are funded. Schools have minimal fundraising responsibility.
- ***Strength/involvement of board.*** The board plays a key role in Alliance's fundraising efforts. Board members personally contribute more than 20 percent of all dollars raised, and are heavily involved in raising funds from individuals, corporations, and foundations.

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<sup>1</sup> Alliance Web site, <http://www.laalliance.org/mission.html>

## FUNDRAISING STRATEGY

Alliance focuses its fundraising on building and maintaining relationships with existing and prospective funders, rather than investing in events or fundraising campaigns. The organization's greatest asset is their board (see Toolkit for *Board Member Bios*), and they leverage these individuals heavily to contribute, make connections, and lend organizational credibility.

*The vast majority of individual and corporate gifts can be traced back to board members.*

- Jennifer Drake, Chief Development Officer

## Funding Sources

The following chart shows sources of funding and the contribution of each source as a percent of the total budget (see Toolkit for *Donation and Commitment Totals* and *Alliance Supporters*):

### PHILANTHROPY AND PUBLIC GRANTS

Funding Source	% of Revenue*				% Total Revenue* (1/04 – 6/07)
	Jan – June 2004	FY 2004	FY 2005	FY 2006	
Board Members	55.313%	19.924%	24.338%	21.903%	24.529%
Other Individuals	10.104%	0.625%	0.197%	0.331%	0.742%
Corporations	8.872%	0.576%	0.236%	0.129%	0.585%
Foundations	25.711%	36.348%	65.488%	75.564%	65.910%
Government Grants	0.000%	42.527%	9.741%	2.082%	8.234%
<b>TOTAL INCOME</b>	<b>\$1,217,364</b>	<b>\$2,751,202</b>	<b>\$7,853,350</b>	<b>\$17,290,561</b>	<b>\$29,112,477</b>

As the above chart illustrates, Alliance's funding composition is highly concentrated. Board member contributions and foundation grants constitute the vast majority of their funding stream. And a deeper look at these two sources reveals that this philanthropic funding is even further concentrated, as 79 percent of their revenue\* comes from three board members and five foundations. While Alliance does not currently have set targets for the percentage of revenue generated from each funding source, their goal is to increase contributions from individual donors and corporations in order to diversify their donor base.

The steep drop in government grants from fiscal year 2004 to 2005 is due to the fact that the number of Public Charter School Grants awarded by the state has fluctuated. Alliance submits an application for each school, but fewer schools have been funded in the past two years. It is a highly subjective application process, and funding decisions vary from year to year depending on who sits on the grant review committee.

\* In this case, revenue refers only to philanthropic grants and one-time public grants, not to public per-pupil funding that charter school management organizations like Alliance receive from federal and state sources.

## Board Involvement

Alliance's board is highly effective primarily because of its long history together, and the extensive network that board members bring. Nearly half of Alliance's board consists of individuals who have worked together in the Los Angeles education reform arena for a long period of time, and therefore have a shared vision and a strong sense of cohesion. Many of them were part of Los Angeles Annenberg Metropolitan Project (LAAMP) and Los Angeles Educational Alliance for Restructuring Now (LEARN), two organizations formed in the early 1990s that ultimately evolved into Alliance. Because of their deep involvement and stature in the community, they all have colleagues whom they can draw upon for expertise or financial contributions. There is also a strong sense of momentum that deepens their commitment and motivates them in their work with Alliance. As CEO Judy Burton describes, *"We've hit a stride with opening three schools a year successfully without hitting major potholes. The board is energized by this success, and they appreciate being a part of an organization that is picking up steam."*

## Composition and Role of the Board

The Alliance board is made up of 23 members and represents a wide range of backgrounds and skill sets, including education, business, politics, community development, and the law. The level of board engagement varies significantly. Certain board members are actively involved in fundraising efforts. For example, the chairman attends meetings with prospective donors once or twice a week, and meets with other board members to strategize about how they can support the organization's fund development activities. The chairman is also often asked by other board members to participate in donor meetings that they have set up. While most board members are less actively involved, there is an unspoken understanding that everyone is expected to support fund development efforts. In addition, board members cue off of one another when it comes to fundraising. There is subtle "peer pressure" at play as board members see what others are contributing to the organization either through personal gifts or connections to other donors.

*Our expectation is that 100 percent of the board will give or get a certain amount. They don't have to give \$1 million, but we expect that every board member will give to the extent that they are able.*

- Jennifer Drake,  
Chief Development Officer

## Working Relationship with the Board

The Chief Development Officer, Jennifer Drake, and Burton both make a concerted effort to stay in close contact with the board, and keep lines of communication open through regular phone calls and meetings. Drake says she is in touch with 60 percent of the board each week to share good news, inquire about a donor contact, or inform them about a future fundraising need. She speaks with the chairman almost daily. The board appreciates personal attention, and responds well to gentle reminders about commitments they have made. Transparency is a top priority—information about school outcomes is shared openly, even if the news is not favorable.

*We're not proprietary. We share information. We want to have an open door policy and not screen what donors (and board members) should know. They like us being honest with them, and they know we are a growing and learning organization.*

- Jennifer Drake,  
Chief Development Officer

A primary focus for Drake over the next year is to get all board members on the same page around fundraising goals and expectations. There is discussion about having a board retreat, and Drake would also like to develop a more formalized training program for new and existing board members. Drake emphasizes that another key to increasing board member involvement is making them aware that there is a support structure in place, and that they are not out there on their own when it comes to soliciting funds. She emphasizes that Alliance staff, including she and Burton, are available and willing to accompany board members to donor meetings.

*It is about finding a place for everyone and letting them be active to the extent they are comfortable.*

- Jennifer Drake,  
Chief Development Officer

## **BUILDING DONOR LOYALTY**

Just as Alliance invests heavily in building and maintaining relationships with the board, they also place a lot of emphasis on ensuring that donors feel personally connected to the organization. One of the ways they do this is by offering naming rights. Every new school starts out with a generic name, such as “School #5”, and Alliance then seeks out individuals to sponsor a particular school by making a substantial contribution and having their name placed on a building or a campus. To date, four schools have been named after a donor. In each of these cases, donations were a minimum of \$500,000. The intent is to engage donors in the school community because Alliance recognizes that donors want to see and experience what they are getting for their contribution. Burton feels that this makes giving “*more tangible and more enticing.*” Name sponsors are invited to school events and kept informed about how that particular school is performing. Naming opportunities to date have all happened fairly spontaneously, but Alliance is trying to formalize the naming process so that they can offer it as an incentive to prospective donors. Moving forward, they have established a minimum contribution requirement of \$1 million in order for donors to be eligible for naming rights, and each board member has been assigned responsibility for identifying and cultivating three prospective school sponsors.

Another important way that they build donor loyalty is by reporting back about the impact the donors’ money is having (see Toolkit for *Sample Final Report to Funder* and *Sample Quarterly Report to Funder*). In cases where contributions are not earmarked for a particular purpose, this means sharing student outcome information or providing funders with an update on key milestones, such as successfully recruiting and training new principals for the upcoming school year. When gifts are designated for a specific use, Alliance will follow up with a letter or phone call that describes the tangible benefit of that contribution (see Toolkit for *Sample Thank You Letters*). For example, one donor made a \$15,000 contribution to fund a laptop cart for a particular school. The thank-you letter to that donor described how Alliance was able to move quickly to implement a math tutoring program as a result of the laptop cart.

## **FUNDRAISING ROLES AND RESPONSIBILITIES**

### **Home Office Staff**

Alliance has a small development team, which consists primarily of Jennifer Drake, the Chief Development Officer, and CEO Judy Burton, who works closely with Drake. Drake oversees the organization’s fundraising efforts and personally handles the vast majority of all fund development activities, including working with the

board, cultivating and maintaining relationships with donors, and carrying out reporting requirements. Drake has an extensive background in fundraising and strategic communications. Prior to joining Alliance, she oversaw fund development efforts at several large national organizations, including the Elizabeth Glaser Pediatric AIDS Foundation and Alliance for Stem Cell Research. In addition to her background, Drake's strong communication skills and ability to learn quickly, along with her self-directed nature make her a strong fit for the position. According to Burton, *"Jennifer has the competence and capacity to immediately grasp core values and concepts that are important to the organization and can translate these when communicating with funders."* Ultimately, major funders want to interact directly with the CEO as the face and voice of the organization at some point in making their decision to support the Alliance.

#### What does Alliance look for in a Chief Development Officer?

- Clear communicator
- Capacity to write
- Capacity to understand key concepts about the organization and communicate the vision
- Well-organized and self-directed
- Understanding of/experience with successful fund development

When the organization was young, Burton was primarily responsible for fundraising, but her role has shifted over time. As the organization grew, she recognized that her role needed to change, and she needed to delegate more responsibilities to other people in order to focus on managing the organization and driving strategy. These changes were formalized recently when Alliance underwent a business planning process. This process involved a major overhaul of the organizational structure, which resulted in fewer people reporting directly to Burton and a higher degree of autonomy among senior team members.

The only other person within the organization who plays a significant role in fundraising is Parker Hudnut, Alliance's Chief Operating Officer. Hudnut is involved in developing and managing the budget, and he also plays a key role in soliciting financing for school facilities. This includes working with lenders, as well as foundations that provide facilities grants. Approximately 80 percent of school facilities are financed through loans and the remaining 20 percent must be funded through grants. Hudnut developed Alliance's school loan program, which provides a \$200,000 loan to each school to support its operating needs during the start-up phase. The loan is then repaid at a very low interest rate beginning in the third year a school is operating. The goal is to create a self-funding pool of money that allows capital to be continually reinvested in new schools as loans are repaid. Alliance has not yet activated this program, as they have successfully been able to raise enough grant funding to date. However, the program provides a fallback option in case grant funding drops significantly.

### **Delineation of Fundraising Roles Between Home Office and School Sites**

Schools bear little to no responsibility for fundraising. The home office provides start-up support through grants ranging from \$230,000 to \$800,000, as well as support for facilities and operating needs. Balancing schools' funding needs with the organization's annual goals is an ongoing challenge, and decisions are made carefully based on the level and urgency of the need. For example, when interim performance reports revealed that schools' math scores were significantly lower than expected, the senior team got together and strategized about how to address this issue. Everyone agreed that working with math teachers was critical because they are typically not given proper instruction on how to actively engage students in learning math

concepts. They also felt that students needed a more hands-on vehicle for developing their math skills. Alliance identified two solutions — an intensive professional development program for math teachers and a computer-based supplemental instructional program. Alliance agreed to raise \$1 million over two years to cover the cost of the professional development program and another \$250,000 for laptop carts and software needed to implement the supplemental instructional program.

## LESSONS FOR CMOs

While Alliance's current fundraising efforts have not yet been codified, their experience offers a number of valuable learnings that may help other CMOs think about ways to increase the effectiveness of their fund development efforts.

### Success Factors

Alliance's success in fundraising can be attributed to the following key factors:

- ***Long-term board member relationships.*** Alliance has built relationships with people who commit to the organization as active board members and not just as donors to an annual fund. This results in funding that is highly durable and reliable and often unrestricted.
- ***Name recognition and credibility of funders and board members.*** Foundation funders and board members are well-connected and respected. Beyond their own funding, they act as “signalers” whose support indicates to other potential funders that Alliance is a high-quality organization.
- ***Clear vision and goals.*** A detailed business plan outlines the direction the organization is headed and the objectives that need to be met in order to achieve their goals (see Toolkit for *Business Plan Executive Summary*). When soliciting funds, the business plan is made available to prospective donors upon request and serves as a strong indicator of organizational strength.
- ***Consistent follow-up and communication with donors.*** Regular communication with board members and donors is a key part of Alliance's fundraising strategy. They invest a lot of energy in keeping donors informed, recognizing their contributions, and engaging them in specific activities that help them feel valued. As a result, donors tend to stay with Alliance and their contributions tend to increase over time.
- ***Accountability/reporting results.*** Alliance is diligent about tracking the performance of its schools and sharing outcomes with donors.
- ***Transparency.*** Information is shared freely, and staff is direct and open with donors about areas for growth.

## CHALLENGES

Alliance's primary challenges include:

- **Funding facilities.** Alliance can only finance 80 percent of facilities through banks and the rest must come through grants. Raising this additional 20 percent is difficult because most donors view facilities as high-risk investments and are therefore reluctant to provide funding for facilities. In addition, donors typically want a project to be in an advanced stage of development before they will make a contribution.
- **Managing funding priorities.** There is a constant tension between staying focused on organization-wide fundraising goals, meeting the needs of individual school sites, and responding to unexpected organizational funding needs.
- **Keeping the board active and informed.** With such a large board, maintaining good communication and setting clear expectations with each member is challenging. There is recognition that a more systematic board development process needs to be put in place.
- **Codifying fund development practices.** A fundraising plan was developed several years ago, but it is now obsolete. Finding the time to revamp this is a major challenge given the small size of the development staff. However, there is a clear need and desire to codify all of Alliance's fund development practices into a detailed plan focused on cultivating new donors and stewarding relationships with existing donors.

*There are always unexpected things that come up and need money right away, like supporting the math program or providing laptop carts. We recognize that we need to support these things because they are important, but we are already raising money for facilities, school openings, etc, so finding the right balance is challenging.*

- Jennifer Drake,  
Chief Development Officer

## ADVICE AND LESSONS LEARNED

- **Be strategic about the composition of your board.** If fundraising is a major priority, it is important to recruit board members with the capability to make substantial donations, to “signal” to outside funders, and to be active fundraisers themselves.
- **Set clear expectations with your board.** Establish the expectation up front that all members of the board will contribute at the level they are comfortable with and that giving will increase over time. Also, be clear with the board that while roles may be different for each board member, they all have a part to play in fund development. Finally, board members should also have expectations around the role of staff in providing the board with the training and support to be strong partners in fund development activities.

- ***Do not position your organization in competition with others who are vying for the same dollars, but instead focus on the scope of the overall problem.*** Do not fall into the trap of comparing yourself against other schools/CMOs, but instead focus on the fact that everyone is trying to achieve the same goal. Not only does this approach build goodwill with other CMOs and funders, but it helps the development staff channel time and energy in a constructive direction.
- ***Educate your board about the education landscape.*** It is important that the board has an in-depth understanding of key education issues in order for them to be effective spokespersons for the organization. This provides a significant advantage when selling the program to others.
- ***Be diligent about reporting back to donors.*** It is critical to share results with funders and to show them how their money is being used. It is also important to keep them informed about what the organization is accomplishing as a whole.
- ***Think about ways to diversify your funding base.*** Alliance raises the vast majority of its funding from a very small group of individuals and foundations. While this approach appears to work for them given their ability to maintain long-term relationships with donors, this may be a red flag for other organizations. It may be wise to think about ways to diversify your funding base so that your organization is not overly dependent on a few funding sources.
- ***Develop a good system for tracking donors.*** While Alliance does not yet have a formal system in place, they recognize the value in this and have recently contracted with an outside software firm to develop and implement a comprehensive donor management tracking system.

## ALLIANCE FUNDRAISING TOOLKIT

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### Additional Documents (Available Separately)

- **Board Member Bios (Alliance Document)**  
<http://www.newschools.org/files/Alliance-A.pdf>
- **Donation and Commitment Totals (Alliance Document)**  
<http://www.newschools.org/files/Alliance-B.pdf>
- **Alliance Supporters (Alliance Document)**  
<http://www.newschools.org/files/Alliance-C.pdf>
- **Alliance Fundraising Needs (Alliance Document)**  
<http://www.newschools.org/files/Alliance-D.pdf>
- **Reports to Funders**
  - **Sample Quarterly Report to Funder (Alliance Document)**  
<http://www.newschools.org/files/Alliance-E.pdf>
  - **Sample Final Report to Funder (Alliance Document)**  
<http://www.newschools.org/files/Alliance-F.pdf>
- **Sample Grant Requests (Alliance Document)**  
<http://www.newschools.org/files/Alliance-G.pdf>
- **Sample Thank You Letters (Alliance Documents)**  
<http://www.newschools.org/files/Alliance-H.pdf>
- **Business Plan Executive Summary (Alliance Document)**  
<http://www.newschools.org/files/Alliance-I.pdf>