

## **“HOW MUCH CAN WE RAISE?”**

### New Methodology Helps Organizations More Precisely Project Fund Raising Potential

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***Understatement:*** These are challenging times for development professionals. While we negotiate an economic crisis that has deeply affected the ability of healthcare organizations to grow and improve services, we manage development programs that are now depended upon to play an increasingly important part of the solution, but are similarly hampered. While interaction and communication with prospects and donors increases and becomes more complex, we juggle budgets, realign plans, and struggle to develop appropriate strategies.

You may be aware of a recent Thomson Reuters analysis of hospital finances indicating the median profit margin of United States hospitals has fallen to zero percent, and that approximately fifty percent of hospitals are in the red - - historically unprecedented lows. The report quotes Gary Pickens, chief research officer for the Healthcare business of Thomson Reuters, as saying that non-operating margins have all but disappeared from hospital balance sheets, making it difficult for hospitals to secure financing for new equipment and to fund expansion efforts.

Simultaneously, you may have seen the results of a recent Foundation Center study reporting that the nation’s foundations lost nearly \$150 billion in assets last year, or almost as much as they have given away over the last four years. Figures released by the Association of Fundraising Professionals at the 46th International Conference on Fundraising in New Orleans in March, 2009 may also have crossed your desk, indicating that less than half of charities raised more money in 2008 than in 2007.

***The Philanthropic Capacity Assessment, a unique planning and revenue and expense projection tool forged by Ghiorso & Sorrenti, Inc., was first used to help Catholic Healthcare West answer “just how much can our foundations***

It is little wonder, then, why boards and senior management are paying much closer attention to their fund raising programs and, understandably, they want straight answers to these questions: ***“How much can we really raise?” “Where is it going to come from, specifically?” “Are we getting our fair share of the philanthropic pie?”*** - - the answers to which have never been more important, and perhaps never more difficult to answer. However, a new methodology designed exclusively to project fund raising potential has been developed and refined by Ghiorso & Sorrenti, Inc to address these seemingly simple, yet very complex questions.

## ***Philanthropic Capacity Assessment***

The Philanthropic Capacity Assessment (PCA) is a unique planning and revenue and expense projection tool forged by Ghiorso & Sorrenti, Inc. first used to help Catholic Healthcare West (CHW) zero in on its system-wide fund raising capacity. Founded in 1986 and headquartered in San Francisco, CHW is the eighth largest not-for-profit hospital provider in the nation and the largest healthcare system headquartered in California. More than 60,000 caregivers and staff deliver unparalleled care to diverse communities at 40 hospitals across Arizona, California and Nevada. CHW's planning called for philanthropy to play a central role in assisting with billions of dollars in capital funding over a ten year period.

“It was apparent to us we had to get our arms around our fund raising capacity throughout the system” said Mary Jane Crist, CFRE, Vice President of Philanthropy for CHW's St. Joseph's Hospital and Medical Center in Phoenix, Arizona. “CHW leadership had identified at least \$6 billion in capital needs over a ten year period and they wanted to determine if the 31 CHW foundations could provide at least \$1 billion of that amount. So we had to know with the highest possible degree of accuracy if this could be accomplished.” The CHW Philanthropic Leadership Team, currently headed by Crist, turned to Ghiorso & Sorrenti, Inc. to devise a means of measuring each foundation's fund raising capacity.

GSI combined various proprietary assessment and planning methodologies it had developed over its 20 years in practice to formulate its Philanthropic Capacity Assessment. The PCA has four core components.

### ***Component One: Community Giving Profile***

The ***Community Giving Profile*** is a snapshot of the total financial support the community contributes to non-profit organizations in a discrete community. The “giving” community is defined as individuals, corporations, businesses, foundations, organizations and other prospective donors who utilize the services of the non-profits and are thus candidates to contribute. For example, in 2007, total giving to all non-profits in the U.S. amounted to \$306 billion. The PCA determines how much of that amount was contributed by state, by county(ies), by service area; by sector (healthcare) and, finally, by type of provider. Utilizing these statistics and demographic data, GSI developed algorithms to determine the aggregate potential available to a healthcare provider or set of providers in a specific geographic market. Thus answering the question, “***Are we getting our fair share of the philanthropic pie?***”

### ***Component Two: Universe of Prospects***

Developing the ***Universe of Prospects*** involves documenting every conceivable source of support from all segments of the community; prospects who *could* provide philanthropic support if they were properly identified, cultivated, and asked to give. Who are the *bona-fide prospects*, i.e. those people, businesses/corporations, foundations, or organizations that have *both* the financial *ability* and a *reason* to support an organization? People are motivated

to give for many highly personal reasons. The PCA focuses on relationships and especially on those stakeholders with a vested interest in the success of the institution and/or in the welfare of the community. By design, this component of the PCA brings clarity to major gift and planned gift potential. Thus, answering the question, ***“Where is it going to come from, specifically?”***

### ***Component Three: Projection of Fund Raising Potential***

The ***Projection of Fund Raising Potential*** component is the heart the PCA. Again GSI has developed algorithms to project potential *by fund raising program*. These calculations integrate data derived from the Community Giving Profile with the organization’s historical giving data. Variables taken into account include (by fund raising program) the number of asks scheduled, asks completed, closure rates, average gift amounts, gift (pledge) redemption rates, and the like. The *projection of potential* is derived from a careful calculus of these and other factors resulting in realistic revenue projections based on the best information and data available. Thus, answering the question, ***“How much can we really raise.”*** The PCA also yields ROI data as well as cost of funds raised, overall and by program. Staffing and other resources, including number of volunteers required to achieve the projected revenue, are also key outcomes of this component.

### ***Component Four: Key Factors Analysis***

Finally, the PCA utilizes a ***Key Factors Analysis*** which brings a personal and empirical perspective to an otherwise numbers driven process. Here the PCA looks at a well defined set of factors that experience indicates have a significant impact on an organization’s relative fund raising success, such as institutional commitment to philanthropy, depth of program planning, scope of growth markets, maturity of the fund raising enterprise, etc. In-depth, focused, face-to-face discussions with CEOs, CDOs, board leaders and major donors provide insight essential to understanding the special nuances of each organization’s situation, challenges and opportunities, and sources of fund raising growth potential.

“This is a tremendously comprehensive process and analysis, one that uses specific foundation, hospital, and service area data,” said Charles Guida, President of the CHW St. Rose Dominican Health Foundation. “The PCA focuses in on every program providing impactful, in-depth information specific to each including major gifts, planned giving, annual fund, special events, and grants. It is up to us now to devise effective strategic game plans to reach our goals, but we’ve uncovered vital information that will help us now and in the long term.”

In summary, ***Philanthropic Capacity Assessment*** work is by no means a pro forma undertaking. The fund raising capacity of an organization is arrived at using a wide array of demographic data, empirical information, and a calculus of statistical data that integrates the organization’s current and historical giving results with its community’s latest giving profile. GSI has constructed and refined the algorithms for this systematic process over many years and, to our

knowledge, it is the only such capacity assessment methodology of its kind in the fund raising industry.



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*Peter W. Ghiorso has 40 years of experience in the fields of fund raising, public relations, marketing and planning. For the past twenty years he has served as Chairman & Chief Executive Officer of Ghiorso & Sorrenti, Inc., having been a founding partner of GSI in 1989. GSI has partnered with hundreds of clients in raising over \$6billion with another \$600 million in progress. He has served as Chairman of the Board of AHP and also as Chairman of the Board of the AHP Foundation.*