



*Laudick / Brown & Associates*

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**EXECUTIVE SUMMARY  
OF THE  
DEVELOPMENT AUDIT  
FOR  
LAKE SUPERIOR STATE UNIVERSITY FOUNDATION**

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**Management & Fund Raising Consultants to Nonprofit Organizations**

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## **Executive Summary**

The Executive Summary highlights overall findings and presents recommendations from a Development Audit conducted on behalf of LSSU Foundation. In August and September 2010, Michael Laudick of Laudick/Brown & Associates conducted interviews with 13 key individuals. Numerous follow-up conversations were conducted with Foundation staff to collect supplementary data and to clarify information.

This Development Audit should be viewed as an affirmation of the cumulative dedication, energy, and professionalism of many members of the LSSU community, especially the Foundation Board and staff. Laudick/Brown & Associates applauds the Foundation's desire to explore next possible organizational steps. We are delighted and honored to have taken part in this project.

### **Major Successes and Accomplishments at Lake Superior State University**

Lake Superior State University was founded in 1946. LSSU Foundation was formed in 1983. In contrast to many established educational institutions, the University and the Foundation are each relatively young.

LSSU's successes and accomplishments are numerous and include the following:

- In spite of a tough economy, Foundation giving rose to \$1.65 million in fiscal 2010, an increase of 31% over the previous year.
- The University transitioned to a new President in 2010.
- University enrollment is currently at its highest level since 2005.
- Classes have just begun at a newly established regional site in Dearborn, Michigan.
- LSSU is one of only three universities in Michigan that functions as both a community college and as a university.
- LSSU has a Product Development Center that offers mechanical, electrical, and manufacturing services to entrepreneurs and businesses throughout the State of Michigan. This Center has served almost 200 clients since it was started three years ago.
- The University offers a robotics program; graduates are held in high regard and are highly sought out by employers.
- The Foundation recently secured the largest gift in its history – a gift of \$4 million.

- The Foundation has raised a total of \$6.84 million during the past five years.

LSSU Foundation staff collectively has had long tenure with the University and Foundation. The shortest tenure is just under 3 years and the longest is 18 years. It is clear that the staff is a dedicated and talented group.

While LSSU is the smallest public university in the State of Michigan, it makes up for its size by impacting and making a difference in the lives of many students. The challenge today is to build upon LSSU's strong reputation and to create a firm foundation for future success. This Development Audit is intended to aid in this process of organizational growth.

### **Eleven Observations**

Laudick/Brown & Associates makes eleven observations with regard to LSSU Foundation's fundraising, alumni relations and marketing efforts:

1. Institutional fundraising knowledge, experience and "know how" has not been methodically documented nor retained over time.
2. There has been relatively little staff professional development, resulting in significant "on the job" training."
3. The Banner software package – which supports the Foundation – is extremely difficult to use. Staffers have had little training in the use of this complicated but powerful package. An inordinate amount of limited Foundation staff time is spent supporting the software rather than spent raising funds. It is difficult to monitor fundraising goals, trends and performance. Laudick/Brown & Associates encountered significant difficulty in attempting to secure data required for this Audit.
4. The Foundation is heavily focused on special events fundraising and athletic fundraising, to the potential detriment of other pressing fundraising objectives.
5. The Foundation operating budget (operating expenses plus salaries) has declined by 28% from fiscal 2006 to 2010 while the University budget increased 13% during this time. The Alumni relations operating budget increased by 50% during this same time period.
6. The Foundation has an "upside-down" giving pyramid. That is, Foundation staff and volunteers focus the majority of their time on soliciting and processing a large number of smaller gifts rather than identifying, engaging, and soliciting major and planned gifts.
7. The University President, Foundation Executive Director and Foundation Director of Development do not have an assigned portfolio of key major gift prospects replete with defined engagement and solicitation strategies. No Foundation Board members have assigned major gift prospects.

8. The Provost and Deans have not been involved in fundraising to any significant degree in recent years.
9. The University currently does not have an up-to-date strategic plan. The lack of a strategic plan makes it difficult for the Foundation to market significant institutional priorities and opportunities to potential donors.
10. The Foundation and Alumni Relations offices do not monitor Return on Investment in various programs nor do they develop annual operational plans that measure goal attainment.
11. The Foundation Board is said to allocate considerable time to operational issues rather than to establishing the Foundation's strategic direction, identifying prospects, engaging prospects, raising funds, and monitoring fundraising goal attainment.

### **Conclusions**

Laudick/Brown & Associates concludes that the Foundation operates primarily in an annual fundraising mode. In order to fund future university strategic growth initiatives, to prepare for an eventual capital campaign, and to raise more money, it will be necessary for the Foundation to shift priorities and increase the amount of time spent on identifying, engaging, soliciting and stewarding major gift prospects and donors.

Foundation staff and volunteers must become significantly more engaged in the major gifts process. We recommend that LSSU Foundation put internal systems and procedures in place to enhance its overall fundraising program, to support a major gifts process, and to prepare for the eventual launch of a major capital campaign.

There is every reason to assume that the staff will succeed in building fundraising momentum and in making preparations to launch a major capital campaign. However, they will need a long-term plan to guide them with this effort, along with sufficient lead-time to learn and to enhance their skills. Laudick/Brown & Associates can assist in the development of a detailed plan.

LSSU Foundation's experience is similar to that of a large number of educational organizations. The Foundation Board, Foundation staff, and key University staff must seize the initiative and work together to achieve joint goals. We conclude that senior management at the Foundation and at the University must be more involved in major donor engagement and solicitation.

Laudick/Brown advises LSSU to use a collaborative team-building model that makes use of Foundation Board members, key University staff, faculty, alumni, and Foundation staff to identify

major gifts prospects, engage these prospects, facilitate appointments, solicit gifts, and implement a thoughtful stewardship program.

This process involves investing in the fundraising infrastructure (especially in staff training, staff development, and increasing staff expertise in the use of the Banner software), developing a solid fundraising plan, executing this plan and holding each other accountable for results. It will likely require two-to-three years of investment before yielding significant dividends

Evolving programs require strategic leadership. Laudick/Brown concludes that LSSU Foundation must change the paradigm that it uses for fundraising and change its behavior with the objective of dramatically increasing the amount of funds raised while building a stronger financial base.

In the next section, specific recommendations and suggestions are made that will significantly increase LSSU Foundation's fundraising capability. Implementation of the recommendations will require Foundation Board and staff flexibility; both will need to hold each other accountable for specific, quantifiable results. Currently, there is little collective major gift experience among the staff or on the Board. Progress in this area will be essential to building a solid fundraising program.

### **Recommendations**

Laudick/Brown makes 59 strategic and tactical recommendations for consideration by Foundation leadership and staff for gradual implementation over the next 24-to-36 months. The recommendations are intended to strengthen existing programs, restore momentum to areas which have recently declined, and to guide the Foundation Board and staff in the strategic transition to a comprehensive development program with a heavy emphasis on major gift engagement, major gift solicitation and stewardship.

The recommendations that follow are designed to assist the Foundation Board and Foundation staff in setting new priorities and to gain a better understanding of the issues that may confront them in the years ahead. These ideas are intended to stimulate both Board and staff thinking and not to substitute for it.

Laudick/Brown & Associates recommends that the Foundation Board appoint two-to-three Board members and two-to-three senior Foundation staff to serve on an Audit Implementation Task Force. The Task Force will review these findings and then develop a specific implementation

plan. Laudick/Brown & Associates stands ready to assist with this process, and to provide coaching and mentoring as needed.

Further, we urge the Foundation to exercise caution at the start of the implementation process. To attempt to implement all of these recommendations at once would be counterproductive since it would overload the Foundation's capacity for change and evolution. A better approach would be to develop an implementation timetable that concentrates on doing a few things at a time, getting these action items into the right sequence, and in doing them correctly. Indeed, in Laudick/Brown's experience, the very process of working through these issues will be of great value to the leadership and to the staff.

Our recommendations fall into ten general categories.

#### **Recommendation 1.0 – Establish a Comprehensive Annual Giving Program**

Currently, LSSU Foundation does not have a comprehensive annual giving program. This is one of the first steps required to build a solid foundation for a successful capital campaign.

**Recommendations include:** hiring a new Director of Annual Giving & Parent Relations, encouraging unrestricted gifts to the new Sustaining Fund for LSSU, creating annual fundraising goals for every University constituency, monitoring the return on investment in the Annual Fund, creating additional gifting clubs to support the Sustaining Fund, recruiting volunteers to fund raise for the Sustaining Fund, creating a Parents Council to help raise funds from parents, and conducting a Senior Class appeal.

This recommendation has a high potential to significantly increase unrestricted revenues within 24 months after the Director of Annual Giving & Parent Relations is hired.

#### **Recommendation 2.0 – Establish a Comprehensive Major Gifts Program to Fund University Strategic Growth Initiatives**

We recommend that the Foundation establish a comprehensive major gifts program that is designed to: significantly increase funds raised, fund university strategic growth initiatives and support an eventual capital campaign.

As mentioned previously, LSSU Foundation currently has an “upside-down” giving pyramid. That is, Foundation staff and volunteers use a dominant proportion of their time

on soliciting and processing a large number of smaller gifts rather than focusing on major gifts and planned gifts that are higher up the pyramid and have a disproportionately favorable impact on overall giving.

A comprehensive major gifts program, designed to impact the top of the donor pyramid, is essential for funding strategic growth initiatives and is imperative to the success of any contemplated capital campaign. According to national capital campaign standards, 90% of capital campaign funds raised are derived from 10% of the donors.

**Recommendations include:** devising a Major Gifts Plan; soliciting a Challenge Grant of \$50,000 to \$100,000; revising Foundation staff job descriptions to add a significant focus on Major Gifts; developing higher level gift clubs for annual gifts of \$1,000 or more; creating a more systematic approach to identify, evaluate and solicit potential members of the President's Circle; enlisting the entire Foundation staff and some key University staff to increase focus on Major Gifts; budgeting for a Major Gifts Program; and decreasing the amount of time spent on non-traditional fundraising activities.

### **Recommendation 3.0 – Create a Comprehensive Alumni Program**

Good fundraising begins with "friend-raising". Thus, a quality alumni relations program is vital to developing a committed core base of alumni.

**Recommendations include:** creating an annual alumni relations plan for the year with concrete, measurable goals; establishing three-to-five alumni groups; recruiting 20-to-25 class agents; increasing coordination between the Alumni Office and Foundation Office; changing funding and reporting functions to the Foundation so that this position is funded by and responsible to the Foundation; making Great State Weekend the "official" Homecoming weekend for LSSU; focusing the Alumni Council on dramatically expanding alumni involvement and helping to recruit new students; beginning to host regular regional alumni gatherings; replacing the Director of Alumni Relations as the main staff support person within the Foundation office for the Banner software; developing Alumni Council job descriptions; highlighting an increasing number of successful alumni in the LakerLog; updating the Alumni Directory and ensuring that the alumni directory is up-to-date; increasing the visibility of the Student Alumni Involved for Lake State (SALS); and beginning to use social media to increase alumni communications and alumni involvement.



#### **Recommendation 4.0 – Improve Data Management and Revise Contribution Processing**

Few Foundation staff have been trained to use the Banner software package. The process to select donor lists, alumni lists, and other mailing lists is relatively difficult. For these reasons, an inordinate amount of time is spent on data management.

**Recommendations include:** determining if the Foundation wishes to continue using Banner software or explore other software options; designating one Foundation staff to serve as the main data support person rather than multiple staff; streamlining contribution processing and eliminating manual recordkeeping; correcting the structure of the data elements so that divorced, separated, or deceased individuals no longer appear on Foundation lists and mail merges; assigning one Foundation staffer to regularly update contact information; developing standardized data request forms; standardizing solicitation method codes, account codes and constituency codes; documenting data structure in Foundation manuals; automatically sending pledge reminders to invoice donors; producing regular gift transmittals to be circulated within the Foundation; and producing monthly income summaries which compare actual fundraising results versus goal.

#### **Recommendation 5.0 – Reprioritize Foundation Board Activity**

Interview respondents asserted that LSSU Foundation Board has traditionally focused more on operational oversight, rather than establishing a strategic direction and then assisting in funding strategic growth initiatives and achieving fundraising goals.

A majority of the monthly Executive Committee meetings are said to be spent reviewing and discussing financial statements and other administrative matters. There is little discussion of fundraising strategy, major donor identification, major donor engagement, major donor solicitation or other tasks that would significantly increase philanthropy at LSSU Foundation.

**Recommendations include:** decreasing the frequency of Executive Board committee meetings; securing Foundation Board approval for all special fundraising projects; consolidating and changing the number of Board standing committees; standardizing all Group Two Board terms to four years; evaluating the performance of the Executive Director on an annual basis by the Board Executive Committee; and documenting Board member expectations for potential new members.

### **Recommendation 6.0 – Conduct Individual Prospect Research**

Prospect research plays a critical role in each phase of fundraising, from beginning to expand the donor base to preparing for a major capital campaign.

Successful fundraising is a simple, three-step process that involves: identifying, engaging, and soliciting potential donors.

The Foundation should always be in the mode of identifying alumni, parents or other friends who are interested in the University and the Foundation. Additionally, it is important to involve current volunteers in the research process since it allows them to assist the University in a meaningful way.

**Recommendations include:** hiring an outside vendor to update the Foundation's mailing list; sending a questionnaire to all alumni and friends to collect attitudinal, biographical and employer data; hiring a firm to conduct detailed research on current major donors and other key prospects; conducting an electronic screening of all alumni and friends before commencing a capital campaign; and enlisting alumni and friends to conduct prospect rating and evaluation sessions.

### **Recommendation 7.0 – Create a Comprehensive Planned Giving Program**

Major gifts are generally defined as outright gifts usually made from a donor's income or liquid assets while planned giving primarily refers to deferred gifts of assets such as real estate, works of art, life insurance policies, tangible property, and securities, as well.

There are several benefits to establishing a comprehensive planned giving program rather than the more episodic program that LSSU Foundation currently conducts.

There are several benefits to establishing a comprehensive planned giving program.

First, planned gifts generally tend to be large gifts, usually not less than \$10,000, and frequently much larger.

Second, because many planned gifts are irrevocable, they enable nonprofit institutions to plan for the future with more certainty.

Third, publicizing gifts of this nature often generates interest among other prospective donors.

Fourth, when planned gift donors are properly engaged in the University, they often become prospects for annual gifts and even larger gifts in the future.

Consistency of marketing a planned giving program and timely follow-up with prospect inquiries are critical to developing a successful, comprehensive planned giving program. Many colleges and universities make the mistake of starting a planned giving program and making some initial investments, but then cutting back when short-term results are not achieved or budgets become constrained. This appears to be the case at LSSU Foundation.

**Recommendations include:** expanding the marketing and awareness of the Legacy Society; securing a commitment from the Foundation Board to develop a comprehensive planned giving program; hiring a Director of Planned Giving and Major Gifts; and expanding the number of planned giving marketing mailings.

#### **Recommendation 8.0 – Increase Donor Stewardship**

Stewardship is the process whereby LSSU Foundation continues to prove that it is worthy of a donor's continuing support. Keeping major donors informed on a regular basis is often identified as the most lacking aspect of Foundation relations.

Some interviewees asserted that the Foundation does not "deliver" on all of the donor benefits promised to athletic donors who are members of the Laker Club. Donor stewardship is critical and the Foundation must be careful not to create unrealistic expectations by promising benefits that donors do not perceive to be fulfilled.

**Recommendations include:** sending "stewardship" letters to all \$500 and above donors; distributing an annual report to all donors who have endowed funds; developing a master list of University naming opportunities which have been reserved and those that are available; and eliminating solicitation of funds from donors to fund their own stewardship events.

**Recommendation 9.0 – Increase Use of Social Media and Electronic Communications**

**Commentary and Observations:** Many colleges and universities make extensive use of social media networks including Facebook, LinkedIn, Flickr, Twitter, and others. Some institutions make use of LinkedIn to share work histories and provide networking opportunities. Others use Flickr to share photos of campus events, reunions, sporting events, and others.

Currently LSSU Foundation and alumni offices make limited use of social media to involve and communicate with alumni. To save money, the alumni office communicates with alumni regularly via e-mail, which has replaced many postal mailings. The alumni office however does not track bounce back rates, the number of e-mails opened, and other statistics, thus making it difficult to evaluate the success of e-mail marketing efforts.

**Recommendations include:** retaining an e-mail marketing firm to develop a plan to communicate with and to monitor communications with alumni and friends. In addition, the Alumni Office should start networking and surveying other college and universities to discover how other institutions are communicating with alumni and friends.

**Recommendation 10.0 – Miscellaneous**

Interviewees offered numerous miscellaneous suggestions.

**Recommendations include:** installing banners with LSSU logo around Sault Ste. Marie during special events to increase the University's community visibility and awareness; eliminating thank you letters to matching gift companies; and providing budgetary funds for professional development for key staff. In the past, LSSU Foundation staff members have rarely attended professional "trade association" conferences (in particular, those of the Council for Advancement and Support of Education) that are designed for college and university advancement staff.