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CHANGE THE WORLD FROM HERE

Are Major Gift Donors the Answer?

Assessment of the Views of Development Professionals on Major Gift Donor Support to a Nonprofit Organization's General Operating Funds

by

Samantha Alyssa Tongo

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Capstone Research Report Submitted in Partial Fulfillment
of the Requirements for the
Master of Nonprofit Administration Degree
in the School of Management
directed by Dr. Marco Tavanti

San Francisco, California

Spring 2020

Abstract

This Capstone research assesses the views and experiences of development professionals who specialize in major gift fundraising, specifically related to major donor practices in giving to a nonprofit's general operating funds. By learning why major gift donors have these views and how it affects the social sector, nonprofit leaders can start to better understand what they can do to better cultivate these relationships so that major gift donors eventually trust the nonprofit organization enough to give unrestricted funds. The goal is to help nonprofit organizations increase organizational capacity so that social missions can be achieved.

A literature review largely influenced the research questions that will guide the methodology of this project. These questions help guide the researcher's methodology, and are asking the what, why and how unrestricted major gifts affect nonprofit infrastructure - if it does at all:

- RQ1: What is the effect of major gift donor unrestricted giving on a nonprofit organization's infrastructure?
- RQ2: What views do major gift donors hold on donating to general operating funds as opposed to specific areas & why?
- RQ3: What are the most successful ways to foster donations from major gift donors to general operating funds?

In order to understand how development professionals steward relationships with MG donors so that they're inclined to donate to a nonprofit organization's general operating fund, the issue was examined from quantitative and qualitative perspectives. The quantitative analysis consisted of issuing a survey, while the qualitative analysis focused on interviews with development professionals and major gift experts. Results show that while development professionals agree that unrestricted major giving can substantially affect a nonprofit's operating capacity, the idea that it's the major gift donor's responsibility to do so has mixed reactions. Development professionals of all organization sizes also agree that major gift solicitation is difficult, but does not attribute that to major gift donors not being aware of the difference between program and overhead costs. This is more prevalent in smaller organizations. The researcher recommends that development professionals focus on strengthening their relationships with major gift donors and building their trust so that solicitation for unrestricted gifts will become a norm.

Acknowledgments

There are so many people who have contributed to helping me achieve this academic and life milestone, but I would personally like the following individuals:

To my life partner, Dan - thank you for being my emotional rock. Your consistent support and calm demeanor has helped me when I was most stressed and defeated. Thank you for always finding ways to make me feel happy, valued, and loved.

To my parents, Juvy & Roberto - thank you for raising me to believe in my full potential and to follow my passion for social service. From you, I learned the importance of humility, resilience, and respect. I am who I am because of you.

To my sisters, Chanda, Leah & Hannah, and my friends, - thank you for being the constants in my life. No matter how stressed or down I get, I know that you're always there when I need you.

To my MNA Alumni mentors, Lara & Sabrina - thank you for always being just a text or email away whenever I need academic and career advice. I appreciate you taking the time to learn about my career goals, and giving me advice on how I can achieve them.

To my teams at IPSY & Boys & Girls Clubs of San Francisco - thank you so much for your flexibility, understanding, and support the last two years. You made working and studying full-time, without compromising my mental health, possible.

To my friend & former professor, Marianne - thank you for teaching me how to become a systemic thinker and advocate. You are the one who academically exposed me to the realities of the world, and showed me how I can play a role in helping others in need. Because of you, I'm a more open-minded, empathetic, and self-aware person. You inspire me to be a better human.

To my MNA professors - thank you for sharing your wisdom, and for giving me valuable feedback so that I can be a strong social leader. I hope to make you proud!

And lastly, to my cohort - words cannot express how grateful I am to have met and worked with you all. Thank you for challenging me, teaching me, and for validating my desire to become a social leader. I greatly admire and respect you all, and I'm excited to see how you will all change the world for the better. We did it!

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Section 1. Introduction

This Capstone research assesses the views and experiences of development professionals who specialize in major gift (MG) fundraising, specifically related to major donor practices in giving to a nonprofit's general operating funds. The author believes that the lack of general operating support from donors and foundations is the main reason why the "nonprofit starvation cycle" exists. From reading external sources, it seems that the majority of MG donors focus on funding programs rather than general operating, which isn't productive or logical in the long run and just leads to the continuity of "band-aid" solutions. This work seeks to prove if these viewpoints are in fact valid.

This research begins with a comprehensive literature review on general operating funds/overhead, the "nonprofit starvation cycle," and MG donors. A mixed-method approach involving a survey and series of interviews are then explained and analyzed in order to either prove or disprove the literature review findings. The research paper then concludes with implications, a Major Gift Donor Trust Model, and recommendations on how to best solicit unrestricted funds from MG donors. By learning why MG donors have these views and how it affects the social sector, nonprofit leaders can start to better understand what they can do to better cultivate these relationships so that MG donors eventually trust the nonprofit organization enough to give unrestricted funds. The goal is to help nonprofit organizations increase organizational capacity so that social missions can be achieved.

Section 2: Literature Review

General Operating (Unrestricted) Funds

For the purposes of this research, it's important to understand how experts define funds that can be used for whatever the nonprofit organization chooses and needs. Although there are different variations of the term "general operating funds" such as "unrestricted," "administrative" and "overhead," existing literature shows that academic experts were consistent in its definition. According to Calabrese (2016), "operating reserves are cash not restricted by donors for a particular purpose, as well as other highly liquid short-term resources [...] that are readily accessible" (p. 297). The key terms that stood out to the researcher of this project were "not restricted," "highly liquid," and "readily accessible" because those qualities in a donation are vital to a nonprofit organization's need to stay sustainable and innovative. This definition, however, doesn't include examples of what's considered a "general operating" gift. Lecy & Searing (2015) define overhead costs as "expenses incurred from operations not directly related to programs; generally, this is considered administrative costs such as legal fees, accounting fees, and executive salaries in addition to fundraising costs. Occasionally, overhead costs include special events or depreciation" (p. 541). This presumably means that what is considered an overhead cost ultimately depends on nonprofit's programs and services.

How nonprofit organizations define and allocate general operating or overhead costs depend on the nature of their work where they "use different levels of overhead depend[...] on nonprofit size, subsector, or stage of growth" (Lecy & Searing, 2015, p. 556). While some organizations, usually larger in size, have facility, event, and executive salary costs, others may not. In terms of size, "small, nonprofessional nonprofits are often run by volunteers who manage operations and put together fundraisers. As a result, these types of nonprofits have very low overhead. As nonprofits professionalize, they invest much more in operation and as a result ramp up overhead spending. Once they begin to grow, however, it is possible to achieve economies of scale through consolidations or collaborations and thus, to begin lowering overhead." (Lecy & Searing, 2015, p. 549-550). While growth in size for a nonprofit organization allows them to provide their services to a wider set of clients, it may be difficult to sustain their operations if they don't invest in administrative or fundraising expenses.

Despite each nonprofit organization having its own operating needs and goals, what's certain is that it won't matter if they don't have the funds to sustain themselves. Operating reserves are important so that nonprofit organizations can survive uncertain times. According to Sloan & Kim (2016), "although nonprofit organizations should ideally hold an appropriate amount of highly liquid unrestricted assets in reserve to address fiscal shock or unanticipated opportunity, many organizations face challenges in

creating and maintaining such reserves for myriad reasons” (p. 417). General operating funds, however, are not meant to be used exclusively for financial shocks. Nonprofit organizations need these funds in order to scale their impact and to innovate their programs. Goggins & Howard (2009) argue that “organizations that build robust infrastructure—which includes sturdy information technology systems, financial systems, skills training, fundraising processes, and other essential overhead—are more likely to succeed than those that do not.” The investment of general operating funds on infrastructure needs make a systemic impact wherein current technology may lead to better tracking of donors, leading to more gifts which then may result in less staff burnout and turnover. From there, the social impact of a nonprofit organization will increase thus getting closer to achieving their mission.

Social effectiveness is heavily dependent on the decisions regarding those general operating funds, but the issue is that nonprofit leadership chooses to keep their overhead costs low, which affects operational efficiency (Figure 1). According to Berlin & Schumann (2017), “nonprofit executives implement strategies for managing the pressure to keep overhead low, and some of these strategies negatively affect their organizations and work [...] the most common ways that overhead negatively influenced decisions were in staffing, program quality and expansion, and use of reserves [...] ironically, the drive to keep overhead low – presumably to keep money in programs – resulted in diminished quantity and quality of programs and services” (p. 178). This is considered a problem because not only does it make it more difficult for staff to get what they need to do their roles effectively, but also enforces a negative culture wherein nonprofit organizations

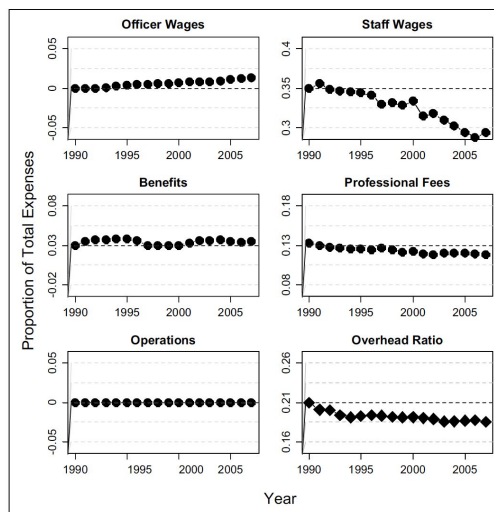
FIGURE 1: Implications of underinvestment & the consequences for organization effectiveness.

Description of Underinvestment	Consequences
<ul style="list-style-type: none"> Limited/no staff for administrative roles (e.g. finance, development, operations) 	<ul style="list-style-type: none"> Limited ability for organization to manage/monitor finance, development, etc.
<ul style="list-style-type: none"> Limited investment in staff training and development 	<ul style="list-style-type: none"> Increased turnover among staff, particularly those looking for ongoing professional development Limited ability to continually enhance skills of employees Difficulty building senior team from within
<ul style="list-style-type: none"> Inexperienced staff for administrative roles 	<ul style="list-style-type: none"> High turnover Poor work quality
<ul style="list-style-type: none"> Poor IT infrastructure 	<ul style="list-style-type: none"> System crashes, downtime Loss of data/information, limited information sharing
<ul style="list-style-type: none"> Poor donor management systems 	<ul style="list-style-type: none"> Inability to track donors and fundraising progress Limited ability to target fundraising
<ul style="list-style-type: none"> Poor performance management systems 	<ul style="list-style-type: none"> Limited ability to track beneficiary outcomes, particularly across sites Limited ability to generate reports for grantmakers easily

Source: Mark A. Hager, Thomas Pollak, Kennard Wing, and Patrick M. Rooney, “Getting What We Pay For: Low Overhead Limits Nonprofit Effectiveness,” Nonprofit Overhead Cost Project of the Center on Nonprofits and Philanthropy at the Urban Institute and the Center on Philanthropy at Indiana University, August 2004; case study interviews

choose not to invest in its infrastructure. “Attention to overhead has seen an important shift from thinking ‘the overhead problem’ is an issue of insufficient nonprofit accounting expertise to a recognition that overhead is a larger systems concern and a significant public policy challenge” (Berlin & Schumann, 2017, p. 178).

FIGURE 2: Changes in nonprofit cost structure over time.



Lecy & Searing, 2015, p. 553

The biggest overhead cost that decreased over the years was staff wages (Figure 2). Lack of a consistent number of staff can greatly affect the sustainability and culture of the organization. Without agents to provide the service, a nonprofit organization’s mission cannot be achieved. A stable infrastructure is vital for a nonprofit organization’s sustainability, and all stakeholders of the nonprofit organization need to genuinely believe that in order for there to be a culture shift within the sector.

Existing literature has found that donors also believe that a nonprofit organization’s overhead costs should be low, which can be problematic because it makes them favor giving to program expenses instead. Portilloa & Stinn (2018) have found that “higher overhead costs decrease the likelihood that a program receives funding [...] most of the literature, therefore, seems to suggest that the average donor wants her donation to be spent mostly (if not only) on program-related expenses [...] however, it is clear that nonprofit organizations must spend some resources maintaining their infrastructure to deliver their charitable services” (p. 41). Although programs are the carriers of a nonprofit organization’s mission, they are unlikely to succeed if they don’t have the infrastructure to support them. Based on the literature, it seems that the most common reason why donors are more prone to donate to programs rather than

general operating is because of the transparency of nonprofit organizations' financial information.

According to Chikoto & Gordon Neely (2013), "generally, nonprofit watchdogs view high overhead costs and non programmatic expenses as indicators of inefficiency and waste [...] such inefficiencies have been linked to reductions in donor confidence and support" (p. 4-5). This is an issue because if watchdogs rely on a nonprofit organization's financial performance and donors rely on watchdogs, then that means that donors eventually connect financial performance such as overhead costs to nonprofit outcomes. If "donors and charity watchdogs often place excessive reliance on financial indicators [then a] particular concern to [nonprofit organizations] is the use of overhead cost and fundraising cost ratios as stand-ins for measures of program effectiveness" (Wing & Hager, 2004, p. 3). How much a nonprofit organization spends is not reflective of its social effectiveness. If donors believe so, however, this affects their giving to general operating funds and will systematically affect the nonprofit organization's ability to carry out its programs. This mindset may [lead] some [nonprofit organizations] to skimp on investments in critical areas that would otherwise build their capacity and long-term sustainability, like talent recruitment and professional development and succession planning at the leadership level, as well as fundraising." (p. 2) Sellers, R. (2018). If this is the case, nonprofit organizations will need to rely on other sources of funding other than individual donors in order to sustain their operations.

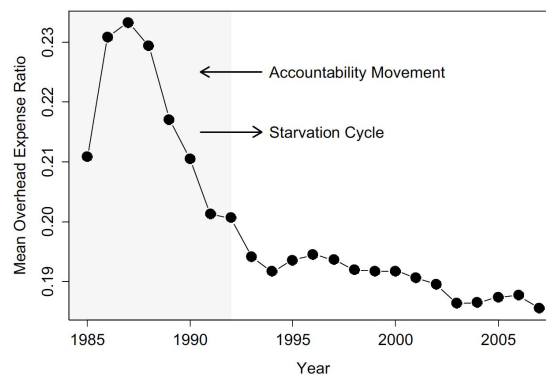
Nonprofit organizations are unique compared to the private sector due to it being reliant on the funds that are given to them. "Resource dependence theory posits an organization's operating strategy is influenced by expectations and preferences of its resource providers [where] [...] action is constrained by problems that arise when an organization seeks to acquire resources and, despite an organization's efforts to structure its operations to be efficient and effective, its organizational survival requires adjusting to and coping with its environment" (Parsons & Roberts, 2016, p. 5). In their research study, Hall, Lipman, & Voelz (2000) found that 90% demonstrated reliance on 'a single dominant funding stream such as government, individual donations, or corporate gifts', with almost 90% of the organizations' total revenue being generated from a single dominant funding stream" (p. 2). Heavy dependence of nonprofit organizations on funding sources other than individual donations such as foundations and government can be unreliable and negatively affect their ability to continue offering their services. According to Wing & Hager (2004), "among our cases, the nonprofits with the weakest organizational infrastructures relied on the public sector for half or more of their revenue, and the public sector practice of providing little support for overhead costs was directly related to the existence of those weaknesses" (p. 4). Nonprofit organizations must have a diverse set of funding sources so that they'll still have funds if a funder unexpectedly withdraws or payment is delayed. Lecy & Searing (2015) have found that "44% of nonprofits receiving government contracts report that the payments

do not cover the full cost of services, forcing them to cover the remainder of costs through other sources [...] for-profit firms are often perceived to be more efficient than nonprofits, but they spend 25% of expenses on overhead compared to 18.3% by nonprofits” (p. 555). This presumably means that the issue is not with overhead costs alone, but with overhead costs in the nonprofit sector. The uncertainty of when and if funds come, and the negative stigma on the importance of investing in a nonprofit organization’s infrastructure has been consistent over recent years. Researchers who have studied this trend have called it the “nonprofit starvation cycle.”

Nonprofit Starvation Cycle

Recent existing literature has used “nonprofit starvation cycle” as a universal term that explains why the majority of nonprofit organizations lack the resources they need to sustainably operate. According to Lecy & Searing (2015), “the nonprofit starvation cycle is a debilitating trend of under-investment in organizational infrastructure that is fed by potentially misleading financial reporting and donor expectations of increasingly low overhead expenses” (p. 539). This seems to have been the downward trend starting in the late 1980s when President Reagan decreased government funding for nonprofit organizations (Figure 3). According to Lenkowsky (2004), “no longer would [nonprofit organizations] get as much from the relatively predictable grants and contracts [...] instead they were increasingly to be reimbursed on the basis of the services they actually provided to the needy, elderly, mentally ill, and others eligible for federal help.” This change in process drastically changed the social sector landscape where nonprofit organizations suddenly saw a decrease in their government funding thus needing to rely on individual donors to sustain their operations, especially within the legal aid, employment, and human services fields (Demone & Gibelman, 1984, p. 424).

FIGURE 3. Origins of the nonprofit starvation cycle.



Lecy & Searing, 2015, p. 542

Experts define the Reagan presidential era as the starting point for the starvation cycle, wherein nonprofit organizations suddenly needed to dramatically decrease their overhead in order to sustain their programs. At the time, “more than half the agencies studied obtained funds from one or more sectors of government [...] when public policy was explicitly targeted at particular services, immediate harsh results were found, as with” (Demone & Gibelman, 1984, p. 424). President Reagan’s act of decreasing federal funding for nonprofit organizations due to him looking to the private sector to provide human services was criticized by the social sector because “nonprofit organizations themselves rejected the notion that they could (or should) be expected to replace government programs [...] the protests were spurred by research conducted by the Johns Hopkins University scholar Lester M. Salamon and others who emphasized that many nonprofit groups had become dependent on the very government grants that the Reagan administration's budget proposals were seeking to reduce or eliminate and that private support could hardly begin to make up for the losses” (Lenkowsky, 2004). Over time, the decreased funding from the government has weakened the infrastructures of nonprofit organizations and therefore led to social impact inefficiency, and to the stigma that the sector should keep their overhead costs low.

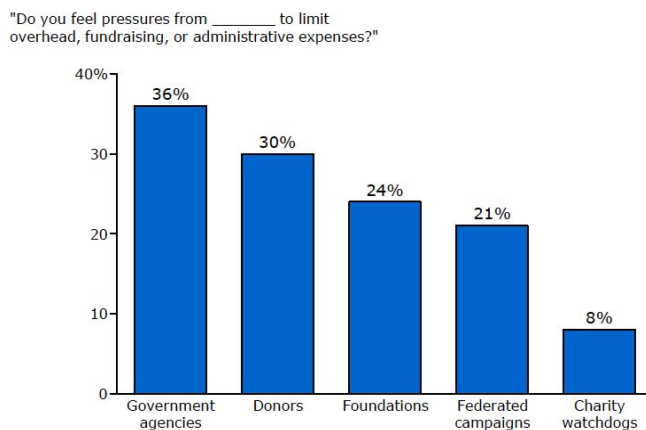
Increased competition was also a result of President Reagan’s plan to decrease government funding because the economic conditions of the time warranted more nonprofit organizations to supplement what previously were government services. According to Demone & Gibbleman (1984), during President Reagan’s tenure, “budget cutbacks in human services occurred at a time when the unemployment rate reached over 10 percent - a level unparalleled since the depression of the 1930s [...] the stresses associated with unemployment and poverty have been related to increased incidences of child abuse and neglect and mental illness, greater demands for foster care and heightened need for both concrete services (for example, financial aid and employment) and soft services (for example, counseling)” (p. 422). The impact of these economic changes is still seen almost 40 years after they were enacted, with there being more nonprofit organizations which leads to increased competition for funding and resources. According to Lenkowsky (2004), “the landscape for philanthropy, in other words, became more challenging and competitive during the Reagan years [...] it also became one that other organizations, including for-profit ones, started to enter and even dominate, such as in the health-care field.” With nonprofit organizations also competing with the for-private organizations for resources, it makes it more difficult for nonprofit organizations to survive because the private sector already has the upperhand with resources. Individual giving has become the dominant source of funding for nonprofit organizations, but this comes with its own issues that are challenging to overcome.

Donors are resistant to donating to a nonprofit organization’s general operating fund because they believe that their gift towards programs will make a bigger social impact. According to Byrd & Cote (2016), “as financial data became more available

potential donors were encouraged to consider an organization's overhead-to-program expenses as a key criteria for giving [...] since donors could not observe how well resources were employed, a second-best approach was to control expenses [...] said slightly differently, since outcomes were unobservable, inputs became the control metric guiding donations [...] the argument was that if this ratio was too high then insufficient donations were not making their way to programs, so the impact of the organization was not as great as that of organizations funneling more of each dollar into programs" (p. 56). Another reason why donors are more skeptical of the social sector in general is because "high profile nonprofit scandals have rocked the confidence of donors" (Lecy & Searing, 2015, p. 539-540). Following this logic, if donors are hesitant to donate unrestricted gifts to a nonprofit organization because they spend what is considered a "high overhead ratio", then it pressures the nonprofit organizations to ask for less than they need to operate.

Existing literature shows that the majority of nonprofit organizations fabricate their overhead expense number in reports so that donors and funders would be more inclined to give to them. According to Bedsworth, Gregory & Howard (2008), "as unrealistic overhead expectations place increasing pressure on organizations to conform, executive directors and their boards can find themselves under-investing in infrastructure that is necessary to improve or even maintain service-delivery standards, particularly in the face of growth [...] in the short-term, staff members struggle to 'do more with less' [...] ultimately, though, it's the beneficiaries who suffer" (p. 6).

FIGURE 4. Sources of pressure to limit administrative & funding expenses.



Bedsworth, Gregory & Howard, 2008, p. 16

The pressure to conform to the expectations of donors who are not educated on how program effectiveness works reinforces the effect of the nonprofit starvation cycle

(Figure 4). This issue is unique to the social sector because nonprofit organizations don't have as many options as for-profit companies to cut or reduce if needed because they already operate as fiscally lean. Calabrese (2016) found that "while corporations can scale back investment and dividends when short of cash, nonprofits often can only reduce administrative overhead, or reduce programmatic output; the reduction in output, though, can reduce revenues (through fewer clients or donors reached), meaning overhead is often the victim of expense reductions for nonprofits with no reserves to fall back upon" (Calabrese, 2016, p. 297). Although nonprofit organizations need more funding than what they request, it seems they prioritize aligning with donor expectations rather than reporting their true overhead costs.

It has come to the point where some nonprofit organizations don't even report fundraising expenses. Hall, Lipman & Voelz (2000) argued that "charity officials feel compelled to report low fund-raising costs because the news media and regulators have cast such spending in a bad light." What's ironic, however, is that even though donors are more willing to give to a nonprofit organization if their overhead costs are low, if the organization looks inefficient that's also a reason not to give. Chikoto & Gordon Neely (2013) have found that "organizations that appear relatively inefficient (i.e., a higher proportion of total spending allocated to administrative expenses, and/or fundraising expenses, resulting in a lower program expense ratio) receive less donor support" (p. 2).

FIGURE 5. The nonprofit starvation cycle:
The three self-reinforcing pressures on downward overhead expenditures.



Lecy & Searing, 2015, p. 544

The nonprofit starvation cycle is represented in Figure 5. The three drivers of the cycle are:

1. **Misleading reporting:** The majority of nonprofits under-report overhead on tax forms and in fundraising materials.

2. **Unrealistic expectations:** Donors tend to reward organizations with the “leanest” profiles. They also skew their funding towards programmatic activities.
3. **Pressure to conform:** Nonprofit leaders feel pressure to conform to funders’ expectations by spending as little as possible on overhead, and by reporting lower-than-actual overhead rates.” (Bedsworth, Gregory & Howard, 2008, p. 2).

This reinforces the research findings that this issue is a never ending cycle that ultimately affects the survival of nonprofit organizations that are in the middle of it where “the self-reinforcing feedback loop of competitive pressures, misleading reporting, and donor expectations...place a steady downward pressure on overhead” (Lecy & Searing, 2015, p. 542). These three factors need to all be addressed in order for the nonprofit starvation cycle to end.

The root cause of the nonprofit starvation cycle is an inconsistent definition of what is considered an acceptable overhead cost ratio. With funders (i.e. donors, foundations, and government) thinking that overhead costs should be low and nonprofit organizations reporting overhead costs lower than their true operating costs, the nonprofit starvation cycle becomes a self-fulfilling prophecy. According to Berlin, Masaoka & Schumann (2017), “the aggregated unnecessary time and resources associated with different definitions, calculation methods and terminology among nonprofits, funders, and policy makers set the stage for practical questions such as “How much confusion should nonprofits be expected to absorb?” and empirical questions such as “What are the actual expenses associated with this confusion?” and “Do these expenses result in discounting funds used for services?” (p. 178). Both funders and nonprofit leaders need to do their parts in ending the cycle so that the proper infrastructure is built to sustainably achieve the organization’s social mission. Bedsworth, Gregory & Howard (2008) suggest that to break the cycle, funders should work with nonprofit leaders on standardizing the definition of overhead so that both sides are clear on each others’ expectations. This will help solve issues with misreporting and overhead stigma. In the short term, however, funders can “increasingly support organizations with general operating funds (i.e., unrestricted funds), when feasible” (pp. 17-18), and nonprofit leaders can shift the culture about overhead by educating stakeholders internally (staff & board members), and externally (funders) on how “investments in overhead can reduce those [outcome] costs), and can be much more meaningful than one that centers on program ratios” (p. 18-19). The nonprofit starvation cycle can only break if funders and nonprofit leaders work together and communicate. This research project, however, is specifically focused on defining the role of major gift donors in breaking the nonprofit starvation cycle by assessing if and why they give to an organization’s general operating fund.

Major Gift Donors

Existing literature that looks into the roles of major gift donors (MG donors) in a nonprofit organization's operating capacity seems to be minimal, with most research analyzing the relationship cultivation strategies of MG fundraising professionals. There is no consistent definition of what gift amount is considered a "major gift" because it depends on the nonprofit organization's size. Knowles & Gomes (2009) agree that "MGs (major gifts) differ from one nonprofit to the next but, generally, are defined as monetary (or equivalent gifts-in-kind) donations that are significantly more than a nonprofit's typical donation; representing 10%, 20%, 30% or more of the nonprofit's yearly budget" (p. 385). This means that MG donors have the power to drastically support a nonprofit organization's programs and operations with just a few gifts if they wanted to do so. Existing literature, therefore, implies that MG donor relationships need to be cultivated differently than annual giving donors. "The difference between MG donors and most donors is one of scale and potential impact of the gifts that MG donors give" (Knowles & Gomes, 2009, p. 396). Because the MG donor pool is presumably much smaller than annual giving donors, fundraisers can spend more time learning about those MG donor prospects more intimately.

Existing literature has categorized MG donors to be of typical upper-class individual demographics. Knowles & Gomes (2009) have found that they tend to be "between 50 and 70 years old, conservative, and educated. They are apt to be either a successful entrepreneur, a professional of some sort, or a member of a wealthy family, have financial knowledge, grown children who are financially secure in their own right, and usually are (or have been), involved with a nonprofit cause already" (p. 394). The key takeaways from this finding are that MG donors have the capacity to give large gifts amounts, and they usually are involved in philanthropy already. Knowing this can help narrow down which MG donor prospects will be more interested in giving to one's specific nonprofit organization. MG donors need to have their philanthropic interests aligned with the organization's so that they are more receptive to the fundraiser's efforts.

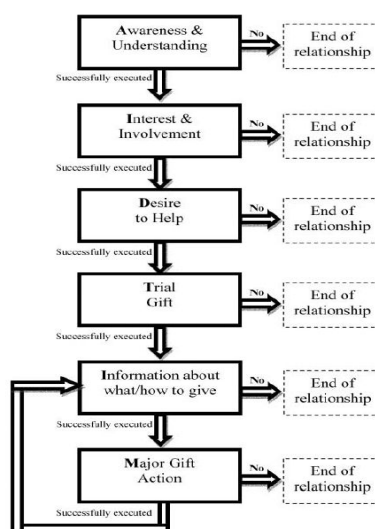
Starting and maintaining a strong relationship with a MG donor requires more than just good research and consistent communication. According to Drollinger (2018), "oftentimes it is assumed that being a good listener is an innate ability or that being a good presenter is more important than the role of listening, but in the case of building relationships between fundraisers and major donors it is argued that it is an essential skill" (p. 39). MG donors have the capacity to donate a large amount of money to an organization, so Drollinger (2018) found that fundraisers who apply "active empathetic listening" (AEL) so that "they are able to communicate on a deeper level while developing trust and ultimately commitment to the organization and that they will be more effective as they employ a softer form of persuasion" (p. 38-39). AEL "emphasizes

the importance of being empathetic to the concerns of the donors through the practice of listening and following up with appropriate actions” (p. 39). This is important to think about when communicating with a current or prospective MG donor because they might feel hesitant to give if they feel that the fundraiser doesn’t respect their goals and thoughts.

AEL, however, is not considered an effective method on its own so Dollinger (2018) suggests applying AEL to Knowles & Gomes AID-TIM Model (Figure 6) to maximize effectiveness of a strong MG donor - fundraiser relationship. The AID-TIM Model stands for the following steps:

1. **Awareness & Understanding** - potential MG donors must become aware of and understand a nonprofit’s mission, people, vision, and offers;
2. **Interest & Involvement** - potential MG donors must become interested and involved with the nonprofit;
3. **Desire to Help** - potential MG donors must develop a desire to help the nonprofit;
4. **Trial Gift** - potential MG donors must make a trial gift and evaluate the success or failure of the outcome of that gift;
5. **Information About What & How to Give** - potential MG donors must get information from the MG fundraiser about possible types of MGs prior to making a MG (p. 391)
6. and; **Major Gift Action**

FIGURE 6. The AID-TIM model with possible outcomes of each step.



Knowles & Gomes, 2009, p. 392

Knowles & Gomes argue that “a formal framework for MG fundraisers increases the likelihood that key information related to MG donor behavior is collected and analyzed and that important relationship-building activities are performed when and how they should be” (p. 390). The majority of the six steps of the AID-TIM Model are focused around educating the MG donor on the nonprofit organization’s programs, mission and social impact, so they feel part of the organization’s efforts. Knowles & Gomes (2009) emphasize that “a potential MG donor would, most likely, also want to know who and what kind of people work, volunteer and/or already donate to the nonprofit, as well as what market segments are served by the nonprofit, and what, when, and how services and/or programs are offered to those people” (p. 393). When done patiently and correctly, emphasis on educating MG donors on the ins and outs of the nonprofit organization may lead to a behavior change where the MG donor not only gives a large gift, but also gives a large gift repeatedly.

Trust is a central theme within existing literature on MG donor cultivation because of its ability to keep them committed to giving to the organization. According to Knowles & Gomes (2009), “commitment to giving a nonprofit seems to come from emotional and familial sources, actions of the nonprofit itself, such as using donations wisely and effectively communicating with donors seemed to be directly related to trust-building” (p. 399). Drollinger (2018) also agrees by stating that when fundraisers “better understand the donor’s motivations [and] listens not only to the literal message but also attends to nonverbal cues and the emotion behind the words [...] The parties are equipped to build a healthy relationship based on understanding and trust” (p. 49-50). MG donors need to trust the fundraisers of the nonprofit organization so that they feel comfortable in giving not only a gift - but a large gift. While some MG donors want to be involved in decision making and others just want to give passively, it’s important for fundraisers to ask MG donors how they want their gift applied. Drollinger (2018) says that MG donors “have profound reasons for giving to nonprofit organizations and their gifts reflect their unique interests and values and may even be given in such a way that they become co-creators with a nonprofit” (p. 49). MG donors want more than just to give a gift for the sake of giving, but also want to feel part of the organization’s efforts in fulfilling its social mission.

Section 3: Methods and Approaches

The literature review largely influenced the research questions that will guide the methodology of this project. These questions help guide the author's methodology, and are asking the what, why and how unrestricted major gifts affect nonprofit infrastructure:

- RQ1: What is the effect of major gift donor unrestricted giving on a nonprofit organization's infrastructure?
- RQ2: What views do major gift donors hold on donating to general operating funds as opposed to specific areas & why?
- RQ3: What are the most successful ways to foster donations from major gift donors to general operating funds?

In order to understand how development professionals steward relationships with MG donors so that they're inclined to donate to a nonprofit organization's general operating fund, the author examined the issue from quantitative and qualitative perspectives. The quantitative analysis consisted of issuing a survey, while the qualitative analysis focused on interviews with development professionals and major gift experts.

Expert Interviews

Five semi-structured interviews were held with development consultants and major gifts donor experts. The interviewees were experts in their fields which related to either the nonprofit sector, development, or both. They were chosen through snowball sampling within the researcher's network. Table 1 outlines information on the interviewees involved and why the researcher considered them as experts in this research:

TABLE 1. Expert Interviewee Roles & Organization Size.

**Six "organization size" categories (Frailey, 2017, Guidstar by Candid)*

Name	Role & Organization	Organization Size*
Stephanie Sheenan	Major Gifts Officer at UNICEF USA	Economic Engine
Vanessa Rodriguez	Principal - Vanessa Baker Rodriguez Consulting	-
Lara Rajninger	Executive Director at Kids Cooking for Life	Grassroots
Sabrina Pourmand	Social Impact Advisor	-
Megan McTiernan	Donor Advisor, McTiernan Strategies	-

In early March 2020, interview requests were sent to potential interviewees and were then scheduled for early to mid April 2020. Two to three days before the scheduled interview, the interviewees were emailed ten pre-written interview questions for their review, and a pre-interview questionnaire (see Appendix A) for them to answer before the interview. The pre-interview questionnaire included a summary of the project and its research questions, five open-text questions, and one yes/no question. The purpose of the pre-interview questionnaire was to gather information about the interviewee's current organization where they are employed and their roles, and to ask if the interviewee would be willing to be recorded for transcription purposes. This was important because there may be potential biases within each interviewee's answers based on the size of their organization in terms of its revenue and fundraising goals. Each interviewee was asked to answer the questions in the context of pre COVID-19 conditions. Responses to the pre-interview questionnaire are presented in Table 2.

TABLE 2. Pre-Interview Questionnaire Responses.

	Stephanie	Vanessa	Lara	Sabrina	Megan
What is your organization's current annual operating budget?	\$597 million in fiscal year 2018	For Outward Bound - \$3M	\$160,000	(For AJP) \$16M	decline to state
What was your organization's overall fundraising goal for 2019 (pre-COVID)?	Approx. \$500 million	For Outward Bound - \$1.4M in annual - PLUS - capital campaign \$\$	\$61,000	\$15M	-
What percentage of that is made up of major gifts?	Current MG goal - \$50 million	For Outward Bound - \$800k of the annual	30%	100%	-
I consider a major gift (in \$ amount) to be...	\$10,000+	For Outward Bound it varied. It was whether someone was in the MG portfolio or not. Generally \$1K+	\$5,000+	10,000+	\$50,000+
Are you willing to be recorded?	Yes	Yes	Yes	Yes	Yes

Each interview lasted between 30-45 minutes, and were recorded with the interviewees' permission through Zoom, the video conferencing software. The interviewees were asked at least 11 pre-written questions, seven of which were in the context of pre COVID-19 conditions, and the remaining three in the context of COVID-19 conditions. See below for the pre-written questions that were asked.

In the context of normal conditions

1. In what capacity do you work or have worked with major gift donors?
2. To what extent do you think a major gift donor has an effect on a nonprofit organization's operations?
3. To what extent do you feel that major gift donors restrict their donations for a specific area in the nonprofit organization?
4. Why do you think there's a resistance in giving nonprofits organizations control on where funds are needed most?
5. How do you think a major donor evaluates which nonprofit to get involved with?
6. How do you think a major donor should evaluate which nonprofit to get involved with?
7. Let's say a funder decides to magically cover all overhead expenses for the near future. What do you feel your organization needs to invest in to become more efficient and sustainable?
8. In an ideal world where nonprofit organizations of all sizes are getting the funding they need to sustainably operate, how do you think that will change the social sector landscape?

In current context amidst COVID-19 crisis

9. How have you been thinking about major gifts and donors as they pertain to your crisis plan?
10. In the current climate, how has your MG program changed?
11. Do you have predictions on how this would affect major gift giving in a year?

Once all the interviews concluded, an audio to text converter was used to create transcripts to identify common themes for analysis.

Survey

A 14 item survey was created through the Qualtrics platform, which consisted of six open-text questions, one demographic question, and seven nominal questions.

The open-text questions were designed to determine the nonprofit organization size they are accustomed to by looking at their respective annual operating budgets and fundraising goals. Like the pre-interview questionnaire, adding these questions were important to account for potential biases of each respondent's answers based on the size of their organization in terms of its revenue and fundraising goals. Literature also

suggests that the gift amount that is considered a MG varies depending on the organization, so the sixth question aims to either confirm or deny that assumption. The open-text questions asked on the survey were:

1. What is the name of the current nonprofit organization you work for?
2. What is your current role?
3. What was your organization's 2019 annual operating budget?
4. What was your organization's 2019 fundraising goal?
5. What percentage of your organization's 2019 fundraising goal was made up of major gifts?
6. I consider a major gift (in \$ amount) to be...

The demographic question aims to determine if the department to which the respondents are in affect their answers to the questions. Traditional demographic questions were not included (race/ethnicity, gender, household income, etc.) because they were not necessary for the purpose of this study. The demographic question asked was:

1. What department do you work in?

The interval questions used a Likert scale where respondents answered each question with a number between 1-5 with 1 being the most negative response and 5 being the most positive response. Each question has a descriptor at lowest, median and highest score value to help the participant understand the question being asked and interpret the scale. The interval questions asked were:

1. Major gift donors have a substantial effect on a nonprofit organization's operating capacity.
2. Major gift donors restrict their donations for a specific area in the nonprofit organization.
3. Major gift donors lean towards donating to programs instead of overhead.
4. Most major gift donors are aware of the difference between program and overhead costs.
5. Major gift donors mainly use reported overhead to evaluate the effectiveness of a nonprofit organization.
6. It is easy for fundraising professionals to ask major gift donors to give to a nonprofit organization's general operating fund.
7. Major gift donors have the responsibility to donate to a nonprofit's general operating fund.

Section 4. Data Analysis

All the expert interviews emphasized the importance of unrestricted gifts for operational sustainability. There were mentions of the effects of the nonprofit starvation cycle such as staff burnout, use of outdated systems, and lack of talent. Organization size was a factor in their perspectives as they mentioned how unrestricted funds make a bigger impact on smaller organizations than larger ones. An expert of a large organization tells stories of how it can be bureaucratic due to the very tenured staff leadership who tend to be resistant to change. Although small organizations experience substantial impact when given MGs, their smaller budget also affects their fundraising team's ability to steward MG donors. An expert explains how small organizations treat MG donors the same as annual donors due to lack of capacity, which can affect how many MGs the organization can get.

The expert interviewees also discussed the roles MG donors have on a nonprofit organization's general operating fund with some finding them important and the rest not. The majority of these experts agreed that MG donors are worth a nonprofit organization's time because "it's one of the most efficient ways you can fundraise in terms of return on investment" due to MG donors' capacity to give and their personal networks also having the capacity to give. One expert disagreed that MG donors can help alleviate the nonprofit starvation cycle by saying that the issue is "how nonprofits market themselves and the resources and the talent that are lacking". She acknowledges that soliciting MGs are difficult, but emphasizes that it will always be difficult, so she pushes for the sector itself to become more innovative.

Interview Themes

The interview data was analyzed by reading through the transcripts and identifying common words and phrases between each interviewee based on their answers to the pre-written questions. The common words and phrases were then categorized into themes that help answer each of the three research questions.

RQ1: What is the effect of major gift donor unrestricted giving on a nonprofit organization's infrastructure?

More Growth & Innovation

A majority of the expert interviewees gave multiple examples about how a MG has affected a nonprofit organization's ability to grow and innovate their programs and services. Some stories included situations where the MGs were a surprise for the organization and the donor wanted to remain anonymous, while there were others who attributed an MG to years of relationship building.

- "one person can make such a huge difference when you think about major gifts. And a lot of times, you know, the bulk of your revenue comes from just a handful of people.
- "The beauty of having those who exclusively give to your overhead is that they really understand the importance of risk, innovation & talent acquisition. And they give you a lot of room to breathe when times get tough. They get it."

Immediate Crisis Assistance

This theme was brought up by the expert interviewees mainly because this research was done within the first few months of the COVID-19 pandemic, but has been emphasized as important regardless of the timing.

- "An individual major donor is someone who you can go to really when times are tough"
- "especially in a time like this where we are all having to shift and respond in ways we didn't even dream of. And so unrestricted funding allows us to continue our work and keep the lights on"

RQ2: What views do major gift donors hold on donating to general operating funds as opposed to specific areas & why?

Most expert interviewees agreed that there was an issue in soliciting MGs, but varied in their responses about why soliciting unrestricted gifts is an issue.

- "This idea that nonprofits don't really know what they're doing. But I've been very successful in business. I do know what I'm doing. And I will tell you, I will give you guidance about where this money should go and how you should use it."

The main themes that help shed light on why MG donors have negative views towards unrestricted giving were:

- MG power dynamics - one expert interviewee told a story about an MG donor who only gave restricted gifts for a very specific program, but staff were having difficulties with that restriction due to it not aligning with the organization's mission and priorities. There was a risk in asking that MG donor to adjust their expectations because that donor has been involved with the organization for a long time and feels that they know what's best for the organization. Navigating these longtime relationships, especially when it involves large amounts of money, can be staff time-intensive and stressful.
 - "There is a power dynamic certainly with any major donor that you're working with"
- Lack of consistent relationship building - expert interviewees understand the importance of consistency when communicating to MG donors about how their gifts were used and their impact. The concept of measurable outcomes were mentioned as very valued by MG donors.
 - "if a MG donor did not know you well, giving you unrestricted funds is kind of like letting a kid loose in a candy store & I think they want a little bit more control."
 - "MG donors in particular like to learn about their program once they come to see the program in action. And he knows that he is making a difference and he's more likely to support that same program again."
- Accessibility and reporting of watchdog sites - sites such as Charity Navigator and Guidestar were consistently mentioned by all expert interviewees when asked how MG donors evaluate a nonprofit organization's effectiveness.
 - "some folks are using GuideStar & they're using Charity Navigator. I think that's a way of usually confirming for folks when you see that there's GuideStar SEAL or the Charity Navigator SEAL, you're like, oh, OK. This is an extra vote of confidence in the gift that I'm about to already make"

RQ3: What are the most successful ways to foster donations from major gift donors to general operating funds?

Taking a Creative & Honest Approach

When the researcher asked the expert interviewees about their methods in soliciting MGs, the majority emphasized the importance of narrative and storytelling in order to attract the MG donor to the nonprofit organization's mission. In addition, transparency in telling MG donors how the organization will use their gift was also key in earning the MG donor's trust. One expert interviewee even voiced how most MG donors are forgiving when told about mistakes an organization made, and how taking accountability and providing a solution is appreciated.

- "what I will say, to fundraise for unrestricted giving is very doable if you take a more creative approach"
- "Storytelling is always, I think, the best tool that we have in fundraising"
- "If for some reason that risk takes a turn, we're gonna come back and tell you what happened and how we're managing it. That is when the resistance gonna go down. People don't trust you when they feel like they have a reason not to trust you. You're allowed to make these mistakes. How you resolve the mistake is important. And people are really, really forgiving."

Better Donor Stewardship

This theme was the most discussed reason why MG solicitation for unrestricted funds is difficult. Lack of communication, transparency and advocacy were all mentioned as issues when trying to gain MG donor trust.

- "consistency in how we communicate with our donor base around how money is being spent and when there are problems. That is the best time to actually communicate with your donor base and to be transparent, because if you're going to ask them to invest in the business side, then you have to be clear about that."
- "it's my job to be authentic and [...] I never try and convince a donor one way or another because ultimately it's it's their choice"

Survey Results

Several tests were performed using the statistical software, Jamovi, to analyze the survey data. See Appendix C for the results of the open-text questions.

Descriptives

TABLE 3. Mean Scores by Organization Size.

	Grassroots (n=3)	Small (n=8)	Mid-Size (n=1)	Large (n=6)	Economic Engine (n=1)	Powerhouse (n=1)
Major gift donors have a substantial effect on a nonprofit organization's operating capacity.	5	4.25	4	5	5	5
Major gift donors restrict their donations for a specific area in the nonprofit organization.	4.33	2.38	4	2.33	2	4
Major gift donors lean towards donating to programs instead of overhead.	3	3.38	5	2.67	4	3
Most major gift donors are aware of the difference between program and overhead costs.	3.67	4	4	4.33	4	5
Major gift donors mainly use reported overhead to evaluate the effectiveness of a nonprofit organization.	3.67	3.38	4	2.67	1	3
It is easy for fundraising professionals to ask major gift donors to give to a nonprofit organization's general operating fund.	2	3	2	2.67	4	5
Major gift donors have the responsibility to donate to a nonprofit's general operating fund.	2.67	3.88	4	3.33	4	3

One open-text question asked respondents to provide their organization's operating budget which were then placed into six "organization size" categories (Frailey, 2017, Guidstar by Candid):

1. Grassroots (< \$1 million)
2. Small (\$1 million - \$5 million)
3. Mid-size (\$5 million - \$10 million)
4. Large (\$10 million - \$50 million)

5. Economic Engine (\$50 million - \$5 billion)
6. Powerhouse (> \$5 billion)

Since the Mid-size, Economic Engine, and Powerhouse categories only had one respondent each (n=1), I decided to categorize “Grassroots” and “Small” together and call it “Small”, and categorize “Mid-size,” “Large,” “Economic Engine,” and “Powerhouse” together and call it “Large”. The updated mean scores by organization size categories are summarized in Table 4.:

TABLE 4. Modified Mean Scores by Organization Size.

MEAN SCORES BY ORGANIZATION SIZE	Small (n=11)	Large (n=9)
Major gift donors have a substantial effect on a nonprofit organization’s operating capacity.	4.45	4.78
Major gift donors restrict their donations for a specific area in the nonprofit organization.	2.91	2.89
Major gift donors lean towards donating to programs instead of overhead.	3.27	3.33
Most major gift donors are aware of the difference between program and overhead costs.	3.91	4.44
Major gift donors mainly use reported overhead to evaluate the effectiveness of a nonprofit organization.	3.45	2.67
It is easy for fundraising professionals to ask major gift donors to give to a nonprofit organization’s general operating fund.	2.73	3.11
Major gift donors have the responsibility to donate to a nonprofit’s general operating fund.	3.55	3.44

This is so that an independent T-test and a correlation matrix can be run for more representative statistical analysis.

T-test

An independent T-test was done to evaluate the responses of each nominal question to the organization sizes. The goal was to determine the extent to which each respondent agreed or disagreed with a question through the mean, and if the variance between those responses are consistent through the standard deviation or sd.

TABLE 5. T-Test Results by Modified Organization Size

Independent T-Test		Small (n=11)	Large (n=9)
Major gift donors have a substantial effect on a nonprofit organization's operating capacity.	Mean	4.45	4.78
	sd	0.934	0.441
	t-stat	-0.951	
	df	18	
	p-value	0.354	
Major gift donors restrict their donations for a specific area in the nonprofit organization.	Mean	2.91	2.89
	sd	1.45	0.928
	t-stat	0.0362	
	df	18	
	p-value	0.972	
Major gift donors lean towards donating to programs instead of overhead.	Mean	3.27	3.33
	sd	1.19	1.12
	t-stat	-0.116	
	df	18	
	p-value	0.909	
Most major gift donors are aware of the difference between program and overhead costs.	Mean	3.91	4.44
	sd	0.944	0.527
	t-stat	-1.51	
	df	18	
	p-value	0.147	
Major gift donors mainly use reported overhead to evaluate the effectiveness of a nonprofit organization.	Mean	3.45	2.67
	sd	1.44	0.866
	t-stat	1.439	

	df	18	
	p-value	0.167	
It is easy for fundraising professionals to ask major gift donors to give to a nonprofit organization's general operating fund.	Mean	2.73	3.11
	sd	0.905	1.167
	t-stat	-0.83	
	df	18	
	p-value	0.167	
Major gift donors have the responsibility to donate to a nonprofit's general operating fund.	Mean	3.55	3.44
	sd	1.214	1.333
	t-stat	0.177	
	df	18	
	p-value	0.861	

The results of the independent T-test is summarized below:

1. Development professionals of both organization sizes strongly agree that MG donors have a substantial effect on an org's operating capacity with Large-sized organizations agreeing slightly more ($m=4.78$, $sd=0.441$) than Small-sized organizations ($m=4.45$, $sd=0.934$). This revealed no statistical difference between organization sizes ($t(18) = -0.951$, $p = 0.354$).
2. Development professionals of both organization size categories somewhat disagree that MG donors restrict their donations with Small-sized organizations disagreeing slightly less ($m=2.91$, $sd=1.45$) than Large-size organizations ($m=2.89$, $sd=0.928$). This revealed no statistical difference between organization sizes ($t(18) = 0.0362$, $p = 0.972$).
3. Development professionals of both organization sizes slightly agree that MG donors lean towards donating to programs than overhead with Large-sized organizations agreeing slightly more ($m=3.33$, $sd=1.12$) than Small-size organizations ($m=3.27$, $sd=1.19$). This revealed no statistical difference between organization sizes ($t(18) = -0.116$, $p = 0.909$).
4. Development professionals of Small-size organizations slightly agree ($m=3.91$, $sd=0.944$), while Large-size organizations strongly agree ($m=4.44$, $sd=0.527$) that most MG donors are aware of the difference between program and overhead costs. This revealed no statistical difference between organization sizes ($t(18) = -1.51$, $p = 0.147$).
5. Development professionals of Small-size organizations are leaning towards agreeing ($m=3.45$, $sd=1.44$), while Large-size organizations somewhat

disagreeing ($m=2.67$, $sd=0.866$) that MG donors mainly use reported overhead to evaluate nonprofit effectiveness. This revealed no statistical difference between organization sizes ($t(18) = 1.439$, $p = 0.167$)

6. Development professionals of Small-size organizations somewhat disagree ($m=2.73$, $sd=0.905$) while Large-size organizations are more neutral ($m=3.11$, $sd=1.167$) that it is easy for fundraising professionals to ask MG donors to give unrestricted funds
7. Development professionals of both organization sizes are neutral leaning towards agreeing that MG donors have the responsibility to donate to a nonprofit's general operating fund with Small-size organizations agreeing slightly more ($m=3.55$, $p = 1.214$) than Large-size organizations ($m=3.44$, $sd=1.333$). This revealed no statistical difference between organization sizes ($t(18) = 0.177$, $p = 0.861$)

Correlation Matrix

A correlation matrix was prepared so that the relationships between the responses of different questions can be assessed (Table 6). The strength of the relationship can then be determined through the r-value with the higher the value, the stronger the relationship. Then the relationship can be evaluated as statistically significant or not through the p-value where the lower the value, the more statistically significant the relationship.

TABLE 6. Correlation Matrix.

Correlation Matrix		Major gift donors have a substantial effect on a nonprofit organization's operating capacity.	Major gift donors restrict their donations for a specific area in the nonprofit organization.	Major gift donors lean towards donating to programs instead of overhead.	Most major gift donors are aware of the difference between program and overhead costs.	Major gift donors mainly use reported overhead to evaluate the effectiveness of a nonprofit organization.	It is easy for fundraising professionals to ask major gift donors to give to a nonprofit organization's general operating fund.
Major gift donors restrict their donations for a specific area in the nonprofit organization.	r	0.27					
	p	0.236					
Major gift donors lean towards donating to programs instead of overhead.	r	0.24	0.428				
	p	0.295	0.053				
Most major gift donors are aware of the difference between program and overhead costs.	r	0.042	0.069	-0.04			
	p	0.857	0.767	0.864			
Major gift donors mainly use reported overhead to evaluate the effectiveness of a nonprofit organization.	r	0.005	0.146	0.271	-0.015		
	p	0.981	0.529	0.234	0.949		
It is easy for fundraising professionals to ask major gift donors to give to a nonprofit organization's general operating fund.	r	-0.1	-0.349	-0.377	0.018	-0.321	
	p	0.666	0.121	0.092	0.938	0.155	
Major gift donors have the responsibility to donate to a nonprofit's general operating fund.	r	-0.144	-0.277	0.312	-0.116	-0.225	0.236
	p	0.534	0.225	0.168	0.618	0.327	0.303

There were only two correlation matrix results whose relationships were or were close to statistically significant:

1. The relationship between those who agreed that “major gift donors lean towards donating to programs instead of overhead,” and who agreed that “major gift donors restrict their donations for a specific area in the nonprofit organization” is mildly strong positive ($r=0.428$), and is statistically significant ($p=0.053$).
2. The relationship between those who agreed that “major gift donors lean towards donating to programs instead of overhead,” and agreed to “it is easy for fundraising professionals to ask major gift donors to give to a nonprofit organization’s general operating fund” is mildly strong negative ($r=-0.377$) and is close to being statistically significant ($p=0.092$).

Section 5: Implications and Recommendations

The survey results and interview analysis have shown both some alignment and some misalignment with findings from the literature review in terms of MG donor knowledge and practices. The recommendations were the products of the implications and are directed towards development and nonprofit professionals to help them increase MG donor trust.

Implications

From the Survey

When doing the analysis, the responses to the open-text questions (other than the annual operating budget and their definition of a MG amount) were shown to be unnecessary and were not used in the implications.

Based on the T-test results, the findings which are aligned with the literature are that development professionals:

1. agree that MG donors have a substantial effect on a nonprofit organization's operating capacity regardless of the organization size;
2. who work in Small-size organizations disagree more than those who work in Large-size organizations that it is easy for fundraising professionals to ask MG donors to give unrestricted funds. It's not surprising to validate that they agree that MG solicitation is difficult regardless of organization size.

The findings that were not aligned with the literature review are the development professionals:

1. somewhat disagree that MG donors restrict their donations with little variance between the organization sizes;
2. are neutral that MG donors lean towards donating to programs than overhead;
3. who work in Large-size organizations disagree more than those who work in Small-size organizations that MG donors mainly use reported overhead to evaluate nonprofit effectiveness; and
4. agree that most MG donors are aware of the difference between program and overhead costs.

The above findings were a surprise because literature suggests that nonprofit organizations are "expected to appear 'lean' by devoting most spending directly toward programs" (Calabrese, 2016, p. 296), and that "donors rely on overhead information in lieu of the information they really desire—performance and impact metrics" (Lecy & Searing, 2015, p. 554). It can also be assumed from these findings that Large-size organizations may have more MG donors who give unrestricted funds compared to Small-size organizations. This shows that MG donors don't always restrict their gifts, and

that there are mixed opinions on whether or not MG donors are educated about the difference between restricted & unrestricted gifts.

An interesting finding that was not found in the literature review was that development professionals are neutral, leaning towards agreeing that MG donors have the responsibility to donate to a nonprofit's general operating fund. The lack of a strong opinion suggests that MG donors alone may not play a primary role in increasing a nonprofit organization's operating capacity, but they do have a substantial effect.

The statistically significant relationships found in the correlation results make sense with development professionals who agree that MG donors restrict their donations for a specific area in the nonprofit organization are likely to agree that MG donors lean towards donating to programs instead of overhead. This finding was more prevalent in responses from those who work in Small-size organizations. It was also logical that development professionals believing that MG donors lean towards donating to programs instead of overhead are likely to disagree that it's easy for fundraising professionals to ask MG donors to give to a nonprofit organization's general operating fund.

From the Expert Interviews

Although the expert interviewees vary in terms of their organization size, experience, and roles, there were some strong consistencies when asked how development professionals can gain a MG donor's trust.

FIGURE 7. The Major Gift Donor Trust Model.



Tongo, 2020

The Major Gift Donor Trust Model (Figure 7) showcases steps on how to cultivate a strong relationship with a MG donor so that they trust you enough to give unrestricted funds.

1. **Listen** - expert interviewees agreed that the first step when introducing an MG donor to a nonprofit organization is to have a conversation about their philanthropic interests.
2. **Advocate** - to advocate means to help MG donors find their philanthropic cause and help them achieve that goal, regardless of if it leads to a MG to your organization or not. An expert interviewee told a story about how when talking to an MG donor about their philanthropic interests, she identified that their interests were different from her organization's mission and services. So instead of trying to convince the MG donor to give to the organization anyway, she offered to connect the donor to a contact that works within their interest. Eventually, the donor also gave to the organization. The research doesn't suggest that an MG to your organization after taking this step will always be the result, but it's always a possibility and the MG donor will feel valued.
3. **Communicate** - transparent and consistent communication was the most common theme from the interviews. MG donors appreciate getting updates on how their gift was used and its impact so that they feel they contributed to the nonprofit organization's mission.
4. **Report Back** - this is connected to the previous step "Communicate" where the ability to measure outcomes and evaluate the impact of the gift and organization in general will help MG donors feel validated about the decision to give.

Recommendations

These recommendations are for development professionals and nonprofit leaders:

1. If there is enough money in the budget, hire a fundraising professional dedicated to major gifts. Relationship building with MG donors takes a lot of time and patience so it's best to have a dedicated professional.
 - a. Some interviewees have emphasized how a MG can "make or break" a program, especially for smaller nonprofits, and can lead to better ROI because one MG can be bigger than donations from an event.
2. Don't be afraid to ask for unrestricted gifts. If you don't ask, the answer will always be no.
 - a. Survey results showed that development professionals across small and large organization sizes either disagree or are neutral that MG donors restrict their gifts and lean towards donating to programs over overhead.
3. Be transparent and consistent about the use and impact of the MG donor's gift. People don't trust you when they feel like they have a reason not to trust you.
 - a. As mentioned in previous sections, transparency and consistency in communication are always appreciated by an MG donor.
4. Treat MG donors as philanthropists, not as bank accounts. Listen and advocate for their interests, and they'll realize you're on their side.
 - a. MG donors most likely will pay it forward in the long run if they feel like you're their ally.

Section 6: Conclusions

The goal of this research was to assess the views and experiences of development professionals who specialize in major gift (MG) fundraising, specifically related to major donor practices, in giving to a nonprofit's general operating funds. The author assumed based on existing literature and personal observations that the majority of MG donors focus on funding programs rather than general operating. The survey results, however, disproved that claim with nonprofit professionals from varied organization sizes either disagreeing or being neutral with that statement, and disagreeing that MG donors are not aware of the difference between those costs. Instead, the research has found that larger organizations find it easier to solicit donations from MG donors than small organizations. The interviews supported literature review findings about the importance of relationship building with MG donors where the most common theme was the need for transparent, consistent and selfless communication. Although the research does not find fault with the MG donors for restricting their gifts and miseducation on the difference between program and overhead costs, existing literature and development professionals who responded to the survey and were interviewed all agreed that MG donors have a substantial effect on a nonprofit organization's general operating fund. Knowing this, nonprofit leaders can use this research to validate the need to invest in MG donor relationship building and to not let the stigma of the nonprofit starvation cycle to resist the ask for MGs. Once trust is built, MG donors and nonprofit leaders can work together to enhance the performance of the social sector to make accelerated change.

Limitations

The limits of this research were the sample size, interviewee expertise, and geographic region. The sample size for the survey was small (n=21), with some of the six organization size categories only having one representative respondent (Mid-size, Economic Engine and Powerhouse). Because of this, it was necessary to lump the six categories into two broader groups in order to run more statistical tests that best describe the organization sizes. This method, however, did not truly reflect the responses of the varied nonprofit organization sizes. The survey was also distributed through snowball sampling via social media sharing with personal networks and the networks of colleagues. The researcher recommends increasing the number of survey responses, and using semi-random sampling so that more organization sizes and work roles are represented in the data.

Although the expert interviews included development professionals who have worked with MG donors, there is an opportunity to increase the number of interviewees to represent a wider variety of organization sizes and work roles. Three out of the five interviewees were social impact consultants, so getting more insights from nonprofit

leaders and MG officers may provide varied themes from what was found for the research. A majority of the current interviewees also currently work or have worked for bigger nonprofit organizations, so having more interviewees who work in small organizations may give more insight on the total effect of MG donors on those organizations' operational capacities. The majority of the survey respondents and expert interviewees were also based in the San Francisco Bay Area. In order to have data more reflective of MG practices and effects in the broader United States, future research has the opportunity to widen its sample size nationally. Future research could also expand its focus by looking into the roles of other sources of funding in a nonprofit organization's general operating fund. Some options are: "base & mid-level donors," "corporate donors," "foundations," "government agencies," and "special events."

COVID-19 Findings

This is a special section that highlights how the COVID-19 pandemic has and will affect major giving. In the interviews, experts shared their thoughts on how important it is to tread lightly in the ask for monetary support during the first communication.

"You have no idea how hard hit your major donors are, whether it's a personal situation financially or with loss. It is really important to take a dignified and respectful approach to say we're just reaching out. There is no ask. There is the expectation that that kind of respect is so appreciated. And that's the first step. And if it's done without thinking about your bottom line and done because these are people who invested in you, you just want to check on them."

Some potential positive predictions are that major giving will increase and that more emphasis will be towards pandemic research and climate change:

- "I think people who are at home right now, who still have jobs, who still have an income are going to be more generous. Because they're thinking you're constantly thinking about it. People want to figure out ways to continue to be generous"
- "I think so much of our giving people are going to be more interested in pandemic research & climate change"

Negative predictions, however, were also mentioned, where philanthropy might be the first luxury cut during the pandemic if a MG donor is reprioritizing their finances:

- "Philanthropy is the first that kind of gets cut in some ways"
- "A lot depends on the economy. And the economy right now is down the tubes and people are really worried about money that they have invested in the stock market. And that's where your major donors come from"

Outlooks largely depend on the future state of the economy, so this is a topic to revisit in the near future.

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Appendices

Appendix A: Pre-Interview Questionnaire.

Pre-Interview Questionnaire for Sam Tongo's Capstone - 5 minutes

Hi! Thanks so much for taking the time to speak with me about major gift donors and general operating funds. Your expertise and insight will be super helpful for my research. Please answer these questions prior to our scheduled interview so that I can have a better idea on what questions to ask you.

**Please answer as if your organization is operating as normal (pre-COVID-19).

Also, please read the below summary for context on my project:

My proposed capstone project will assess the views and experiences of development professionals who specialize in major gift fundraising, specifically related to major donor practices in giving to a nonprofit's general operating funds. I personally believe that the lack of general operating support from donors and foundations is the main reason why the "nonprofit starvation cycle" exists. It seems that the majority of major gift donors focus on funding programs rather than general operating, which to me isn't the most productive or logical in the long run and just leads to the continuity of "band-aid" solutions. I want to prove if my viewpoints are true or not. By learning why major gift donors have these views and how it affects the social sector, we can start to better understand what nonprofit leaders can do to better cultivate these donor relations so that major gift donors eventually trust the nonprofit organization enough to give unrestricted funds. The goal is to help nonprofit organizations increase organizational capacity so that social missions can be achieved.

Research question: What effect do major gift donor perceptions on giving to a nonprofit organization's general operating funds have on its fiscal sustainability?

Sub-research questions:

1. How do major gift donors feel that their views impact the nonprofit sector?
 2. Why do major gift donors hold those prospective views on donating to general operating funds?
 3. What are the most successful ways to foster donations from major gift donors to general operating funds?
 4. What is the predicted impact of an increase of major gift donors giving to a nonprofit organization's general operating fund?
-

Name *

Short answer text

Role and Organization *

Short answer text

What is your organization's current annual operating budget? *

Short answer text

What was your organization's overall fundraising goal for 2019 (pre-COVID)? *

Short answer text

⋮

What percentage of that is made up of major gifts? *

Short answer text

I consider a major gift (in \$ amount) to be... *

Short answer text

I am willing to have the interview be recorded to help with the researcher's note-taking, knowing *
that it will not be used outside of this research

Yes

No

Appendix B. Survey Questionnaire



CHANGE THE WORLD FROM HERE

Understanding the Views of NonProfit Professionals on Major Gifts and Overhead

1. What is the name of the current nonprofit organization you work for?

2. What is your current role?

3. What department do you work in?

- Development
- Operations
- Finance
- Program
- Executive
- Human Resources
- Other

4. What was your organization's 2019 annual operating budget?

5. What was your organization's 2019 fundraising goal?

6. What percentage of your organization's 2019 fundraising goal was made up of major gifts?

7. I consider a major gift (in \$ amount) to be...

8. Major gift donors have a substantial effect on a nonprofit organization's operating capacity.

Strongly disagree Somewhat disagree Neither agree nor disagree Somewhat agree Strongly agree

9. Major gift donors restrict their donations for a specific area in the nonprofit organization.

Strongly disagree Somewhat disagree Neither agree nor disagree Somewhat agree Strongly agree

10. Major gift donors lean towards donating to programs instead of overhead.

Strongly disagree Somewhat disagree Neither agree nor disagree Somewhat agree Strongly agree

11. Most major gift donors are aware of the difference between program and overhead costs.

Strongly disagree Somewhat disagree Neither agree nor disagree Somewhat agree Strongly agree

12. Major gift donors mainly use reported overhead to evaluate the effectiveness of a nonprofit organization.

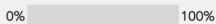
Strongly disagree Somewhat disagree Neither agree nor disagree Somewhat agree Strongly agree

13. It is easy for fundraising professionals to ask major gift donors to give to a nonprofit organization's general operating fund.

Strongly disagree Somewhat disagree Neither agree nor disagree Somewhat agree Strongly agree

14. Major gift donors have the responsibility to donate to a nonprofit's general operating fund.

Strongly disagree Somewhat disagree Neither agree nor disagree Somewhat agree Strongly agree



Appendix C. Open-text survey question responses

What is the name of the current nonprofit organization you work for?	What is your current role?	What department do you work in? - Selected Choice	What department do you work in? - Other - Text
Jewish Federation of Durham-Chapel Hill	Director of Marketing and Communications	Other	Marketing and Communications
Family Support Services	Development Associate	Development	
Bill Wilson Center	Marriage and Family Therapist Intern	Other	Service Provider
Farrington Nature Linc	Ex. Director	Other	
K9s For Camo	COO	Operations	
Reading Partners	External relations associate	Development	
Stanford	Associate Director and Manager, Leadership Giving, Class Giving	Development	
SF SPCA	HR Coordinator	Human Resources	
North Marin Community Services	Director of Development	Development	
Self employed	Nonprofit consultant	Development	
The Athenian School	Director of Advancement	Development	
Code for America	chief Development Officer	Development	
Harry Chapin Food Bank of Southwest Florida	Chief Development Officer	Development	
Society of Young Inklings	Board Chair	Executive	
Thrive Alliance of Nonprofits for San Mateo County	Board President	Executive	

Loaves and Fishes of Contra Costa	Development Director	Development	
Make-A-Wish Greater Bay Area	COO	Operations	
UC Berkeley - Haas School of Business	Assistant Director of Events	Development	
Revolution Foods (actually a B Corp rather than a nonprofit)	Director of Business Development	Other	Sales
Human Investment Project, Inc.	Director of Development	Development	
Boys & Girls Clubs of San Francisco	Director of Development	Development	

Appendix D. T-Test results by the six individual organization size categories.

Nominal Survey Questions		Grassroots	Small	Mid-Size	Large	Economic Engine	Powerhouse
		(n=3)	(n=8)	(n=1)	(n=6)	(n=1)	(n=1)
Major gift donors have a substantial effect on a nonprofit organization's operating capacity.	Mean	5	4.25	4	4.83	5	5
	Median	5	4.5	4	5	5	5
	Mode	5	5	4	5	5	5
	Standard Deviation	0	1.04	NaN	0.408	NaN	NaN
	Minimum	5	2	4	4	5	5
	Maximum	5	5	4	5	5	5
Major gift donors restrict their donations for a specific area in the nonprofit organization.	Mean	4.33	2.38	4	2.67	2	4
	Median	4	2.5	4	2.5	2	4
	Mode	4	1	4	2	2	4
	Standard Deviation	0.577	1.3	NaN	0.816	NaN	NaN
	Minimum	4	1	4	2	2	4
	Maximum	5	4	4	4	2	4

Major gift donors lean towards donating to programs instead of overhead.	Mean	3	3.38	5	3	4	3
	Median	3	3.5	5	3	4	3
	Mode	2	2	5	2	4	3
	Standard Deviation	1	1.3	NaN	1.1	NaN	NaN
	Minimum	2	2	5	2	4	3
	Maximum	4	5	4	5	4	5
Most major gift donors are aware of the difference between program and overhead costs.	Mean	3.67	4	4	4.5	4	5
	Median	4	4	4	4.5	4	5
	Mode	4	4	4	4	4	5
	Standard Deviation	0.577	1.07	NaN	0.548	NaN	NaN
	Minimum	3	2	4	4	4	5
	Maximum	5	5	4	3	1	3
Major gift donors mainly use reported overhead to evaluate the effectiveness of a nonprofit organization.	Mean	3.67	3.38	4	2.67	1	3
	Median	4	3	4	3	1	3
	Mode	2	2	4	3	1	3
	Standard Deviation	1.53	1.51	NaN	0.516	NaN	NaN
	Minimum	2	2	4	2	1	3
	Maximum	5	5	4	3	1	3
It is easy for fundraising professionals to ask major gift donors to give to a nonprofit organization's general operating fund.	Mean	2	3	2	2.83	4	5
	Median	2	3	2	2.5	4	5
	Mode	2	2	2	2	4	5
	Standard Deviation	0	0.926	NaN	0.983	NaN	NaN
	Minimum	2	2	2	2	4	5
	Maximum	2	4	2	4	4	5
Major gift donors have the responsibility to donate to a nonprofit's general operating fund.	Mean	2.67	3.88	4	3.33	4	3
	Median	3	4	4	3.5	4	3
	Mode	1	4	4	5	4	3
	Standard Deviation	1.53	0.991	NaN	1.63	NaN	NaN

	Minimum	1	2	4	1	4	3
	Maximum	4	5	4	5	4	3

Author's Bio

Sam Tongo is an aspiring nonprofit strategist with an operational mindset and project management skills. She currently serves as Development Associate of Boys & Girls Clubs of San Francisco (BGCSF) investing in youth, and fundraising to help those in disadvantaged circumstances have greater futures.

Sam began her professional career working in customer service and marketing roles within the for-profit sector in companies such as Funny or Die, Cisco and Google. She then worked at IPSY, a beauty subscription company, as a Customer Service Representative and was promoted two years later to a Customer Care Supervisor role where she managed a geographically-distributed team of nine and led IPSY's social media Customer Care team. While at IPSY, she interned at Make-A-Wish Greater Bay Area in its Corporate Development department where she developed a love for mission-based work and decided to make a career shift to the nonprofit sector.

Sam co-founded and led LEADAC (Leadership, Advocacy, Activism), an advocacy group created to educate youth on how to be more civically engaged. She raised over \$6,000 through a series of fundraising activities to aid Syrian refugees, co-led a discussion group about the Charlottesville protests with the local community, and co-created an undergraduate class curriculum called "Human Rights in the Global Perspective" to teach students how to recognize human rights violations and how to advocate.

Sam earned her B.S. in Business Management with a focus in Marketing from Menlo College, and earned her Masters in Nonprofit Administration from the University of San Francisco. She hopes to become a consultant specializing in nonprofit organizational effectiveness.