



## **AFP/OSU Education Summit**

# **Campaign Case Studies Session Three**

June 24, 2009



**Eloise Dunn Stuhr**

Vice President and Managing Director

# Case Study I

- A boarding school has been cultivating a seven-figure prospect for over ten years. Recently, he has been asked twice by a top administrator, whom he admires, for the leadership gift, which is a scholarship for the academically gifted. Each time, the prospect recites some aspect of the boarding school admission standards with which he does not agree, primarily because he doesn't think they are strict enough and that they make exceptions. He notes he will not give scholarships as long as the boarding school keeps making these exceptions and letting less-qualified students enroll.
- Prior to asking for scholarships, the prospect has been asked for gifts in other areas where we felt he had an interest, but he also had serious objections about how these areas were being handled.
- What do we do now?

# Case Study II

- You have a donor with whom you have been working for years. His vital stats are that he owns his own major company in a city of Pennsylvania. The firm was started by the father, but built up by the son. The father came to State U during the Depression at great cost to the family, and felt he owed all his success to the University. The son did not attend the college but is loyal to State U in a way a graduate would be, as he feels he learned everything from his father. The father was a moderate but loyal donor to State U, both for scholarships, as well as unrestricted funds. The father was killed in a plane crash when he was in his late sixties and before he had a chance to make his ultimate gift. At the time of his father's death, the son wished to create a memorial fund to his father at State U. Development officer after development officer brought him ideas he strongly disliked. At one point, the son was so furious that he was close to putting the money in the bank for 100, years and said he didn't care what happened to it after that.
- A development officer saved the day by proposing an endowment fund that spoke to the son (was it all timing?).

## Case Study II (continued)

- The time is now ripe for a larger, named opportunity. The donor has been properly cultivated with the requisite increasingly meaningful State U contacts (visits, sporting events, awards, etc.).
- The Director of Development and a faculty member visit. The prospective donor told a story of a local charity turning back his gift of \$400,000 because it had too many strings attached. You have been thinking of the donor as at least a seven-figure prospect. He offers you a \$10,000 recording studio.
- What do you do? What do you ask for? And when?

# Case Study III

- A State U alumnus (journalism major), from the 1950's with a successful privately-held business in the Midwest, has a twenty year history of being a thorn in the flesh. While State U has attempted to court him throughout this period, utilizing both the current and previous President, he seems never to be happy. His complaints run the gamut from "the campus is rundown" to "the fraternity houses are a disgrace" to "State U doesn't do enough out-of-state recruiting." And he often makes comparisons to another university about 15 miles south of Columbus.
- His gifts to State U over the past twenty years have been scattered and modest, except for a \$25,000 gift in 2000 to a particular professor's program. Unfortunately, that professor has since left State U for another major state university.

## Case Study III (continued)

- Recently, State U held a Capital Campaign dinner in his city, but he chose not to attend. The event was hosted by an alumnus with a seven figure rating and the President spoke.
- Where do we go from here?

# Case Study IV

- You have a special family of donors. The patriarch went to Webb College and when he died, many gifts, including a large family one, were given in his memory. The original family (parents, two sons) have degrees from Webb College. With all four grandchildren attending Webb College, three more departments have been added to the list of potential interest. Some family members are bigger on volunteering for Webb College, considering “time” more valuable than “treasure.” Collectively, they have been the best volunteers Webb College has ever had. When the President called on the matriarch to ask her to participate in the campaign, she said of course but that she was committed elsewhere for the next several years, and so could not be counted on for a gift during the silent phase.
- What type of gift do we ask for? In honor/memory of whom? When? Is she the right one to approach?

# Case Study V

- A donor couple to the University has been thinking long and hard about their campaign gift. This will be their “ultimate” gift to the University, the largest gift that will be received from them, since they are a retired couple in their late 70s. They have a history of making significant gifts to other educational institutions, and have generally been interested in the University’s priorities. You are in the advance gift stage of the campaign, and have faculty endowment as one of your priorities.
- In response to your cultivation and pre-solicitation conversation, your donor couple preempts your ask by coming to you with an interesting offer.

# Case Study V (continued)

## Choose one of the following gifts:

1. A current cash gift of \$800,000—they have their checkbook with them.
2. A pledge of \$1 million payable at the rate of \$100,000 per year for 10 years, certain to be fulfilled.
3. A gift of undeveloped land with a fair market value of \$975,000—assume no environmental problems.
4. A charitable remainder trust funded with \$2.3 million in appreciated stock. The couple is willing to accept a 5% payout for life, and they are the two income beneficiaries. Assume the charitable deduction is \$1,290,000.

# Case Study V (continued)

## Questions:

- A. Which gift would you choose? Why? (Do you need more information to make this decision?)
- B. Which gift do you think will be most appreciated by development leadership, and have the greatest impact on your performance evaluation? Why?
- C. Knowing what little you know about this donor couple from the above description, which gift would you guess would be best for them? Why?

# Case Study VI

- Harry Edison is a Hobart College graduate, B.A. 1974, who went on to earn his M.D. degree at Ohio State University. Following his residency at the Cleveland Clinic, he practiced internal medicine in Columbus until 1992, when he launched a biotech firm, The Edison Group, which was enormously successful throughout the 1990s. Joe Saunders, a Board member who grew up in the same neighborhood as Dr. Edison, in Lima, Ohio, was one of The Edison Group's major investors. Dr. Edison has maintained a clinical appointment at Ohio State and sees patients one day per week. He is also a high-profile lecturer to undergraduates on chemistry at Capital College. He lives in Dublin, and has been a reliable donor to many local charities, including Metro Museum, Ohio State, and Capital College, sending gifts in the \$100-\$200 range in response to the annual appeals.

## Case Study VI (continued)

- Over the years, several development officers for the Metro Museum have tried to visit Dr. Edison. He has never been available for a meeting; did not respond to invitations to join an advisory committee when the Museum was considering a new wing for the sciences; and he has never, to the best of our knowledge, been to the Museum. Exasperated and worried about making her monthly contact goals, the development officer for the Museum assigned to this prospect, Laura Tyler, has rated Edison “inactive” and decided to focus on more accessible prospects. Vice President Matt Jones, however, who joined the Museum recently from a senior staff position at Capital College, is convinced that Edison has major potential.

# Case Study VI

## Questions:

- A. Based on the information available to us, how would we evaluate Harry Edison against the three fundamental criteria for major gifts solicitations:
  - Financial capacity?
  - Interest in the Museum?
  - Philanthropic intent?
- B. What else do we need to know?
- C. What is the best strategy for moving forward?
- D. Who needs to be involved, and what role will each person play?
- E. What are the right fundraising objectives regarding this prospect:
  - Short-term?
  - Middle-term?
  - Long-term?



## **AFP/OSU Education Summit**

# **Campaign Case Studies Session Four**

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**Eloise Dunn Stuhr**

Vice President and Managing Director

# Case Study I

- A State U alum who is the CEO of a Fortune 500 company has been identified as a major donor prospect. The donor is known to be philanthropic and Research is asked to provide additional information. Research indicates that the donor has several areas of focus: his religious faith (number one), organizations that contribute to Washington DC where he has lived his entire career (number two), and general quality of life issues (number three).
- A State U development officer visited Mr. Smith in 1995. Although they had a brief meeting, Smith conveyed his willingness to help State U, particularly on behalf of students. He states he has no interest in meeting with the Chancellor or College Dean.

# Case Study I

- In 1997, the same College development officer solicited Mr. Smith for an endowed professorship (\$1.5 million). Smith said he has no interest in endowing professorships or helping with capital projects. He makes a small gift.
- In 1999, the same College officer, but different staff member, solicited Smith for an endowed chair. He reminded them he had no interest in this type of gift. Smith makes a small gift for student scholarships.

## Case Study II (continued)

- In 2002, Smith is called upon again by a development officer, and they have a cordial meeting. Smith expresses the most interest in helping students. The development officer encourages a gift to endow a chair or to help with the construction of a new building. He does not completely dismiss the latter ideas, but makes a small gift for student scholarships.
- In 2004, a development officer brings the new Chancellor to meet Smith. Smith was brisk and abrupt to the Chancellor.
- In 2005, a development officer wrote Smith suggesting that he make a major donation to name the college. In the letter, the development officer notes the pride he would have in the Steven Smith College of Public Policy. Unfortunately, Smith spells his first name Stephen. He does not respond to the letter.

## Case Study II (continued)

- In 2008, during the College campaign, Smith is solicited again for a chair or a donation for the new building. He again turns down the offer but makes another gift for student scholarships.
- Here is a case of the University having one set of priorities and the donor another. What is the next step?

# Case Study III

- Upon receiving the 2008 Report of Gifts, the parents of a Pare Academy alumna and a current student contacted the Academy. “We have been making an institutional contribution for the past five years and would like to continue to support the Academy.”
- “But we are wondering whether a more focused gift might be more beneficial for both us and the Academy. We read with particular interest the information your magazine provided about a gift annuity. We were thinking about the possibility of funding a scholarship in our daughters’ names and were wondering what the minimum amount would be to fund a scholarship. Of course, we need to know whether this option is of interest to Pare Academy; also, we would like to focus the scholarship to a particular type of student.”

## Case Study III (continued)

- First, there is the question of the minimum amount. Then there is the question of the Academy's stance on the idea of restrictions on such a scholarship.
- And finally, there are questions about how to fund the award. One option, of course, is a gift annuity.

### **Questions:**

- A. Is there charitable intent?
- B. What is the development officer's first response?
- C. Do the children have a role?

## Case Study IV

- A donor couple to the University has been thinking long and hard about their campaign gift. This will be their “ultimate” gift to the University, the largest gift you will receive from them, since they are a retired couple in their late 70s. They have a history of making significant gifts to other educational institutions, and have generally been interested in the University’s priorities. You are in the advance gift stage of the campaign, and have faculty endowment as one of your priorities.
- In response to your cultivation and pre-solicitation conversation, your donor couple preempts your ask by coming to you with an interesting offer.

# Case Study IV continued

## **Choose one of the following gifts:**

1. A current cash gift of \$800,000—they have their checkbook with them.
2. A pledge of \$1 million payable at the rate of \$100,000 per year for 10 years, certain to be fulfilled.
3. A gift of undeveloped land with a fair market value of \$975,000—assume no environmental problems.
4. A charitable remainder trust funded with \$2.3 million in appreciated stock. The couple is willing to accept a 5% payout for life and they are the two income beneficiaries. Assume the charitable deduction is \$1,290,000.

## Case Study IV (continued)

### Questions:

- A. Which gift would you choose? Why? (Do you need more information to make this decision?)
- B. Which gift do you think will be most appreciated by development leadership, and have the greatest impact on your performance evaluation? Why?
- C. Knowing what little you know about this donor couple from the above description, which gift would you guess would be best for them? Why?

# Case Study V

- Sally, a planned giving officer, heard a local financial planner say that she had clients who were very charitably motivated, and wished to make a “significant” contribution to the University. Furthermore, these clients were not alumni, parents, or even past annual fund donors to the University.
- This is wonderful, Sally thought to herself. The Vice President likes nothing better than new donors. Sally was further buoyed with each additional sentence uttered by the financial planner.
- The clients had no children but wished to support a few nieces and nephews. They had a significant cash position in their holdings, as well as some highly appreciated securities. They had always admired the University’s mission, especially its emphasis on a solid liberal arts education. Among the options under consideration were charitable remainder trusts, bequests, and some outright giving.

## Case Study V (continued)

- Sally continued her discussions with the planner and the donors' attorney, never meeting or speaking with the donors themselves. After a couple of months, the planner called to schedule a meeting for Sally and the donors at the planner's office. "The donors will make you quite happy," stated the planner.
- At the appointed hour, Sally was introduced to an engaging, vivacious 65-year-old couple who was more enthusiastic about the University than she could have imagined. The financial planner stepped in.
- "Here is why we're all gathered here," she said. She proceeded to hand Sally a life insurance contract on the joint lives of the donors. "This policy is fully paid up with a single premium. You'll note that the face amount of this policy is \$2 million. I'm sure that the University has some nice benefits for its \$2 million donors."

## Case Study V (continued)

- Sally thanked everyone and set up a luncheon for the donors and the President of the University. As she returned to campus, she didn't know whether to laugh, cry, or both. In a review session with the Vice Presidents for Development and Finance, she explained that the donors had paid \$400,000 cash for the policy.
- "Don't they know that we have needs today?" queried the Vice President for Development. The Vice President for Finance countered, "Let's just take the cash out of the policy now. We own the policy, don't we?"
- Sally remembered the words of the financial planner, "This is just the tip of the iceberg if you play your cards right." Balancing all the competing interests in a manner that was seamless to the donors was going to be a challenge.

# Case Study V (continued)

## Questions:

- A. Some donors prefer to remain anonymous. Others are being “protected” by their advisors. When a donor is brought to your door by his/her advisor, how hard do you push for a personal meeting with the donor?
- B. What does “fully paid up” mean? Is there a possibility that premiums will be due in the future should the paid-up assumptions be in error? Does the donor understand that he/she may have to pay these premiums if the University will not, in order to keep this policy in force? Is all of this in writing?
- C. The University’s donor recognition policy will determine the level at which the donors are recognized for this gift. The planner’s characterization of this couple as being “\$2 million donors” will stick in their minds. Should Sally address this perception if the University does not plan to recognize their gift at this level?

# Case Study V (continued)

## Questions continued:

- D. Development officers know the organization's need for current capital, especially in a case such as this, where the donors could have made an outright contribution. At age 65, these donors have an approximate 24-year life expectancy. If the University's assets grew at a conservative eight percent annually, the \$400,000 would grow to \$2.7 million, and the University would have had use of the funds over that period. Which option is better for the University?
- E. Should Sally mention any of this to the donors? On the other hand, given the "tip of the iceberg" comment, Sally also needs to impress upon her two Vice Presidents, the importance of a long-term relationship with donors who were unknown to them just a few months ago. What should Sally do?
- F. The Vice President for Finance asked an important question. Why?