

Gala Fundraisers ©

COF & CFA

While gala fundraisers don't always net significant short-term revenue, the long-term gains from these fundraising events benefit both the nonprofit and the donors involved in the organization.

Every two years, the San Francisco Symphony stages what may be the fanciest street party in the country: the Black & White Ball. More than 10,000 people in black tie turn up at the eight-square-block Civic Center Plaza on a mild June evening. They drop in at the various Beaux Arts buildings around the plaza to dance to different musical groups - including, of course, the symphony itself- eat finger food, and drink champagne. At the end of the night, the Bay Area's top pastry chefs reveal their surprise desserts- all different but also all black and white.

For all this expense- \$2 million in direct costs plus much more in terms of volunteer and staff time- the event nets a relatively modest \$1 million. It is a mere sliver of the orchestra's \$50 million budget, and yet its importance for the institution is hard to overstate. The ball generates widespread press attention, brings donors in contact with one another, and gives everybody a chance to celebrate the symphony. For wealthy patrons, galas raise a simple question: are ticket purchases a prudent way to conduct philanthropy?

Seeing the Bigger Picture

Rarely does the evening's take from a gala represent a significant portion of a nonprofit's revenue. Quite often an institution can end up losing money, according to experts. But with good planning and prudent spending, a gala can become an important part of an organization's fundraising strategy- and an enjoyable, and informative, night out for the donor.

Event fundraising can be very staff-time-intensive, and the returns in terms of net revenue can be minimal, said Chuck Loring, a fundraising consultant with Loring, Sternberg & Associates in Carmel, Ind. But all of that is okay if there is a bigger vision involved. That vision is one of turning first-time guests into reliable supporters. In other words, the check one writes for the ticket is, theoretically at least, just the first of many.

Competing for Donor Attention

The climate for fundraising galas has become more competitive in recent years as the number of nonprofit organizations has grown.

In an attempt to battle donor fatigue, many nonprofits are trying to outdo their peers with more expensive galas. This can be a waste of money, according to many experts. One theory is that good food and pretty flowers are worth the investment, while fancy invitations and expensive entertainment

do little to draw a crowd. Smart organizations solicit companies to donate supplies.

Increased IRS Scrutiny

As galas grow in popularity and number, so has IRS scrutiny over this type of fundraising practice. In California, a new law requires professional fundraisers to register with the state and to report to charities whether they are paying celebrities to appear at events.

Another common practice-underreporting a gala's expenses, or at least loosely interpreting tax regulations-has also come into focus in the past few months. The Internal Revenue Service is asking 2,000 tax-exempt organizations for more information about their fundraising.

One practice that may be examined is how nonprofits often understate how much of a ticket's price is nondeductible. The nondeductible portion is supposed to correspond to the value of the evening. As a result, the patron can deduct more money from his taxes than was actually donated to the charity-though it is the nonprofit, not the patron, who is ultimately responsible for determining the evenings true worth.

Benefits for Donors

Guests of honor are worthwhile, if their presence makes sense for the charity, and it is then when they are usually willing to appear for free: an opera singer at a music education group, for example. But the most valuable assets at dinner, both for patrons and for the organization, will be other attendees.

"People come to a special event, they sit down, they get acquainted and somebody at the table will say, 'I've been supporting this agency for 10 years and I volunteer to work in their library,'" explains Alan Wendroff, an author and independent consultant in San Francisco. "And the other people say, 'Oh, well, tell me about it.'"

These volunteer-guests serve as ambassadors for the organization as well as trustworthy sources of information to potential donors. While they wouldn't have come if they were not already disposed in favor of a group, fellow guests are likely to give newcomers a fairly candid look at just how worthwhile it is to be associated with a particular institution.

In addition, notes Lara Henry, the director of research and evaluation at the BBB Wise Giving Alliance, guests shouldn't be bashful about the very practical, self-interested benefits of attending galas, of which the organizers are well-aware. "It's a networking opportunity for donors," she said. "It's a chance to meet friends and to meet new colleagues. I might say, 'Maybe I should start looking for a new job. I might meet someone there from my field.'"

All of which suggests that galas can indeed be a worthy charitable investment. For donors, it's a chance to participate in the fun, social side of philanthropy and connect with like-minded individuals. For nonprofits, it's a way to connect with donors in a relaxed atmosphere and build awareness of the

organization. And with goals like that in mind, the price doesnt look so expensive after all.