



## INCREASE THE FINANCIAL IMPACT OF PHILANTHROPY

The strategic use of organizational dollars has become a regular topic around the governing board table. However, within this conversation, one potential source of revenue is often overlooked or utilized in a less strategic manner: charitable giving. However, it's time for boards to change how the health care organization looks at, values, and utilizes charitable dollars, since philanthropy can be a high-ROI, alternative revenue resource capable of funding the organization's most important plans.

There are immediate, practical steps to recalibrate the use of charitable dollars and to recapture the impact of dollars that may currently benefit low-value and low-priority efforts. *These include:*

- **Improve project selection.** Charitable funding priorities should reflect the supported health care organization's most compelling opportunities, so there needs to be tight alignment between the strategic priorities of the hospital and the funding

priorities of the foundation or development office. Impactful fund development is rooted in the ability to enunciate a clear and compelling vision of what the organization could be if it achieved its potential. When there is a disconnect between strategy and philanthropy, fund development is functionally indifferent to enabling high value or low value activities. Significant donors are also inclined to direct gifts toward high-visibility, high priority, high-impact projects central to the institution's mission and vision. As the governing board plays a significant role in guiding organizational strategy, it also has a responsibility to ensure efforts to secure charitable investment are focused around core, strategic projects that will have the greatest impact on mission fulfillment.

- **Inventory what philanthropy currently funds.** In many organizations, charitable dollars are still deployed outside existing budget processes, so the health care organization does not have an accurate picture of total organization spending. Institutions are better served by capturing all the "uses" of dollars in their overall budget and then specifying whether the "source" will be the hospital operating budget, hospital capital budget or philanthropic funds. This prevents departments from bypassing the discretion and prioritization of the overall budgeting process by virtue of using charitable income to fund their plans. This also better positions the organization to adopt a posture of

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using donor-restricted charitable funds as “first in” funds – before operational dollars – to ensure charitable income is being proactively and strategically deployed.

- **Limit decision-makers.** To ensure strategic use of donor dollars, the organization must limit the number of decision-makers with rights to access and use charitable funds. For example, in many organizations, department directors have access to charitable funds restricted for their service line, department or program. However, often, these funds are treated like a slush fund or checking account to be used at an associate's personal discretion. This dispersed authority not only exacerbates the issue of dollars bypassing normal budgetary discretion and prioritization processes but also can result in expenditures that would be deemed inappropriate by donors or hospital management. Instead, decision-making thresholds for the use of charitable funds should be as rigorous as those that exist for any other source of organizational resources. Work in collaboration with health care executives and the foundation board to ensure policies appropriately articulate who can access and direct charitable funds.

These opportunities are a great place to start...but are just a beginning. In this new era – where charitable income is evolving from a source of funds for discretionary, value-added projects to a core revenue source – organizations should audit their processes, procedures and cultural traditions on how contributed money is counted and deployed. By bringing new attention and discipline to this process, philanthropy can be increasingly counted upon by the health care organization as an important, alternative source of revenue to enable strategic imperatives.

# For Board Discussion ≡

How can health care executives, governing board trustees and foundation board members collaborate to select strategically aligned and compelling funding priorities for potential community investment?

What is our philosophy on how philanthropic revenue should be appropriately used to advance the health care organization's mission? Are there certain things we believe charitable dollars should or should not fund?

Do current organizational policies around the disbursement of charitable funds ensure appropriate use, maximize the impact of contributed dollars and safeguard donor intent? How can we more effectively collaborate with the foundation board to refine our approach?

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