A Fundraising and Donor Engagement Fee

Recommendation: Adopt a reasonable, clearly disclosed fundraising and donor engagement fee, based on actual costs, and direct it to the organization performing and paying for the work.

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Start Here

Fundraising has real costs, and someone pays them. Read why a disclosed fee is a recognized practice, then use the five steps in Setting the Fee to work out a rate your board can approve.

Fundraising Is Not Free

The National Council of Nonprofits states plainly that fundraising has a cost. 1 The IRS defines fundraising expenses as the costs incurred in soliciting contributions, gifts, and grants. These include fundraising campaigns, grant and bequest requests, donor lists, events, materials, professional services, staff time, and a reasonable share of related overhead. 2 Overhead means the shared costs that keep fundraising running, such as employee salaries and benefits, technology systems like the donor database, office space, and printed and mailed materials.

That leads to the most important point:

A “no-fee” policy does not eliminate fundraising costs. It moves them to unrestricted funds, reserves, donated labor, another organization, or an outside sponsor.

The fee does not create the cost. It creates a responsible plan for paying it.

The Common Objection

“But donors want 100% of their gift to go to the cause.” 3

That is too broad. There is no credible evidence that donors universally require every dollar of their gift to be separated from fundraising costs.

A peer-reviewed Science study involving 40,000 potential donors did find that some donors preferred an “overhead-free” offer. But the overhead did not disappear—another donor paid it. The study shows that presentation can affect giving, not that fundraising should be free. 4

The practical response is:

Donors want their gifts to make a difference. Fundraising and donor engagement help make that possible by finding supporters, processing gifts responsibly, keeping donors informed, and building future support for the cause.

Professional guidance supports this approach. AFP states that fundraising has many components and requires investment. It advises each nonprofit board to evaluate fundraising costs and returns based on its own circumstances. 5 AFP also emphasizes fundraising effectiveness and growth—not simply minimizing reported cost. 6

A Recognized Practice

The AFP Foundation for Philanthropy itself uses a formal reinvestment fee: 5% on gifts and 10% for grant administration. Its policy says the fee supports development and related administrative costs. 7

This is not a commission. AFP prohibits paying an individual fundraiser a percentage of gifts raised. 8 An organizational fee instead supports a board-approved budget for fundraising and donor engagement. 9

Revenue Follows Work

The fee should go to the organization that performs and pays for fundraising and donor engagement.

If an organization employs the staff, maintains donor records, manages communications, processes gifts, acknowledges donors, and reports to them, that organization should receive the fee.

One organization should not bear the costs while another keeps the revenue intended to pay them. That separates responsibility from resources and prevents clear oversight.

Setting the Fee

The volunteer board should use a simple process:

1. Prepare the full annual fundraising and donor engagement budget.
2. Subtract dependable funding already available for that work.
3. Divide the remaining need by the gifts expected to be covered.
4. Consider a cap for unusually large gifts.
5. Review the rate and results annually.

Example:

- Annual cost is $300,000.
- Existing funding is $100,000.
- Remaining need is $200,000.
- Covered gifts total $5 million.
- Indicated fee is 4%.

Public policies demonstrate that organizational gift fees are established practice, and published rates commonly range from 3% to 15%, often with caps or lower rates for large gifts. 10 A 4% or 5% fee is a reasonable starting point if supported by the organization's budget. 11, 12

Volunteer-Board Responsibility

Most charitable nonprofit board members serve as unpaid volunteers, but they remain fiduciaries. 13 The National Council of Nonprofits says boards have a duty to make sure charitable assets support the mission and recommends adopting financial policies as part of prudent management. 14

The volunteer board need not be expert in fundraising. It must, however, become informed, examine the actual costs, and act in the organization's best interest. Familiar practice and unsupported assumptions about donors are not substitutes for a sustainable budget.

The board should approve:

- The purpose and rate.
- The organization receiving the fee.
- Covered gifts, exemptions, and any cap.
- Permitted uses.
- Advance donor disclosure.
- Annual reporting and review.

Accepted donor restrictions must still be honored.

Recommendation

Adopt the smallest fee that reliably funds the documented need—likely 4% or 5% if supported by the budget—and require that the revenue follow the organization doing and paying for the work.

The central message is:

Fundraising is part of funding the cause. A reasonable, transparent fee supports the people, systems, communications, gift processing, and donor care required to raise and responsibly manage charitable support. Without the fee, those costs still exist and are paid from somewhere else.

References

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About the Builder

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35 years leading advancement strategy across the nonprofit sector and more than $10 billion in campaigns. She guides teams through campaigns.

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Questions About Fundraising Fees

What is a fundraising and donor engagement fee?

It is a disclosed fee, based on actual costs, that pays for the work of raising and managing charitable support. That work includes donor records, communications, gift processing, acknowledgments, and reports to donors.

Do donors expect every dollar of their gift to go to the cause?

There is no credible evidence that donors universally require that. When an organization presents an overhead-free offer, another donor still pays the overhead.

How do we set the rate?

Start from the full annual fundraising and donor engagement budget, subtract dependable funding already available, and divide the remaining need by the gifts expected to be covered. Consider a cap for unusually large gifts and review the rate each year.

What does the board approve?

The board approves the purpose and rate, the organization receiving the fee, covered gifts and exemptions, permitted uses, advance donor disclosure, and annual reporting and review.

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