

The Fundraiser's Guide to Data Sources

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Introduction

Translating wealth indicators into giving capacity, especially with a limited view of a prospect's wealth, can be one of the toughest challenges fundraisers face. In addition, a prospect's capacity can dramatically change depending on whether the gift is needed immediately or can be used for a planned gift.

For example, an elderly woman with very little income may have put a large number of small rental homes into a trust that totals millions of dollars. By introducing a planned gift that creates income for the prospect, a nonprofit may be able to turn a very small donor—let's say under 150 dollars per year—into a multimillion-dollar supporter. This means that the gift capacity of the elderly woman for a current gift was 150 dollars while her planned giving potential was over a million dollars.

The task of determining capacity, whether it be for an annual fund, major gift, or a planned gift, can be made easier when fundraisers understand what information they can expect to find in each data source used in an electronic wealth screening tool, and what makes each type of wealth unique and important.

It is also important for fundraisers to remember that a wealth screening is not the same as prospect research and cannot be considered “prospect research in a box.” Wealth screenings are a computerized process, and while they are very effective in identifying new prospects, they are not fool-proof, not 100 percent accurate, and not a panacea or a replacement for your own research and qualification.

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Contents

- 2 Introduction
- 4 Dun & Bradstreet®
- 5 Refinitiv
- 7 CoreLogic®
- 8 Guidestar®
- 9 NOZA™
- 9 Marquis Who's Who®
- 10 Larkspur
- 11 Experian®
- 11 Conclusion

In fact, the nature of the wealth screening process is very dependent on the quality of the data submitted by a nonprofit and the availability of data in publicly accessible databases. Not all prospects are in all databases, and if they are, a confirmed match is dependent on whether the name and address provided from the nonprofit's database can be electronically matched to the vendor databases used. Even the best screenings are often only able to uncover a portion of a person's wealth simply because a great deal of wealth is not publicly identifiable.

Results from a wealth screening will help provide clues for identifying prospects whom you may or may not have otherwise known about. It is best used when trying to identify new prospects with whom you do not already have a relationship. Any well-planned cultivation process with a prospect should help you uncover even more information that is not identified by your wealth screening. But, your wealth screening will lay the groundwork for you to continue to 'build a true profile' of your prospects through verifying or confirming identified information, understanding and improving the details held within your results, and going beyond the data provided to understand the true capacity and inclination of each prospect through a formalized cultivation plan.

In summary, to get a solid understanding of your wealth screening results you also need to have a solid understanding of each of the vendor databases that are used in your wealth screening.

The data sources described below serve to help fundraisers learn and understand the sometimes complicated nature of wealth. Depending on your wealth screening solution, you may not have access to all of these sources, or to each data element within a particular source. But it is certain that many of these sources and associated data elements will be included in your results.



Dun & Bradstreet®

Dun & Bradstreet (D&B), a source of commercial information and insight on businesses, has information from hundreds of millions of business records. Information surfaced from D&B is primarily self-reported, or compiled by D&B, and focuses primarily on private companies. However, it is not uncommon to find a public company or nonprofit also listed in D&B. Among other data, this database is able to return the following constituent information, when available:

- Company name, address, telephone number
- Individual's position at company
- Sales volume
- Year founded or established
- First six primary Standard Industrial Classification (SIC) codes
- Description of business
- Number of employees
- Executives at the company, including biographical information
- Percentage of ownership
- Company URL

D&B is primarily used to determine private company ownership, which is the most common form of wealth. Armed with D&B data, fundraisers are able to estimate the value of a business to an individual prospect by using industry-standard value-to-sales ratios provided by Blackbaud. However, there are a couple of things to keep in mind when looking at the data revealed by D&B.

D&B collects its data from a variety of sources including direct interviews with company principals, banking data, legal filings and other governmental interactions, corporate financial filings, news and media outlets, and company websites. Even with their extensive research and system of checks-and-balances, not every company is researched and updated for each D&B release. For those that are updated, many companies may choose to not accurately report their data. This means that a

company with 500,000 dollars in listed revenue could actually have ten times that amount, or vice versa. Some companies under-report, considering it a competitive disadvantage to share true revenue figures. But, since D&B is used by private firms to establish credit, others may prefer to over-report to make themselves look stronger financially.

Another issue is that a company record may be a subsidiary or operating location of a parent company, and the revenue reported may be specific to that location. An example is an auto dealership with multiple locations. The dealership found in D&B has five million dollars in revenue, but there are in fact six others with total revenue of 25 million dollars. In most cases, if your prospect owns part of the subsidiary, they likely have the same ownership stake in the parent company, even if it is not being reported by D&B.

Since wealth screenings interpret data in a very literal, black-and-white, fashion, fundraisers must also take a close look at how certain data is reported by D&B. Suppose there are only two employees at a company: the prospect and the prospect's spouse. Suppose also that the D&B listing does not indicate company ownership. It may be logical for a person to assume that the company is fully owned by the couple, but if the data is not reported specifically as such in D&B, a wealth screening product will not make that assumption.

Or, suppose that a company reported someone's title as the owner of the firm but did not also report the percentage that the person owns. In this scenario, your wealth screening will default to zero percent ownership even if this is untrue.

To compensate for such inconsistencies in sales, ownership percentage, or any other data element, fundraisers should consider editing a record in any instance where additional or improved data can be provided. This will, in turn, improve the accuracy of your data for other users at your organization and potentially update estimated wealth and giving capacity for the prospect.

Other important questions that can be answered by D&B include:

How long has the business been in existence?

The newer the company, the less likely it is that a prospect has accumulated significant wealth. In fact, during the first two to three years of company ownership, the prospect's wealth may actually decline significantly. It is after five years that wealth from a business typically starts to build. Experience shows that a company will often change hands between year 12 and year 18, either by purchase or transfer to family. In addition, after 12 years, companies are generally at least 20 percent liquid. This means that a prospect with a business valued at 10 million dollars may have two million dollars in other liquid assets such as publicly traded stocks, bonds, and cash.

Is the company a family business or backed by family money?

This may not be transparent, but there are clues fundraisers can look for to help determine if this is the case. Start by looking for multiple executives with the same last name and checking the company's website for a history of the firm.

Which industry is the business in?

Is it a growth industry? Even in a down economy, some businesses still see growth. Where does the company fall within an industry? Are there special assets, such as patents, that the company might own? Scanning local papers and business journals is often a great way to uncover additional information on private companies.

Finally, a general note about professionals: private company owners and professionals make up over 75 percent of all millionaires. They fall into three categories: employees, highly paid specialists, and business owners. An ideal prospect is both a specialist in a lucrative field and a business owner. An HMO doctor is a great example of an individual who is rarely an ideal major gift prospect. While they make a good living, they are typically not going to have a great deal of wealth unless they come from it or married into it.

Refinitiv

Refinitiv—formerly Thomson Reuters—reports on Securities & Exchange Commission (SEC) data dating back to 1986, the year when the SEC first began requiring “insiders” to formally report their stock holdings. An insider is any individual who is a director, top five “policy-making” executive or a 10 percent or more beneficial shareholder of a public company. Since the filing requirements went into effect, there have only been approximately half-a-million insiders across the country.

Highly detailed data is available through your wealth screening on all insiders, including:

- Current holdings (direct, indirect, totaled, and by individual company)
- Past stock sales (including exercised options and gifted stock)
- Compensation for executives
- Stock options (exercised versus non-exercised totals)
- Transaction dates and prices
- Hyperlinks to current stock prices and company research

Since insider filings are regulated by the government, information on insiders is much easier to find than that of private company executives or owners, and it tends to be more accurate than D&B data. However, stock data can still be filled with potential obstacles for fundraisers.

Fundraisers should avoid treating executives, directors, and major shareholders the same way. With executives, it can be assumed that a great deal of their wealth is tied to the public company in which they work. With directors, the opposite is true. Most of a director's wealth is likely to be outside of the public company. In most cases, especially for directors, insider stock holdings represent just the tip of the asset iceberg. And since most insiders are savvy investors, we can assume that many are well diversified beyond what they are required to report.

Specifically when researching directors of public companies, fundraisers should focus on why the director was put on the board in the first place. It could be because of the private company they own or their connection to the company founders. Or it could be because of their success or stature in their primary career. By researching those leads, fundraisers can uncover the true extent of the director's wealth. It is always a good idea to look for multiple board affiliations, too. Often, leads to this type of information can be found in the biographies of insiders, either within your electronic screening data or on company websites.

Included in your wealth screening results are both current and historical stock holdings, highlighting the last/most recent transactions an insider has reported to the SEC. However, it is important to keep in mind that once a person is no longer an insider, they may still make additional stock transactions that will not be reported to the SEC. In cases where the most recent transactions are from years ago (for example: 1998 or 2002, or even 2008) it is safe to assume that these may be historical snapshots of what a prospect had while they were an insider. You can assume that their relative level of wealth has remained similar, but do not assume that they still necessarily own the same number of shares reported in your results.

INDIRECT HOLDINGS

It is also important to remember the difference between direct and indirect holdings. Indirect holdings can mislead many nonprofit executives into believing that a prospect is very wealthy, when in fact, he or she does not control the stock at all. Sometimes these indirect holdings are held by a spouse, or funneled to a private foundation for charitable giving, in which case the value can be factored into gift capacity. But sometimes, especially in cases where a prospect works for an investment or venture capital firm, the prospect's indirect stock holdings may actually be owned by the company they work for and not the prospect. Researchers need to make sure to read the footnotes



found in proxy statements or on the Insider Form 3, 4, or 5 to fully understand indirect holdings.

STOCK OPTIONS

Stock options are not as popular as they used to be, but in some cases they still represent a great deal of an executive's wealth. It is usually a good idea to keep options as a separate wealth indicator from stock holdings since a prospect does not actually own them until he or she exercises the option. When using stock options, be sure to check whether or not the stock is exercisable based on today's date (check the vested and expiration date on the option). Also, be sure to only use the "net value," which is the difference between the current market value and the exercise price of the option. (Example: \$25 market value – \$5 exercise price = \$20 net value).

PAST STOCK SALES

When it comes to past stock sales, fundraisers need to exercise special caution. At first glance, it would seem that all one would have to do is add this figure to a prospect's total wealth. The problem with this approach is that the gross amount of stock sales is not what the prospect actually ended up putting in the bank. As always, depending on how long the shares were held, the IRS will collect its share of either ordinary income tax or capital gains. Furthermore, fundraisers can never be sure if a stock sale went to fund new investments, personal expenses (such as purchase of a house, child's college tuition, etc.), or were required due to circumstances such as a divorce, all of which could greatly affect current assets.

CoreLogic®

CoreLogic collects and maintains the most comprehensive real estate property database in the United States including mortgage, geospatial parcel data, and property tax data. Data returned is extensive, and includes the following, when available, from the local tax assessor or recorder of deed:

- Owner, buyer, and mortgagee names
- Assessment value and year
- Purchase price and year
- Market value and property estimate
- Mortgage amount (up to two loans)
- Mortgage type and lender name
- Description of property
- Full details about the property including land and building specifications, legal description, and deed information

While CoreLogic is the most comprehensive source for uncovering real estate data, the information can only be as good as the assessor or recorder of deeds office that provides the data to CoreLogic. As such, the data uncovered varies significantly from state to state, and even from municipality to municipality.



The first challenge with real estate data is figuring out what a property is worth. Always consider the role of geography. A million-dollar property means very different things in different markets across the country—for example: Des Moines, Iowa versus Manhattan. And some properties, such as a co-op in New York City, may not have an individual value.

Furthermore, most people know that *assessed value* and *market value* are two different things. However, how they are different depends on the municipality. In some towns, assessed value and market value are pegged to the same figure. There are some counties that calculate assessed value on the amount of total taxes owed. Still others have no discernible relationship between assessed and market value at all. In California, for instance, there are properties worth millions of dollars that are still assessed near their original purchase price, which may be just a few hundred thousand dollars. Therefore, it is important to understand the

value of a property based on current equalization ratios, comparable properties, and/or recent sales in the same neighborhood.

Fundraisers should also pay attention to the mortgage amount and purchase year of a property. A prospect with a million-dollar home and no mortgage may be a better major gift prospect than someone who is ‘house rich and cash poor,’ with a million-dollar home that is entirely mortgaged, or worse yet, underwater (meaning their mortgage is higher than the current market value of their home). However, if the million-dollar home with no mortgage was purchased 35 years ago, it may have dramatically appreciated under its current ownership and the prospect may still be ‘house rich and cash poor.’

In this instance, the no-mortgage prospect may be better suited as a planned giving prospect than a major gift prospect.

Other important aspects of real estate holdings include:

- Multiple property ownership is a critical element in determining a prospect’s wealth. Experience shows that individuals with two to three properties have a better giving pattern than those with four or more. People with a large number of properties tend to use them as investments, as opposed to primary and secondary/vacation homes.
- Many professional practices own their building(s). For prospects who are business owners, fundraisers need to also check commercial real estate records using the business name.
- Always consider that the wealthier a person gets, the smaller a portion of their wealth is typically tied to real estate holdings. There is a big difference between a prospect who owns a two-million-dollar home with no other assets versus a prospect who owns a two-million-dollar home in addition to being a director of a public company and a private business owner.

Finally, concentrate on prospects who hold their property in trust. Individuals placing their property in trust generally do so to protect their wealth. Reasons could include planning for an intergenerational transfer

of ownership, making bequest intentions known or being employed in an industry with a higher risk of being sued, such as medicine or construction. Regardless of the reason, those with property in trust generally have assets they are trying to protect and have a higher sophistication level regarding wealth, assets, and potentially even planned giving.

Guidestar®

Foundation and nonprofit board member databases such as Guidestar provide a comprehensive listing of individuals who have their own foundation, serve on foundation boards and/or serve on the boards of nonprofit organizations. Pulling from IRS tax filings, Guidestar covers more than 1.8 million IRS-recognized tax-exempt organizations and contains more than 5 million Form 990 images. These entries include private foundations, operating foundations, community foundations, corporate foundations, and giving programs, as well as grant-making public charities and other nonprofit organizations. Since a home address is not required in the IRS reporting procedure, a wealth screening cannot always confirm these Guidestar matches and you will find that most matches will be returned as “Identified.” Guidestar data includes:

- Foundation/nonprofit name and address
- Tax year ending and ruling year
- Organization type
- Names, titles, and compensation

Guidestar is a great resource to further flesh out a prospect’s known giving and volunteer interests, especially if you can find prospects affiliated with your nonprofit who also sit on boards of foundations with giving interests aligned to your nonprofit’s mission. However, Guidestar does not possess an exhaustive up-to-date list of directorships, nor does it list all private foundations since some foundations are too small to require IRS tax reporting. As such, it is possible that

your prospects could be involved with organizations not covered by Guidestar.

Pay attention to the form date associated with the Guidestar record. This is the date of the tax year when the form was filed. You will see both recent and historical affiliations. Keep in mind that since these are tax filings, they are already a year old when filed. There is an inevitable lag time between when the form is filed, when it is published by the IRS, and when it is acquired and published by Guidestar. You will frequently find that the most recent filing is two or more years old.

NOZA™

NOZA is a proprietary database of more than 175 million records of charitable donations to nonprofit organizations collected from publicly available internet locations. NOZA's gift information spans from the year 2000 to the present with an average of one million records added each month. Since nonprofits do not publish address information in their donor reports, most NOZA data is returned at the identified level. However, advances in technology have allowed Blackbaud to create algorithms to better help you match your prospects to their specific charitable giving and not simply to other donors with the same name.

Data returned from NOZA may include the following information on your prospects:

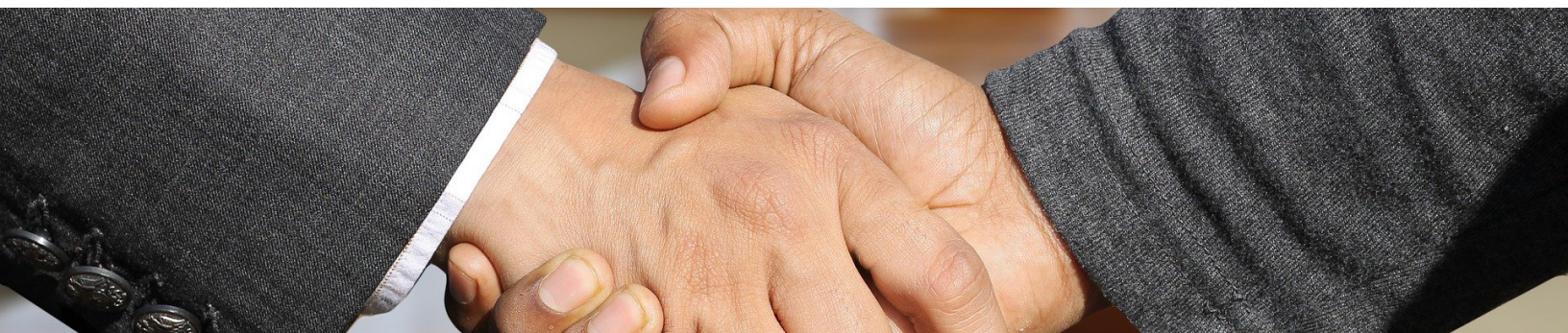
- Donor's graduation year (for educational giving)
- Donor's city and state

- Honoree name if the gift type was memorial or honorary
- Dollar range or amount of donation
- Gift category (for example: Annual Gift, Matching Gift, Estate Gift)
- Date or year the gift was received
- Organization name
- Organization city, state, and zip code
- Organization URL
- Organization category (for example: Higher Education, Environmental, Religion Related)
- Source material URL

Marquis Who's Who®

Marquis Who's Who includes over 1.6 million biographies dating back to 1985. It is important to note that all data in Who's Who is self-reported. Data returned may include the following information on your prospects:

- Family biographical detail
- Birth date
- Education background
- Career history
- Philanthropic and civic activities
- Avocations and hobbies
- Awards and creative works
- Club memberships



Many fundraisers discount the relevance of Who's Who because they know of too many non-wealthy individuals who have been asked to be included. However, people who fill out and return the application form turn out to be a self-identifying group of individuals. More often than not, people in Who's Who sit on boards, and people on boards tend to be philanthropic. This does not mean that everyone in Who's Who is wealthy, but it does mean that simply being listed increases the probability that the person is a giver. Thus, there is a correlation between being philanthropic and being in Who's Who.

Beyond identifying employment, fundraisers should concentrate on board memberships and club affiliations. Boards provide clues as to the person's philanthropic interests and capability. Club membership can indicate the social circles in which a person might travel. You may want to specifically look for club affiliations where your board members belong. Capitalizing on your board's professional and social network is a great way to help you learn more about potential prospects and have more personalized introductions. Clubs could suggest the ownership of multiple properties, especially when a club is located in a city that is not where the prospect lives.

Family history is another important item to be gleaned from a Who's Who biography. Look closely at where the person was born and then research lineage in that part of the country. Also, explore maiden names for other hidden family wealth.

Lastly, knowing how many children—and the ages of a prospect's children—can be helpful in determining if a prospect is currently paying or planning to pay for a child's education, limiting their ability to give to philanthropic causes.

As with charitable giving, biographical data is best used as a supplement to the hard asset data also included in your screening.



Larkspur

Larkspur synthesizes data from more than 70 different data sources to identify millions of high-net-worth individuals nationwide. It can be used to effectively suggest the presence of wealth in a household. Among others, indicators returned may include the following:

- Ranges for salary and assets
- Company affiliation and/or profession (doctor, lawyer, etc.)
- Luxury interests (yacht ownership, pilot, interest in golf, etc.)
- Religious and political affiliations
- Presence of children in the household

Larkspur is a strong resource for identifying hidden indicators of wealth, especially when prospects do not have a lot of data returned from other sources. Usually, a researcher will need to investigate the prospect further to determine if information can be found on the prospect that is outside the scope of the traditional wealth screening.

Experian®

Covering almost every household in the United States, Experian data helps add a demographic lens to your wealth screening efforts. Depending on your subscription level, data returned can include:

- Age
- Household members and age
- Income ranges
- Demographic cluster data

While not tied directly to capacity, these data points can help fill in some information gaps related to household composition, income, and demographics, allowing you to better understand the life and household circumstances of a prospect. It can also be helpful to connect the dots of your wealth screening return, especially when needing to confirm identified information. For instance, knowing the age of your prospect could help you make logical assumptions in confirming philanthropic gifts to educational non-profits when a class year is listed. It is highly unlikely that someone born in 1975 graduated from college in 1990! Or, learning a prospect's spouse's name could help you confirm identified real estate holdings owned in the spouse's name.



Conclusion

All told, the data sources outlined in this paper provide the framework needed for a successful proactive research program. Your organization has the opportunity to develop a comprehensive prospecting strategy that can identify the low-hanging fruit in your database while also providing you with the ability to dig deeper and peel the onion of potential. The key is understanding the nuances in your wealth screening data, including both strengths and limitations of the sources utilized, and coupling it with your team's bandwidth for identifying, qualifying and cultivating new prospects.

About Blackbaud

Leading uniquely at the intersection point of technology and social good, Blackbaud connects and empowers organizations to increase their impact through cloud software, services, expertise, and data intelligence. We serve the entire social good community, which includes nonprofits, foundations, companies, education institutions, healthcare organizations, and the individual change agents who support them.