RESOURCE 7
Strategies for Financial Sustainability

Choosing among strategies

Finding and keeping dollars for our organizations' pockets are constant challenges for many of us who have the task of keeping an organization financially afloat. Sometimes, challenge we would like to avoid alone with the headaches and frustrations they bring.

However, for all that the search for financial sustainability can be such a headache, sustainability is an essential goal--a "necessary evil," you might say. Financial sustainability allows us to stay in the game long enough to realize our dreams. That's because for all except the smallest of organizations, we need to pay for things such as the gas bill, our staff, and rent for our office. These things add up. All too often, they sneak up and become the focus of our work before we even realize what has happened.

We'd like to help you avoid that. Our belief is that some time and energy spent on financial sustainability up front will save you a quite a bit in the long run.

Strategies for financial sustainability

1. Marketing your organization

No matter what other strategies you use in pursuit of financial sustainability, you will need to think about marketing your organization. Marketing--at least commercial marketing--is a concept you are probably familiar with. We've all seen commercials, giveaways, and sponsorship of events done by corporations from Asics to Zenith. But how about marketing by and for nonprofit groups?

One of the best definitions of marketing for nonprofit organizations that we have seen comes from the Amherst H. Wilder Foundation. In their words:

"Marketing is a process that helps you exchange something of value for something you need."

In any community, these exchanges occur all the time. For example, an adult literacy program offers education and skills training, which will lead to a more capable work force for employers in the community. In return, the organization that runs the program needs clients, referrals, and resources to allow the program to continue.

The idea of marketing asks you to look at everything you do, and to do some of it differently. When the receptionist at your office picks up the phone, you probably don't think of that as part of marketing, but it really is. How he greets the caller says a lot about your organization: what you do, how professional or casual you are, and so on. And that's true of the follow-up to that phone call--whom the caller talks to next, or the information he receives in the mail, or the visit he makes to the agency. Image may not be everything, but it probably counts for more than we would like to admit.

When you think about marketing, then you're really thinking about all of the following:

- Image-building
- Friend-raising
- Membership development
- Community relations
- Political activities
- Citizen education

...You're not just trying to raise money.

In this chapter, we will assume that the bottom line for your marketing plan is managing resources: either money or in-kind support. But you should keep in mind that marketing may have many other purposes and results.

More information on marketing your organization can be found in Chapter 46, Section 5: *Marketing the Initiative to Secure Financial Support*.

2. *Sharing positions and resources*

Another option is collaborating with other organizations. Collaboration can take place in a variety of different ways, from writing grants together, to sharing such diverse resources as space, equipment, or staff. Like marketing, this is another broad strategy for developing resources, and may encompass many of the other strategies that follow.

The important thing to remember when collaborating is to think carefully about who your natural partners are, and whether you share enough of a philosophical and practical base to work together successfully. Before you enter a collaborative arrangement, think about what you need. Ask yourself *whether* and *why* sharing positions or resources would meet your need. Although resources may be one important reason to collaborate, it's generally not enough if it's the only thing you have in common.

More information on this topic can be found in Chapter 46, Section 6: *Sharing Positions and Resources*.

3. Becoming a line item in an existing budget

A *line item* is a part of a budget where money is dedicated for one thing. For example, line items often exist for office supplies, payroll, and travel. Your group may be able to be picked up as a line item by another organization, especially if your operating costs aren't too high. For example, a church or council of churches may be willing to pick up the cost of running the local Peace and Justice Coalition, if the main costs are office space (which will be free for the church), a half-time coordinator, and basic office and mailing expenses.

Alternatively, an organization may decide to pick up one of your programs as a line item. For example, the local school district may be willing to pay for a mentoring program your organization has started.

More information can be found in Chapter 46, Section 7: *Becoming a Line Item in an Existing Budget*.

4. Incorporating activities or services in organizations with a similar mission

In this strategy, your organization starts an activity or service with the goal that within a few years, that activity will be taken on by another community group. An alternative method is for the group simply to *plan* the activity with representatives from the community group that will be responsible for the program. This strategy can be especially useful for community coalitions.

How might this work? Check out these examples, taken from *Coalition Building Tip Sheets*:

- A coalition might begin an after-school program, and plan for the YMCA to pick up the program after a few years

- An organization might develop a school-based alcohol and drug abuse prevention program, with the goal of shifting its management to school health educators.
- The coalition might start a program to prevent homelessness, and work with the interfaith council to adopt it.

See Chapter 46, Section 8: *Incorporating Activities and Services in Organizations with a Similar Mission* for more information.

5. Applying for grants

Another source groups often use is *grant funding*. Grant money may come from public sources or from local or federal foundations. Many communities have some community foundation or local trust whose funds must be spent locally. So you make your contacts, you use your connections, and if that doesn't work the first time (no brilliant technique here), you simply try again.

For our purposes in this chapter, grants mean dollar awards to your group or organization to carry out a community project you have proposed. In real life, grant awards are sometimes given in resources other than cash (e.g., travel expenses, time off the job). And occasionally, especially for research, grants can be made to individuals as well as groups.

Grant writing is discussed in Chapter 42, Section 4: *Applying for a Grant: The General Approach*, and in Chapter 42, Section 5: *Writing a Grant.*

6. Tapping into personnel resources

Personnel resources are people and positions that exist in other organizations, and that can be shared by your organization for low or no cost. These arrangements can occur in many different ways. Some common examples include:

- Time-share positions
- Volunteers
- Internships
- College work-study positions
- Staff-on-loan
- In-kind donations of time

These ideas are discussed in Chapter 46, Section 10: *Tapping into Existing Personnel Resources.*

7. Soliciting in-kind support

In-kind support simply refers to resources *other than money* that are available to your group. In-kind resources are things you would have needed to pay for with dollars if they weren't a gift. For example, the local hardware store might donate paint to redo your office. When someone volunteers to give you a service, supplies, or free help, you're receiving in-kind support.

In-kind support may come from within your own organization or from the broader community. It should not be seen as inferior to dollars, but as an equally important part of the resource pool available.

Seeking in-kind support is a core part of your sustainability plan. If your group is going to succeed, you'll want more than just money: you'll want goods, people, and services, too.

See Chapter 46, Section 11: *Soliciting Contributions and In-Kind Support*, for more information.

8. Developing and implementing fundraisers

A *fund-raiser* is an event sponsored by a group to raise money for the group and its programs. Fund-raisers usually require the group to provide a product, a service, or an event that will allow others to contribute money. Examples of fund-raisers are Girl Scout cookie sales, car washes, and carnivals. In each case, the group charges money for a product (cookies), service (car washing) or event (carnival).

Of course, there are fund-raisers and there are FUND-RAISERS. That is, there are the cookie-jar events that raise enough money to replenish the pantry, and there are the six-figure-and-up mega-events. Although the underlying spirit is the same, the activities connected to each type of fund-raiser will be somewhat different.

We will discuss both types in the same section, Chapter 46, Section 12: *Designing and Implementing a Fund-Raiser*.

9. Pursuing third-party funding

Third party funding takes place when someone not directly involved in work being done provides resources that allow two other parties to interact. The funder in these instances is called the "third party."

For example, if a staff member and student are having counseling sessions, an HMO may reimburse the staff member's time if the student belongs to that insurance plan. Or, a private business may pay for the salary of someone from a nonprofit organization to do job training with adolescents.

Usually, the third party has some interest in providing financial support. In the examples above, the HMO has an interest in a healthy client, and the private business has an interest in a better-prepared workforce in the area.

Third party funding is discussed in Chapter 46, Section 13: *Pursuing Third-Party Funding.*

10. Developing a fee-for-service structure

By *fee-for-service*, we mean that clients pay for some services as they receive them. For example, the local crisis counseling center may charge for sessions; or parents may pay to attend a "Living through the Teen Years" workshop.

Of course, having fees may make your group's services less available for many people with little money. To counteract this, some groups use a sliding scale, to make services available to more people. It's also not uncommon to have a policy of helping everyone; if potential clients are unable to pay, the fee is waived.

Another twist is offering some services free of charge, but have a fee for others. All of these possibilities are discussed in more detail in Chapter 46, Section 14: *Developing a Fee-for-Service Structure.*

11. Acquiring public funding

Another way to get funding is to obtain public money or resources. This is often money appropriated from your state legislature or city council.

By working with your legislators, you may be able to get public funding for your group on an annual or regular basis. Your work may be legitimately deserving of public support, so don't overlook this rich opportunity when you are looking for resources. For more information, see Chapter 46, Section 15: *Acquiring Public Funding*, or Part I: *Organizing for Effective Advocacy.*

12. Securing endowments and planned giving arrangements

An *endowment* is a gift given to an organization. It may be the result of a grant, bequest, or cash contribution. What makes it an endowment is the fact that the money is invested so that an annual income is produced. An organization uses the interest earned by the fund and leaves the principal to gain further interest.

Planned giving arrangements are gifts that are donated to the organization and can be used immediately--they do not need to be invested. These charitable gifts are given in different ways. They may occur through wills, trusts, gift annuities, life insurance, securities, and real estate.

Some arrangements under planned giving are referred to as *deferred gifts*. Deferred giving is an arrangement between a donor and an organization in which the donor earmarks funds for an organization's future use. When the funds become available to the organization is decided upon by the donor. Some allow the organization to use a certain percent of the funds during the donor's life, while others make the funds available upon the death of the donor.

These topics are discussed more thoroughly in Chapter 46, Section 16: *Securing Endowments and Planned Giving Arrangements.*

13. Establishing membership fees and dues

If formal fund-raising is not your style, you can always explore the use of membership fees or dues. The main advantages of using this strategy to gather resources include:

- Dues are a simple form of income to generate.
- Because they come from your own members, dues test commitment to the group.
- Membership dues increase the organization's self-reliance.

The main drawbacks:

- As a rule, dues yield less money than outside sources.
- Sometimes, not enough potential members can afford paying dues to make dues collection worth your while.

- Dues make money a condition of membership, which may be contrary to your group's principles.

Some coalitions get around this last point by calling dues "donations" or "sponsorship fees." Further, as with fee-for-service, a sliding scale can lighten the burden for some members. You may also have different support expectations for organizations and single individuals. Though these strategies are imperfect, they make it easier for anybody who believes in the purpose of the coalition to become a member.

See Chapter 46, Section 17: *Establishing Membership Fees and Dues* for more information.

14. Making a business plan

Some groups decide to try to raise money through creating a business to support their work. A *business plan* is a written document that describes in detail what kind of business you intend to operate, how you intend to operate it, and why you believe it will succeed. It is backed with logical, factual and financial documentation. A business plan is similar in form to other types of plans you may have seen. However, "success" in this case is in large part defined by making a profit.

Your group may decide to form a business as a nonprofit organization, or actually form a separate "for-profit" side of the organization in order to avoid some of the myriad regulations planed on not for-profit organizations.

Writing a plan is explained fully in Chapter 42, Section 2: *Creating a Business Plan*.

Choosing among strategies

The above list of strategies should give you an idea of the more typical possibilities available. One important reminder before we go further, however, is that, when choosing among possibilities, it's not an either/or proposition. Certainly, the group can choose from among all these alternatives. They are not mutually exclusive; they can be combined. *And more alternatives can always be created.* There are always new ways of doing business; that's the beauty of the work.

The question remains, however: how do we make these decisions? What is the best way to choose among strategies, and pick the one (or several) that make most sense for your organization?

Our suggestion is a process such as the following. Look over the steps below, decide which make sense to you, and modify the process to fit your own needs.

A note of caution: The steps below are meant to be a starting point, not an ending point for your group's financial sustainability work. For a more comprehensive look at financial planning, see Chapter 42, Section 1: *Developing a Plan for Financial Sustainability*.

*1. Decide who will make these decision*s. If you have developed a financial sustainability committee, as we discuss in the next section of this chapter, these are the folks to do the work. If you don't have such a committee in place, you might consider forming one, or at least a temporary working group. Board members are often key members of this type of committee. Choosing among strategies is easier, more enjoyable, and more effective with shared leadership.

For more information, see Chapter 42, Section 3: *Developing a Committee to Help with Financial Sustainability.*

2. Have your mission, vision, and objectives in mind as you begin this work. This should help to orient you to what it's important to think about as you discuss the possibilities.

If you are working in a group, you might make a handout with these listed, so that they are right in front of members as they work. At the very least, however, they are probably worth stating at the beginning of the meeting.

3. Brainstorm possible strategies for your organization. You might start with the list given in this section, but be sure to think about them in the context of your own unique situation. Which of these possibilities won't work? Which need to be modified for your group? How? Are there other possibilities that are unique to your organization?

4. Gather input from key people such as current funders, staff, volunteers, and clients. The more people you listen to, the more you stand to gain from different perspectives.

5. Choose the strategy or strategies that make most sense for your organization. Again, diversifying your funding by using several different strategies is often very helpful for groups. By having multiple funding sources, you are less likely to be in trouble if one source dries up.

Be careful not to overextend yourself, however; that is, be careful that you don't use all of your time and personnel resources trying to earn money or obtain resources. It's an easy trap to fall into; be careful, when you are planning strategy, to strike a good balance.

Also, when something works, go with it. If your group has someone who is very good at writing winning grants, for example, write lots of grants. If, on the other hand, you have had excellent luck with state legislators, then work with them to continue getting state funding. In short--build on what works.

To sum it up:

There are many different possibilities for funding that poor (and rich) community groups can take advantage of. This section has only touched on some of the more common of these prospects. We invite you to think strategically about your funding needs to develop a vibrant approach that will allow your organization thrive for a long time to come.

Resources

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