AFP Information Exchange

Plugging Into The Necessities For Your Nonprofit

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PLUGGING INTO THE NECESSITIES FOR YOUR NONPROFIT

You're new to your organization and bring a passion for its cause. However, it may be restructuring its fundraising department, or perhaps even launching one from scratch. If you work for a nonprofit that needs to jump start or revamp its development program, these ideas can lead you in the right direction.

Simply caring deeply about your nonprofit and its mission is not enough to keep it operating. The fact is, you are a business—albeit a nonprofit one. To stay in business, you not only need to support programs, but you must also meet payroll and keep the lights on.

The fundamental necessities for your nonprofit of defining its purpose, planning its strategies and building your community represent the keys to your fundraising success. A good place to start is to create the very best plan you can and then just do it. Planning ahead is vital. Often the lack of an overall plan makes an organization ineligible for grants, unprepared to hire and retain employees, or simply ineffective in its day-to-day operations.

Your organization must put into words what it is that you hope to change, not just what activities you plan to do. Your goal is to create awareness about a solid, distinctive program that addresses a pressing community need. You will need to develop a strategy that distinguishes your organization from the other 1.5 million nonprofits in the United States. *"Start with the Why"*—a good read by Simon Sinek.

Budgeting and Costs

Develop an annual budget and determine what projects you want to take on that reflect your mission, how much they will cost and how you expect to pay for them. At its most basic level, figure out how much money you need for your organization to begin functioning smoothly on an annual basis. Break your yearly budget into monthly increments to focus on your goal.

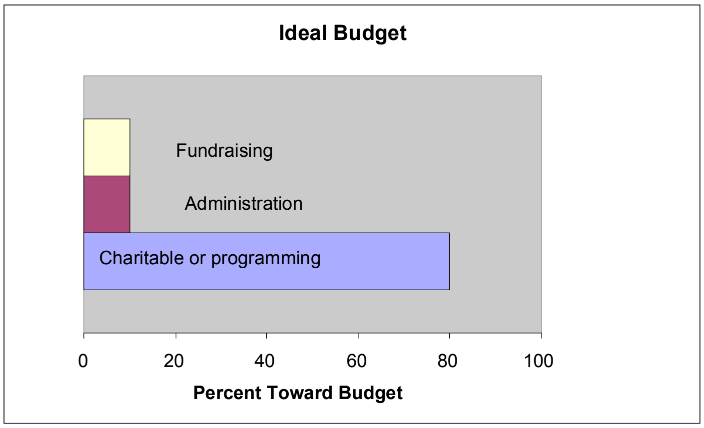
Under no circumstances should a nonprofit organization try to live beyond its means. Everyone must understand that the group can only do what it can pay for, so the budget must reflect realistic income projections as well as proposed expenses.

Do everything you can to keep expenses low for short-term budgeting and allow increases only when your successful fundraising justifies spending more. Don't allow your administrative expenses to exceed 35 percent of your budget. Most individuals and foundations will question an organization if it budgets more for administration costs and less for the provided services. Fundraising costs should be less than 25 percent of funds raised. Strive to meet the Charity Navigator (www.charitynavigator.org) benchmarks.

Certainly 25 percent may seem extravagant for fundraising costs in a mature organization, but for an upstart charity it may be necessary.

Community organizer Jim Goettler, author of *The Everything Guide to Starting and Running a Nonprofit,* suggests the 80-10-10 rule as a great goal for a long-term budget. Eighty percent should be dedicated to charitable or programming purposes, 10 percent to administration ("overhead") and 10 percent to fundraising (Figure 1.1). Many newer nonprofits have very little administrative and fundraising costs, but this may change as the organization grows and responds to changing needs.

Figure 1.1



Examine your revenue streams and perform a "what if" contingency exercise. What is your contingency plan if your largest donor ceases to support your organization? How would you survive? How quickly can you implement your contingency plan to replace the lost revenue? A contingency plan prepares you for the unexpected.

To sustain an organization, many founders or board members realize that they must reach further for support or they will burn themselves out both financially and emotionally. Be realistic when comparing resources to planned activities. If you proceed without sufficient resources, you run the risk that your nonprofit won't be able to follow through with its announced plans. This could result in a loss of credibility and respect in the community. It's better to scale back activities and build a strong reputation for success than to overextend and fail.

The Role of the Board

Your board of directors should be comprised of the most committed people because they are in charge with guiding your organization. The board becomes the organization's public face and assumes **RESPONSIBILITY** for overseeing policy while allowing the executive director to maintain responsibility for daily operations.

How important is the board of directors and their fundraising responsibility? The University of Pennsylvania Center for High Impact Philanthropy conducted a 2007-2008 study of 33 donors who gave average gifts of more than $1.5 million that asked how they chose their charities. Twenty-six of the donors said knowing someone on the nonprofit's board or peer group ranked important or very important in their decision to give.

To be successful, every member of the organization must share the task of raising money necessary to operate. Expecting "someone else" to be responsible for maintaining the needed revenue stream while others wait to spend the money is a recipe for trouble. When considering proposed fundraising efforts, be sure you account for all costs. The obvious costs are postage, printing, paper, telephone, utilities, rent and mailing lists. Other costs include fees for graphic designers, training, website developers and consultants.

Record Keeping

From the beginning, appoint someone in your organization to keep accurate donor records. Always write thank you notes within 24 to 48 hours of receiving a gift. Also, establish a database to track existing contacts, as well as future contacts that will become your donor database. Keep your leading donors posted on your progress by sending brief updates or occasional email newsletters. Keep them up to date with activities and accomplishments. They will feel more involved with the organization.

Keep careful records of meetings, financial transactions, any media coverage and PR material. You must prove your legitimacy. A historical record helps you. On the flip side, it is essential to build relationships with staff and volunteers. Volunteers bring added knowledge and opportunity to the organization. It is key to keep volunteers motivated and engaged with excitement throughout the project because they will bring enthusiasm to the organization. Also, determining the difference in roles is crucial to keep everyone on task. Involvement leads to ownership and ownership leads to giving.

Different Fundraising Avenues

You'll also want to involve social media—it's free**!** Outreach with social media and networking gets more people **INVOLVED** with your organization without cost. Create a Twitter and/or Facebook account to post updates that involve your community. Build your "likes" through cross promotion on your website—your most important communication tool for mission, volunteer recruitment and donation generation. Write a blog about the organization's mission and progress. These social media involvements will benefit your organization. Get connected from the start—it's crucial.

Cost effectiveness of fundraising initiatives varies greatly. Special events can be a fun way to raise money and build name recognition. They can also be used to attract new supporters, improve staff/volunteer morale and generally inject a dose of energy into your nonprofit. On the other hand, holding a special event is an expensive way to raise money because it can expend a significant percentage of the funds it generates in addition to its heavy investment of staff/volunteer time. But remember, volunteer time costs nothing.

A better source of resources can be asking 10 well-connected supporters to fire up their rolodexes and call likely contributors. The results can be electrifying at almost no cost to the organization. Statistics consistently show that the vast majority of charitable dollars given in the US—roughly 80 percent—comes from individuals and not corporations or foundations.

An Ongoing, Long-Term Process

No matter where you are in an organization's life span—at the beginning, in crisis mode or if your organization is well established—keep in mind that fundraising is an ongoing process and not a one-time event. Remember that bringing in more resources or additional money often comes at a cost. Many young or struggling organizations make the mistake of underfunding their development programs. If donors and volunteers see that an organization is unwilling to invest in its staff, infrastructure or training, why should they? To be successful in fundraising, it's important to start with a solid development plan that flows out of the organization's overall plan and to involve talented and engaged people in executing it.

Now go change the world.

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