
Sustaining Program Viability

Fund-Development Principles To Assure Your Mentoring Program's Future

by Barbara Webster

"The most important leadership functions are those actions that are necessary to secure the resources required to achieve the organization's mission."

Herman & Heimovics

THE GOALS OF FUND DEVELOPMENT

Viability means "The ability to live, grow, and develop." When we talk about sustaining program viability, we are talking about building mentoring programs that are alive and organizationally healthy so they can serve children over the long-run. Successful fund development and a healthy organization go hand in hand: Neither will last long without the other, but achieving one does not guarantee the other.

What are we trying to achieve when raise funds? The answer goes beyond simply "to pay the bills." Even when times are tight, we are working to:

- ❑ **Fulfill the organization's mission:** The public entrusts the board, managers, and staff of charitable organizations and public institutions to act at all times with their organization's charitable or public purpose as the guide to all decisions, actions and allocations. In an organization with integrity, every dollar is raised and spent with mission foremost in mind.
- ❑ **Garner sufficient annual revenues to do the job well:** "Paying the bills" implies just doing the minimum. The dollar goals we set should be based on what it takes to do the job right, not merely "get by." Fulfilling the mission requires good management, good governance, and good services, and all of these cost money to do well.
- ❑ **Diversify the funding base:** The more financial supporters an organization has, the more stable it is. No more than 30% of an organization's revenue should come from a single source, and even less is better. A thousand people donating \$10 each is more healthy for your program than a single \$10,000 grant.

- Develop a reserve:** “Nonprofit” does not have to mean “surviving hand-to-mouth.” A healthy nonprofit organization has at least enough money saved to cover expenses for 4 months without any income. A reserve that would last a year is even better. Start saving, even small amounts, with this goal in mind.
- Take the long view:** Picture your program in 10 years, in 50 years, and in 100 years. Ask yourself what efforts you can make today that will help ensure that future. Could your organization start an endowment that will someday produce income from interest and dividends? Could you ask board members, volunteers, donors, and other supporters to put your organization in their wills?

THE DIVERSIFIED FUNDING BASE

Success boils down to engaging in your financial quest as many people and organizations as manageable. Diversity, in the context of fund development, means having diverse sources and forms of revenue:

Diversity of Sources

- Individuals
- Businesses big and small
- Foundations
- Civic groups, churches & other organizations
- Government: local, state, federal

Diversity of Forms

- Cash donations, small & large
- Estate gifts or planned giving: insurance policies, real estate, stock, trusts, willed property
- Event income
- Sponsorships
- In-kind contributions
- Grants
- Fees for program service
- Unrelated business income from the sale of products or services
- Interest and dividends

PROS AND CONS OF KEY STRATEGIES

■ Grants

Grants: Pros

- A great financial start for new and distinct agencies, programs, projects, and initiatives.
- The proposal can serve as a planning tool, putting into writing the project's goals, objectives, activities and timelines.
- One person can write a grant, so it can usually get done without a lot of committees, coordination, cooperation, and commitment.
- A prominent grantor can enhance the program's reputation, thereby leveraging additional support.
- Funders' reporting requirements can spur an organization to keep better records and set up systems to maintain more accountability.

Grants: Cons

- Most grants are short-term (1–3 years).
- They usually do not grow and often are non-renewable.
- Expenditures are restricted to line items and time frames specified in grant budget.
- Grant decisions often come very near the start of a fiscal year, causing the stress of not knowing whether you will have sufficient income to start the year.
- Many grants are paid on a reimbursement basis, so other money must be used at the time expenses are incurred.
- Grant writing duties often fall to overburdened staff.
- Often staff have little or no training in grant writing.

■ Events

Events: Pros

- Great “friend-raisers.”
- Events draw the attention of the community to your program or agency through event-related publicity.
- People attending the event can be educated about your organization, and become supporters.
- Mailing lists of potential donors can be gleaned from registration or ticket information.
- Business sponsorships can underwrite costs and businesses that get involved may later help in other ways.

Events: Cons

- Events often do not net much money when you figure in the cost of staff time devoted to the event.
- Sometimes events lose money.
- Volunteers burn out from overwork.
- Board members may consider events their sole fundraising responsibility.
- In small agencies, fundraising events can draw staff away from fulfilling their service-related responsibilities, sometimes for weeks at a time.
- Events occasionally raise contentious mission-related questions, such as whether to serve alcohol or if only low-priced events should be offered so low-income people can attend.

■ Business Income

Business Income: Pros

- If a business venture turns a profit, it can be a steady source of unrestricted income.
- If the business is substantially related to the organization’s purpose, it can enhance the achievement of the mission.

Business Income: Cons

- Unrelated business income is generally taxable.
- Business ventures are financially risky.
- Organizations can lose money and increase debt.
- Resources sometimes are diverted away from provision of services related to mission.
- If people with skills and interest in business are not available or added, service-oriented staff can burnout or become disillusioned.

■ Individual Donations

Individual Donations: Pros

- Donations keep your organization viable and vital by keeping “community” in your community-based organization.
- Individuals often support the organization for many years, increasing the amount and types of their gifts.
- Donors feel good about supporting the cause, and they spread those good feelings to others in the community.
- Donors can open doors for the organization and can be a valuable source of ideas and perspectives.
- Most donations are unrestricted, and can be used where the greatest need exists, including for the development of a reserve and/or an endowment.
- Individual donors may come and go, but a well-maintained donor base does not suffer as new donors are added and others lapse.
- Organizations with a strong individual donor program also generally have (by necessity) developed and maintained active, committed, and competent boards of directors.
- The strong marketing materials and public relations skills developed to attract donors benefit the organization in additional ways, such as recruitment of volunteers.
- Fundraising through individual donor campaigns is a well-developed, largely standardized step-by-step process—its concepts are readily learned from widely available books and training.

Individual Donations: Cons

- Individual donations are not a quick fix.
- Development of a substantial donor base can take several years.
- It costs money to build a donor base, so the financial benefits are not immediate.
- Active board leadership is required.
- A volunteer structure just for fundraising must be developed and maintained.
- Good public relations skills need to be employed continuously.
- A careful data collection and donor response system must be in place so each donor can be thanked within two working days and donations can be tracked.
- At first, most people are resistant to the idea and cannot picture themselves asking other people for money, so board members, management staff, and others need to be trained and supported until their comfort level grows.

Young agencies operating year-to-year depend largely upon:

- Grants and in-kind (non-monetary) donations, supplemented by fundraising events.
- Staff leadership supported by volunteers.

Experienced, future-oriented, venerable organizations know that:

- Cash donations are the bread and butter of charitable organizations.
- Planned gifts assure a future.
- The board of directors is the center of the fundraising universe.

LEADING YOUR ORGANIZATION TO SUSTAINABILITY

Fund development calls for courageous and committed leadership. The results are worth it! You can leave a legacy of a mentoring program that will serve children and youth for generations to come. Some key elements of your strategy to provide this leadership include the following:

Plan & evaluate.

Put plans in writing, and measure success against the objectives in the plan.

Allocate adequate resources to the effort.

It takes time and money to make money.

Serve as a role model for other donors.

Make your own donation at a level that is meaningful to you.

Roll up your sleeves & rally support for the program.

Work your connections. Recruit volunteers willing to organize other volunteers.

Promote philanthropy.

Philanthropy is defined as “voluntary action, association, and giving for the public good.” Learn about and talk about the rich tradition of human philanthropy to inspire others to lead and to donate.

Educate yourself.

Learn about fundraising through training, reading, and talking with people about their experiences of donating money, asking for donations, and being asked for donation.

Most important, ask!

For big gifts, small gifts, & gifts of a lifetime.

RECOMMENDED READING

About Strategic Planning:

- *Strategic Planning Workbook for Nonprofit Organizations* by Bryan W. Barry (Amherst H. Wilder Foundation: 1986)
- *Creating and Implementing Your Strategic Plan: A Workbook for Public & Nonprofit*
- *Organizations* by John M. Bryson and Farnum K. Alston (Jossey-Bass Publishers, 1996)

About Fundraising:

- *Principles of Professional Fundraising* by Joseph R. Mixer (Jossey-Bass Publishers, 1993)
- *Fundraising for Social Change* by Kim Klein (Chardon Press, 1994)

About Marketing:

- *Successful Marketing Strategies for Nonprofit Organizations* by Barry J. McLeish (John Wiley & Sons, Inc., 1995)
- *Marketing Workbook for Nonprofit Organizations* by Gary J. Stern (Amherst H. Wilder Foundation: 1990)

About Leadership:

- *Executive Leadership in Nonprofit Organizations: New Strategies for Shaping Executive-Board Dynamics* by Robert D. Herman and Richard D. Heimovics (Jossey-Bass Publishers, 1991)
- *Leadership Jazz* by Max DePree (Dell Publishing, 1992)

About Organizations:

- *Reframing Organizations: Artistry, Choice and Leadership* by Lee G. Bolman and Terrence E. Deal (Jossey-Bass Publishers, 1991)
- *America's Voluntary Spirit: A Book of Readings*, edited by Brian O'Connell (The Foundation Center, 1983)