Strategic Approach to Finance & Funding

John Heymann, NewLevel Group
Supporting the work of social impact organizations and their leaders

Purpose

Introduce the principles and practices of a strategic approach to finance and funding in nonprofit organizations

Agenda

– The Challenges of Fundraising Today
– A Strategic Approach to Fund Development
– Considerations for Financial Sustainability
– Fundraising Theory & Practice

Logistics and Ground Rules

– Contribute
  ✔ Share experience, expertise, questions
– Balanced participation
– Honor timeframes
– Misery is optional
– Cell phones off
– D.W.Y.G.D.

Introductions

– Name, organization, and role
– One thing you’d like to learn today

~1 minute

Building An Effective, Sustainable, Impactful Organization

“To make the greatest impact on society requires first and foremost a great organization, not just a great program.”

– Jim Collins, Good to Great and the Social Sectors
Attributes of Effective Nonprofits

- Clear and Compelling Vision
- Passionate and Engaged Board of Directors
- Effective Communications and Marketing
- Strategic Approach to Funding & Finance
- Motivated, Professional Staff

Strategic Approaches for Funding

- Strategic fundraising plan
- Demonstrated support from the board
- Balanced portfolio of funding sources
- Proactive relationship management
- Sufficient capitalization

Financial Sustainability

**Strategic Considerations**

Social ventures are not the same as for-profits:
- Inefficiencies inherent in the structure
  - What is your key business driver?
  - What is the right mix of revenue sources?
  - How should your organization be capitalized?
  - How do you present financial information?

Financial Management

**External – Funders / Public:**

<table>
<thead>
<tr>
<th>Benchmarks:</th>
<th>NPO Median</th>
<th>Fed. Gov’t</th>
<th>A.I.P.</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>80%</td>
<td>75%</td>
<td>60% + C</td>
</tr>
</tbody>
</table>

**External – IRS:**

- Transparency
- Board oversight
- Impact for public benefit
- Conflicts of interest
Financial Management

Internal – Analysis:
• Costs and Allocations
• Cash Flow
• Funding Priorities
• Generating Net Operating Surpluses

Internal – Capitalization:
• Operating Funds
• Reserve Funds
• Capital Improvements
• Innovation

Challenges of Fundraising Today

– Gov’t programs ↓ Gov’t Funding ↓
– # of NPs ↑ a 50% increase in 9 years (1.6 mil)
– How many NPOs can a community support?
– Public confidence in nonprofits at an all-time low
– No such thing as public schools anymore

Nonprofit Challenges

$2.7 Trillion in assets controlled, $1.5 Trillion spent
– would be 11th largest economy (just after India)
> GDP of 94% of world’s nations combined

According to Giving USA, in 2015:
• Americans donated more than $373 billion to charitable causes
– a 4% increase over the prior year
• 72% of total giving ($265 billion) comes from individuals
• Foundation grantmaking up 6.5% to $55 billion
• Giving by Bequest increased 2.1% to $32 billion
• Corporate giving increased by 3.9% to $19 billion

2015 Giving by Sector

- Religion 32% ($119b)
- Education 15% ($57b)
- Human Services 12% ($45b)
- Operating Foundations 12% ($42b)
- Health 8% ($30b)
- Public society 7% ($27b)
- Arts/Culture/Humanities 5% ($17b)
- International 4% ($16b)
- Environment/Animals 3% ($11b)

2015 Funding Trends

- Gifts from individuals rose by 3.8%
- Independent, community, and operating foundations increased giving by 6.5%
- Increase in gifts artwork and other “appreciated assets”
- Religion donations continue a decades-long downward trend, but still make up the largest slice
- Giving to foundations was down 3.8%
- Giving to human services up 5%
- International affairs increased 17.5% after 2 years of decline 7%

In the last decade, giving has increased by >$100bb

For more information: givingusa.org

Break

10 minutes
10 Important Things About Fundraising

Working in groups:
- Read assigned sections of article (handout)
- Group 1: Sections 1, 2, 3
- Group 2: Sections 4, 5, 6
- Group 3: Sections 7, 8, 9, 10
- Discuss key points with your group
- Be ready to report key points in 10 min.

Board Role in Fundraising

Fiduciary (Duty of Care)
- Demonstrated commitment
- Staff can’t do it all
- Time = Money
- Cultural handicaps & fear factor

Understand choices for soliciting private donor funds:
- Events
- Personal asks
- Annual and special campaign asks

Board Role in Fundraising

Cultivation
- Building relationships (“friend-raising”)”
- Romancing donors
- Thank yous
- Reporting “nos”
- Follow-up (letters, notes, frequency)

Staff Role in Fundraising

- do research
- support board efforts w/program knowledge
- write grant proposals
- prepare correspondence
- keep files, records, mail lists

Fundraising

- What is an “A” grade in fundraising?
- 4:1 rule – What is it and what does it mean?
- “No” is not a personal rejection
- Asking for time vs. money
- Definition of grassroots fundraising

Fundraising

- What reason do 7 out of 10 people cite for why they give?
- What charity collects more $$ than all others?
- You don’t have to ask everyone
- You don’t have to ask all the time
- Give people a chance to sit on the bench
- Know your strengths
- Everyone can contribute in a meaningful way
Putting Theory into Practice

- Decide who will read which of 3 articles
- Read assigned article
- Share learnings from articles in your trio in the following order:
  - Prospect Research
  - The Ask
  - The Close

(25 min.)

Fundraising – 3 Steps

- Prepare:
  - Research issues and history of giving
  - Know and practice talking points
- Ask:
  - Get to the point
  - Ask for something specific
  - Tell them what you have given
  - It’s ok for someone to say “no”
- Close:
  - Finish talking and finish talking!
  - Keep quiet and listen carefully
  - Verify your agreements & follow-up

Preparing – Ask – Closing

(30 min.)

Audience Profile

- Who are they?
- Why do they care?
- What is their interest level? *(general, aware, active)*
- What do they need to know?
- What do we want them to do?

Making the Case

- An effective case statement contains:
  - a fact statement
  - a benefits statement which personalizes the facts
  - an appeal

What do prospective donors want to know?

- What does the organization do? What is its mission?
- Why is the organization necessary?
- How is the organization addressing the problem?
- What makes it unique or different?
- How long has the organization been in existence?
- How many people does it serve? What is its impact?
- Why is this organization important to you?

Strategic Approach to Fundraising

In same groups of 3:
- Develop a case statement and “ask” scenario appropriate to your organization
- Assign roles (donor/asker/observer)
- “Ask”: take a few minutes to develop your talking points
- Practice your “Ask”
- Observers give feedback
- Change roles

(30 min.)

Next Steps

- How will you communicate what you’ve learned to your board and other staff members?
- What is the very first action step you will take based on today:
  - as a Board member?
  - as the ED?
- CFJH Evaluation Form