

- HOME
- NonProfit Library
- Tribes Library
- CATALOG
- About Us
- Contact Us



First Name Last Name

Organization e-MAIL

Message

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FORMAT HTML

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Work with What You've Got: A Model for NonProfit Financial Sustainability

Part 1 - Introduction to Mission-based Sustainable Fund Development

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These days, NonProfits are feeling the effects of a weakening economy. Cuts in local spending, cuts in State spending, cuts in United Way allocations - these are very real problems for NonProfits all over the country, as so many organizations are dependent on these funding sources for much of the work they do.

But even in good times, the dependence on large unreliable pots of money is scary for NonProfit leaders. And the scariest thing about that dependence is that it permeates into everything the organization does - the quality and quantity of service it provides, the way it perceives its ability to perform the mission - everything.

Here's how a conversation recently went with a group we visited:

Organization: We are having massive personnel problems - turnover, attitude, lack of motivation. Can you help us get our troops in line?

Help 4 NonProfits: What do these employees do for the organization?

Organization: They are care-givers for folks with disabilities. They do everything from cook to help the clients to the bathroom.

Help 4 NonProfits: It sounds like this kind of work requires real commitment. Why would committed individuals who have chosen this career suddenly lack motivation?

Organization: Oh, these aren't career people. We pay \$7.00 per hour. These are typical problems of low wage employees - we know that. What we were hoping is that you could look at our processes and see how we could get these folks in line.

- HOME
- NonProfit Library
- Tribes Library
- CATALOG
- About Us
- Contact Us

Help 4 NonProfits: Unfortunately what's happening here is that you are trying to treat the symptom - in this case the fact that you are having employee problems. I say unfortunately, because until you treat the real problem, the symptoms will continue to be an issue in some way or another. And the real problem is this: Your mission is to provide direct care to some of the most vulnerable residents of our community - the disabled and the elderly. And that mission is being undermined by the fact that you are paying unskilled workers to do the job, and paying them a rate that falls below what our city considers a living wage. And so these workers are taking care of the basic bodily needs of your clients for the same money they could be making at the telemarketing center - but there they would just make calls and sit in an air conditioned office all day! Have you considered paying a better wage so you can find caregivers who are devoted to this line of work?

Organization: That's impossible. This is a State contract, and it makes up 80% of our budget. That's all the State allows us to pay. So we are stuck with these low wages. That's why we need your help in motivating these workers!

In another instance we recently encountered, a group recognized the core problem as a funding issue, and they were deeply concerned for what their economic dependence meant for their mission and values:

"The State has totally revamped the methods of service delivery they are requiring of their grantees. We are now having to take our organization in a completely new direction - one that doesn't really fit with our philosophy. But 85% of our funding comes from the State, so we don't have much choice."

Wouldn't it be wonderful if your primary concern was to reach for your vision for the community, and not to be constantly worried about how you will make payroll? Wouldn't it be amazing if the way you perform your mission wasn't guided by your funders, but by the goals and boundaries you have set for the benefits you want to provide to the community?

That's what sustainable fund development is all about. And it is especially what mission-based sustainable fund development is all about.

- HOME
- NonProfit Library
- Tribes Library
- CATALOG
- About Us
- Contact Us

Rather than your funding sources determining in large part how your mission will be performed, sustainable fund development is about letting your mission, vision and values guide all your activities, INCLUDING AND ESPECIALLY YOUR FUND DEVELOPMENT EFFORTS.

How is Sustainable Fund Development Different from What We're Doing Now?

If you are a mission-focused organization, you know that your goals aren't short term. It's not your goal to be able to feed hungry people next week, but to be able to feed hungry people 10 years from now, and 20 years from now. And ideally, your goal may be to eliminate hunger, so that 50 years from now you aren't still having to feed hungry people.

If your mission is long term, your funding should focus on the long term as well.

By comparison, most grants and events focus on the short term. Next year, if you want that same amount of funds, you will have to do that event again, or write that grant again. It may be even harder to raise the same amount of funds next year, as you consider ways to keep an event "fresh," or ways to convince a foundation that they should fund your grant "just one more time" until you can find other funding sources.

The most sustainable methods, on the other hand, are renewable without a ton of extra work. And the more those methods are based on your mission, the more they will generate income from the work you are already doing for the community.

How It Works - Learning from Wealthy Individuals

Have you ever considered how wealthy people continue to make more and more money? They don't generally work for a salary, but make their money off their assets - the things they already own.

That's because there are only 24 hours in a day, and if they were to base their income on what they could earn from working, their earnings potential would have a top end limit, based on how much they could conceivably work in a day, and how much they could earn for that work.

Instead of basing their wealth on earned income, the really wealthy base their wealth on their assets, letting those assets (what they already own) make money for them. For some that may mean real estate, or stocks and bonds, or even owning whole companies. But it's not what they do on a daily basis that makes them money (earned income) but how they invest in what they already own (assets).

When you rely on a paycheck, if you don't do the work, the income stops. When you rely on your assets to make your income, the money continues to grow, even if you stop working at earning it.

Grants and events are the organizational equivalent of earned income. When you stop writing those grants or doing those events, the income will immediately stop coming in. And unless you increase the number of people working on grants and events, the money you raise is limited by the number of hours in the day.

- HOME
- NonProfit Library
- Tribes Library
- CATALOG
- About Us
- Contact Us

Instead of all that effort, wouldn't it be nice to let your assets do that work for you? Wouldn't it be great if your organization could make its money off the things it already has and the work it is already doing?

We Have No Assets - or - This Couldn't Work for Us

When we suggest this approach to most organizations, they resist. NonProfits are so used to thinking about all the reasons they can't accomplish greatness, that they generally approach with skepticism the thought that they CAN accomplish amazing things. Here are three of our favorites on the "This Couldn't Work For Us" hit parade:

- 1) We don't have any assets. So how can "what we have" make us any money, if we don't have anything?
- 2) We can't charge for our services, because that's all part of our mission. So how can "what we do" make us money if we can't charge for it?
- 3) We are a new and tiny organization. This approach is meant for large established groups with endowments. This can't work for us.

There are other related responses, but they all point to the thought that this method can't work. Having done this with clients for years, and having used this approach for the NonProfit we founded, we can state beyond a doubt that this approach works. Here's why:

"What you have" isn't just money in the bank, although an endowment, well invested, is certainly one of the more sustainable forms of fund development. "What you have" is a wealth of resources, including, at the core, your mission, vision and values.

"What you have" also includes what you do - all the day-to-day operational bits and pieces that combine to serve your mission. Generally, charging fees for your services are NOT what we recommend. But as you break down what you do to serve your mission, and examine exactly how you do that mission, you will be surprised how hidden pockets of money suddenly become apparent.

And contrary to the belief that this only works in old established organizations, this approach is especially beneficial for new start-up organizations. If you start out with good habits, you will never lose them. And as your new organizational baby is just learning to crawl, isn't that the best time to build sustainability into its core?

The Assets You Don't Think of As Assets

We are so used to thinking of "assets" as the items on the balance sheet. But in its everyday meaning, an asset is something either of material value or usefulness, that can be built upon to make you stronger. (Consider the phrase, "She is an asset to the company.") If it helps to clarify your thinking in this area, think of the word "resources" instead of "assets." But the bottom line is that, like the assets on your balance sheet, these are things you already have in your midst - you already own them.

- HOME
- NonProfit Library
- Tribes Library
- CATALOG
- About Us
- Contact Us

The following are the 3 categories of assets / resources NonProfits can draw upon to begin their fund development plan.

- 1) Mission-related resources (not only your mission, but all the operational things you are already doing to make that mission happen)
- 2) Human resources (not just your staff, but your board, your volunteers)
- 3) Physical resources (your building, your equipment)

The key in building sustainability - sustainability that is focused on and centered around your mission - is to see those resources as the assets they are, and to take better advantage of them by building upon the opportunities they offer.

The Practical Side of Mission-Based Sustainable Fund Development

Because this method of fund development requires a new way of thinking and seeing - a new way of looking at money - the following questions will help you begin to see this approach more clearly. When considering your next fund development activity, ask yourself

- 1) Is this effort focused on the long term? Could it become easily incorporated into our day-to-day mission work? 20 years from now, do we still want to be doing this same project to raise funds?
- 2) Is the effort focused on what we already have and what we are already doing, or will it require us to do something outside our normal mission work (like running a golf tournament - unless, of course, you have a golf-centered mission)?
- 3) Will this effort require specialized expertise (even if it's a staff person who's gained that knowledge) outside our mission expertise, such as grant-writing or event planning?
- 4) Will there be a direct correlation between improved performance of the mission and the amount of money we raise? The better we perform the mission, will more money come in?
- 5) Will we be able to produce BETTER results with LESS work? Will we get the biggest bang for the buck with the least additional effort?
- 6) Have we weighed the other fund development efforts we could be doing if we don't do this one? What is the opportunity cost of doing this effort vs. other efforts? If we don't do this one, is there a way we could raise the same amount of money with less effort and more long-term benefit?

- [HOME](#)
- [NonProfit Library](#)
- [Tribes Library](#)
- [CATALOG](#)
- [About Us](#)
- [Contact Us](#)

- 7) How much risk is there in the effort we are considering? Is the effort's success tied to forces outside the mission work we are already doing?
- 8) Will this activity help us build stronger relationships between the organization and individuals/groups who can help the organization? Is this the best way for us to build those relationships, or are we using "friend raising" as a reason to do this supposedly "fund raising" event?
- 9) If this is a friend-raiser, will it help us raise friends that are tied directly to an individual on our board or staff, or will it raise friends who are tied to the mission of the organization?
- 10) If the effort is a grant, are we intending to use this grant as a stop gap until we find a way to sustain our program, or do we really think, when the grant expires, that we will just write another grant (perhaps to the same funder, perhaps to a different one)?

The only way your organization can optimize the work it is doing for the community is for your fund development efforts to focus on the long term, and to revolve around the mission work you are already doing. It is only then that your mission work will be focused NOT on what funders require, but on what the organization feels is the best way to serve the community. It will free you from adding more and more staff (or consultants) to work on fundraising, and intensify your focus on serving the mission.

And it is from this position of sustainability and financial independence that your NonProfit organization can begin to provide proactive and visionary benefit to your community.

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