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Increase the Success Rate of Fund Development Initiatives

By: Dan Brophey and Mindy Lubar Price

The non-profit world is a lot like the stock market or politics. No one wants to back a loser, but often the solid stocks or the best candidates go unnoticed because they did not get the opportunity to tell their story to enough people. People have too many options and decisions to make so they are selective about what they spend their time on. The filtering process is quick. Direct mail is a great example. The recipient often tosses an unopened piece in the garbage. The decision was made based on the appearance of the envelope. The thought and expense that went into the letter never were seen.

Awareness and perception create a thriving organization. In order to raise funds people need to know you exist. Expand your networking circle so you can “touch” more people and create the opportunity for more communication. Target efforts and be consistent. If you want to sustain and grow, learn how to identify, communicate, and convince the giving community an investment in your organization is a wise use of their money. Make it clear resources are properly allocated and the organization will be there for the long run.

Part of working in a non-profit environment is the richness of the emotional reward.
Your investors have the same sense of goodwill. They may have solely donated money, but when they read about a good thing your organization did, or have the opportunity to be exposed to something your group touched, it gives them the same feeling as if they were in the room when the event happened.

There is a problem all non-profit groups battle. The more time they spend achieving philanthropic objectives, the less time there is to manage the administrative, programmatic, and financial needs. To operate an organization properly, there are regulations to follow, increased accountability, and a growing number of people dependent on you. As the organization matures, overhead increases, the need for cash grows, and demands to service more people increase exponentially. So, the question becomes how much time do you spend managing finances and administrative tasks?

Where is the balance? At what point do you need to focus on obtaining funding to protect what you have accomplished versus doing more of what you initially set out to do? Most people open businesses to either take advantage of an opportunity or to do what they feel they need to do with their life. New business failures are high because the passion for the business often outweighs the plan that supported the idea. Non-profits probably are the most extreme case of a “passion” oriented business. The trick is to increase the intensity of the “passion” by creating a financially sound environment. To do more good, you need to ensure the resources are present first.

There is no question money makes the world turn. In business, profit is the objective. In non-profit organizations sustainability is the goal. So, what do you need to do to keep the money coming in and the organization thriving? How do you get to enough potential donors and then make a strong case for your organization? What magic does it take to make a potential donor feel they want to get the opportunity to support your mission?

Raising money is the result of a series of organized and disciplined efforts. A little luck and good timing help, but the key feature of an on-going organized fund development effort is to keep cultivating donor relationships so the right people will know you, and remember you, when it is time to contribute. Successful fund development is ongoing. It is not just a once a year campaign. The “real work” begins once a gift is made and the relationship building is continued.

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The two key elements to successfully thrive financially are:

1. **Knowledge.** Learn how to fish. Better yet, teach others how to fish for you. The concept is "Spreading Development". Successful fund development should be volunteer driven and staff coordinated. By teaching staff and volunteers how to conduct an ongoing development effort it increases the chance of a steady flow of capital throughout the year. Imagine actually having a reserve.

   Remember, no margin, no mission. Doing good is a great concept if you can continue to be functional. Create a long-term survival and succession plan by training staff how to raise funds. It develops more confident and future management to handle growth. Create a strategic vision with staff and board members on the fund development efforts in place. This process allows organizations to build a foundation of strategic donor recognition and retention.

   Big fish or little fish? Fishing in general is good. You always want to try to catch a variety of sizes, but don't lose sight of the main goal. Small gifts are wonderful. Major gifts from individuals secure your mission. To continue to do good, you need the big fish mentality. Your development resources should always have significant time allocated to catching the "big one". Big financial contributions make for big resources to allocate toward your programs and services.

2. **Financial Discipline.** There will be trillions of dollars – a huge transfer of wealth in the next several years and you need to properly position your organization to receive some of those gifts.

   Your financial records are vital. They tell possible investors stories about your organization. Poor documentation or missing records sends the message you may be hiding something or worse, management is not even aware of what the financial requirements are. Either way you start to emit a bad "vibe". Once you have done the hard part, getting the investor interested, you don't want to scare them off by letting your financial records give them reasons to create doubt about the possible use of their contribution. They value their money and want it going to a good cause that is well managed.

   What do you need to do? In addition to a well written grant proposal or request for contributions and gifts to a foundation or a corporation, your most recent audit report, recently filed U.S. Form 990, and state registration form should accompany the proposal. They like to see you have exhibited financial discipline by reviewing these documents. You need to have unrestricted net assets that are positive and at a minimum the income statement should be in the black. Investors want to be sure the grant or contribution will be used for the proposed program and not to pay off debts.

   Look at ratios. Review the ratio of administrative expenses to total expenses. If the percentage exceeds 20%, the message to the grantor or contributor is that a significant amount of money is going to fund administrative expenses and not the intended program. If administrative expenses are over 20%, review every administrative expense to see if it can be allocated to the program area.

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Who is your auditor? Is it a firm that is well known and respected in the philanthropic community? Do they have significant non-profit expertise? An audit report using old terminology or outdated presentation indicates a lack of financial knowledge. You thought they were just numbers. To a trained eye, those numbers tell stories. To a possible investor, the wrong terms or presentation can be enough to put your request into the rejection stack. Remember this when looking at audit bids. The lowest price bid may be costing you dearly with your grants or requests for funding.

Keep current. If you are writing a grant proposal or requesting a major contribution and attaching an old audit report this sends bad messages. An old audit report suggests:

1. **Lack of Fiscal Responsibility.** Don't you care when the audit is done? So does this mean your financial position is not important to you?
2. **Secrets.** You don't want the reader to see the current audit report. It tells them you may be hiding a current problem.
3. **Not Detail Oriented.** You haven't closed the books yet. This tells them your finances may be out of control or you are not ready for an audit yet. Both create bad scenarios for you.

These situations will destroy any proposal. If you illustrate good financial practices are in place, they will be more confident you will meet the program objectives of your proposal.

Will an improving economy bring a large influx of funds to the non-profit sector? Probably not. When the economy improves people will take time to rebuild personal financial reserves before increasing their charitable spirit. Even once they regain financial footing, they may think twice before becoming too free with their giving. Start learning how to direct the giving community your way.

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