Assessing the Funding For a Non Profit

Over the course of the last few weeks, this column has focused on several topics related to non-profit organizations. Whether your organization is a new or existing one, the CEO and leadership must assess where your organization stands with respect to funding.

Since income and expenditures are a part of your organization’s financial statement, you should have no difficulty reporting income and expenditures on the IRS Form 990 so long as you meet the financial minimum. (Special rules apply to some religious organizations.)

For the most part, these financial reports are not designed to give your organization a clear picture of its reliance on any one type of funding – especially if you have developed diversified funding sources and set policy regarding your organization’s level of dependency on any one source.

Therefore, another assessment step might prove helpful. Begin by evaluating your organization’s ability to increase funding options in any of the funding areas indicated in the following list. The strategic planning process will help you to make this evaluation by highlighting your organization’s strengths and weaknesses relative to the community and the competition.

Increasing your funding requires a more detailed evaluation of how well your organization ranks at any given time in any funding category. This quick list assessment can also be used to determine your organization’s performance relative to Annual Giving and Planned Giving Categories.

I suggest making a chart with the headings of “funding source”, “funding level ($), and “Percent of total funding (%”). Here are the items in the first column (you may want to have a row for each sub source), then you fill in the last two columns:

1. Government (local, state, federal)
2. Foundations (private, public)
3. Corporations (grants, contracts, in-kind)
4. Annual Giving by Individuals (direct mail, telemarketing, membership, special events, donor clubs, capital campaigns)
5. Planned Giving by Individuals (endowments, bequests)
6. Bonds (pooled issue, pooled pension, private offerings)
7. Social Lenders (community loan, banks, insurance co.)
8. Enterprise (fee-for-services, pilots, unrelated, joint ventures, investments)
To complete the assessment, ask yourself these key questions regarding your organization’s planning process and its relationship to fund development:

• Is there a shared commitment by the board, management and staff to support fund development activities?
• Has your organization established clear and measurable fund development goals? Are these goals reasonable and cost effective?
• Is your non-profit young or a well-established, mature organization?

• Does your organization have name recognition?
• Are you known in the community, visible to your constituencies and respected as an organization that delivers?
• Is your organization building on its donor capacity?

An important fact underlies this last question: Donors who contributed during a previous year are more likely to contribute again the following year. Additionally, donors with a history of contributing to your organization, especially major donors, are more apt to consider an endowment arrangement with you.

Critical to targeting assistance and assessing needs is your ability to recognize the community’s impact on fund development. Contributions by board members are one way to gauge the community’s level of commitment. The board’s degree of involvement will also be reflected in the expertise it shares and in its ability to influence others in the community to provide in-kind and financial assistance.

You might also ask:
• Has your organization developed volunteer groups or auxiliaries to build community exposure?
• Can other strategic partnerships assist in leveraging resources to maximize efforts while minimizing costs?
• Does your organization have the staffing to manage fund development activities?

With this assessment, you can begin to address your organization’s ability to leverage its capabilities and develop its opportunities for growth. Benchmarking your organization against itself, or against similar organizations, is yet one more step towards achieving financial self-sufficiency.

__________________________
Dean L. Swanson
Southeast Minnesota SCORE
c/o Rochester Area Chamber of Commerce
220 South Broadway, Suite 100
Rochester, MN 55904
www.seminnesota.score.org/
*Dean is a volunteer SCORE Mentor and Regional Vice President for the North West Region