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Diversify, Diversify, Diversify

By Heather Burton

Weathering the economic storms lies in nonprofits' ability to find new funding sources.

“Diversify, diversify, diversify.”

This has been, and will continue to be, the mantra when it comes to planning and securing funding. As a nonprofit professional, you know that snapping your fingers will not make dollars magically appear. Building new, sustainable funding streams that align with your mission takes time, energy and a lot of patience, and must occur in the midst of the countless day-to-day activities keeping your organization running. Yet, to help sustain your organization for the long term, diversification is a must.

Vikki Baptiste, development specialist for Bloomington, Ill.-based Mid Central Community Action Inc., agrees. “Since I started in this position three years ago, there has been an emphasis on seeking alternative funding sources. With grants not as secure as in years past, we know that government funding is not something on which we should continue to depend.”

MCCA is 95 percent funded by federal, state and local grants, but it now holds one major annual fundraiser — a recognition gala — as well.

Outline your past, future

Organizational history and insight are critical when it comes to putting together a diversification strategy. Past funding sources, public perception and internal resources can help you determine how to tackle diversification. Performing due diligence, especially when it comes to painting the picture of your current reality, helps your organization make decisions with a maximum opportunity for success.

“My best advice to any development professional is to develop a funding diversification plan that involves your entire board and staff,” says Donna Batter, fund development director for Bellevue, Wash.-based Washington Women In Need. “Essentially, funding diversification is about cultivation and getting personal with donors. Given the fact that more than 90 percent of our organization’s charitable dollars come from individuals, we have a master cultivation system for each segment of our donor base, plus a system for introducing and emotionally connecting donors to our mission.”

In 2005, WWIN established a systematic cultivation plan to increase contributions and create sustainable annual funding for programs.

“That plan increased contributions by approximately 400 percent over a four-year period, enabling us to meet our strategic-plan goals related to more funding to allow us to serve more low-income women each year,” Batter says. “Since we’ve increased the number of donors and dollars raised, we’re now able to explore other capital and endowment possibilities.”

Develop a funding audit

Whether you’re just starting to diversify or simply looking to revisit your current strategy, a funding assessment is critical. Although you might live and breathe these details, the rest of your organization or board might not. A documented funding audit can be an organization’s saving grace when staff or board members leave the organization, or when potential funders need additional information before making a donation decision.

Your funding audit should be simple, using the best and most up-to-date information available. The key is in documenting and sharing pertinent details, such that you have a baseline to understand which funds are at risk, and at what levels. In general, funding audits should include:

- your current funding mix. For example: percent federal, state or other public funds; percent private foundation grants; percent fee for service; percent individual contributions; percent corporate funds; percent special events; percent other;
- restrictions or conditions placed on each funding source;
- longevity and predictability of each funding source;
- current funding gaps; and
- gaps that could occur one, two or three years down the road.

Another key component in assessing your organization’s current funding situation is determining the true cost of fund acquisition. You should not only think about the actual expenses surrounding a campaign, but also the staff time.

There could be some fundraising activities that require equal amounts of time but produce vastly different results. For example, writing a \$5,000 grant proposal could take just as long as writing a \$50,000 proposal, or a special event might take all of one person’s staff time but not net the desired results.

When you have a full understanding of both tangible and intangible costs, you can focus your diversification priorities in areas that help fill short-term needs but have long-term value.

Community assessment

Another key component to starting down the path to fund diversification is a community audit, or market analysis. You are, in fact, competing for attention and funding among the other worthy causes in your “community” — whether bound by geography, common interest or passion. It’s important to understand the culture of your community as well as your organization’s brand awareness, as these will help drive any foundational work you must do before a fundraising program can be successful.

“Up until last year, the main thrust of our diversification efforts had been to extend community awareness of our agency and programs, in the hope that we could gain more public interest and, therefore, more donations from individuals and local businesses,” Baptiste explains. “Our recognition gala is really more of a ‘friendraiser,’ as it helps feed our individual contribution efforts.”

Points to keep in mind

Seven key indicators help set the stage for success, regardless of which diversification initiatives you determine are right for your organization.

- COMMIT to fundraising and development.
- Set a BUDGET — it takes money to make money.
- Have dedicated STAFF.
- Embrace TECHNOLOGY.
- Set REALISTIC but aggressive expectations.
- Implement small, SUSTAINABLE changes.
- Remember that it takes TIME.

Austin, Texas-based LifeWorks, which provides support and services to runaway and homeless youths in central Texas, recently benefited from its diverse funding environment. The organization has more than 60 funding sources, including federal, state and local government.

“Nonprofits must be prepared for inevitable changes in funding priorities and sources of funding,” says Cheri Hicks, LifeWorks’ director of finance. “We recently experienced this when a funding agency shifted funding priorities, which resulted in a loss of monies for several programs.

“Fortunately, we were able to minimize the impact because some of our other funding sources — specifically, the city of Austin and a couple of corporate and family foundations — stepped in to fill the gaps,” she says.

“By diversifying our funding sources to all programs, we are able to better weather these changes,” she adds.

While we are uncertain of the future, nonprofits can be certain of one thing: Organizations that invest time and resources into diversifying their funding

sources will endure the economic ups and downs, shifts in charitable giving, and even the change in presidency — breathing much easier. It is never too late to get started. *FS*

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