

Want to Grow Your Nonprofit's Funding? 7 Questions Every Nonprofit Leader Should Ask

 wagenmakerlaw.com/blog/want-grow-your-nonprofit-e2-80-99s-funding-7-questions-every-nonprofit-leader-should-ask

By Guest Author Sherry Quam Taylor

Sherry provides organizational and development guidance to equip nonprofit leaders with core strategies to increase their annual revenue and mission impact, through www.QuamTaylor.com. Many small and mid-sized nonprofits face common hurdles and challenges. Through her expertise, Sherry has developed a process of clear, easy steps to encourage and create growth. We are pleased to share her insights on key themes and tangible concepts for optimal success, organizational health, and long-term vitality.

Every nonprofit needs more money, right? I walk into most meetings on the premise of teaching organizations to raise more money. But soon the conversation turns to the annual, quarterly, and monthly rhythms of structure and processes that may or may not be in place. Often many of these core and supporting practices are quickly brushed over.

Annual development is not just about being brave enough to ask for funding – every corner of your nonprofit impacts development. Once you figure this out, you will see an increase in your bottom line.

Surprised by this? You're not alone. Answer these questions and see if you need to tighten up areas of your organization to allow for a straighter and more streamlined path to increased funding.

1. Do you have a roadmap for the next 2-3 years?

Don't think that your organization is too fluid, or too new, to create a strategic plan. It does not have to be a long, drawn out planning exercise. Donor development is about positioning yourself to receive and retain your donors' best gifts. When you are sitting across from a successful business owner and asking for a five-figure gift, you must know he or she has a plan for their business. So, you need to speak your donors' language.

It's your job to grow your donors' confidence in you and your organization. You will then be in the position to receive their greatest gifts. Tell them how their impactful-sized gift will be used. Are you in a rhythm of annual giving with your top donors? If not, cast a 2-3 year plan so that you lay the groundwork to explain why you need their support every year.

Take Action: Put all those visionary thoughts down on paper and prioritize your list per year. This is the start of your strategic plan.

2. How do you determine your annual budget each year?

If your approach to the annual budgeting process is mainly based upon the results of the previous year, you immediately risk losing credibility with donors. Create a real needs-based budget – I know that is scary. But, your donors want to hear your real need, to accomplish your clearly defined mission. What would it take to reach your goals and have your programs running at peak performance?

Put it on paper. If you really need \$500,000 annually and you've only ever brought in \$350,000, then it's time to design a plan and bring others alongside your growth. Creating default annual budgets – with just a trivial increase over last year's numbers – lacks vision, inspiration, and indicates a very reactive method to running your business.

Take Action: Review your budget. What have you kept from putting in your budget that might be the thing holding back your growth – a key staff member, technology, or collateral?

3. Are you able to present your budget to donors in the IRS Form 990 format?

Your IRS Form 990 is a public document to which every donor has access. Therefore, leaders need to know how to read and confidently present them. Don't leave this crucial information in the hands of your auditor alone. You, your board, and your legal counsel should always give a detailed review. This document transparently shows how funds were used during the year, thus building your donor's confidence to give.

You've worked hard on your budget, so when presenting your need to donors, don't simply export it from Quickbooks. You must take the time to forecast your current annual budget into the functional expense categories format so that they can see your planned impact from a programmatic perspective. Can you walk someone through your 990 and budget with confidence and authority?

Take Action: Print your last 990 and see if there are any parts you don't understand – especially in regard to the functional expense categories. If so, reach out to your legal counsel and auditor for an explanation.

4. Have you forecasted your income per donor segment, per month in your budget?

Each year, equal time and work should be allocated to the year's income planning as for expense planning. Although it is a typical practice to forecast expenses each month, you should also forecast income each month so that the entire team has expectations set for fund-raising activities. Forecasted income should include consideration of "donor segments" - that is, groups of donors who have similar profile or giving characteristics (e.g., churches, individuals giving monthly, individuals giving one-time gifts). Not only will this approach help identify times where cash flow might be tight, but this step will be crucial as you hold staff accountable to fundraising metrics.

Take Action: Analyze your last two years' giving month by month. See where the highs and lows have been in each donor segment. Take time to set monthly goals per segment.

5. Are you hosting a monthly meeting to stay accountable to the Development Plan, analyze giving trends, and to course correct where needed?

This question assumes you have an Annual Development Plan – one which outlines your annual revenue need but also forecasts anticipated revenues each month from each donor segment. Think both big picture and tactically when completing this task.

For example, one of your donor segments may be your recurring donors who give \$25 each month and you currently receive \$500 per month (or \$6,000 annually). If you hope to grow that steady, automatic revenue to \$15,000 per month, then you'd better have a plan for growth each month. What campaigns do you need? When have the monthly donors signed up in the past? How many people does this actually mean? Who is assigned to this portfolio?

When the leader has cast the growth goals per donor segment, per month at the start of the year, then all expectations are set. It's just a matter of sticking to your monthly Development Meetings to talk about the successes you are seeing and the barriers you are facing. But, if goals have been set by leadership and then progress is rarely checked, they will rarely be reached.

Take Action: Think about the different segments of donors you have. Compare the last two years' giving trends for each group and establish some metrics your team can strive toward.

6. Do your staff members have clearly defined roles and goals?

In a small nonprofit, it is rare to find someone whose job is solely dedicated to development. Therefore, it is crucial to set goals and monitor each staff member's time spent on development efforts. The time spent on revenue generating activities should match or exceed the percentage of revenue forecasted each year from such activities.

For example, if the organization wants to raise \$600,000 in revenue with \$300,000 of that from major gifts – then that should translate to 50% of their time being spent on these specific development activities. That is half of every single day!

Each year, staff members should receive and review quarterly metrics and goals tied to each one of these areas. Are you sure you and your staff are spending the correct amount of time on revenue generating activities?

Take Action: Track your time for 90 days and see if you need a time tune-up.

7. Is most of the revenue you receive flexible and unrestricted?

Receiving a high percentage of unrestricted gifts is crucial to your growth. Successfully achieving this goal hinges on two elements - presenting the overall need of the organization correctly, and with the right tools. Many donors think they want to give to one very specific initiative, and a common donor theme is to give to something tangible. There is certainly a time and place for this specific style of solicitation and request.

However, too many restricted gifts can inhibit your growth and further tie your hands as you navigate your annual plan. You need flexibility in your funds to grow. Bring your core donors alongside you in the growth plans. Answer the question for them: What do you hope to accomplish, and how? Presenting specific dollar amounts within the context of your overall annual financial need will allow you to solicit unrestricted gifts more easily.

Take Action: Before your next solicitation, create a diagram that allows you to express your organization's overall need and the exact gift sizes you need this year.

If you feel like you have a good handle on these topics – keep up the great work! If some of these questions cause uncertainty and concern, perhaps your organization is ready for an evaluation that would allow you to grow in a stronger direction. QuamTaylor can provide a free Growth Strategy Meeting, as well as ongoing consulting services for increased effectiveness in nonprofit development.



Wagenmaker & Oberly

Trusted Advisors to Nonprofits

wagenmakerlaw.com