Fundraising 101 for Emerging Nonprofits

Learning Objectives – Today

- Key issues to consider when starting a nonprofit organization.

- Tools to develop a program plan for starting or strengthening your nonprofit organization.

- Creating a fundraising plan to sustain your nonprofit organization.

What is a Nonprofit ?

- *Am I ready to start one?*

Nonprofit Corporation

- 501(c)(3) Status
- Tax Exemption
- Public Benefit
- Limited Liability

Definition: Corporations organized and operated exclusively for religious, charitable, scientific, testing for the public safety, literacy, or educational purposes.

Categories of Nonprofit Corporations

- **Public Benefit**: public or charitable work, scientific, literary or educational.

- **Mutual Benefit**: formed to benefit members, i.e. social groups, trade associations, tennis clubs.

- **Religious**: formed for primarily religious purposes; not just formal church groups.

Nonprofit vs. For-Profit

Similarities

Nonprofit Corporation

- Legal Incorporation
- Board of Directors & Officers
- Pay Salaries
- Face Expenses
- Able to Receive Profit

For-profit Corporation

- Legal Incorporation
- Board of Directors & Officers
- Pay Salaries
- Face Expenses
- Able to Receive Profit

Differences

Nonprofit Corporation

- Cannot distribute its profits to members or "owners" of the corporation
- The profits must be spent to further the organization's charitable goals.

For-profit Corporation

- Profits are distributed privately to the owners of the corporation (i.e. usually the owners of the corporation's stock receive the profits in the form of dividends).
- A "for-profit" generates profits for its owners.

Starting a Nonprofit Corporation

Legal Steps

Involves lots of paperwork & TIME

- Draft the Articles of Incorporation and file them with the Secretary of State
- Draft and adopt bylaws for the corporation
- Select a board of directors and convene first meeting
- Apply for CA franchise tax exemption
- Apply for federal tax exemption
- About 6 to 9 months to get 501(c)(3) status

Fiscal Sponsorship

- An existing 501(c)(3) assists a charitable project by permitting the project to solicit tax-deductible contributions or grants through the fiscal sponsor.

- Funds intended for the project are deposited with the sponsor, which then disburses them to the project.

Example: Community Partners

- Provides administrative and programmatic support to start-up organizations.

- Projects operate under the Community Partners 501(c)(3).

- Is the legal entity of and is liable for all sponsored projects.

BE PREPARED

- Limited availability of grant funds

- Willing to ask people for $$

- Work as a volunteer for the first year or longer

For-profit *or* Nonprofit?

501(c)(3) *or* Fiscal Sponsor?

Partner with another organization?

Work for a nonprofit?

Volunteer?

See Resources pg. 4

Mission Statement

A Mission Statement is a broad, usually brief description of:

- **Ends:** What problems, concerns, or opportunities you seek to address. What you want to achieve in the long run.

- **Means:** What ways you will use to try to achieve those ends.

- **Target population/geography:** What people and places you seek to serve.

Mission Statement (cont.)

Your mission statement should:

- Provide the definitive purpose of your organization to the rest of the world.

- Be the point of reference around which your board, staff, members, and volunteers develop common understanding of the organization's reason for being.

- Be the touchstone from which all planning proceeds.

Example of a Mission Statement

Example of a Mission Statement

- A New Way of Life Re-Entry Project helps women and girls break the cycle of entrapment in the criminal justice system and lead healthy and satisfying lives.

NEEDS STATEMENT

❖ A Needs Statement describes the situation that the organization intends to address with its programs.

Note: *Do not assume everyone knows the problem. Be sure to make a convincing case.*

Example of a Needs Statement:

❖The recidivism rate of formerly incarcerated women in California is nearly 70%, the highest in the nation.
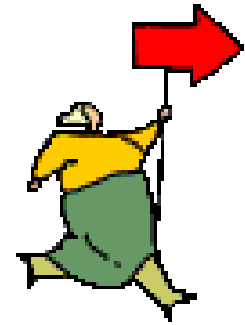
Program Plan Chart

Mission

Needs
Statement

What is a Goal?

GOAL

❖ A goal is a broad-based statement of the ultimate result of the change being undertaken (a result that is sometimes unreachable in the short term).

Note: Don't confuse a goal with an objective. In general, a goal is conceptual and more abstract.

Examples of Goals:

❖ Provide a clean, safe, sober-living home environment where women and their children can feel welcomed and supported in their transition to becoming independent members of the community.

❖ Offer education, job training and skill-building opportunities for women to prepare them for self-sufficiency.

❖ Provide leadership as a community advocate for the rights of women inmates and the formerly incarcerated and their families.

Program Plan Chart

Mission

Needs
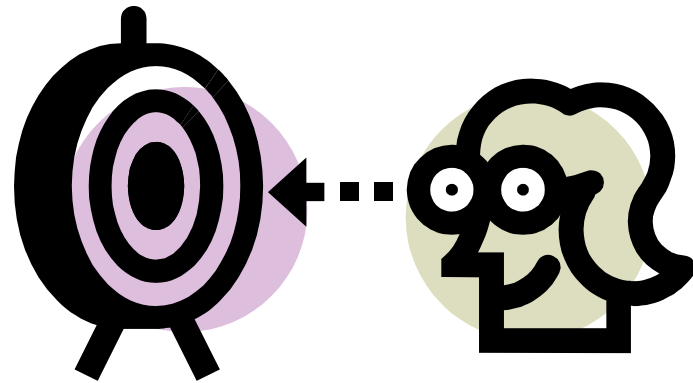Statement

Goal #1   Goal #2

What is an Objective?

OBJECTIVE

S pecific

M easurable

A chievable

R ealistic

T ime-bound

See Resources pg. 14

OBJECTIVE (cont.)

❖It is much more narrowly defined than a goal. Like the goal, the objective is tied to the need statement.

See Resources pgs. 15 – 16

Examples of Objectives:

- ❖ House up to 20 women and 5 children annually.
- ❖ Provide leadership training to 12 women residents annually through the Women Organizing for Justice project.
- ❖ Raise awareness of reentry issues among 250 community leaders, elected officials, and families of formerly incarcerated people, as indicated by pre- and post-program assessments.

Program Plan Chart

Mission

Needs
Statement

Goal #1   Goal #2

Objective   Objective   Objective   Objective
#1a   #1c   #2a   #2b

                Objective
                #1b

What is a Method?

METHOD

❖ A method is a detailed description of the activities to be implemented to achieve the ends specified in the objectives.

❖ *Methods should be reasonable and should be able to be accomplished within the timeframe of the program and with appropriate resources*.

Note: *Methods are frequently referred to as activities or strategies*

Examples of Methods:

❖ Conduct monthly outreach presentations at CIW

❖ Recruit 12 women annually to participate in the Women Organizing for Justice leadership training project.

❖ Convene an annual Reentry Conference of 250 community leaders, elected officials, and formerly incarcerated people and their families to discuss barriers to successful reentry.

Program Plan Chart Sample

ABC after-school program inspires children in South Los Angeles elementary schools with a passion for learning through one-on-one mentoring and tutoring.

Mission

Needs Statement

Neighborhood School has an Academic Performance Index (API) of 550, a Statewide Rank of 2, and a Similar School Rank of 3.

Our after-school program will help children read better.

Goal #1

Goal #2

Objective #1a

Objective #1c

Objective #2a

Objective #2b

Objective #1b

Our after-school remedial education program will assist 50 children in improving their reading scores by one grade level as demonstrated on standardized reading tests administered after participating in the program for six months.

Method→ We will recruit volunteer undergraduate tutors from USC and UCLA to tutor children. For ten weeks they will tutor 50 children every Thursday for two hours.

See Resources pg. 19

Sample Timeline

	Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.
Activity 1												
Activity 2												
Activity 3												

The Importance of Evaluation

EVALUATION

❖ Evaluation allows you to assess whether your methods are achieving your objectives.

❖ Evaluation is also a tool to provide the necessary information to make appropriate changes and adjustments in your program as it proceeds.

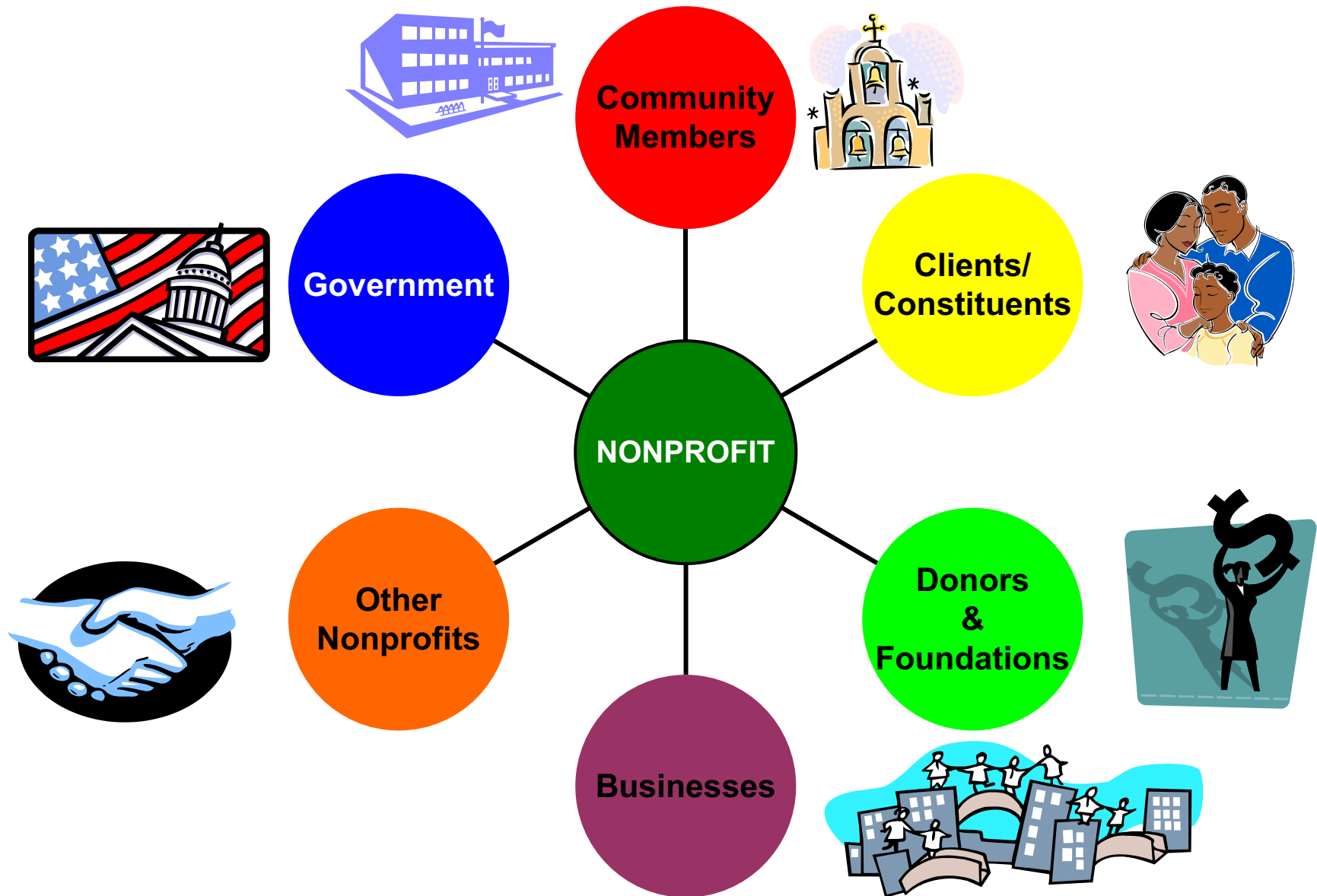*Note: When writing your objectives, always consider how you will evaluate them.*

Key Relationships

Internal Relationships

YOUR NONPROFIT

Board of Directors
(Advisory Board)

Executive Director
(Project Leader)

Staff

Volunteers

External Relationships

BUDGET

BUDGET

- Every element of your budget must relate to an activity you intend to engage in.
- Do research on the costs associated with your project
  - ෬Personnel
  - ෬Non personnel (i.e. supplies, utilities, rent, program costs)
- Identify key sources of revenue – fundraisers, donors, foundations, etc.

BUDGET (cont.)

- Resources for cost research
  - ☑ *Center for Nonprofit Management Wage and Benefit Survey*
  - ☑ *ask other non-profits about the specific costs that they incur*

Community Partners
Sample Project Budget

REVENUE

Contributions--Individual		$40,000
Annual Fundraising Dinner		$15,000
Annual Year-End Solicitation		$8,000
Board Member Gifts		$5,000
SUBTOTAL		$68,000

Foundation/Corporate Grants		
Joseph Drown Foundation		$30,000
California Community Foundation		$25,000
One-Stop Paint and Body		$20,000
Taco Bell		$18,000

GRAND TOTAL REVENUES ... **$161,000**

EXPENSES

PERSONNEL   **TOTAL**

Salaries			**per year**	
Project Director(FTE)	40h/week	$4,000/month	$48,000	
Research Associate(0.2 FTE)	8h/week	$20/h	$8,320	
Administrative Associate(0.5 FTE)	20h/week	$10/h	$10,400	
SUBTOTAL				$66,720

Mandated Taxes	
FICA (employer share) @ 7.65% x total salaries	$5,104
CA-SUI @ 6.7% x 1st $7,000 of each employee's salarie each calendar year	$1,407

BUDGET (cont.)

- Use your budget as a planning tool
- You probably will not use all of the categories listed
- Take your time but give yourself a reasonable deadline!
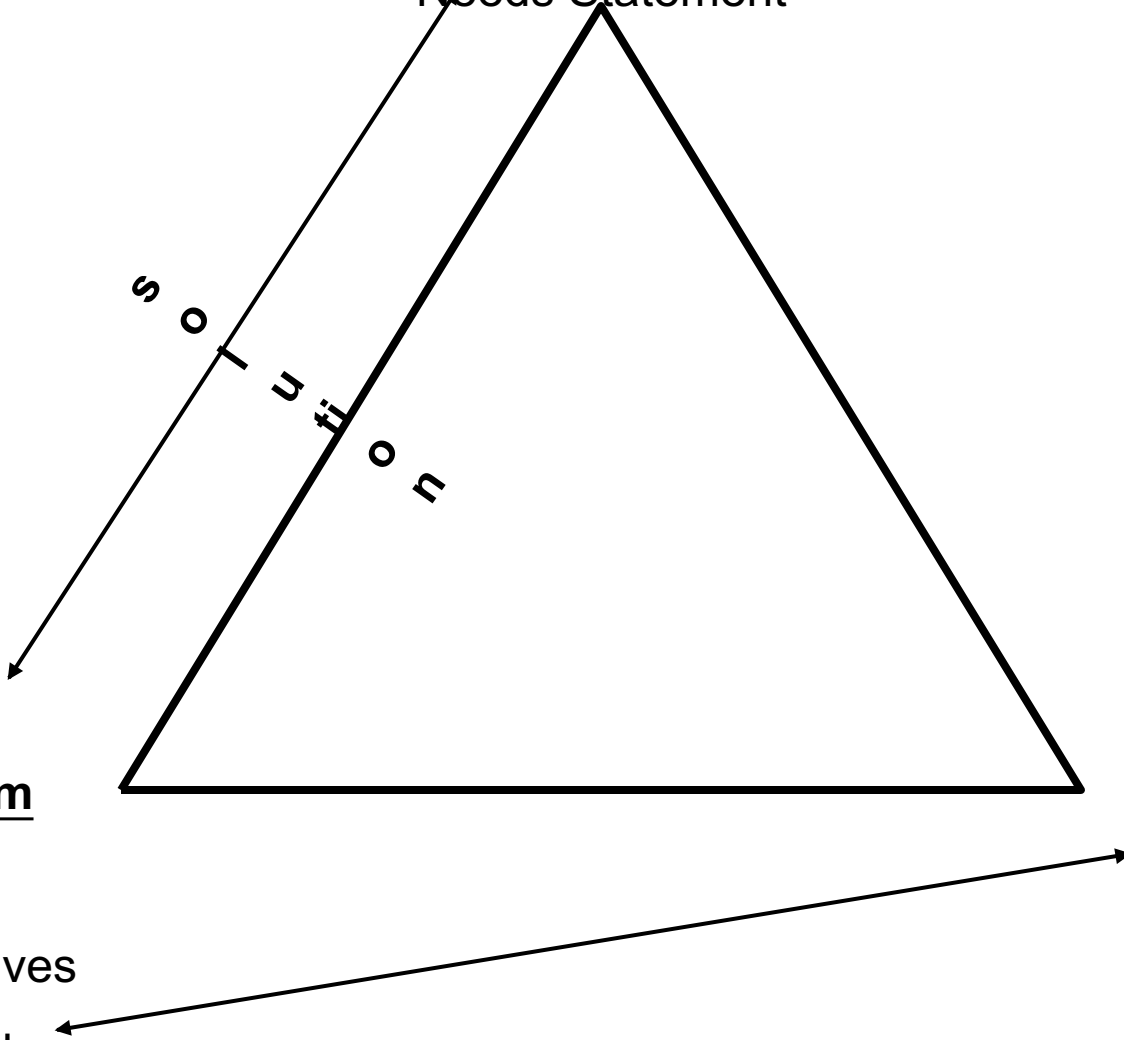
Concept

- Mission Statement

- Needs Statement

s o l u t i o n

Program

- Goals

- Objectives

- Methods

- Evaluation

Resources

- Budget

- Human Resources

FUNDRAISING

- What is the purpose of fundraising?
  - The purpose of fundraising is NOT to raise money; the only way you can raise money year after year is by developing a broad base of loyal individual donors.
- The purpose of fundraising is not to raise money, but to RAISE DONORS.

Facts about U.S. Philanthropy:

● The U.S. has the largest system of organized private philanthropy in the world.

- If nonprofits in the U.S. were a single industry, they would rank as the nation's largest industry, accounting for just under 10% of the workforce and about 5% of the gross domestic product.
- As of 2005, the IRS recognized more than 1.5 million tax exempt organizations.

The Foundation-Corporate Giving Myth:

Of all the income of all nonprofits…

● About half is earned income: fees for service, tuition, products for sale, etc.

● About 30% is from government programs

● 20% is from the private sector ($260 billion in 2005):
- individuals – 83.6%
- foundations – 11.6%
- corporations – 4.8%

Who Gives Away Money?

- About 7 in 10 adults in the U.S. give away money.
- Middle and lower income donors are responsible for a significant percentage of the money given – from 50-80% -- and are the majority of givers.
- Most people who give to nonprofits give to at least 5 and as many as 15 groups.
- About 20% of people on welfare give away money and about 97% of millionaires give away money.
- Volunteers are more likely to be donors than people who don't volunteer.
- More people give away money than vote.
- Most people who give away money describe themselves as religious or spiritual.
- **PEOPLE GIVE WHEN THEY ARE ASKED!!!**

CREATE A FUNDRAISING PLAN

1. Set a goal (based on your budget)
2. For each income strategy, note the following details:
   - Tasks required to complete the strategy
   - Due date for each task
   - Who is in charge of each task
   - How much the strategy will cost and how much it will raise

FUNDRAISING PLAN (cont'd)

3. Plot out your plans for raising money from individuals

4. Decide on numbers of donors and match them to strategies

5. Put the plan onto a timeline and fill out the tasks

FUNDRAISING PLAN (cont'd)

- INDIVIDUAL FUNDRAISING GOALS:
  - 60% from major donors
  - 20% from habitual donors responding to retention strategies
  - 20% from first- or second-time donors giving through acquisition strategies

SAMPLE FUNDRAISING PLAN

Affordable Housing Fundraising Plan, 2006 Operations -- Goal: $42,000

Constituency	Goal	Strategy & Action	Who Leads	When	Expenses
Mid-Level Gifts (new members and renewals)	$4,200 (45 @ $95 avg)	Renewals: Send up to 3 renewal notices. Monthly email communication. Newsletter - 2x/year	Staff	Mar, May, Sept, Nov	Printing, mailing
Small Gifts (new members and renewals)	$4,200 (158 @ $27 avg)	To recruit new members: • Each board, fundraising committee, and staff recruit 5 new members = 55 • 20 new members from: - 2 house parties with follow-up contacts = 10 - 1 annual event - Presentations to 2-3 community groups	Fundraising committee, hosts, staff and board	Nov/ Dec	Printing and mailing thank yous; outreach

Contact Info & References

- Presented by: Gena Lew
  - Director of Planning & Development, A New Way of Life Re-Entry Project
    - gena@anewwayoflife.org
    - genalew@gmail.com
- Information used in this presentation came from:
  - Community Partners
    - www.communitypartners.org
  - Kim Klein, *Fundraising for Social Change*