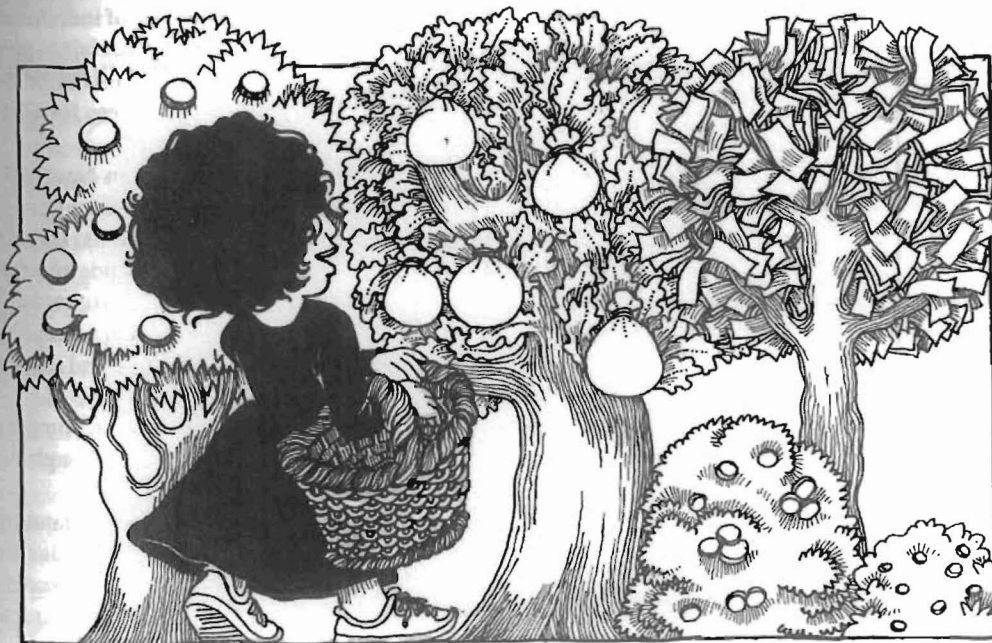


## Chapter 6

# The Many Sources of Funding and Support

*Don't say you don't have enough time. You have exactly the same number of hours per day that were given to Helen Keller, Pasteur, Michelangelo, Mother Teresa, Leonardo da Vinci, Thomas Jefferson, and Albert Einstein.*  
—H. Jackson Brown

Section 1 of this book provided guidance for start-up nonprofits in establishing themselves, and for established organizations in revisiting nonprofit basics for review and updating. Developing Budgets, the last chapter of Section 1, discusses how an organization projects revenue, and lists potential sources for that revenue. In today's highly competitive world of nonprofit fundraising,



organizations must seek to develop funding from a mix of individual and institutional sources in order to remain viable. Section 2 of this book discusses the multiplicity of traditional—and new—sources available to nonprofits and suggests how they may be approached. All organizations are urged to solicit as many of these sources as is practical and appropriate in order to develop the highly diversified support base that is so vital to an institution's health.

Fortunately, the vast number of individuals and institutions that support nonprofit initiatives around the world attests to the universality of the philanthropic instinct. Individuals extend their support in myriad ways: they make contributions and pledges in response to direct mail requests, phonathons, appeals on the Internet, door-to-door canvassing, and face-to-face solicitations. They give at their offices through workplace solicitation and payroll deductions, and consult their financial advisors to choose planned giving vehicles. Individuals also contribute in their communities by attending special events and purchasing goods and services from nonprofits, ranging from gifts, cards, and theater tickets to school tuition and hospital care.

Institutions that provide both financial and in-kind support to nonprofits include foundations; businesses and corporations; local, state, and federal governments; religious institutions; and labor unions. Additionally, thousands of local and national civic associations, usually nonprofit themselves, extend some kind of aid to charitable and philanthropic undertakings, as do federated fundraising organizations, such as the United Way. The existence around the world of millions of nonprofit organizations—more than one million are registered with the government in the United States alone—attests to the depth and breadth of individual and institutional resources that are committed to supporting their work.

Tapping these resources is the ongoing work of those who raise money for nonprofit organizations. Their work, popularly referred to as “development” by fundraising professionals, encompasses a wide range of activities, only one of which is the actual solicitation of individuals and institutions for contributions. Development work ranges from organizing a street fair to raise several thousand dollars, to meeting with business and social leaders to develop an invitation list for a special event with a \$350,000 goal, to undertaking a yearlong planning process for a \$10 million capital campaign.

Development also includes such activities as visiting the Foundation Center in New York City, one of its field offices, or its Web site to research foundations whose guidelines and giving history make them candidates for support, as well as designing and writing proposals, solicitation letters, direct mail pieces, and newsletters. Development activities also include meeting with staff members of other nonprofit organizations to seek advice, create joint programs, or review fundraising schedules to avoid conflicts, as well as meeting with board and committee officers and members to develop relationships, discuss work in progress, identify and discuss problems, or review candidates for volunteer leadership positions.

All these activities—and so many more—are undertaken to raise money in the vast, complex, constantly changing, and highly competitive world of nonprofit finance. Enormous though this range is, two fundamental principles of fundraising lie at the center of this enterprise.

The first principle is that successful fundraising requires careful forethought and planning. The second is that no organization should depend so much on a single funding source that the group would be unable to function without it. All planning needs to be guided by this second principle, because an organization that is totally dependent on government grants and contracts,

for example, is extremely vulnerable. The group that receives support from foundations, a federated fundraising body, and a pool of individuals *in addition* to government agencies is clearly stronger and more secure. In 1869 the Metropolitan Museum of Art turned solely to New York City's wealthy citizens for support. More than a century later, it still welcomes contributions from a large number of individuals, but it also receives support from the local, state, and federal government, from corporations, and from foundations as well.

Today, diversification of support is vital, and no organization can hope to finance its work successfully from any one source. Even if it does succeed in obtaining that one large, elusive grant, there's no guarantee the grant will be renewed each year, and the organization's future will not be secure. Moreover, funding sources like to see that an organization's funding is diversified, for this shows broad-based agreement that its mission is important and worthy of support.

## Where Do Novice and Veteran Fundraisers Begin?

By becoming acquainted with the entire array of available funding sources, fundraisers can select those most appropriate to their own organization. The chapters in this section and the worksheets at the conclusion of each chapter will help you identify which sources may consider supporting your organization. Remember that it is highly unlikely that every source will be interested in your work, and so, with limited fundraising resources, you will need to choose your "best bets." The chapter and worksheets in Section 3 will help you refine your list to include only those sources that might become part of your particular funding "mix." You will then be able to map out your fundraising action plan.

### Individuals

All philanthropy can, almost without exception, trace its origins to individuals rather than to governments, businesses, or foundations. The "founding" philanthropists of the United States were individuals such as Benjamin Franklin, whose generosity and vision led to the creation of several of Philadelphia's earliest nonprofit institutions, including the University of Pennsylvania and Pennsylvania Hospital.

During the Middle Ages, Europe's cathedrals were built not only through the largesse of kings, queens, and other nobility, but also through the generosity of tradespeople and artisans. Many members of merchant and guild associations, including bakers, carpenters, weavers, shoemakers, butchers, masons, fishmongers, furriers, and others contributed to the building of the famed cathedral in Chartres, France; their funding underwrote the creation of many of its breathtaking stained glass windows.

Today, individuals are actually the largest source of unrestricted dollars for most nonprofit organizations after the federal government (whose funding is actually provided in large part by individuals through taxes). In the United States, for example, individuals gave nearly \$160 billion in 1999 to nonprofit organizations (including bequests), and regularly provide almost 90 percent of all charitable contributions in a given year. Each and every one of us is today's philanthropist. Whether we respond to a direct mail solicitation, attend a special event, or donate

construction supplies to build a homeless shelter, it is our combined efforts that make nonprofit endeavors possible.

What distinguishes individual philanthropy today from that of previous eras is its depth and unmatched variety. This is the direct result of nonprofit leaders' creativity in developing their approaches to individuals. The most popular and effective methods of soliciting contributions from individuals today are discussed in Chapters 8 through 14.

## Foundations

The purpose of a foundation is to make grants and contributions to other nonprofit organizations. Whereas some foundations are created through the gifts of a single wealthy individual or family, others, such as community foundations and certain public charities, receive their income from a number of different individuals and families. Some corporations also create foundations to distribute a portion of their profits to charitable causes.

Although foundations date back more than a thousand years in Turkey, modern foundations, relatively recent arrivals on the philanthropic scene, can trace their origins to the late nineteenth and early twentieth centuries, when industrialists such as John D. Rockefeller and Andrew Carnegie in the United States, and J.R. Tata in India, established foundations to distribute portions of their huge fortunes for charitable purposes.

There are currently more than fifty thousand foundations in the United States, ranging from small, unstaffed, local foundations to endowed international ones with professional staffs. Although American foundations have impressive assets, their collective annual grantmaking may reach approximately 10 percent of all United States charitable giving in any given year. Consequently, nonprofits cannot look to foundations to supply the majority of their contributed income on an ongoing basis.

During the 1980s and 1990s, there was an enormous proliferation of nonendowed grantmaking institutions—legally defined as “public charities”—which derive their income from a large number of individuals. Examples include community foundations; dozens of women's funds around the country that support grassroots women's groups; the Paul Robeson Fund, which funds social issue media; and the Funding Exchange Network, which makes grants to social change initiatives.

Other countries have also seen a rapid increase in the number of these funds. InterPares, in Ottawa, Canada, funds economic development projects in developing countries with the money it raises in Canada. MamaCash, with headquarters in the Netherlands, funds an impressive array of community-organizing women's projects around the world. Community foundations in Antigua, Mexico City, Mumbai (India), Warsaw, and other places are adapting this first world tradition with some exciting results.

As a result of government cutbacks in their support of social programs in many countries made during the 1980s and 1990s, foundations are now receiving a greater volume of requests than ever before. Since their grantmaking budgets do not usually increase significantly from year to year, their ability to respond to new inquiries is limited. The result is that more and more foundations are looking for ways to increase the impact of their dollars. Some make challenge, or matching, grants that have to be matched by other sources. Not only do such grants leverage



foundations' ability to make their dollars go further, but they also stimulate grantees' fundraising efforts. Other foundations endeavor to increase a group's fundraising capability by making grants to support direct mail efforts, create income-producing Web sites, or hire consultants. Chapter 15 offers more information on how foundations operate and the best ways to approach them for support.

### Businesses and Corporations

From the neighborhood mom-and-pop store to the giant multinational corporation, the business sector provides support for nonprofit organizations around the world. Local merchants have probably always played a role in enhancing the quality of life in their communities, but corporations are relative newcomers to the philanthropic scene.

Corporate giving in the United States started in the late 1800s, when the railroads began their long association with the Young Men's Christian Association (YMCA). As the railroads expanded westward, the need arose for inexpensive, temporary housing for their employees. To meet that need, the railroad companies helped build "railroad YMCAs." Hence, from its very beginning, commerce found that it could serve its own interests through charitable activities.

What distinguishes corporate philanthropy is the diversity of ways that businesses assist nonprofits, apart from cash grants and contributions. Companies, especially large ones, have vast human and material resources that they can make available to groups. A neighborhood store can place a canister next to its cash register for contributions, put flyers and posters in its window, and sponsor a special event. One day of every month, Wild Oats Natural Food Stores (and other chains) donate 5 percent of their receipts to a different community group. This is rarely less than \$2,000 in the urban settings where Wild Oats operates. Corporations can donate materials, office equipment, and products; provide free quality printing of newsletters, ad books, annual reports, raffle tickets, and other promotional materials; and serve as a source of volunteers. They can directly promote nonprofit activities through joint promotions. As long as there is mutual interest, businesses and nonprofits can work together in boundless ways.

Corporate giving in the United States totaled \$11.02 billion in 1999.<sup>1</sup> Although U.S. corporate giving has more than kept pace with the rate of inflation every year during the 1990s, corporate giving as a percentage of pre-tax profits has declined slightly since its high point in 1986 to 1.3 percent in 1999. Much corporate and business giving is hard to track, however, as it often takes the form of in-kind donations such as computers and software, office furniture, paper, and printing.

Like foundations, corporations are experiencing an increased volume of requests. As a result, nonprofits are well advised to solicit noncash support from business, and to develop creative partnerships that benefit both parties. Chapter 16 provides further insights into corporate philanthropy, and suggests how nonprofits should approach business for support.

1. Ann E. Kaplan, ed., *Giving USA: The Annual Report on Philanthropy for the Year 1999* (New York: American Association of Fund-Raising Counsel, 2000).

## Government

Although government has assumed greater responsibility for promoting social welfare since the nineteenth century, many would argue that it has regressed in the last twenty years. The discussion regarding the government's role is the same now as it was in the late 1800s: who should care for the disadvantaged? Should it be part of a government's mandate, or is this function best accomplished by turning it over to private charity? Many of today's civic institutions, such as fire departments and libraries, were previously operated by nonprofit associations rather than by a governmental body; some continue to be. In many cases, nonprofits have been the trailblazers for later government involvement. Even a program as well known as the U.S. Peace Corps took its philosophy from such nonprofit precursors as Operation Crossroads Africa, which continues to send American and Canadian college students to African countries each summer to work on development projects.

In the late 1970s and 1980s, local, state and federal governments were well-entrenched partners with nonprofit organizations in protecting and promoting the well-being of the citizenry. That alliance has undergone deep challenges and changes ever since the Reagan and Thatcher administrations attempted to shift some of this responsibility away from the federal government. In the United States, beginning with the passage of the Gramm-Rudman-Hollings Act in 1986 and continuing with the dismantling of welfare and other entitlements under the Clinton administration, the role of government continues to be questioned and debated. In the meantime, nonprofits are increasingly called upon to provide more services to greater numbers of individuals, services that had previously been supplied, or underwritten, by the government.

However, despite these reductions in federal, state, and local support, all levels of government are expected to continue providing funds to the nonprofit sector in the areas of social services, health, housing, education, employment, and the arts and humanities, to name a few. (It is common for governmental units actually to "contract" for services with nonprofit entities. A contract involves a much more clearly defined relationship between two parties than does a grant.) It is hard to calculate the total of annual financial support that government provides to nonprofits through grants and contracts. Experts estimate that the various government bodies in the United States provide more than \$170 billion in grants and contracts.

As governments shift their funding priorities, no other segment of nonprofit financing is expected to undergo as much change in the near future. Pressure from conservatives to reduce social spending will continue to wreak havoc on the established framework for governmental financing of human services, which reached its peak in the 1970s. However, whatever realignment occurs between federal, state, and local units of government in the future, it appears that government's preeminent role in financing nonprofit providers of human services will remain intact. Chapter 17 offers information on government support and outlines how nonprofits can identify and approach government agencies at the local, state, and national levels.

## Religious Institutions

Organized religion has been the vehicle for transmitting charitable traditions from one generation to the next, and for reminding believers that charity and philanthropy are moral imperatives.

Close to 50 percent of the charitable dollars donated each year by individuals in the United States is given to religious bodies and their related institutions and agencies.

It is difficult to measure how much financial support religious institutions provide to other nonprofits, but the amount is significant. For example, the Campaign for Human Development of the United States Catholic Conference grants more than \$12 million every year to social change and economic development projects. Religious bodies, from the local parish to the national governing body, provide a range of resources extending beyond the financial, including office and meeting space, volunteers, and advocacy support, among others.

Of course, giving is not the province of any one particular religion; its spirit is common to all and is expressed in many different ways. Some religious groups prefer to establish their own nonprofit organizations, while others choose to make grants to other nonprofit entities. Others may actually undertake both roles and become direct service providers as well as grantmakers.

At a time when the federal government is drastically cutting back and devolving its social welfare expenditures, funding from religious sources is becoming more visible and appreciated for its depth and consistency. Chapter 18 explores the world of religious philanthropy and provides suggestions on how to seek your share.

### **Labor Unions**

Labor unions are rarely sources of significant cash contributions, but their support of nonprofits—by providing volunteers, advice, political contacts, facilities, and services—is on the rise. Unions have become keener to establish relationships with local nonprofit organizations to help break down their isolation and strengthen their community ties in order to reach more potential members. This is good news for nonprofits, and the time is now ripe for them to develop mutually beneficial partnerships with labor unions.

Developing ties with nonprofits is only one aspect of U.S. labor unions' intense efforts to reverse the sharp decline in membership that began in the mid-1950s. At that time, some 35 percent of all workers in the United States were union members, but by the mid-1990s, union membership had fallen to 14 percent of the U.S. workforce. With the election of John J. Sweeney to the presidency of the AFL-CIO in 1995, however, a campaign was launched to increase union membership; working with nonprofits was one of the strategies developed toward this end.

Labor's support of nonprofit organizations has a clear agenda: allocate resources to support its own goal of increasing union membership. If your organization can raise and enhance the visibility of a union, or improve its workers' quality of life through the services you provide in your community, it may well be a candidate for developing a mutually beneficial relationship with a union. Chapter 19 discusses how unions support the work of nonprofits, what they expect in return, and how your organization might develop a relationship that advances your common goals.

### **Federated Fundraising Organizations**

Federated fundraising organizations, such the United Way of America, are nonprofits organized along geographic, constituency, or issue lines for the purpose of raising funds from the general



public and distributing them to a variety of designated nonprofits. Federated organizations generally organize annual fundraising campaigns in the workplace to solicit contributions from employees in the form of payroll deductions at regular intervals. Paying out their contributions over 52 weeks enables individuals to make larger gifts than they could if they wrote a single check; this is the reason behind much of federated fundraising's success.

In communities across the United States, nonprofits have discovered that they can maximize their fundraising potential by forming a fundraising coalition. Close to two hundred such coalitions now raise money to support many areas of nonprofit concern, among them issues of gender and racial discrimination, housing, health care, the arts, neighborhood development, and the environment. Examples include Earth Share, which raises money for national and international environmental organizations; Children's Charities of America, which funds teaching, feeding, and protection programs for children in the United States and abroad; and the National Black United Fund, which promotes organizations working for the advancement of the African-American community.

The amount of money raised by federated fundraising organizations shows that theirs is a very successful method. The United Way, for example, reports that its 1,400 autonomous locals across the United States received pledges of more than \$3.77 billion in 1999. According to the National Committee for Responsive Philanthropy, "alternative" funds raised more than \$700 million in 1996, and are expected to raise more than \$1 billion per year. (In this context, "alternative" is used primarily to distinguish these funds from the United Way as well as to indicate these funds attempt to address the root causes of social needs.) In coming years, more nonprofits are expected to knock on the doors of their local United Ways to get access to those funds, while others will unite to create new fundraising federations in their communities. Chapter 20 discusses federated fundraising organizations and outlines procedures for seeking their support.

### Associations of Individuals

People with like-minded interests often work together for a common goal by creating associations; today, more than forty thousand such groups operate in the United States alone. Additionally, there are countless numbers of grassroots self-help groups.

While the prime motivating force behind such efforts may not necessarily be philanthropic, it is quite common for associations to embrace some charitable or civic activity as part of their mandate. They may choose to administer such activities themselves, or work in partnership with other nonprofit organizations. The Junior League is an example of an association that does both. Service clubs such as the Lions, Rotary, or Soroptomists often organize special events to benefit local charities.

Associations can be a prime source of volunteers for nonprofits and can also serve as partners in advocacy programs. Some groups, such as the League of Women Voters, have been active in issues like voter registration and international affairs for many years. The key for a nonprofit hoping to tap this resource is to identify which associations have similar concerns and might be willing to work together. As competition for financial support increases, nonprofit organizations can improve their success rate by demonstrating the support of associations in their communities. Chapter 21 presents the world of associations in greater detail and describes how nonprofits can seek their support.



## Summary

Sound fundraising involves reviewing all potential revenue sources and targeting those whose interests and giving histories indicate a possible match with a particular nonprofit. While your search for funding sources will begin by compiling a lengthy list, your time and energy are limited; refine the list through research to determine which sources are the best to tap. Once you have selected the mix of revenue sources that best suits your work, you will be able to develop a fundraising strategy and plan to guide you.

The chapters in this section detail the range of financial resources available to nonprofits, help you select the most appropriate ones to approach, and outline the actual solicitation process. Complete the worksheets at the end of each chapter. Then proceed confidently to Section 3, which will advise you how to develop a fundraising plan suited to the mix of funding partners you have chosen.

## Tips

- If you want to create a stable, healthy organization—regardless of size or location—you must secure funds from a diverse array of sources. A wide and varied base of support decreases a nonprofit's vulnerability and communicates to other potential funders that your organization's work is widely valued and deserving of their support.
- To help determine your organization's ideal funding mix, research the mix of organizations that have similar purposes and are comparable to yours in size, location, and longevity. While individuals account for the bulk of charitable giving in some countries, your research may reveal that organizations similar to yours do not receive the bulk of their revenues from them. The equation will differ for each type of nonprofit, and even among nonprofits with similar missions.
- Remember that the many sources of funding are not discrete entities; working with one will often lead to another, and still another. An individual donor who becomes interested in your organization's success may have ties to a foundation or be involved in the charitable activities of the corporation where he or she works. In the same way, volunteers provided by an association or labor union may become personally interested in your work and expand their involvement.