

Funding Sources

Types of Money Available

Individuals

- Following the federal government, individuals give more money than all other funding sources combined.
- "Donations from individuals" is the only category of giving that has consistently increased over the past several decades.
- Individuals provide an assured source of income for any nonprofit organization once a solicitation program is in place.
- An organization supported by its community will also find it easier to secure foundation and corporate support.
- Traditionally, individuals make gifts of either money or time. Members are the lifeblood of an organization. Best of all, members are volunteers who provide the person-power necessary for membership drives, fundraising events, and lobbying. Volunteers can serve as a link between a nonprofit and a potential donor, especially a corporate donor.

Corporations and Local Businesses

- Business and corporate philanthropy is always undertaken with the understanding that a benefit in the form of advertising, public image, or tax advantage, will accrue to the participating company as a result of the philanthropy.
- Corporations and local businesses donate to nonprofit organizations in the form of cash gifts, in-kind contributions of services, products, or expertise.
- Corporate giving can range from \$50 on the local level to hundreds or thousands of dollars on the state or national level.
- Establishing a strong relationship with a corporate donor can provide one of the most secure sources of ongoing funding for an organization.
- Corporations are very good at connecting themselves with well-respected nonprofits and remaining with them year after year.

Advantages of Working with Corporations

- If appreciated, corporations will often continue to give to the same organization.
- Corporations and businesses are among the few funders that donate to capital and endowment campaigns.
- The publicity required by the corporate sponsor also builds the nonprofit organization's public image.
- Corporations will often provide effective advice on how to market special events or projects.
- Reporting requirements are minimal.
- The application procedures are fairly simple and are always businesslike.

Disadvantages of Working with Corporations

- Having a personal contact at the corporation is almost a prerequisite to obtaining that first grant.
- Corporate donors require considerable attention and recognition or their support will quickly dwindle.
- The corporation, particularly the marketing department, often wants to control the project or a portion of it.
- Local and in-state gifts can be relatively small, \$50 to \$5,000, with some notable exceptions.

Government Funds

Government funds are available at three levels: federal, state, and local.

- At the federal level, while grant amounts are high, funders seek innovative ways to solve a problem, and for programs that can be reproduced.

- State funds are typically awarded to the same nonprofits year after year. Also, seeking state funding can be a highly political undertaking.
- Local governments usually earmark money for specific programs, and grants in rural areas can be relatively small. Urban centers, of course, will offer larger grants.

Advantages of Government Funding

- Much larger amounts than foundation or corporate gifts.
- One-stop shopping: all the funds for a project, or most of them, can be secured in one request.
- There are many avenues to influence decisions and to gather information, and it is unnecessary to have a personal contact.
- Agency staff members can be quite helpful, even providing technical assistance, to a nonprofit preparing a grant request.

Disadvantages of Government Funding

- Inflexible deadlines and review process.
- Improperly completed applications are often not considered for funding.
- An extremely sensitive reporting system means funds can be tied up for months.
- Quarterly reports, financial audits, and other red tape consume an enormous amount of staff time.
- Government funding is declining, making the process more competitive and future funding uncertain.

Foundations

- Foundations are non-governmental, nonprofit organizations with funds and programs managed by their own trustees or directors.
- Foundations are established to maintain or aid social, educational, charitable, or religious programs, and other activities serving the common welfare.
- Until quite recently, foundation support has been limited to cash grants; in recent years, however, foundations have begun offering PRIs and technical assistance.
- Foundations have also taken a lead role in many communities as conveners and trainers.

Foundations come in five flavors:

National foundations give to programs that are of national significance. Local organizations can receive funds, but only if the project falls within specific guidelines or areas of interest. Well-known national foundations include the Ford Foundation, Mellon Foundation, MacArthur Foundation, and the Campaign for Human Development.

Special-purpose foundations focus on one specific area of giving. One example is the Olin Foundation, which funds only building construction on university campuses. There are many foundations with narrow focuses. Be aware: when they fit, they fit; when they don't, they don't.

Corporate foundations are the charitable giving arms of corporations. The corporate foundation usually receives a percentage of the corporation's profits each year, from which it makes grants. If a corporation has had a good year, its average gift amount will increase. The Exxon Foundation, the ARCO Foundation, the Aetna Life and Casualty Foundation, and the Coca-Cola Foundation are national examples.

Community foundations raise money, usually from the local community, and then redistribute these funds.

Family foundations are founded by family members to honor the family name in perpetuity. The amounts they give can vary greatly. The Skaggs Foundation, for example, awards grants of between \$500 and \$5,000, while the Rockefeller Family Fund gives grants of up to \$50,000. Family foundations can become a source of long-term funding once a good relationship is established.

Associations, Clubs, and Unions

A 1998 survey released by the American Society of Association Executives found that nearly half of the 8,662 associations it represents raise money, donate supplies, or perform pro bono services for charities.

- Professional associations are made up of individuals who share a common profession.
- Trade associations are comprised of business people who work in the same industry or carry the same product lines.

These associations collect annual sums from their members and redistribute some or all of the money to qualified applicants. These organizations are seldom public about their contributions. Funding may be available through the local, state, and national chapters.

There are numerous community-based service clubs throughout the country, such as Kiwanis, Lions, Elks, Soroptomists, and Quota Club. They can provide quick cash, volunteers, and product donations. They can also introduce a nonprofit organization to their club's national charitable giving program. For example, Rotary Club International provides both humanitarian grants and ambassadorial scholarships, but a letter of support from the local Rotary Club is needed in order to apply.

Unions fund services, or issues directly related to their members. It is most common to ask a Union to provide services such as electrical wiring from the International Brotherhood of Electrical Workers, or the installation of new laundry facilities from the Plumbers and Pipefitters Union. Donations of these types of services can demonstrate local support for a project and can save the nonprofit organization thousands of dollars.

A Few Tips for Working With Associations

- Don't limit the possibilities. Consider working with all types of associations. If there is a natural affinity - a statewide Bar Association and a children's rights organization, for example - that's great. But also look for the unexpected alliance. For example, the American Pulpwood Association raised \$2.4 million last year for the Children's Miracle Network, which supports children's hospitals in the U.S. and Canada.
- Look to your volunteers, donors, staff, and members to help build alliances with associations. If one of these folks has an existing strong relationship with, say, the International Brotherhood of Electrical Workers, then you may want to pursue a relationship between your organization and the Union. Working from inside the association, an individual can recruit fellow members and generate excitement about supporting a charity. It is important to have an advocate "on the inside."
- Work with associations that have adequate resources to make the fundraising project a success. It is easy for an association to get in over its head by promising to do a project that they simply don't have the capacity to complete. Make sure your partnership with the association is clear (everyone's duties must be spelled out) and that your organization provides the necessary people-power if the association can't.
- Create an up-front agreement with the association that allows you to review any article or reference to your nonprofit before it is printed. Remember, this may be the only information that many of its members receive about your organization, so you want it to be accurate and descriptive.
- Remember to seek in-kind contributions. Services and products can be just as valuable as cash. Keep this in mind as you talk with your potential association partner.

Communicate Your Gratitude

Keeping these tips in mind will help you develop a good working relationship and a strong, on-going partnership with associations in your community. Our most critical advice is simply this: Communicate often with the association members. Let them know what you are doing and how their efforts have helped your organization and the individuals you serve. Send thank you notes to those individuals who help with a fundraising event. Always let the association and its members know how much the work they are doing for you is appreciated.

http://www.grantstation.com/grantstation/Public/News_Views_px/funding_sources.html