

The Nonprofit Founder's Club Podcast Transcript

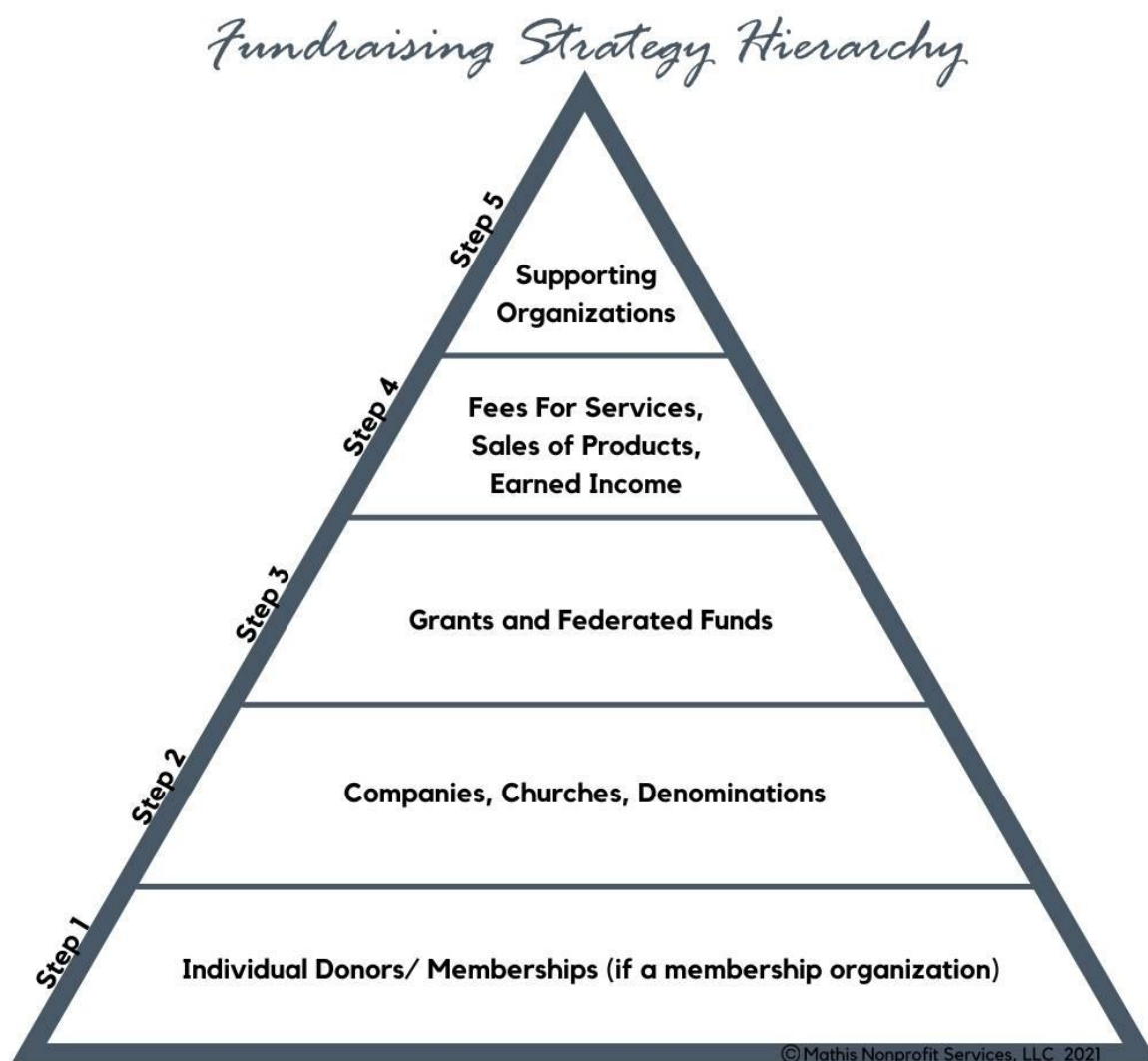
[00:00:00] Welcome to the Nonprofit Founder's Club, where Founders who have said, I have my 501(c)3! Now what?!? Begins building the nonprofit they [00:00:15] envisioned and helping the people they are called to serve. All, without being the sole funder.

[00:00:28] I spent over a [00:00:30] decade in non-profits and fundraising. There never seemed to be a rhyme or reason to fundraising. When do you do one strategy over another? Why do some organizations seem to execute some strategies [00:00:45] with ease and some struggle? Wasn't until I realized these two things. The industry has the wrong terminology.

[00:00:57] Everything is labeled a strategy, but [00:01:00] Merriam Webster dictionary defines strategy as a careful plan or method for achieving a particular goal. Usually over a long period of time. It's a high level plan or method. An [00:01:15] activity is work that is done for a particular purpose. Individual fundraising activities are the work that is done for the purpose of raising money for a larger purpose of [00:01:30] raising the money as part of a larger plan.

[00:01:33] The industry calls each individual fundraiser, a strategy. And that just isn't true. The next thing I realized is that there is a [00:01:45] structure to fundraising. When you build your fundraising in a sustainable way, you build it in a particular way. It was at this point that the hierarchy began to take shape.[00:02:00]

[00:02:00] So what is the fundraising strategy hierarchy? This framework helps you visualize the levels of fundraising. Fundraising builds on itself and mastery at each level [00:02:15] provides skills and resources for the next level. The fundraising hierarchy looks like this.



And in the show notes, you will see the graphic Each [00:02:30] step can be broken down into levels,

[00:02:33] with each level needing a higher degree of skill and resources. So why do we need to follow a fundraising strategy hierarchy? I found over the [00:02:45] years that what people call strategy is really an activity. So strategies are higher level and encompass many different activities. Activities are things like events, appeal letters, and [00:03:00] sponsorship.

[00:03:00] Strategies are the different ways to get revenue into your nonprofit. They are things like individual donors, companies and grants. I've also noticed that higher fundraising strategies and [00:03:15] activities build on lower strategies and activities. Each step or strategy in the hierarchy requires more skills,

[00:03:24] more resources, and more infrastructure. Skipping straight to higher [00:03:30] strategies makes fundraising more difficult than it has to be and goes against our sustainable fundraising principle of demonstrating rational growth. Taking each step in order, helps you [00:03:45] build your skills, resources, and infrastructure to handle each new level.

[00:03:51] This means you can meet the needs of the organization and build your infrastructure in a way that [00:04:00] is maintainable. So let's take a look at the strategy. Let's take a look at the higher. In more detail. So step one, the very base of the pyramid is individual donors. Or [00:04:15] if you're a membership non-profit group memberships. This step will constitute three fourths of all contributions to your organization.

[00:04:26] It's the very foundation of donations. I [00:04:30] have three levels in this step. So level one are beginner activities. They are online gifts, direct mail, email, in kind from individuals, and peer to peer fundraisers. [00:04:45] These activities take little resources and infrastructure to complete. They also help you learn fundamental fundraising skills.

[00:04:54] They can be successful with a minimal number of donors, approximately 10 [00:05:00] to 600. Once you reached the 600 donor mark, you can more easily move to level two. Now keep in mind that this is the foundational level. So you will always come back to this level and continue [00:05:15] activities from this level. Now the skills needed at this level.

[00:05:20] Examples include identifying your ideal donor, crafting messages that attracts your ideal donor, crafting an [00:05:30] ask, email marketing, and appeal letter writing. The infrastructure, examples that you will need. Websites, social media, email service provider, payment processor, fundraising policies and procedures in kind receipt, [00:05:45] and a thank you letter. The human resources you need.

[00:05:48] Some examples is at least a fundraising committee or someone responsible for these activities. And we move to level two. These activities include [00:06:00] texts to give events, both ones that you organize and ones

organized by others, crowdfunding, which can be go fund me charity or Facebook fundraisers. These strategies tend to be more [00:06:15] effective when you have a donor base of at least 600.

[00:06:19] At 1500 active donors on your donor list, you will find it easier to move to level three. Now side note events are [00:06:30] a gateway to step two. So mastering them will help you more effectively move deeper into step two when you are ready. All right. The skills that you need at this level. And they're going to include [00:06:45] all of the skills from level one,

[00:06:47] plus some organization skills, some PR and marketing skills and advertising skills and experience. The infrastructure that you're gonna need. You're gonna need some texts to gift [00:07:00] technology, some donate button on website technology, registration abilities, invoicing capabilities. And what resources are you going to need?

[00:07:10] You'll need an event committee or manpower volunteers, and you're going to [00:07:15] need some money to spend on fundraising. And of course you'll need donors. Now, in this step, we move to level three and those activities include pledge fundraising, monthly [00:07:30] donations, annual campaigns, planned gifts, major gifts, and capital campaigns.

[00:07:35] These activities tend to be more effective with 1500 donors or more. However, I am told planned gifts and major [00:07:45] gifts can be successfully started on a very small scale at 600 donors. Capital campaigns can lead to grants. So the skills that you need at this level, [00:08:00] so examples are case statement creation, ability to create marketing materials and running skills.

[00:08:07] The infrastructure needed. You need a donor base over a thousand donors technology to automate [00:08:15] your regular game. And then the resources you're going to need multiple people dedicated to fundraising activities consistently, and you're going to need a fundraising expense money budgeted. All right. Now we're [00:08:30] moving to step two, which ours companies, churches, and denominations.

[00:08:34] So at level one, We include corporation in kind donations, checkout campaigns. Those are the ones that at the register, you, the [00:08:45] organization gets a percentage of sales, sponsorships, which will connect to events. And these activities can be most effective with as few as 600 donors. And so this is [00:09:00] going to need more skill, infrastructure and resources

[00:09:04] from the first step. All right. Level two activities. Those are going to include your corporate donations and cause marketing a [00:09:15] K a also known as collaboration. These activities are most effective with roughly 850 donors or more. All right. Then we move to level three. Those activities [00:09:30] include matching gifts,

[00:09:32] volunteer grants and corporate grants. These activities work best with a thousand donors or more and connect to individual donors. All right, well, let's move [00:09:45] to step three, the grants and federated funds. So in level one, those activities include applying to community foundations, private foundations and public foundations.[00:10:00]

[00:10:00] Okay. Probably saw a pattern there. Level one is foundations. These activities will need connections. And so 1,500 donors or more would be ideal to start this level. [00:10:15] All right. Obviously you're going to need some grant training at this level. That will be the skillset you need. Infrastructure. You're going to need grant management software, a grant calendar, a program with measurable [00:10:30] outcomes from at least three years. You're going to an operational budget. Tax filings for three years.

[00:10:36] You basically need to know that your organization is grant ready. That's how you are [00:10:45] successful at grants. And so your resources that you're going to need is you're going to need manpower dedicated to the grant process. So this is time and manpower dedicated to the [00:11:00] grant process. All right. Level two, we move up and these activities include applying to federated funds, such as the United way and combined federal campaign.

[00:11:13] These activities [00:11:15] are most successful at 2000 donors or more. All right. So the skills that you need. Are going to be writing and communicating skills, grant writing, training, and then the infrastructure you're going to need a [00:11:30] grant process already in place. You're going to grant calendar and a grant database. Resources as manpower and time to manage the grant process.[00:11:45]

[00:11:45] And when I say grant process, that is from finding the grant to reporting back to a funder. In this step, we are moving up a level to level three, and those [00:12:00] activities are going to be applying for government grants. And government grants are city, state, and federal grants that you can apply for. You will need connections for these grants.

[00:12:12] So it is recommended that an [00:12:15] organization has about 3000 donors or more as a pool to help with these grants. Skills needed at this level. You're going to need writing and communication skills. Grant writing training, and you're going to need [00:12:30] some connection skills, some relationship skills for people. Next, the infrastructure that you need. You've got the grant process, your grant calendar, and your grant database.

[00:12:43] And then the [00:12:45] resources you at this point will need a full-time grant writer on staff. These grants can take up to 50 hours per grant to complete. This is a huge undertaking. [00:13:00] So you need someone dedicated to the process of this grant. Government grants are the very top of grant world is what I call it.

[00:13:11] So make sure you are prepared. [00:13:15] All right. Step four. Now on the pyramid is earned income. This step will become half of all revenue when you get to that point. There are no levels for [00:13:30] this step because they all require about the same amount of skill, infrastructure, and resources. And please consult a tax professional before getting into this step.

[00:13:42] Some of the examples for this [00:13:45] step are fees for services. These can be charged for services that are within your mission without getting in trouble with the IRS. Most nonprofits will implement a sliding fee structure. [00:14:00] This structure is typically dependent on income. Next you have sale of products nonprofits are allowed to sell items or products.

[00:14:12] If these items aren't directly [00:14:15] related to your mission, then you can get in trouble with the IRS. If your income goes beyond a certain point, again, consult a tax professional before starting this kind of endeavor. All right. The last [00:14:30] step is supporting organizations. Supporting organizations are ones that are nonprofits in their own, right

[00:14:39] but whose revenue goes back to your organization. An [00:14:45] example of this is friends of the library organization. It can also be an independent advisory board as a fundraising arm. I actually worked for a nonprofit where they had this and [00:15:00] it was their own foundation. All of the money that came from that foundation went back into the nonprofit and they set it up so wonderfully because the foundation actually, one of the [00:15:15] funds that they had raised money for salaries.

[00:15:18] So. The non-profit didn't have to worry about salaries. Every year, the foundation just gave money for salaries. [00:15:30] So that was awesome. Okay.

Where would a new nonprofit typically fall since that's where we are? Right? Well, new nonprofits fall in the first step and the first level. [00:15:45] You work up from there. So start with your individual donors.

[00:15:50] All right. That's all for this week. I'll see you again later. Bye.

[00:15:58] That's it for the [00:16:00] nonprofit founders club podcast get subscribed so you won't miss the next episode in the meantime, keep building your nonprofit so you can help those you are called to serve.[00:16:15]