Fundraising 101:

How to Grow & Diversify Your Funding
because your mission matters

TRANSFORM
— CONSULTING GROUP —

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About Transform Consulting Group (TCG)

Transform Consulting Group (TCG) is a strategic and data-informed consulting firm focused on helping nonprofit organizations, government agencies, and philanthropic partners use their data to accelerate their impact. We believe this leads to more profound results with their clients and ultimately to the betterment of children, families, schools and communities.

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Why do you need this tool?

A Letter From Our President

Dear Fundraiser,

We understand that growing and diversifying funding is constantly the top of mind for anyone working in the public sector. At Transform Consulting Group (TCG), we partner with diverse clients who are advancing critically important causes. Regardless of the cause, challenges we see from organization to organization are similar.

The majority of nonprofit organizations do not have the funding they need to advance their mission. Most of their funding comes from one primary source and is insufficient. We advise against using this "eggs in one basket" approach, and we're passionate about equipping organizations to grow and diversify their funding.

Your work is important. You want to expand services, impact more individuals, and further your cause, but you need money.

We are driven by impact and encourage you to be too! As we share our go-to tips for fundraising, we encourage you to think through a lens focused on impact. What does fundraising allow you to do as an organization?

In nearly every engagement with a new client, we start by asking, "what's your why?" We want to understand what motivates your work and that's a theme you should be able to pinpoint even in your fundraising strategies. Author Simon Sine says, "to inspire starts with the clarity of why."

What is your 'why'? What are you trying to accomplish through your fundraising efforts?

This toolkit features an overview of the five types of funding streams for your nonprofit to consider to advance your cause. Fundraising is part science and part art! The science is in the data and making informed decisions based on best practices and research. The art is building authentic relationships and partnerships with people to further your cause and create transformational impact. We highlight ways to incorporate both in this toolkit.

Our hope is that this resource helps you raise more money of course, but ultimately we hope it helps further your mission and move the needle in your community.

Sincerely,

Amanda Lopez

Amanda Lopez
TCG Founder & President

Funding Buckets
How do you grow & diversify your funding?

90% of non-profit organizations report that they have
one source of funding
and that **one source accounts for 90%** of their total funding

We have the privilege of working with various organizations of all sizes who are advancing critically important causes. All are doing important work in their communities, and all need funding to continue moving the needle.

For nonprofit organizations, there are five broad funding categories or "buckets" that can support your cause:

5 Funding "Buckets"

1. Individual Donors **2. Corporate Sponsorships** **3. Grants** **4. Fundraising Events** **5. Fee for Services**

Each funding source provides different opportunities and challenges to advance your cause. It is not necessary to have all five funding buckets in your fund development plan. It also is not realistic or necessary to have an even breakdown of all five funding sources (i.e. 20% of your budget make up from each of these streams).

What is important is to understand the benefits and drawbacks of each funding source and how they could help or hinder your organization's goals. This will ultimately support you in having a more financially healthy and sustainable organization.

In the next sections, we will break down the pros and cons for each of these funding buckets as well as share practical next steps to help you meet your goals.

> *Fundraising is motivating and asking others to share with you in a great adventure, a vision, a dream.*
>
> Jerold Panas

Use Your Data

Before diving into the specifics of each funding bucket, let's take a look at your individual organization's current funding. Ask yourself these questions:

☑ Which funding bucket(s) does your organization currently have to advance your cause?

☑ What funding bucket is your largest?

☑ What funding bucket would you like to grow?

PRO TIP

Each funding source provides different opportunities and challenges to advance your cause. Determine the funding bucket(s) that are the right fit for your organization.

Individual Donors

69% of all donations are made by individuals.

When we say "individual donors" we are referring to any individual who gives to your organization. This could be through online methods, your annual campaign, major gifts, capital campaign donors, and planned giving or bequest donors. These gifts can have a huge range and include anything from $15 to $1 million+.

Pros +	Cons −
Unrestricted funds	Time
Large gifts	Dedicated staff & systems
Multi-year funds	Relationship building

Typically, with individual donor gifts, there are "no strings attached." You can use the funds any way necessary to advance your mission. These gifts can be any size, and you can make "asks" as often as appropriate with the individual donor.

The biggest challenge with individual donors is the time and resources needed to steward your donors well. Relationships are critical to attract and maintain a donor. You need dedicated staff to set up coffee meetings, facility tours, write thank you notes, and keep individuals informed on how their dollars are spent. You'll also need systems in place to manage your data (i.e. donor contact information, giving history, and track all "touches" or interactions with the donor). These systems could be as simple as an excel sheet or a donor software subscription.

> *Don't give to get. Give to inspire others to give.*
>
> Simon Sinek, Author

Use Your Data

Start with understanding who are your current donors and who is your ideal donor. Follow these steps to ensure you're stewarding both groups well:

☑ List your current donors and their giving history. Draft a plan for guiding them towards increasing their giving. Consider the best people and activities needed in building a long-term relationship. Finally, think strategically about who, when, and how to make the "ask" for each donor.

☑ Identify your donor retention rate by dividing the number of repeat donors this year by those who donated last year. For example, if you have 150 donors who gave again this year, but had 300 who gave last year, your donor retention rate would be 50%. Once you know your retention rate, spend time evaluating your donors' engagement journey with your organization. Are you nurturing their engagement? Stewarding these relationships takes time. However, your investment can majorly impact annual giving.

☑ Assess your current donor stewardship efforts. List all of your strategies, including mailings, lunch or coffee meetings, facility or program tours, phone calls, and donor events. What methods are working and not working?

PRO TIP

Your fundraising team is critical to building relationships with current and potential donors, but this doesn't only include paid staff. Utilize your Board of Directors and volunteers who are already investing in your cause AND have unique networks to introduce to your organization.
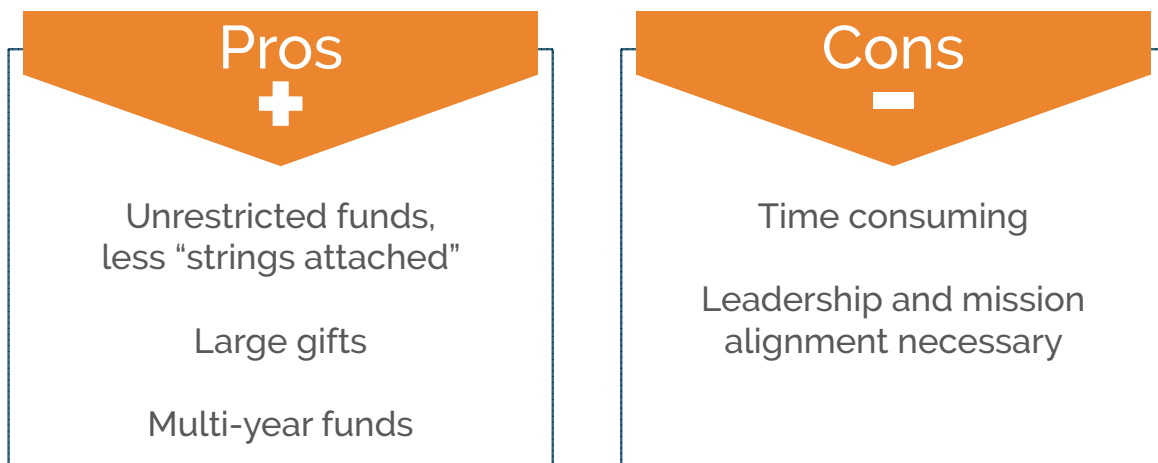
Corporate Sponsorships

Corporations gave over $20 billion to nonprofits in 2020.

This funding option is a partnership with a company. Companies invest in causes they care about and in return the cause (or nonprofit organization) often offer some benefit such as recognition in annual reports, a logo shared on social media or printed collateral, or a table or shout out at a fundraising event.

These sponsorships are made possible when there is alignment with a company's mission and values. Like most of the funding streams, these gifts could range from $500 to six figure partnerships.

Pros +	Cons −
Unrestricted funds, less "strings attached"	Time consuming
Large gifts	Leadership and mission alignment necessary
Multi-year funds	

By enlisting support from corporate partners, you are typically tapping into larger pots of money which is a huge advantage to your fund development plan.

On the flip side, securing corporate dollars can be time consuming as you work to build relationships with the decision makers at a company. There is also research necessary to ensure there is alignment missionally.

> *You want to be the pebble in the pond that creates the ripple for change.*
>
> Tim Cook, Apple CEO

Use Your Data

Do you currently engage corporations to support your organization's mission? Consider these next steps to grow this funding bucket:

☑ List your current corporate sponsors, their giving history, and set a goal to engage them at a higher giving level. Consider sharing their story of why they give to incentivize other partners.

☑ Document your corporate giving plan. Include the giving levels and benefits to a partner at each gift amount.

☑ Identify 3-5 potential corporate sponsors and draft a plan for introducing them to your cause. If you're having trouble deciding who is a good fit, ask your Board of Directors, staff, and volunteers for brainstorming help!
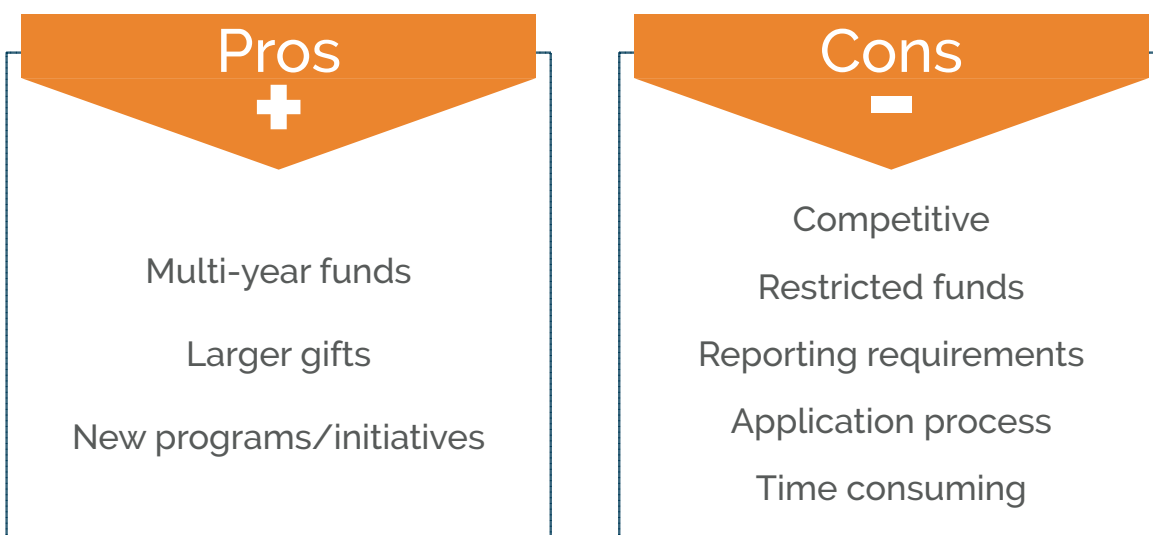
PRO TIP

This fundraising option is an exchange of benefits. Corporations provide financial resources in exchange for awareness and marketing opportunities. Be sure to include your marketing and communications team in the creation of this program.

Grants

About 20% of nonprofit income is derived from grants as of 2020.

Securing grants is a great strategy for growing your funding. There are two main types of grants: Foundations and Government. Both come with benefits and challenges (read a full breakdown of these types here). Grants can be a one time gift or multi-year funding source. The amount varies from grant to grant with awards ranging between $1,000 to over $1 million.

Pros +	Cons −
Multi-year funds	Competitive
Larger gifts	Restricted funds
New programs/initiatives	Reporting requirements
	Application process
	Time consuming

Grant funding can allow the resources to expand programs and services within your community and test or pilot a new initiative. However, grants are competitive and can be time consuming. There are usually more organizations applying for grant money than there is money available to award.

Grant dollars are usually restricted and have to be spent for specific programs and services. They also require reports that might be time consuming and not "worth" the funding.

> *Giving is not just about making a donation, it's about making a difference.*
>
> Kathy Calvin

Use Your Data

It can become frustrating to put so much time and resources into the tedious grant writing process only to be turned down. We recommend clients make sure they are truly ready BEFORE taking the grant writing plunge.

☑ Consider your current capacity. Do you have a team with the time and expertise needed to research grant opportunities, complete the full application process, and manage reporting requirements? Do you have sufficient staff, infrastructure, and resources to manage the program or services if you receive the grant funding?

☑ Ensure that you have all the necessary organization items in place such as: a current strategic plan, policies and procedures for proper accounting of funds, a clear organization budget outlining your operating expenses and plan for additional funds, and a system to collect and report data.

☑ Determine if you are "Grant Ready" with our checklist here.

PRO TIP

Calculate the ROI for every event your nonprofit hosts. Create a budgeting tool and make sure you understand and are accounting for staff time. Determine if there are changes you can make, so you can generate more profit at your event. Many fundraising events do not have a positive ROI after including all expenses.

Fundraising Events

38% of smaller nonprofits host 2-5 events every year, and 21% host more than 25 per year.

Another option for building your funding is through hosting fundraising events. There are a variety of fundraising event examples such as golf outings, 5k races, gala events, auctions, etc. This funding stream can raise a significant amount of funding for an organization, but it can also cost an organization money.

Pros +	Cons –
Build awareness	Time consuming
Attract new donors and/or sponsors	Low or negative ROI
Unrestricted funds	Crowded market

Not only can a fundraising event bring in necessary dollars for your organization, but it can also create publicity, attract members and volunteers, engage and recruit board members, educate and enhance relationships both in the community and with sponsors, and hopefully turn event participants into long-term donors. At a fundraising event, you have a captivated audience to learn about your mission and story, which can encourage buy-in to your cause.

> *Revenue − Expenses =* ***Fundraising Event Profit***

However, event planning takes a lot of time. Before throwing an event, we recommend listing out all of the expenses, which should include staff and volunteer time! After you factor in all of the costs (direct and indirect), you may realize that you are actually losing money on your fundraising event and not "netting" additional funds.

We also recommend analyzing your community and attendee prospects. Are there already similar events in your area? It may be time to reconsider being yet another event on an individual's calendar.

Use Your Data

Fundraising events require a lot of time and resources. Consider these steps before planning your next event:

☑ Determine the goal of the event. If your goal is to raise money, what is the specific dollar amount? If you goal is to raise awareness, how will you measure success?

☑ Research other community events. What fundraising events are on the calendar in your community? Often nonprofit organizations are inviting all the same people to attend events which can lead to donor fatigue. Is your time better spent having a one-on-one conversation with a major donor or planning an event that may only bring in a fraction of the dollars?

☑ Calculate your event ROI with our simple budgeting tool.
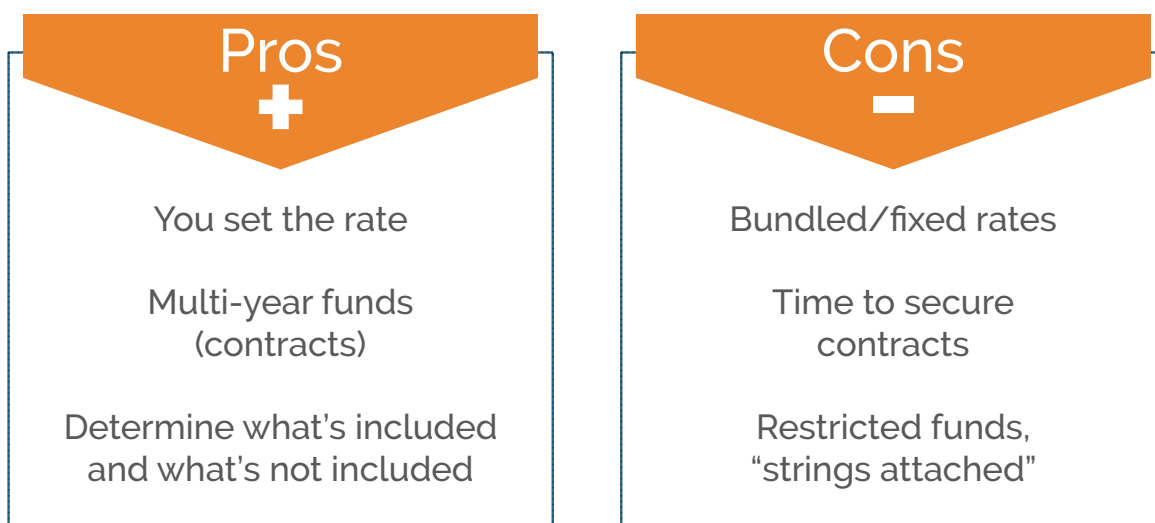
PRO TIP

Calculate the ROI for every event your nonprofit hosts. Create a budgeting tool and make sure you understand and are accounting for staff time. Many fundraising events do not have a positive ROI after including all expenses.

Fee for Service

80 cents of every dollar of nonprofit revenue in the United States comes from government grants or contracts and fees for service.

A fee-for-service structure means fees are paid in return for services delivered. Nonprofits can use fees for service and contracts to supplement their funding. Examples of this include charging for summer camp, child care, therapy, job training, etc. These services may charge an hourly or fixed rate.

Pros
+

You set the rate

Multi-year funds
(contracts)

Determine what's included
and what's not included

Cons
−

Bundled/fixed rates

Time to secure
contracts

Restricted funds,
"strings attached"

Getting paid directly for what your organization is already doing to fulfill its mission also confirms that your work has the outcomes that people value. You get to set the rate and make the call on what is included or not included, and there's potential to have secure funding year after year.

However, there are some disadvantages to this funding model. Nonprofits must be sure to avoid negative tax implications, comply with applicable state and federal regulations, and provide careful fiscal management and accounting of fee for service and contractual activities.

Community Need + Your Unique Value & Expertise =
Potential Fee for Service Opportunity

Use Your Data

Consider these steps to determine if fee-for-service model is a good fit for your organization:

☑ Review your programs and services to see if they can be monetized.

☑ Complete market research to see if other organizations in your industry charge for their services and the different rate/ payment structure. Once identified, then determine if that model could work for your organization.

☑ Review your financial statements to see if you have a good understanding of your costs for service to determine a potential rate or fee structure.

☑ Reflect on your clients to see if offering a fee-for-service will help increase your reach or limit engagement.

PRO TIP

Spend time defining and clarifying your organization's value proposition or an easy-to-understand reason why someone should pay for your service. Your value proposition should clearly explain how your organization fills a need, communicates the specifics of its added benefit, and clearly states the reason why it's better than similar organizations.

What do you do now?
Next Steps

Congratulations! You now have an understanding of the five possible funding buckets. Are you ready to take the next step towards growing and diversifying your funding?

☑ **Determine your why.** Remember, when setting your fundraising goal, don't only consider a dollar amount. What do you want to accomplish, and how much money do you need to do it?

☑ **Identify your funding buckets.** Think about your current budget. What funding sources do you rely on? Which funding sources do you want and need to grow to accomplish your goals?

☑ **Make a plan.** Whether you want to grow a specific funding bucket or add a new one, it's time to make a plan to accomplish your goals. Download our [Fund Development Plan Template here.](#)

Accomplishing Your Fundraising Goals

Transform Consulting Group (TCG) is mission-driven and data-informed. We're a team of former practitioners who want to help you make an impact. We understand you need funding to meet your goals. Here's how we can help:

COLLABORATE

We follow a participatory approach with our work. We believe in the importance of building our clients capacity to sustain the work that we start beyond our engagement.

ASSESS

Before we take any action, we ground our work in the data to make best practice recommendations. We gather the latest trends and research in the industry and collect new data, if necessary.

FACILITATE

We often see many planning team members who want to jump into the strategies and problem-solve the needs/ gaps identified. The first step in consensus building is to reach agreement on the "What" you want to accomplish.

CREATE

We design, develop and recommend plans, policies, programs and reports to accelerate our clients' timeframe to achieve these opportunities creating greater impact.
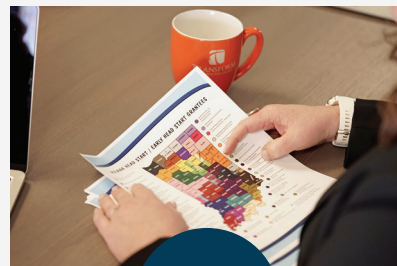
What to do next?

1 Become a TCG Insider

2 Schedule a Consultation

3 View our Work

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