Building Multiple Revenue Sources
Renny Fagan
President & CEO

Overview

How can your organization grow and sustain increasing levels of income?

Overview

- Overview of different types of revenue sources
- Revenue development process
  - Assess goals for the future and current resource capacity
  - Identify your income strategy
  - Select an appropriate revenue source
  - Develop and execute a revenue source plan
  - Evaluate results and strive for improvement
Types of Revenue Sources

Donations
- Annual or sustained gifts
- Online giving
- Major gifts
- Planned gifts
- In-kind

Types of Revenue Sources

Grants and Sponsorships
- Foundation grants
- Corporate giving programs
- Cause-related marketing

Types of Revenue Sources

Activities that generate revenue
- Earned income activities
- Benefit events
- Unrelated business income
- Supporting organizations
Types of Revenue Sources

Other sources
- Government
- Churches and denominations
- Federated funds

Financial Goals

<table>
<thead>
<tr>
<th>Financial Resource</th>
<th>Where we are today</th>
<th>Where we need/want to be</th>
</tr>
</thead>
<tbody>
<tr>
<td>Annual Revenue</td>
<td>Gross amount from all sources</td>
<td></td>
</tr>
<tr>
<td>Special Project Revenue</td>
<td>Extraordinary or non-recurring</td>
<td></td>
</tr>
<tr>
<td>Donors</td>
<td>Number of annual supporters</td>
<td></td>
</tr>
<tr>
<td>Volunteers</td>
<td>Number of volunteers who raise funds</td>
<td></td>
</tr>
<tr>
<td>Fundraising expense</td>
<td>Amount you are spending for all revenues</td>
<td></td>
</tr>
<tr>
<td>Other</td>
<td>Other goals</td>
<td></td>
</tr>
</tbody>
</table>

Revenue Sources

List current revenues and your goal for each of the revenue types
Assess Your Potential - SWOT

Strengths
- What are your current resources (cash, people, expertise)?
- Which revenue sources generate your income?
- What are your revenue generating advantages?
- What do you do well in fundraising?
- What do your constituents see as your resource strengths?

Assess Your Potential - SWOT

Weaknesses
- Are you underutilizing your board, staff, community relationships?
- Which revenue activities could you improve?
- Which revenue activities do you do poorly?
- Which activities should you stop altogether?
- How up to date is your website?

Assess Your Potential - SWOT

Opportunities
- What are emerging trends in your field?
- What new activity might take a combination of faith and action to undertake?
- Who are potential partners?
- What are the open doors facing your organization?
Assess Your Potential - SWOT

Threats
- Do you face increased costs?
- Do changing government policies and funding affect your constituents or programs?
- How does the public react to your current revenue activities?
- Is your size, visibility, success or track record likely to hurt you in the future?

Assess Your Potential - SWOT
- What revenue source can capitalize on a strength?
- What weakness must you minimize or eliminate to gain the best advantage?
- Which opportunities support a strength or help eliminate a weakness?
- Which of the threats could materialize and undermine an income strategy?

Assess Your Potential - SWOT

<table>
<thead>
<tr>
<th>SWOT Area</th>
<th>Statements about your organization</th>
</tr>
</thead>
<tbody>
<tr>
<td>Strengths</td>
<td>- Our President/Board is unafraid to ask for money</td>
</tr>
<tr>
<td></td>
<td>- We have a solid track record</td>
</tr>
<tr>
<td>Weaknesses</td>
<td>- We are not well known in the community</td>
</tr>
<tr>
<td></td>
<td>- Cash flow peaks seasonally</td>
</tr>
<tr>
<td>Opportunities</td>
<td>- New board member serves on foundation board</td>
</tr>
<tr>
<td></td>
<td>- Another organization wants to partner</td>
</tr>
<tr>
<td>Threats</td>
<td>- Other organizations are holding larger, more visible events like ours</td>
</tr>
<tr>
<td></td>
<td>- Other organizations are getting more public attention in our service area</td>
</tr>
</tbody>
</table>
Identify Your Income Strategy

1. Enhancing an existing revenue source
2. Starting a new revenue source
3. Forming an alliance or partnership to share an organization's revenue sources
4. Forming an alliance or partnership to acquire in-kind resources

Comparison of Income Strategies

<table>
<thead>
<tr>
<th>Income strategy criteria</th>
<th>Enhance Existing Revenue</th>
<th>Start a New Revenue Stream</th>
<th>Alliance for Cash</th>
<th>Alliance for In-Kind</th>
</tr>
</thead>
<tbody>
<tr>
<td>Rapid revenue inflow</td>
<td>Smaller in short term</td>
<td>Larger in long term</td>
<td>Larger in long term</td>
<td>No cash inflow</td>
</tr>
<tr>
<td>Low initial outlay</td>
<td>Moderate expense; find within existing budget</td>
<td>Most expensive; may need outside funds</td>
<td>Moderate; staff time to develop</td>
<td>None</td>
</tr>
<tr>
<td>Time elapsed till start-up</td>
<td>Rapid</td>
<td>Slow</td>
<td>Depends on agreement</td>
<td>Depends on agreement</td>
</tr>
<tr>
<td>Builds on in-house systems</td>
<td>Yes, but may limit improvement</td>
<td>No, may create need for new ones</td>
<td>Probably not</td>
<td>No, and need for reporting</td>
</tr>
</tbody>
</table>

Selecting Appropriate Revenue Source

- **Funding uses.** What sort of programmatic or organizational efforts does this revenue source support?
- **Staff commitment.** What level of staff involvement does the revenue source require?
- **Necessary systems/processes.** What underlying systems or processes must be strongly in place prior to developing this revenue source?
Selecting Appropriate Revenue Source

- **Lead time.** How much planning is required to develop the revenue source? How urgent are your funding needs?
- **Return on investment (ROI).** How successful is the revenue source?
- **Methods of enhancement.** If already utilized, how can you improve this revenue source to raise even more funds?

Selecting Appropriate Revenue Source

**Annual or sustained gifts**

- Prospects become donors using segmentation, specialized programs, and direct-response packages
- Lapsed donors are reactivated
- Direct-response tools are least expensive
- Volunteers can become donors and vice versa
- Requires less than 6 months lead time

Selecting Appropriate Revenue Source

**Major Gifts**

- Relies on senior leaderships ability to communicate vision, ask and close
- Prospects must be researched, screened and rated
- Multi-step cultivation and solicitation process
- Can take many months to secure gift
Selecting Appropriate Revenue Source

Planned Gifts
- Screen prospects for age, gift history and financial capacity
- Process of understanding prospect’s requirements, evaluate options, draft and sign documents
- Requires lead time to secure

Selecting Appropriate Revenue Source

Online Donations
- Relies on solid web presence that must be maintained
- Empowers your supporters to activate their networks for you
- May use a donation site, which will take percentage for their admin costs
- Relatively quick to launch

Selecting Appropriate Revenue Source

Foundation Grants
- Requires research and careful matching
- Must be within their schedule, funding patterns, areas of interest and geography
- Build relationships with leadership and staff
- Requires solid writing skills
- Must consider time between application and decision to fund
Selecting Appropriate Revenue Source

**Cause-related marketing**
- Trade-offs between what the corporation wants and what the nonprofit is willing to give
- Benefits and risks of being associated with a for-profit company
- Requires lead time

Selecting Appropriate Revenue Source

**Corporate giving programs**
- Relies on relationships between senior leaders and corporate leaders
- Committee often decides on request
- Helps if they are locally headquartered, have local workforce or large local consumer base
- Requires about six months lead time

Selecting Appropriate Revenue Source

**Earned Income Activities**
- Relies on good business sense
- Must work as a profit-making enterprise before it’s worth developing
- May require separate accounts, functions and financial filings
- Lead time of six months to a year
Selecting Appropriate Revenue Source

Unrelated business income
- Relies on good business sense and business model
- Must consider IRS regulations and taxable exposure
- Lead time of six months to one year or more

Selecting Appropriate Revenue Source

In-kind donations
- May begin as solicitation for money and become a negotiation for in-kind donation
- Requires good record keeping and processing
- Generates good return
- Lead time of six months

Selecting Appropriate Revenue Source

Supporting organizations
- Relies on excellent communication between senior leaders of both organizations
- Requires clearly prescribed limits of authority
- May operate an earned income enterprise
- May require a year or more of lead time
Selecting Appropriate Revenue Source

**Benefit events**
- Relies on excellent organization skills, creativity and execution, by staff and volunteers
- Requires great concept, location, and a date that doesn’t conflict with other events
- Lead time of six months to a year

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Selecting Appropriate Revenue Source

**Government funding**
- Requires matching of your program to grant/funding opportunity
- Must be within funding appropriation guidelines
- Comes with accounting, reporting and evaluation requirements
- Relationships with government officials helpful
- Lead time varies depending on government budget cycle

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Selecting Appropriate Revenue Source

**Church and denominations**
- Must match service limitation, local service area and theological worldview
- Relationships between senior leaders and pastor/church leadership are key
- Pastor approval is key to funding
- Lead time of a year or more
Selecting Appropriate Revenue Source

**Federated funds**
- Must fit priority focus
- Qualification process
- Must remain within fund’s guidelines
- Often must be an established organization
- Relies on relationships between staff and federated campaign staff
- Lead time of a year or more

Develop and Execute Revenue Source Plan

- Plan objectives
- Selection of Revenue Source
- Summary of Costs
- Adjustments to Systems
- Schedule

Evaluate results and improve

<table>
<thead>
<tr>
<th>Revenue Source</th>
<th>Underperformance symptoms</th>
<th>Diagnosis and corrective action</th>
</tr>
</thead>
<tbody>
<tr>
<td>Annual or sustained gifts</td>
<td>Low average gift</td>
<td>Refine list of names.</td>
</tr>
<tr>
<td></td>
<td>Low response rate</td>
<td>Change the package design, ask, requestor</td>
</tr>
<tr>
<td>Foundation grants</td>
<td>Lots of letters and proposals but few awards</td>
<td>Improve grant-writing skills. Recruit board members to develop relationships</td>
</tr>
<tr>
<td>Benefit events</td>
<td>Poor attendance</td>
<td>Analyze event design, scheduling, location and leadership</td>
</tr>
<tr>
<td></td>
<td>No money raised</td>
<td></td>
</tr>
<tr>
<td>Earned income activities</td>
<td>No products/services sold</td>
<td>Develop incentives. Evaluate fit to mission.</td>
</tr>
</tbody>
</table>
Additional Resources

Colorado Nonprofit Association "FAQ" page
www.coloradononprofits.org/faq.cfm

Fundraising resources
http://www.delicious.com/coloradononprofit/helpdesk/fundraising

Additional Resources

• "How to Develop a Fundraising Plan," by John Kivimaki and T. Scott Smith, Stonehill Consulting, LLC
  http://www.coloradononprofits.org/documents/HowToDevelopAFundraisingPlan.pdf

Additional Resources

Finding information about grants:
Community Resource Center, Grants guide
http://www.crcamerica.org/grants_guide/default.asp
Grants.gov

Online giving:
  GivingFirst.org
  Network for Good
Thank you!

Renny Fagan
President & CEO
(303) 832-5710
rfagan@ColoradoNonprofits.org
www.ColoradoNonprofits.org