STRENGTHENING NONPROFITS:
A Capacity Builder's Resource Library

Building Multiple Revenue Sources

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INTRODUCTION

The Compassion Capital Fund (CCF), administered by the U.S. Department of Health and Human Services, provided capacity building grants to expand and strengthen the role of nonprofit organizations in their ability to provide social services to low-income individuals. Between 2002 and 2009, CCF awarded 1,277 grants, and the CCF National Resource Center provided training and technical assistance to all CCF grantees. *Strengthening Nonprofits: A Capacity Builder's Resource Library* is born out of the expansive set of resources created by the National Resource Center during that time period, to be shared and to continue the legacy of CCF's capacity building work.

Strengthening Nonprofits: A Capacity Builder's Resource Library contains guidebooks and e-learnings on the following topics:

1. Conducting a Community Assessment
2. Delivering Training and Technical Assistance
3. Designing and Managing a Subaward Program
4. Going Virtual
5. Identifying and Promoting Effective Practices
6. Leading a Nonprofit Organization: Tips and Tools for Executive Directors and Team Leaders
7. Managing Crisis: Risk Management and Crisis Response Planning
8. Managing Public Grants
9. Measuring Outcomes
10. Partnerships: Frameworks for Working Together
11. Sustainability
12. Working with Consultants

Who is the audience for *Strengthening Nonprofits: A Capacity Builder's Resource Library*?

Anyone who is interested in expanding the capacity of nonprofit services in their community – from front–line service providers to executives in large intermediary organizations – will benefit from the information contained in this resource library. The National Resource Center originally developed many of these resources for intermediary organizations, organizations that were granted funds by CCF to build the capacity of the faith-based and community-based organizations (FBCOs) they served. As such, the majority of the resources in *Strengthening Nonprofits: A Capacity Builder's Resource Library* support intermediary organizations in their capacity building efforts. However, funders of capacity building programs (Federal program offices and foundations) and the nonprofit community (including FBCOs) at large will also find these resources helpful. In addition, individuals working to build capacity within a program or an organization will be able to use these resources to support their efforts to implement change and make improvements.

The ***Building Multiple Revenue Sources*** guidebook will be helpful to any nonprofit seeking to learn about new sources of revenue and how to pursue them.

Who developed the ***Building Multiple Revenue Source***s guidebook?

The guidebook was originally developed by the National Resource Center with assistance from Paul Edwards. It was updated in 2010 for the Department of Health and Human Services by the National Resource Center.

OVERVIEW

It's usually a safe bet to assume that a nonprofit organization would like to increase its revenue and acquire more funds. High-performing nonprofit organizations foster a culture of constant improvement and regularly ask, "How can we grow and sustain increasing levels of income?"

There are a number of different income growth strategies that nonprofit organizations can use to generate much-needed revenue, and each strategy comes at a different "price." While some revenue sources are easy to implement and require little technical expertise, others might be perfectly suited for the missions and strengths of your organization, yet require a more significant investment.

This guidebook provides an overview of fifteen different revenue sources, insight into how online tools can help support revenue development, a step-by-step guide to developing a new revenue source, and analysis tools to help you assess your organization's strengths and limitations. After reading this guidebook, you will know how to evaluate, start, and sustain one or more new income or revenue sources. Ideally, the tools, resources, and knowledge included in this guidebook will enable you to raise more money through the development of a targeted strategy that caters to your organization's stage of development, strengths, and community assets.

Some of the foundational terms and phrases referenced throughout the guidebook are defined below. Other terms, indicated in bold throughout the text, are defined in the glossary found in Appendix B.

- *Financial resources* — The various assets of your organization, from actual cash, property, and inventory, to your staff and volunteers, goodwill, reputation, constituent base, board members, and partners of your organization.
- *Income strategy* — The direction you will take in the coming twelve months to generate more income, whether contributed, earned, or some other form. Organizations can choose to raise cash from existing revenue sources; raise cash from a new source; form an alliance or partnership with an organization that brings cash; or form an alliance or partnership with an organization that brings in-kind resources.
- *Matching* — The value of cash, in-kind, and other contributions contributed by non-Federal third parties.
- *Revenue source* — A discrete income source with its own characteristics and requirements. It can be earned income or unearned income. Each of fifteen discrete income streams is called a revenue source.

These definitions will gain meaning as you read through the revenue development process, apply the income strategies, and evaluate the revenue sources for your potential use.

REVENUE SOURCES

Through the course of this guidebook we will reference fifteen different types of revenue sources, including annual or sustained gifts, major gifts, planned gifts, foundation grants, cause-related marketing, corporate giving programs, **earned income** activities, **unrelated business income**, **in-kind** donations, supporting organizations, benefit events, state and local municipalities, churches and denominations, federated funds, and online donations.

Annual or sustained gifts

Annual or sustained gift programs include one or more fundraising programs that generate sustainable gift support on an annual or more frequent basis. Annual programs acquire donor names using an offer communicated through advertisements on radio, television, direct mail lists, e-mail lists, phone lists, etc. When a donor has given at least twice, they are considered a sustaining donor. Organizations may cultivate annual or sustained gift programs through direct mail, the Internet, monthly donors, affinity or club programs, honor or memorial giving, telethons, etc. For example, National Public Radio conducts membership campaigns throughout the year, recruiting new and returning members both on the air and through its website.

Major gifts

Major gifts, often from an individual, are large, with the amount required to qualify as a major gift determined by the receiving organization. Prospect names are identified through screening of annual supporter lists, list rentals, personal referrals, and public relations events. Prospective donors of major gifts are qualified through electronic and personal screening, and usually cultivated for a period of time before formal solicitation. Asking for a major gift usually involves negotiation between an organizational representative and the donor. Many major gifts include restriction for use, and may involve a **pledge** or letter of intent for the funds, as well as require personalized recognition. For example, the John L. and Helen Kellogg Foundation donated $10 million to the business school at Northwestern University, and as recognition of this major gift the school was renamed the Kellogg School of Management.

Planned gifts

A planned gift is a large gift from a person given in the event of his or her death. The process of planned giving is structured, integrating sound personal, financial, and estate-planning concepts with the prospect's plans for lifetime or testamentary giving. A planned gift has tax implications and is often transmitted through a legal instrument, such as a will or trust. Examples of planned giving instruments include pooled income funds, charitable remainder trusts, insurance gifts, lead trusts, bequests, etc.

Foundation grants

A foundation is an organization created from designated funds from which grants are distributed to not-for-profit organizations or, in some cases, to people. A grant is a financial donation given to support a person, organization, project, or program. Most grants require research by the organization's staff and submission of an application. Grants are awarded to nonprofit organizations according to the foundation's specific guidelines, limitations, and assets. For example, the Open Meadows Foundation supports domestic and international projects that are led by and benefit women and girls, particularly those from vulnerable communities. The Foundation supports projects that reflect the diversity of the community served by the project; promote building community power; and encourage racial, social, economic, and environmental justice.

Cause-related marketing

Cause-related marketing is an agreement between a for-profit organization and a nonprofit organization in which the for-profit uses the name and reputation of the nonprofit to promote its product. In return, the for-profit corporate partner provides financial support to the nonprofit according to a predetermined formula based on sales and purchases. For example, Product Red raises funds by partnering with iconic brands such as Apple and American Express that use the Product Red branding in some of their products and donate a portion of the proceeds to The Global Fund, an organization that fights HIV/AIDS, tuberculosis, and malaria around the world.[1]

Corporate giving programs

Corporate giving refers to donations by for-profit companies, usually in the form of a grant program that is established as part of the corporation's annual budget and controlled by the corporation. In some corporations this is separate from the marketing function and from any corporate foundation. Many corporations, such as Wal-Mart and AT&T, have established foundations to provide grants and financial assistance to organizations that align with specific missions furthered by the foundation.

Earned income activities

Earned income activities refer to the revenue a nonprofit organization receives for product sales, fees for services rendered, interest generated from investments, and royalties generated from owned and copyrighted works. Earned income is derived for activities substantially related to the organization's tax-exempt purpose. An example of earned income activities related to an organization's mission is D.C. Central Kitchen's Fresh Start Catering service. D.C. Central Kitchen is a nonprofit organization that provides counseling, outreach, and meals to the homeless in the D.C. area. Fresh Start Catering, a social enterprise of D.C. Central Kitchen, helps generate revenue to support the nonprofit's efforts by providing catered meals to paying customers.

Unrelated business income

Unrelated business income refers to any revenue that is received due to any legal trade or business conducted by a nonprofit organization to make money in a way not directly related to the organization's federally tax-exempt mission. For example, a museum has an auditorium that it uses to show educational films in connection with its mission. They also use the auditorium to show motion pictures to the public when the museum is closed. This use is defined by the IRS as unrelated business income. See IRS publication 598, "Tax on Unrelated Business Income of Exempt Organizations," for more details.

In-kind donations

In-kind donations refer not to money, but to donations of goods or services such as the contribution of equipment, inventory, supplies, space, or staff time. The donor may place a monetary value on such a contribution for tax purposes. For example, an electronics company might donate laptop computers to an afterschool program serving youth in highly impoverished areas.

Supporting organizations

A supporting organization is a qualified charity operated, supervised, or controlled by or in connection with one or more specified public charities. Supporting organizations include groups such as an auxiliary, association, friends group, or other nonprofit organization. For example, the American Legion Auxiliary, the nation's largest women's patriotic service group, was originally founded in 1919 to help support the efforts of the American Legion, the nation's largest veterans service organization.

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1 Join(RED), "The (RED) Idea," http://www.joinred.com/aboutred.

Benefit events

Benefit events are social events from which net proceeds are designated as a donation to one or more causes. Examples include races, balls, carnivals, bazaars, galas, concerts, etc. For example, the National Guard Youth Foundation holds an annual Challe*NG*e Champions Gala, a formal event to honor and raise funds for the National Guard Youth Challe*NG*e Program.

State and local municipalities

State and local municipality revenue sources refer to funds that are under the direction and discretion of a non-Federal agency. These sources can include state grants, local municipality grants and in-kind services, allocations of Federal block grants to a state or municipal agency under a Federal authority, and state and municipal bonding authorities.

Churches and denominations

Churches and denominations will often collect cash and in-kind contributions from a local church, church foundation, denominational office or church-run service agency, ministerial associations, regional trans-denominational organizations, and associations like the National Association of Evangelicals or the National Council of Churches.

Federated funds

Federated funds, also sometimes called community finds, refer to the monies raised for a cooperative group of nonprofits through one of several employment-related annual giving campaigns. Examples of federated funds include the United Way, Combined Federal Campaign, and Combined Health Appeal.

Online donations

Online donors use web-based tools to make contributions. Donors tend to give online because it is a fast and simple way to offer support to an organization. Some donors have existing relationships with the organizations and substitute a direct mail donation with an online donation. Other donors use the web to search for organizations in their communities or around the world that have missions and goals they want to support. Successful online donation campaigns have been linked to the use of social media marketing tools such as blogging, podcasting, Facebook, YouTube, Twitter, message boards, vlogging, and wikis.

For most nonprofit organizations, online giving currently represents a small percentage of their total fundraising revenue. However, given the fast pace of technology integration into our daily lives, we can expect that online donations will continue to grow. One study projects that by 2020 online donations will be the majority donor source if nonprofits invest the time and resources into establishing a strong website presence.[2] Appendix C lists resources to learn more about establishing an integrated online giving and social media marketing strategy.

MORE ABOUT ONLINE TOOLS TO ENHANCE FUNDRAISING

Using Web 2.0 tools can be a powerful way to raise funds, as they empower supporters—both inside and outside of your organization—to raise money for you. Web 2.0 tools allow staff to make use of their personal networks and reach people with whom you may otherwise not have had contact. The web also enables your supporters to customize and personalize their own messaging.

2 Jakob Nielsen, "Donation Usability: Increasing Online Giving to Non-Profits and Charities," *Alertbox*, 30 March 2009, http://www.useit.com/alertbox/nonprofit-donations.html.

Additionally, web tools allow for easy reporting and information-gathering on your donors. You can easily track who gave money, how much, and when. And the web is great for bringing attention to mini-fundraising campaigns based around a specific project or event.

The web's capacity for real-time donation tracking and viral marketing make it a great tool for fundraising. Using the web, your supporters can create personal appeals to raise money for your organization. You might hear this concept referred to as "citizen philanthropy" or "viral fundraising."

Some examples of Web 2.0 tools for use in enhancing fundraising include Causes on Facebook, Network for Good, AlumniFidelity, FirstGiving, GlobalGiving, and Blackbaud. Refer to the Web 2.0 Tool Report Card in Appendix D for detailed ratings of the cost, key benefits, drawbacks, security, and usability of these six tools.

Causes on Facebook, Network for Good, AlumniFidelity, and FirstGiving are explored in greater detail below. Appendix C offers additional resources for learning about online donations and social media for marketing and fundraising.

Causes on Facebook

Facebook Causes are a great tool for quickly generating word of mouth about your organization. Because the average age of a Facebook user is twenty-six, the site is a great way to reach young adults. It's also great for spreading the word about your cause, but it is less effective for raising funds.

You will need a Facebook account to create a cause at http://apps.facebook.com/causes. In establishing a cause, you can enter your mission and designate an organization you'd like donations to go to. As long as an organization is a registered nonprofit with the IRS, it can receive donations through Causes on Facebook.

Facebook's interface allows users to "like" or "become a fan" of your cause, which requires no commitment or monetary donation. This is an easy way for people to simply show that they support what your group stands for.

Facebook's "News Feed" feature will also publish a line item noting that a user has become a fan of your cause. This will be visible to the user's entire network of Facebook friends. You may find a ripple effect is created as more and more people learn about your group through their own connections. This viral quality makes Facebook a useful tool for recruiting volunteers.

Explore various cause pages for yourself to discover additional features, donation and membership tracking tools, and ways to spread the word. You can search causes by category, including "Arts & Culture," "Education," "Environment," "Human Services," and "Public Advocacy," among others.

Network for Good

Network for Good is simple to use, as no organizational registration is necessary, and a user can create a fundraising campaign in under ten minutes. The site offers some basic tools that make fundraising easy: a "Donate Now" button can be placed on your page, giving users one place to click to make a donation, and an "E-mail Now" button offers an easy outreach tool for contacting supporters. The site also features a section called "Fundraising123," which includes trainings and webinars to help you learn how to effectively raise money.

Network for Good is connected to GuideStar, a database of all registered nonprofits that draws information directly from the IRS. As long as your organization's information is up to date with the IRS, supporters will be able to search for and find you on Network for Good and send donations directly to your group.

Network for Good also allows you to create "charity badges," customizable widgets that share information and collect donations. The badges share basic information about a cause using one image, 250 characters of text, and a video. Once you've created your badge by walking through the steps on Network for Good's site, you can post it elsewhere on the web by using an HTML code. You can paste this code into e-mails, e-vites or web invitations, MySpace pages, or anywhere else that accepts HTML. You'll also be provided with a unique web address for your badge. You can paste this link into e-mails, onto Facebook, etc. By clicking on it, users will be taken to a site that has only your charity badge on it. The badge also tracks donations and number of donors in real time.

AlumniFidelity

AlumniFidelity, a site originally created to help schools increase alumni donations, has now assisted hundreds of fundraising campaigns in raising a combined total of more than $1 million. Nonprofit supporters can also use the site to raise funds for campaigns or events.

AlumniFidelity offers more customization and personalization than Facebook or Network for Good, its fundraising pages are ideal for events like an annual campaign, and the pages are often used with charity runs and walks.

It usually takes about one week to set up a page on AlumniFidelity, and the site charges a 7 to 7.5 percent fee on all donations to cover administrative costs. However, after you have registered your organization on AlumniFidelity, supporters can create a page to fundraise for you, changing the page branding to match that of your organization.

The site also features prominent "donate" buttons, allowing you to share your cause via e-mail, and it manages your contacts and communication with your supporters.

FirstGiving

FirstGiving offers simple tools for your supporters to set up online fundraising pages. The site features helpful tools such as resources, frequently asked questions, reports on donation activities, and charts tracking funds raised. The easy-to-use site walks users and nonprofits step-by-step through the process of setting up a fundraising page. As with Network for Good, FirstGiving is connected to GuideStar, which means that as long as your organization is a registered nonprofit with the IRS, supporters will automatically be able to find you on FirstGiving's website.

A supporter of your organization or cause can create an online fundraising page with your organization's name and logo. Supporters can personalize their page with a photo, video, and text description about the organization or their personal connection to it. If supporters have a Flickr account, they can link to it and display slideshows with additional photos.

You can use FirstGiving to set a fundraising target, and your page will show real-time updates on your progress. Your supporters can donate directly through your page, but FirstGiving also allows you to track and enter donations you've received offline, so your page reflects an accurate total of all the money you've collected.

Before implementing any tool, you'll need to identify your organization's needs, as well as the needs of the people who will use it, such as your organization's volunteers or partners. Consider whether consultants, clients, or even your board of directors will be impacted by your decision to use a web fundraising tool. These people are your key stakeholders.

Managing Change when Adopting Web 2.0 Fundraising Tools

Organizations must be sensitive to managing change when choosing and adopting a Web 2.0 tool to enhance fundraising. Consider the following:

- How will you communicate your decision to your stakeholders? Should you have an in-person meeting or is e-mail communication sufficient?
- How will you train staff or volunteers to use the web fundraising tool? How much time will you need to invest and who is the best person to lead a training effort?
- What will be your plan for ongoing maintenance of the tool? How much time will be required and what regular content updates will need to be made to keep supporters coming back?

Once your organization has selected and begun using a web fundraising tool, you'll want to evaluate its effectiveness. Most of the tools reviewed here track visitors to your fundraising site and provide data on donations you are receiving. Talking to your staff and volunteers and gathering their opinions on the tool will also help you gauge how useful and meaningful it is to your organization.

Keep these tools in mind as you review the revenue development process and assess ways to improve your organization's fundraising abilities. Refer to Appendix C for more information on Web 2.0 tools and their usability.

THE REVENUE DEVELOPMENT PROCESS

The five-step process detailed below can guide you through the evaluation of your revenue-generating options and help you make an informed choice regarding which strategies will work best with your organization's goals, limitations, and assets. A checklist at the end of each step will help you effectively move from one step to the next.

The process of analyzing current revenue and generating more revenue should involve organizational stakeholders, including your board and staff leadership, as each step of the process may require supporting work products and processes. The revenue development process comprises the following steps:

1. Assess goals for the future and current resource capacity
2. Identify your income strategy
3. Select an appropriate revenue source
4. Develop and execute a revenue resource plan
5. Evaluate results and strive for improvement

Step 1: Assess Goals for the Future and Current Resource Capacity

The first step of the revenue development process helps you organize your goals, project where you hope to be, weigh your strengths and weaknesses, and evaluate the opportunities and threats your organization faces. During this step, attempt to be as detailed and candid as possible, as this can help ensure that the plans for development identified later are clear, concise, and realistic.

Goals

To help you organize the process of identifying goals, use the Goals and Financial Resources worksheet found in Appendix E, and reference the excerpt of section A of the worksheet below.

Section A: Sample Goals

FINANCIAL RESOURCE	WHERE WE ARE TODAY	WHERE WE NEED/WANT TO BE
Annual revenue		
Special project revenue		
Number of donors		
Number of volunteers raising revenue		
Fundraising expense		
Other		

Your organization likely has a variety of goals it hopes to meet in the coming weeks, months, and years. Section A of the Goals and Financial Resources worksheet helps you systematically review your revenue-related goals. Use the instructions below to complete Section A:

- *Annual revenue*: List the gross amount you receive from all sources. If one of your goals in starting a new revenue stream is to grow this base, then indicate in the far-right column what you hope to achieve.
- *Special project revenue*: List any extraordinary or non-recurring revenue, as well as the "hoped for" increase in the far-right column.
- *Number of donors*: List your total number of annual supporters, and indicate any increase you want in the far-right column.
- *Number of volunteers raising revenue*: If you use volunteers to raise funds or generate other revenue, list the number here, and indicate any desired increase in numbers in the far-right column.
- *Fundraising expense*: List the amount you are spending to generate your gross annual revenue. If you desire to change this number, indicate that goal too.
- *Other*: List any other goal or goals you have for adding or enhancing a revenue source.

Next, move onto Section B of the worksheet and describe and list the revenue you currently receive from the fifteen different revenue sources in the center column, while using the last column to indicate any goals you may have regarding improving or implementing a new revenue source. Refer back to revenue source descriptions on pages six through eight if you are having any difficulty.

SWOT Analysis

After you have listed your goals and your present revenue sources, you will need to assess your potential for generating revenue by using a simple tool called a SWOT analysis to identify your organization's strengths, weaknesses, opportunities, and threats.

A SWOT analysis, often used to assist in strategic planning processes, enables organizations to assess their current financial resource strengths and weaknesses and evaluate the opportunities and threats around them. The result of an accurate SWOT analysis is a refined set of statements about your organization that will help you target your focus in generating more revenue.

It is often beneficial to involve board leadership and senior staff in the SWOT analysis process, as the results can often generate valuable discussions regarding the direction and focus of the organization.

To complete a financial resources SWOT, reference the table below for guidance, then complete Section C of the Goals and Financial Resources worksheet.

Section C: SWOT Statements

SWOT AREA	STATEMENTS ABOUT YOUR ORGANIZATION
STRENGTHS	Try not to be modest when reviewing you organization's revenue-generating strengths. Be realistic, and think about your resource strengths in relation to other nonprofit organizations in your service area and your competitors. Consider the following questions: ▪ What financial resources do you have (cash, people, expertise, etc.)? ▪ Of the fifteen revenue sources, which one(s) generate most of your income? ▪ What are your revenue-generating advantages? Are any of these unique to you? ▪ What do you do well in fundraising? ▪ What do your constituents see as your resource strengths?
WEAKNESSES	When identifying your organization's weaknesses, take a hard look at your results over the past several seasons in all areas of resource generation. Most organizations will have several revenue-generating activities that are working well, some that are marginal, and a few that are poor. Consider the following questions: ▪ Are you underutilizing your board, community relations, development budget, reputation, or staff? If so, what would it look like if you were using them fully? ▪ Which of your present revenue-generating activities could you improve? ▪ Which do you do poorly? ▪ What revenue-generating tactics should you stop doing altogether? Are other similar organizations in your geographic area doing any better than you? ▪ Are you online? Do you accept donations online? How up to date is your website?
OPPORTUNITIES	Opportunity comes in all shapes and sizes and from unexpected places and people. It might occur in a report or study that features your organization or area of service. It may appear during a season of change—in leadership, strategic direction, the financial health at a competitor organization, the advent of a new technology, the offer of a building, a sharp reduction in land costs, etc. Be open to revisiting an old opportunity rejected previously but now worth considering. Consider the following questions: ▪ Have you been invited to partner with another organization? How was this evaluated in terms of risk and potential reward? ▪ What new activity might take a combination of faith and action to undertake? ▪ What are the open doors facing your organization? ▪ What are the interesting trends in your field?

SWOT AREA	STATEMENTS ABOUT YOUR ORGANIZATION
THREATS	When analyzing organizational threats, consider the following questions: ▪ What financial resource obstacles do you face? ▪ Are any new regulations, increased costs, or declining returns affecting your revenue-generating ability and return on investment? ▪ Is there adverse public reaction to a revenue-generating technique you are using? ▪ Is your size, visibility, success, or revenue track record likely to hurt you in the future? ▪ Do you have bad debt or cash-flow problems? ▪ Could any of your weaknesses seriously threaten your organization?

Answer the questions in each of the four SWOT areas with several brief one-sentence statements.

Once you have a list of statements, you can begin to prioritize the statements in each SWOT area. Circle the two or three in each area that are most urgent and important, and then ask the following:

- Where can a revenue source capitalize on a strength?
- What weaknesses must we minimize or eliminate to gain the best advantage for a new or enhanced revenue source?
- Which opportunities appear to support a strength or help eliminate a weakness?
- Which of the threats could materialize in the next twelve months and undermine an income strategy?

Case Study

Consider the first step of the revenue development process through the eyes of a nonprofit named "XYZ Organization."

> *"We have been around for twenty years serving well, with good results to our clients and no bad press. We have a strong, smaller donor support base which gives faithfully every year. Our board is knowledgeable, active, and gives or raises 20 percent of our annual budget. For the third year in a row, the annual fundraising benefit has raised more money than the previous year. Our president isn't afraid to ask for money. We own our building and rent out excess space at market rates, giving us modest positive cash flow. We just received a multi-year Federal grant.*
>
> *On the downside, our organization has existed twenty years and is not known beyond our local community. Consequently, we are not known to funders outside our region. We generate very small amounts in foundation and corporation gifts. Our annual donor records are inconsistent and often inaccurate. We have no major gifts or planned gifts programs. Our contributed revenue peaks in December and May and dips very low in January/February and summer. Programs are caught in this cycle and never seem to grow. We do not have a strong online presence and do not currently accept donations online.*
>
> *We think a couple of great opportunities are in front of us. A Fortune 500 company has located a manufacturing facility eight miles away. We have been invited to merge with the newer, larger ABC Organization that is similar to ours (though the other organization has a significant amount of debt). Our newest board member serves on the community foundation board. Two years ago, we were offered a gift of ten acres of land, zoned for light commercial usage, five miles out of town. The new Federal grant means we can use the publicity to tell small FBO/CBO organizations about our services.*
>
> *We are aware of some ominous signs on the horizon. Our income from direct mail is leveling off, but our costs are increasing every year. The ABC Organization competes in the same service area and started a larger, very visible, more "profitable" annual fundraising benefit. The five-block area*

around our building has seen a steady decline in real estate values over the past five years. The ABC Organization's president was featured in several lengthy articles. He was quoted as an authority in our mutual service area. As a result, and according to our new board member, the community foundation has expressed interest in providing possible support to ABC Organization."

XYZ Organization has been awarded a four-year Federal grant for $2 million. Its cooperative agreement stipulates a 25 percent match as cost share, or $500,000 over the term of the grant period. The first-year amount of the cost share is $125,000. XYZ Organization knows it needs to find, raise, or somehow make that match to qualify for the Federal dollars. XYZ Organization began Step 1 of the revenue development process and filled in the Goals and Financial Resources worksheet accordingly:

Section A: Sample Goals

FINANCIAL RESOURCE	WHERE XYZ IS TODAY	WHERE XYZ NEEDS/WANTS TO BE
Annual revenue	$3,010,000	$3,520,000
Special project revenue	0	$500,000
Number of donors	6,000	9,000
Number of volunteers raising revenue	10	20
Fundraising expense	$200,000	$350,000
Other		

Section B: Revenue Sources

REVENUE SOURCE	WHERE XYZ IS TODAY	WHERE XYZ NEEDS/WANTS TO BE
Annual or sustained gifts	$1,000,000	$1,200,000
Major gifts	$400,000	$800,000
Planned gifts		
Foundation grants	$1,100,000	$1,300,000
Cause-related marketing		
Corporate giving program	$50,000	$100,000
Earned income activities		
Unrelated business income	$250,000	$300,000
In-kind donations	$10,000	$20,000
Supporting organizations	$200,000	$250,000
Benefit events		
State and local municipalities		
Churches/denominations		
Federated funds		$50,000
Online donations		
Other		

Section C: SWOT Statements

SWOT AREA	STATEMENTS ABOUT YOUR ORGANIZATION
STRENGTHS	▪ Our president is unafraid to ask for money. ▪ We have a solid track record. ▪ We own our building and rent out excess space at market rates.
WEAKNESSES	▪ Our organization has existed twenty years and is not known beyond our local community. ▪ Our annual cash flow peaks in December and May and dries up in January/February and summer. ▪ Our organization does not have a strong online presence and does not currently accept donations online.
OPPORTUNITIES	▪ We have been invited to merge with a newer, larger organization similar to ours, though the other organization has a significant amount of debt. ▪ Our latest board member serves on the community foundation board. ▪ We can leverage the Federal grant for PR and participation. ▪ We have been offered ten acres of land, zoned for light commercial use, five miles out of town and below market rates.
THREATS	▪ The ABC Organization began holding a larger, very visible, more “profitable” annual fundraising benefit. ▪ The ABC Organization’s president was featured in several lengthy articles about our mutual service area. As a result, the community foundation has expressed interest in providing possible support to ABC.

Section D: Key Statements on Financial Resources

SWOT SUMMARY CATEGORIES	KEY STATEMENTS IN EACH SWOT AREA
Builds on or enhances…	1. Our president’s ability to ask for money 2. Our history, stability, low debt 3. The Federal grant
Reduces or eliminates…	4. Our public visibility, especially to potential large funders 5. The cash flow cycle that traps our growth 6. No online presence
Explores or takes steps to avoid…	7. Use of the building (Can more be done with it to generate revenue?) 8. Our board member contacts with foundations 9. The gift of land
Does not ignore or dismiss…	10. ABC’s rising reputation and media visibility 11. ABC’s apparent strength with more broad-based public support

This analysis may point to enhancing one or more existing revenue source for XYZ Organization. They may also need to start a new revenue source. The organization may not be able to do more in the area of annual giving; it may have an opportunity with major gifts, with foundations, and with corporations.

Step 2: Identify Your Income Strategy

Too often, organizations spend precious time and money because they fail to identify a strategy for revenue development. Some pursue more revenue by starting up one or more income sources before asking if this is helpful or necessary. Others painfully pursue reworking their existing revenue-generating ability instead of investing that same time and energy in building something new. And some organizations, wary of developing an alliance or strategic relationship, never consider the possibility of mutual gain by lending, using, or borrowing another organization's financial resources. In identifying an income strategy, you will consider the following questions:

- Do I build on an existing revenue source?
- Do I need to start something new?
- Can I "borrow or use" a revenue source from someone else?

The second step in the revenue development process lets you select a strategy to generate revenue. Unless you have the assets of a parent organization, most capacity builders use one of four income strategies: enhancing an existing revenue source, starting a new revenue source, forming an alliance or partnership to share an organization's revenue sources, or forming an alliance or partnership to acquire in-kind resources.

1. Enhancing an existing revenue source

   Enhancing an existing revenue source involves applying resources of money, counsel, and time to improve upon one or more revenue sources that already exist within your revenue-generating portfolio. If you have direct mail, you might add a new program to further sort your file of donor names to get a higher yield from certain portions of the file. If you regularly solicit foundation grants, you might add staff or a consultant to bolster research, inquiries, or follow-up on turndowns.
2. Starting a new revenue source

   Starting a new revenue source involves applying people, money, and expertise to initiating and sustaining a new source of income. An organization might start a major gifts or planned giving program, create an institutionally related foundation, start an **endowment,** or create a sister corporation to launch a business. All of these would be in addition to existing revenue efforts and would therefore require additional resources to implement.
3. Forming an alliance or partnership to share an organization's revenue sources

   By entering into an alliance or partnership, your organization can use another organization's monetary source in a way that is beneficial to both entities.
4. Form an alliance or partnership with an organization to acquire in-kind resources

   By entering into an alliance or partnership, your organization can use another organization's in-kind services by developing an agreement where the value of time and services, materials, space, or other in-kind contributions meet a cost share.

When identifying an income strategy, you'll need to consider a number of criteria, including any investments required, risks, organizational culture, staff resources, and timelines. Consider the following table, which highlights twelve different criteria and how they apply to the four different income strategies detailed above.

Comparison of Income Strategy Features

INCOME STRATEGY CRITERIA	ENHANCE	START	ALLIANCE FOR CASH	ALLIANCE FOR IN-KIND
Rapid revenue inflow	Smaller results in the short term	Larger results in the short term	Larger results in longer term	No cash in-flow
Low initial outlay of cash or staff to get going	Moderate expense, with funds found by cutting other programs	Most expensive; have to find outside funds, and fundraising costs rise sharply	None	None
Low in-house resistance to change	Yes	No	Low, as both entities must have a synergistic gain to have reached an agreement	Low, as both entities must have a synergistic gain to have reached an agreement
Risk of failure	Lower	Higher	Low, though surprises are often discovered after the agreement is signed	Low, though surprises are often discovered after the agreement is signed
Time elapsed till start-up	Rapid	Slow	Dependent upon agreement	Dependent upon agreement
Generates many new names	Yes, from same programs	Yes	No	No
Builds on in-house systems, registrations, reports	Yes, but this may limit the extent on the improvement	No, and often creates new registration, system, and operations issues	No	No, and they may not understand the need for reporting and compliance requirements
Builds on in-house expertise in revenue generation	Yes	No	No	No
Creates urgency or momentum	Harder to create urgency	Yes	Yes	Yes
Ease of tracking results	Harder, as enhancements undermine existing program results	Yes, though the organization has a slow learning curve to baseline ROI and other results	Yes	Yes, though reporting is difficult, as is substantiation
Needs a consultant to get started?	Yes	No	Yes	Yes
Ease of termination of program or agreement	Harder	Easiest	Moderate, though dissolution can have issues	Moderate, though dissolution can have issues

After weighing the different strategies and criteria, your organization can prepare to identify an income strategy. You should begin by prioritizing the criteria in the table; for example, if your organization is facing significant cash needs in the short term, you might pursue enhancing existing revenue sources (because the start-up time is minimal) and starting new sources of revenue (because the inflow of revenue is greater initially).

Step 3: Select an Appropriate Revenue Source

Once you reach step three, you have done your homework and used a SWOT analysis to focus your goals and prioritized your income strategy to provide direction to your revenue development process. The next step in the revenue development process is to select a revenue source.

Keep in mind that if you anticipate adding or enhancing a revenue source with which you may have little experience, you may need to hire a paid professional consultant with the requisite knowledge or expertise.

Consider the fifteen revenue sources introduced on page five in more detail by reviewing the features below and suggestions for enhancement:

Annual or sustained gifts

- Provides funds for operations
- Relies on excellent project trafficking, writing, creative design, and purchasing
- Names are acquired and converted to regular donors using segmentation, specialized programs, and direct-response packages
- Current active names have at least one transaction in the past twenty months
- Lapsed donors are reactivated rather than purged from the file
- Donor life expectancy can be five or more years on the donor file
- Direct-response tools are least expensive
- Volunteers can become donors and vice versa
- Requires less than six months of lead time

To enhance an existing annual or sustained gift program, consider segmenting donors by giving level and creating a club or affinity program, developing more personalized solicitation techniques, or using high-end technology like videos or webcasts.

Major gifts

- Provides funds for operations, projects, programs, start-up, endowment, and capital
- Relies on senior leadership's ability to communicate vision, ask, and close
- Prospects are screened, rated, researched, and profiled
- A multi-step cultivation and solicitation process secures gift commitments and can take ten to sixteen months to complete
- The first major gift need not be the last
- Requires less than six months of lead time

To enhance an existing major gifts program, consider encouraging a gift challenge wherein a donor gives a gift on the condition that other gifts or grants will be obtained on some prescribed formula, usually within a specified period of time. For instance, during a pledge drive, a donor might offer that he or she will give $5,000 on the condition that the organization finds matching funds within the next four hours.

An organization might also try to enhance a major gifts program by holding a workshop or event that convenes key staff, organizational leadership, and prospective donors.

Planned gifts

- Provides funds for projects, programs, endowment, and capital
- Relies on excellent interpersonal skills of field liaisons and filing required registrations with appropriate state agency
- Prospects are screened for age, gift history, and financial capacity
- A multi-meeting planning process is used to understand the prospect's requirements, evaluate options, confirm with gatekeepers, and draft and sign documents
- First planned gift need not be the last
- Can build on major gifts or stand alone
- Requires one to two years of lead time

To enhance an existing planned gifts program, consider promoting a planned gift as an addition to other giving programs. Also, plan for and complete an endowment campaign—an intensive fundraising effort to meet a specific financial goal within a specified period of time for one or more major projects that are "out of the ordinary."

Foundation grants

- Provides funds for operations, projects, programs, endowment, and capital
- Relies on solid relationships between CEO/board and foundation leadership, as well as solid writing skills
- Requires a front door/back door approach to be successful (The front door requires fulfillment of all application requirements; the back door infers relationships with the foundation staff and directors.)
- Requires research and careful matching of the opportunity to the limitations of the foundation
- Must be within their schedule, funding patterns, areas of interest, and geography
- Must work with their staff
- Must understand their formula, words, and evaluation requirements
- Requires less than six months of lead time

To enhance existing foundation grant programs, consider devoting staff or counsel resources in one of several specific areas of foundation development. Make an effort to develop relationships with foundation staff.

Cause-related marketing

- Provides funds for operations, projects, programs, and people
- Relies on staff or counsel to have for-profit marketing experience
- Must understand what the corporation seeks out of cause-related marketing arrangement

- Negotiation often involves trade-offs between what the corporation wants and what the nonprofit is willing to give
- There are benefits and risks to being associated very closely with a for-profit company or a specific product; it's important to weigh those carefully
- May require impressions analysis and valuation
- Organizations can retain control of your names
- May generate unrelated business income tax (UBIT)
- Requires one to two years of lead time

To improve cause-related marketing, develop or purchase an analysis tool that can help you quantify the dollar value of the sponsorship opportunity by calculating consumer impressions of the corporation. Valuable cause-related marketing studies analyze the number of visual impressions available to the sponsor and assign a dollar value per each impression.

Corporate giving programs

- Provides funds for operations, projects, programs, endowment, capital, in-kind, and loaned services
- Relies on an excellent relationship between senior leaders and corporate leaders
- Requests are usually written and directed to a committee for action
- Large sums of money are usually onetime
- More likely to contribute if they are headquartered nearby, have a locally based workforce, or have a public consumer base
- Requires less than six months of lead time

To enhance an existing corporate giving program, work to develop meaningful relationships with key employees. Involve them with the key leadership of your organization. Explore your inclusion in their **matching gifts** program for employee contributions.

Earned income activities

- Provides funds for operations, projects, programs, endowment, and capital
- Relies on good business sense
- The business must work as a profit-making enterprise before it's worth developing
- May require a separate governance structure; separation of accounts, functions, and financial filings
- Requires six months to one year of lead time

To improve earned income activities, consider inviting members of your board to host a business lunch to brainstorm other business opportunities for your organization.

Unrelated business income

- Provides funds for operations, projects, programs, and capital
- Relies on good business sense

- Must know the extent of taxable exposure as defined by IRS regulations governing unrelated business income
- Requires six months to one year of lead time

To improve unrelated business income, seek ways to relate the income source to your tax-exempt purpose.

In-kind donations

- Provides funds for operations, projects, programs, and Federal cost share
- Sometimes begins as a corporate solicitation for cash and then negotiates to an in-kind donation
- Relies on good record keeping and processing
- Requires less than six months of lead time
- Generates very good return on investment

To enhance in-kind revenue, consider meeting with potential donors to discuss how the donation could help the for-profit organization meet their needs, whether they include advertising the organization's goods or services or helping the organization clear out surplus materials.

Supporting organizations

- Provides funds for operations, projects, programs, and people
- Relies on excellent communication between senior leaders of both organizations
- Volunteer-intensive activities generate PR, services, and revenue
- May operate an earned income enterprise
- Requires clearly prescribed limits of authority
- Requires one to two years of lead time

To enhance revenue obtained through supporting organizations, consider cultivating volunteer resources into other revenue sources.

Benefit events

- Provides funds for operations, campaigns, and programs
- Relies on excellent volunteer leadership to establish and maintain momentum through planning and pre-event phases
- For revenue-generating purposes, the size of the event is not as important as the development strategy in place prior to the event
- Requires a great concept, location, and a date that doesn't conflict with other local benefit events
- Requires six months to one year of lead time

To enhance revenue obtained through benefit events, develop a dynamic event that includes funding "tiers" for tables, honorees, etc. Also, remember to underwrite all event costs.

State and local municipalities

- Provides funds for operations, projects, programs, in-kind, and capital
- Relies on solid relationships between CEO/board and elected legislative leadership
- Requires a front door/back door approach to be successful (The front door requires fulfillment of all application requirements; the back door infers relationships built over time with appropriate state and local officials, their staffs, and committees.)
- Requires research and careful matching of the opportunity to the limitations of the grant/funding opportunity
- Must be within the funding appropriation's guidelines
- Unused funds may need to be returned
- Must work with the legally cognizant agency's staff
- Must understand their outcome and evaluation requirements
- Requires one to two years of lead time

To enhance revenue obtained through state and local municipalities, work to develop stronger ties with elected officials and key members of their staff.

Church and denominations

- Provides funds for operations, projects, programs, and people
- Relies on excellent communications between senior organization leaders and pastor/church leadership
- Provides a good source of in-kind donations (Smaller donations are usual, though larger churches may have more discretionary funds for a onetime need.)
- Pastor approval may be key to acceptance of a funding request
- Local mission focus may take a year to finally receive a gift
- Must match service limitation and focus, local service area, and theological worldview
- Requires one to two years of lead time

To enhance revenue obtained through church and denominations, involve pastoral leadership in the creation and marketing of church-related development programs.

Federated funds

- Provides funds for operations
- Relies on solid relationships between staff and foundation leadership
- Some campaigns allow your supporters to designate your organization as a charity even if you are not a listed charity with that federation or campaign
- Start-up organizations are generally not permitted to participate
- Must fit priority focus
- Qualification process takes time
- Time-consuming for staff, with periodic detailed reviews
- Must remain within the community fund's guidelines

- Must work with community fund staff
- Must be an established organization
- Requires one to two years of lead time

To enhance revenue obtained through federated funds, devote marketing dollars to raising visibility of your organization to supporting constituents. Consider using direct mail or mailing lists to inform donors of the season.

Online donations

- Provides funds for operations
- Relies on a solid web presence that must be maintained on an ongoing basis
- Empowers your supporters to activate their networks in support of your cause
- Generally little start-up costs, though most donation sites will take a percentage of donations to cover operating fees
- Can be launched quickly

To enhance revenue obtained through online donations, be sure to devote staff time to regularly updating your website or other online community spaces. It is best to have maintenance done by the staff who are most in touch with the day-to-day work of your organization.

Case Study

In our example, XYZ Organization reviews the fifteen different types of revenue sources and makes a list of the revenue sources they could enhance and those that they would have to start from scratch:

Existing revenue sources to enhance:

- Annual gifts
- Foundation grants
- Benefit events
- Earned income activities
- Unrelated business income
- In-kind donations

New revenue sources to consider:

- Major gifts
- Planned gifts
- Cause-related marketing
- Corporate giving programs
- Churches and denominations
- Supporting organizations
- State and local municipalities
- Federated funds
- Online donations

XYZ Organization prioritizes that it will work to enhance *foundation grants* and *in-kind donations* for the following reasons:

- It needs funds for operations, projects, programs, and Federal cost share
- Foundations are a good way to express in writing the accomplishments and history of XYZ
- Both require less than six months of lead time
- Foundation process benefits from board member contact
- Foundation process takes advantage of strong CEO skills in relationship building
- XYZ is prepared to develop the front door/back door relationships that are vital to success

XYZ organization also decides to start major gifts and corporate giving programs as a source of new revenue for the following reasons:

- They want funds for operations, projects, programs, endowment, capital, in-kind, and loaned services
- The organization has good synergy with in-kind giving, as corporate solicitations for cash can be negotiated into in-kind donations
- Company prospects are headquartered nearby
- Both require less than six months of lead time
- Both rely on senior leadership's ability to communicate vision, ask, and close

Step 4: Develop and Execute a Revenue Source Plan

Once you have reached the fourth step of the revenue development process, you have conducted a number of exercises and activities encouraging you to brainstorm and evaluate your current capacity, as well as your goals for the future. In step four, you will formally capture your plans for implementation in an executable revenue source plan. A revenue source plan includes five parts: plan objectives, selection of revenue source, summary of costs, adjustments to systems, and schedule. These can be described in a Revenue Source Plan Summary. See Appendix F for a summary template.

Plan Objectives

Your statement of objectives should be a simple statement of what you want to accomplish by when. It will detail not only the dollars you expect to raise but any additional goal you identified in Step 1 of the revenue development process. Plan objectives are best stated with a measurable output by a specific date. Example objectives could include:

- Acquire 1,000 new names by January
- Reactivate 1,000 lapsed supporters by yearend
- Raise $50,000 at a 4:1 return on investment not to exceed a $12,000 level of investment this fall

Selection of Revenue Source

List the selections you have for either enhancing or starting a revenue source. Select one and describe the answers to the questions what, how, who, and when. This kind of information will be useful to you in the future, as it provides a historical record of your income strategy.

Summary of Costs

Provide a brief detail of any start-up and/or continuation costs. Be sure to describe the "hard costs," where funds are directly spent on the revenue source, as well as any soft or hidden costs.

Adjustments to Systems

Managing a new or enhanced revenue source can put stress on some of your organization's internal systems. Several revenue sources can create additional unanticipated costs, generate overhead, and add stress to your organization's staff. Affected areas include accounting, gifts handling or processing, data management, and record keeping or central files. Adding or enhancing revenue sources brings additional policy and procedure requirements, valuation and substantiation capacity, and registration and reporting to Federal and state agencies. There are additional costs apart from direct costs driven by demands on your systems and additional reporting expenses. These hidden costs show up as additions to your general and administrative expenses. These hidden costs can include things like printing, overtime, contract labor, fulfillment, etc.

Reference Appendix G for a detailed table that lists the fifteen revenue sources and how these sources could potentially impact accounting, gifts processing, data management, record keeping, registration and reporting, and policies and procedures.

Schedule

The schedule portion of a revenue source plan captures critical activities and key dates in launching the revenue source. This portion of the plan also explains what steps will be taken and in what order, and it provides other departments or functions in your organization an opportunity to prepare for results.

Case Study

Consider XYZ Organization's Revenue Source Plan summary, detailed below:

Objectives:

OBJECTIVE DESCRIPTION	MEASURABLE OUTPUT	BY WHOM	BY WHEN
Launch a volunteer-led major gifts program this fall	Kickoff of program and training	Director	March
Identify and qualify prospects	200 prospect backgrounds completed	Staff	January
Recruit board members and hold a training	Three board volunteers recruited and trained	CEO	February

Systems:

DEPARTMENT	IMPACT	WHEN
Accounting	Set up major gift fund accounts, source codes, and use codes	January
Data management	Set up major gift prospect selection criteria	January
Legal	Research state registration requirements	December

Schedule:

Staff launch	October
Prospect screenings completed	November
Backgrounds completed	January
Volunteer recruitment	February
Training and kickoff	March
Local events	April

Costs:

EXPENSE DESCRIPTION	EXPENSE AMOUNT	WHEN EXPENSE WILL OCCUR
Prospect screening	$ 5,000	December
Major donor events	$ 7,000	April
Travel	$ 3,000	April and May
Major gifts case materials	$ 7,000	March
Total:	$ 22,000	

Step 5: Evaluate Results and Strive for Improvement

Results matter. A revenue source plan can look great on paper, but if it fails to perform, it is a waste of time and money. Organizations should make a concerted effort to regularly evaluate revenue development efforts and develop courses of action to address efforts that appear to be underperforming or not meeting expectations.

Remember that as you implement any new income strategy, it is vital to include key stakeholders from your organization, including your board, key donors, key partners or alliances, and a handful of clients or constituents. Their support and feedback to strategy, timing, and costs will prove helpful in implementing your plan.

Consider the table below, which highlights the fifteen revenue sources, indicators of underperformance, and suggested corrective actions to improve the yield of the funding source.

REVENUE SOURCE	UNDERPERFORMANCE SYMPTOMS	DIAGNOSIS AND CORRECTIVE ACTION
ANNUAL OR SUSTAINED GIFTS	▪ Low average gift ▪ Low response rate ▪ High number of bad addresses or contact information	Eliminate the possible problem by trial and error. Ask: Is it the list of names, the offer, the signor, the package copy/design, or a poor choice for direct response? Your organization may decide to employ a consultant to quickly diagnose and solve these issues.
MAJOR GIFTS	▪ No meeting appointments are happening ▪ Asks are taking place for low amounts of money ▪ Volunteers are reverting to annual asking techniques	Reevaluate prospect qualifications and any staff training on acquiring appointments, asking, and closing. Remember that qualifying prospects requires time as well as skill training.
PLANNED GIFTS	▪ No plans are written ▪ Requests for information are not turning into leads for meetings	Work to motivate more timid staff and to improve the lead-generation system. When asking for planned gifts it is essential for staff to get out of the office and into the field.
FOUNDATION GRANTS	▪ Lots of letters and some proposals are going out, but no money is coming in	Work to improve your understanding of grantsmanship by attending a grant-writing seminar or class. Also, consider recruiting board members to develop personal relationships with foundation directors.
CAUSE-RELATED MARKETING	▪ No money comes in from the cause-related marketing	Reevaluate your organization's contract with the for-profit organization and renegotiate contract terms. First find the company's limit (point where they say "no") and work backwards from there.

REVENUE SOURCE	UNDERPERFORMANCE SYMPTOMS	DIAGNOSIS AND CORRECTIVE ACTION
CORPORATE GIVING PROGRAMS	▪ Lots of letters and some proposals are going out, but no money is coming in	Encourage your organization's leadership (board, CEO, etc.) to reach out to corporate leadership and cultivate these high-level relationships. Strive to make the corporate giving program beneficial for both parties.
EARNED INCOME ACTIVITIES	▪ No products sold ▪ No leads	Develop incentives to motivate sales. Reevaluate the concept of earned income to see if it fits within your organization's model and whether the idea was well-executed.
UNRELATED BUSINESS INCOME	▪ No products sold ▪ No leads	Develop incentives to motivate sales. Reevaluate the concept of unrelated business income to see if it fits within your organization's model and whether the idea was well-executed.
IN-KIND DONATIONS	▪ Only a few small gifts come in	Passive staff and poor lead generation system. Must get the staff into the field and out of the office.
SUPPORTING ORGANIZATIONS	▪ Many meetings occur but no firm commitment to raise funds	Evaluate whether your organization's senior leadership is supportive of the partnership. Work with leadership from both organizations to ensure the arrangement is beneficial for both parties.
BENEFIT EVENTS	▪ Poor attendance ▪ Wrong people attending ▪ No money raised	Identify event weaknesses by analyzing event design, scheduling, location, and leadership. Brainstorm ways to get both event and community leaders engaged in the promotional process. Reevaluate how to make fundraising the foundational theme of the event.
STATE AND LOCAL MUNICIPALITIES	▪ Many meetings but no firm commitment for funds	Work to improve relationships with key legislators and to prove the political value of your organization's work.
CHURCHES AND DENOMINATIONS	▪ A few meetings, with lapses of inactivity/silence ▪ No firm commitment for funds	Work to improve and generate support from church leadership.
FEDERATED FUNDS	▪ Low average gift ▪ Low response rate ▪ High number of bad addresses and contact information	Work to motivate more timid staff and improve organizational marketing skills. Motivate staff to work with campaign/ federation staff.
ONLINE DONATIONS	▪ Low average gifts ▪ Low number of gifts ▪ Few hits or participants in online spaces	Update online spaces more frequently. Identify key supporters and staff members to actively highlight the organization on their own pages.

SUMMARY

The revenue development process will guide your organization from broad analysis to consideration of practical alternatives, and towards results through a specific, measurable action plan.

The five steps of the revenue development process are summarized below:

Step 1 challenges you to set goals and conduct a thorough assessment of current capacity and desired capacity.

Step 2 helps you identify income strategies that work within your organizational culture and climate.

Step 3 guides you through the process of selecting appropriate revenue sources.

Step 4 documents the necessary elements of a revenue resource plan.

Step 5 encourages you to evaluate your organization's results and strive for continued improvement.

APPENDICES

APPENDIX A

Resources

AlumniFidelity

Originally created to help schools increase alumni donations, AlumniFidelity has now helped hundreds of fundraising campaigns raise a combined total of more than $1 million through its customized webpages and online donation system.

Causes on Facebook

By creating a cause on Facebook, nonprofit organizations and philanthropists can spread the word about their mission and cause through the extensive viral network of Facebook. The site also empowers causes to accept online donations and recruit volunteers.

Cause Marketing Forum

The Cause Marketing Forum, founded in 2002, was created to help promote collaboration between nonprofits and corporations. The Forum provides insight through a resource center, workshops and tele-classes, conferences, and research. The site also provides links to articles on cause marketing best practices.

Council on Foundations

The Council on Foundations is a membership organization that works to support philanthropic causes, organizations, and the general population. The Council offers support to nonprofit organizations through the provision of expert analysis on legal issues, and virtual and in-person events on fundraising, grantmaking, etc. The Council also offers insight and resources on private independent foundations, community foundation services, and corporate foundations.

"Election Year Risks"

This article from the Nonprofit Risk Management Center offers guidance on how nonprofit organizations can weather the campaign season and reminds nonprofits of their rights, as well as regulations that limit their ability to directly campaign for or against individuals.

FirstGiving

FirstGiving offers simple tools that your supporters can use to set up online fundraising pages. The site features resources, frequently asked questions, reports on donation activity, and charts tracking funds raised. The site, which is connected to GuideStar to enable supporters to donate to your cause, walks users and nonprofits step-by-step through the process of setting up a fundraising page.

Foundation Center

Created in 1965, the Foundation Center connects nonprofits and grantmakers, policymakers, and the general public by maintaining a number of print and web-based resources that provide insight into funding and giving trends. The Foundation Center also offers a number of in-person and web-based events from its locations throughout the nation.

Grants.gov

Grants.gov is considered the premier site for news on Federal funding and electronic filing. The site also maintains a number of resources for organizations that want to register and use the online system, including guides on how to register, submit, and track applications; animated tutorials on determining eligibility, registering, and completing online applications; checklists to help you through the online registration process; and detailed logs of frequently asked questions and troubleshooting tips.

GuideStar

GuideStar is an organization that promotes transparency and charitable giving by maintaining a database of nonprofits that draws information directly from the Internal Revenue Service.

"How Today's Rich Give: What You Need to Know to Raise a Lot More Money from Wealthy Donors"

This recording of a seminar conducted by Harvey McKinnon provides insight on how nonprofits can improve their development programs to "speak the language" of a wealthy donor. McKinnon, the best-selling author of *The Power of Giving: How Giving Back Enriches Us All*, is considered one of the leading direct mail experts.

"In-Kind Donations: A Guide to Unlocking Hidden Resources for Your Organization"

This report from Ormita, a company that helps businesses transform lost profit into new income, provides background on what in-kind donations are, who accepts them, and how both for-profit and nonprofit organizations can benefit from in-kind donations.

"In-Kind Donations: Hidden Assets for Your Organization"

This resource guide from the Missouri Department of Health and Senior Services provides nonprofits with an overview of in-kind donations and includes tips on who and how to ask for donations.

Johnson Center for Philanthropy at Grand Valley State University

The Johnson Center for Philanthropy is an academic center that aims to empower nonprofits and communities to transform their communities through the use of research, professional development opportunities, and technologies. The Johnson Center's Nonprofit Good Practice Guide includes a library of resources for nonprofit organizations, foundation professionals, students, and volunteers. The Grantmaking School of the Johnson Center for Philanthropy offers a number of courses and educational opportunities for both grantseeking and grantmaking individuals of all levels of experience.

National Center for Charitable Statistics

The National Center for Charitable Statistics, established in 1982, aims to develop and distribute information on nonprofit organizations and their activities to support research into how the nonprofit, corporate, and government sectors interact.

Network for Good

Network for Good offers a simple tool to help nonprofits create a fundraising campaign in under ten minutes. The tool includes a "Donate Now" button, which gives users one place to click to make a donation, and an "E-mail Now" button, which enables easy outreach for contacting supporters. The site also features a section called "Fundraising123," which includes trainings and webinars to help you learn how to effectively raise money.

Nonprofits Assistance Fund

The Nonprofits Assistance Fund has, since 1980, worked to build financially healthy nonprofits. The Fund is a 501(c)(3) Community Development Assistance Fund that maintains a number of tools and resources that can assist nonprofits throughout the nation in working towards their financial goals.

"Nonprofit FAQ"

Idealist.org is an interactive, cause-driven website where mission-driven people and organizations can find resources, opportunities, and supporters. Through the site's "Nonprofit FAQ" page, users can reference answers to frequently asked questions about nonprofit organizations, management, regulation, resources, and development.

Philanthropy Journal

The Philanthropy Journal aims to help nonprofit and philanthropic organizations solve social problems. Through a website and regular e-mail bulletins, the Philanthropy Journal alerts its member list of news, resources, and announcements that impact the nonprofit community.

APPENDIX B

Glossary

Asset: An item of value, such as real estate, cash, a security, or a patent; all items of value (such as real estate, cash, inventories, securities, or patents), owned by a person or a business, that constitute the resources of that person or business; an organization's holdings, including current assets and fixed assets.

Case: The reasons why an organization both needs and merits philanthropic support, usually presented by outlining the organization's programs, current needs, and plans.

Challenge gift: A gift donated by a person made on the condition that other gifts or grants will be obtained on some prescribed formula, usually within a specified period of time, with the objective of encouraging others to give. A *challenge grant* is a challenge gift donated by an organization, corporation, or foundation.

Corporate sponsorship: Financial support of a project by a corporation in exchange for public recognition and other benefits. Also **corporate underwriting.**

Cost policy statement: A document that identifies a nonprofit organization's policy on the costs that it considers direct and the costs it considers indirect, and the rationale to support those costs.

Cost allocation plan: A document that identifies, accumulates, and distributes allowable direct and indirect costs to cost objectives. The plan also identifies the allocation methods used for distribution to cost objectives on the basis of relative benefits received. The cost objectives include specific grants, cooperative agreements, contracts, programs, projects, titles/cost categories within a grant, a product or service provided to cost centers, or other activities of a nonprofit organization, e.g., fundraising, services to members.

Deferred gift: A gift (such as a bequest, life insurance policy, charitable remainder trust, gift annuity, or pooled-income fund) that is committed to a charitable organization but is not available for use until some future time, usually the death of the donor.

Designated gift: A gift, the use of which is restricted by the donor. This gift is either a temporarily restricted gift or a permanently restricted gift.

Direct costs: Those costs that can be specifically identified with a particular cost objective. For example, salaries, fringe benefits, and travel of a project director who is working 100 percent of the time on a grant/contract are direct costs. Some nonprofit organizations also classify as direct costs common or joint costs that can be readily assignable to cost objectives, e.g., occupancy costs are allocated to a grant/contract as direct costs based on square feet of space occupied.

Earned income: Money received by a person or organization for product sales or service rendered.

Endowment: A permanently restricted net asset, the principal of which is protected and the income from which may be spent and is controlled by either the donor's restrictions or the organization's governing board.

Gift receipt: An official acknowledgment issued to a donor by a recipient organization. If the donation is (currently) more than $250, the IRS requires information naming the charity, the asset donated, and any benefits received by the donor in exchange for the gift.

Indirect cost proposal: The documentation prepared by an organization to substantiate its claim for the reimbursement of indirect costs. This proposal provides the basis for the review and negotiation leading to the establishment of an organization's indirect cost rate, i.e., ratio between total indirect expenses and some financial base.

Indirect costs: Those costs which are not readily identifiable with a particular cost objective but nevertheless are necessary to the general operation of a nonprofit organization and the conduct of the activities it performs. The cost of executive salaries, payroll, accounting, personnel, depreciation, general telephone expenses, general travel, and supplies are examples of expenses usually considered indirect costs.

Indirect cost rate: A percentage established by a Federal department or agency for a grantee organization, which the grantee uses in computing the dollar amount it charges to the grant to reimburse itself for indirect costs incurred in doing the work of the grant project.

Institutional in-kind contributions: The value of non-cash contributions made by an organization to a project. Institutional in-kind contributions can include volunteer services essential to the project; personnel services valued at a regular rate of pay plus appropriate fringe benefits; indirect costs; and supplies, equipment, property, buildings, and land already purchased and available for use to the project.

In-kind: In-kind goods or services, not in money, such as a contribution of equipment, supplies, space, or staff time. The donor may place monetary value on such a contribution for tax purposes. Also see **institutional in-kind contributions** and **third party in-kind contributions.**

Life-income gift: A gift arrangement by which a donor makes an irrevocable transfer of property to a charity while retaining an income interest to benefit the donor and any other beneficiary for life or a specified period of years, after which the remainder is distributed to the charity.

Matching gift: A gift contributed on the condition that it be matched, often within a certain period of time, in accordance with a specified formula. Also can be a gift by a corporation matching a gift contributed by one or more of its employees.

990: An Internal Revenue Service financial information return submitted annually by most tax-exempt organizations and institutions, except religious. Form 990-PF is submitted annually to the IRS by private foundations, reporting on their holdings, income, grants, and activities. Form 990-T is submitted annually by nonprofit organizations to declare any unrelated business income.

Pledge: A promise that is written, signed, and dated to fulfill a commitment at some future time; specifically, a financial promise payable according to terms set by the donor. Such pledges may be legally enforceable, subject to state law.

Temporarily restricted gift: A gift that is temporarily restricted for a particular purpose but which, when spent, becomes an unrestricted gift for accounting purposes and is at that time reported as income.

Third party in-kind contributions: The value of non-cash contributions by non-Federal third parties. These include volunteer services, supplies, computers, equipment, buildings, and property contributed by an organization other than the nonprofit or the Federal government.

Unearned income: Organizational income derived from philanthropic gifts and investments, as contrasted with fees for service or product sales.

Unrelated business income: Income that is the result of any legal trade or business conducted by a nonprofit organization to make money in a way not directly related to its Federal, tax-exempt mission.

Unrestricted gift: A gift made without any condition or designation.

APPENDIX C

Resources for Online Giving and Social Media Marketing

The following resources will help nonprofits understand the benefits and challenges of establishing an integrated online giving and social media marketing strategy.

American Express and the Center on Philanthropy at Indiana University. American Express Charitable Gift Survey, November 2007. http://home3.americanexpress.com/corp/pc/2007/pdf/aecgs.pdf.

Barnes, Nora Ganim and Eric Mattson. Still Setting the Pace in Social Media: The First Longitudinal Study of Usage by the Largest U.S. Charities. University of Massachusetts Dartmouth Center for Marketing Research, 2008. http://www1.umassd.edu/cmr/studiesresearch/socialmediacharity.pdf

Conetzkey, Chris. "Raising Money with Social Media." Business Record, 19 June 2010. http://businessrecord.com/main.asp?SectionID=4&SubSectionID=7&ArticleID=10257&TM=36334.51.

El-Borno, Soha. "How to Promote Your Nonprofit's Cause on Facebook in Five Easy Steps." Wild Apricot Nonprofit Technology Blog, 5 June 2007. http://www.wildapricot.com/blogs/newsblog/archive/2007/06/05/six-simple-ways-to-promote-your-cause-on-facebook.aspx

Flannery, Helen, Rob Harris, and Carol Rhine. 2008 DonorCentrics Internet Giving Benchmarking Analysis, March 2009. http://www.blackbaud.com/files/resources/downloads/cam/TargetInternetGivingSummary2008.pdf.

Fritz, Joanne. "12 Tips for Nonprofits on Getting Started With Social Media: Social Networking Is Investment in the Future." About.com: Nonprofit Charitable Orgs. http://nonprofit.about.com/od/socialmedia/tp/Tipsstartsocialnetworking.htm

Nielsen, Jakob. "Donation Usability: Increasing Online Giving to Non-Profits and Charities," Alertbox, 30 March 2009. http://www.useit.com/alertbox/nonprofit-donations.html.

ONE/Northwest. "Online Donations: Sorting Out the Chaos—Make Sense of Fundraising on the Net." TechSoup, 11 April 2004. http://www.techsoup.org/learningcenter/funding/archives/page9609.cfm

Scott, David Meerman. The New Rules of Viral Marketing: How Word-of-Mouse Spreads Your Ideas for Free, 2008. http://www.davidmeermanscott.com/documents/Viral_Marketing.pdf.

APPENDIX D

Web 2.0 Tool Report Card

PRODUCT	COST	KEY BENEFITS	KEY DRAWBACKS	SECURITY	SKILL LEVEL	TIME COMMITMENT
Causes on Facebook	4.75% admin fee on all donations	▪ Expands social network with little effort ▪ Good way to reach young adults	▪ Less professional setting ▪ The primary function isn't fundraising, so "joining" a cause is much more common than donating to a cause ▪ Investment is in a cause rather than an organization	None (secure donation platform through Guidestar)	Administrator: ♦♦♦ User: ♦♦♦	Setup: 1 hour Maintenance: 1 hour/week
Network for Good	4.75% admin fee on all donations	▪ Free "Donate Now" button for your website ▪ Charity badges are easy for any user to create	▪ If the user doesn't have a website or blog, they may feel limited by the charity badge ▪ An organization is not able to monitor progress of the campaign	None (secure donation platform through Guidestar)	Administrator: ♦♦♦ User: ♦♦	Setup: 30 minutes Maintenance: 30 minutes/week
AlumniFidelity	7.0-7.5% admin fee on all donations	▪ Organization can do the fundraising using its own branding ▪ Sophisticated software allows for large fundraising campaign with limited effort ▪ Tools to manage the fundraising appeal process	▪ Larger time commitment up front than other tools	None (secure donation platform through PayPal)	Administrator: ♦♦♦ User: ♦♦	Setup: 5-6 hours over the course of a week Maintenance: 1 hour/week

PRODUCT	COST	KEY BENEFITS	KEY DRAWBACKS	SECURITY	SKILL LEVEL	TIME COMMITMENT
FirstGiving	7.5% admin fee on all donations; $300/year for premium account	▪ Quick and easy setup ▪ Widgets and downloadable reports ▪ Extensive help and resources section	▪ More tools available with a premium membership, which costs $300 annually	None (secure donation platform thorugh VeriSign)	Administrator: ♦♦♦ User: ♦♦	Setup: 1 hour Maintenance: 1 hour/week
GlobalGiving	10-15% admin fee on all donations	▪ Ideal for international organizations ▪ Allows user to create gift "registry" ▪ User can create a fundraising page that is also a charity widget	▪ GlobalGiving's branding is prominent on fundraising pages ▪ Highest administrative cost	None (secure donation platform)	Administrator: ♦♦♦ User: ♦♦	Setup: 2-4 hours Maintenance: 1 hour/week
Blackbaud	$1,750 for setup and 10.0-10.5% admin fee on all donations	• Customized contract for your organization • Extensive online and technical support • Best for large-scale events with many users and many moving pieces	• Platform is designed to raise money for events (marathons, walk-a-thons, etc.) • Comparatively, the cost is high for small-scale events and campaigns	None (secure donation platform varies depending on contract)	Administrator: ♦♦♦ User: ♦♦	Set-up: Several hours over the course of a couple of weeks Maintenance: 1-5 hours/week

SECURITY RATINGS:

None: Open to the public

Low: Not appropriate for client-sensitive or confidential materials

High: Appropriate for client-sensitive or confidential materials

SKILL LEVEL RATINGS:

♦: Comfortable using Microsoft Word and e-mail

♦♦: Comfortable surfing the web

♦♦♦: Comfortable posting content to sites such as Facebook, MySpace

♦♦♦♦: Comfortable subscribing to RSS feeds, commenting on blogs

♦♦♦♦♦: Comfortable using web tools or building websites

APPENDIX E

Goals and Financial Resources

Section A: Sample Goals

FINANCIAL RESOURCE	WHERE WE ARE TODAY	WHERE WE NEED/WANT TO BE
Annual revenue		
Special project revenue		
Number of donors		
Number of volunteers raising revenue		
Fundraising expense		
Other		

Section B: Revenue Sources

REVENUE SOURCE	WHERE WE ARE TODAY	WHERE WE NEED/WANT TO BE
Annual or sustained gifts		
Major gifts		
Planned gifts		
Foundation grants		
Cause-related marketing		

REVENUE SOURCE	WHERE WE ARE TODAY	WHERE WE NEED/WANT TO BE
Corporate giving programs		
Earned income activities		
Unrelated business income		
In-kind donations		
Supporting organizations		
Benefit events		
State and local municipalities		
Churches/denominations		
Federated funds		
Online donations		
Other		

Section C: SWOT Statements

SWOT AREA	STATEMENTS ABOUT YOUR ORGANIZATION
Strengths	
Weaknesses	
Opportunities	
Threats	

Section D: Key Statements on Financial Resources

SWOT SUMMARY CATEGORIES	KEY STATEMENTS IN EACH SWOT AREA
Builds on or enhances…	
Reduces or eliminates…	
Explores or takes steps to avoid…	
Does not ignore or dismiss…	

APPENDIX F

Revenue Source Plan Summary

Revenue Source:

Objectives:

OBJECTIVE DESCRIPTION	MEASURABLE OUTPUT	BY WHOM	BY WHEN

Systems:

DEPARTMENT	IMPACT	WHEN

Schedule:

Costs:

COST DESCRIPTION	AMOUNT	WHEN IT WILL OCCUR

APPENDIX G

Systems Area Summary

REVENUE SOURCE	ACCOUNTING	GIFTS PROCESSING	DATA MANAGEMENT	RECORD KEEPING	REGISTRATION AND REPORTING	POLICIES AND PROCEDURES
Annual gifts	General ledger accounts expand with new funds.	Caging and coding functions grow in complexity with new programs. Receipts must indicate states where organization is registered to raise money.	Data requested for results, segmentation, and comparisons.	Copies of receipts stored for three years; data or microfilm for ten years.	501(c)(3) required for issuance of tax-exempt receipt. Thirty-nine states require organizations to be registered to fundraise. Most organizations annually file Form 990 and an audit.	Standard policies for gift acceptance and either BBB or ECFA standards of conduct.
Major gifts	Above, plus must manage temporarily restricted gifts and permanently restricted gifts.	Personalization increases. Acknowledgement letters and receipts get hand-delivered.	Significant segmentation and suppression of certain flags and codes.	Same as above plus receipts, research, and donor correspondence are kept in locked files	In most states, contract field fundraisers must register as paid solicitors.	Specific procedures on kinds of gifts and due diligence required.
Planned gifts	Above, plus the addition of any life income contracts requiring payments by organization.	Same as above.	Same as above.	Same as above, plus any will, life income, or other expectancies.	Some states require additional registration to issue various contracts.	Endowment management policy, payout rate policy, and investment policy.
Foundation grants	Strict accounting required for reporting on use of grant funds.	Same as above.	Reports on uses of funds.	Receipts, research, and correspondence are kept in locked files.	501(c)(3) required for most foundations, plus Form 990, audit, and list of top donors.	Letter from the board stating support for the application.

REVENUE SOURCE	ACCOUNTING	GIFTS PROCESSING	DATA MANAGEMENT	RECORD KEEPING	REGISTRATION AND REPORTING	POLICIES AND PROCEDURES
Cause-related marketing	Must be able to track any dollars in case it is unrelated income.	Receipts must indicate the value of any purchase that is considered a gift.	Same as major gifts.	Copies of receipts stored for three years; data or microfilm for ten years.	May need to report unrelated business income and/or pay tax.	Contract ought to stipulate various ways out.
Corporate giving programs	Same as annual gifts.	Personalization increases. Acknowledgement letters and receipts get hand-delivered.	Same as foundations above.	Same as foundation grants.	No special registration.	No special policy.
Earned income activities	Same as annual gifts.	Not applicable.	Same as major gifts.	Income statements and reports stored for three years; data or microfilm for ten years.	May have a business license registration requirement depending upon state or local regulations.	Policies to manage investments.
Unrelated business income	Must be able to track any dollars as it is unrelated income.	Not applicable.	Same as major gifts.	Income statements and reports stored for three years; data or microfilm for ten years.	May need to report unrelated business income and/or pay tax.	Procedure to track and manage unrelated business income as it approaches total income limits.
In-kind donations	Inventory control and valuation substantiation become important for large items.	Receipts must indicate description of donated property.	Same as major gifts.	Copies of letters of receipt stored for three years; data or microfilm for ten years.	If the property was appraised at $5,000 or more and you signed Form 8283, and if you dispose of the property within two years, then you must file Form 8282 with the IRS within 125 days of disposition and give a copy to the donor.	Procedure to value various in-kind contributions.

REVENUE SOURCE	ACCOUNTING	GIFTS PROCESSING	DATA MANAGEMENT	RECORD KEEPING	REGISTRATION AND REPORTING	POLICIES AND PROCEDURES
Supporting organizations	Separate books.	Receipt sent between organizations acknowledging the value of any gifts.	Same as foundation grants above.	Same as cause-related marketing.	May require special registration with the state.	Policy that creates clear separation of functions and relationships.
Benefit events	Significant outlays of expenses against revenues.	Receipts must indicate the value of any purchase that is considered a gift.	Same as major gifts.	Same as cause-related marketing.	May require event-related licenses for various events. Event insurance may need to be purchased.	Procedure to limit expenses.
State and local municipalities	Strict accounting required for reporting on use of grant funds.	Receipt sent acknowledging the value of any gifts.	Same as major gifts.	Same as foundation grants.	No special registration.	Resolutions for bond issuance.
Churches and denominations	Same as annual gifts.	Same as supporting organizations.	Same as major gifts.	Same as cause-related marketing.	No special registration.	No special policy.
Federated funds	Same as annual gifts.	Receipts generated to donors require a separate handling process.	Same as major gifts.	Same as cause-related marketing.	No special registration apart from that required by the campaign.	Resolution to participate in funds drive.
Online donations	Same as annual gifts; some considerations for out-of-state donors.	Caging and coding functions grow in complexity with new programs. Receipts must indicate states where organization is registered to raise money.	Most online platforms provide intuitive data management. Must ensure integration of data with current system.	Same as annual gifts.	Same as annual gifts.	Policies needed for use of organization name and materials in web environment.

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