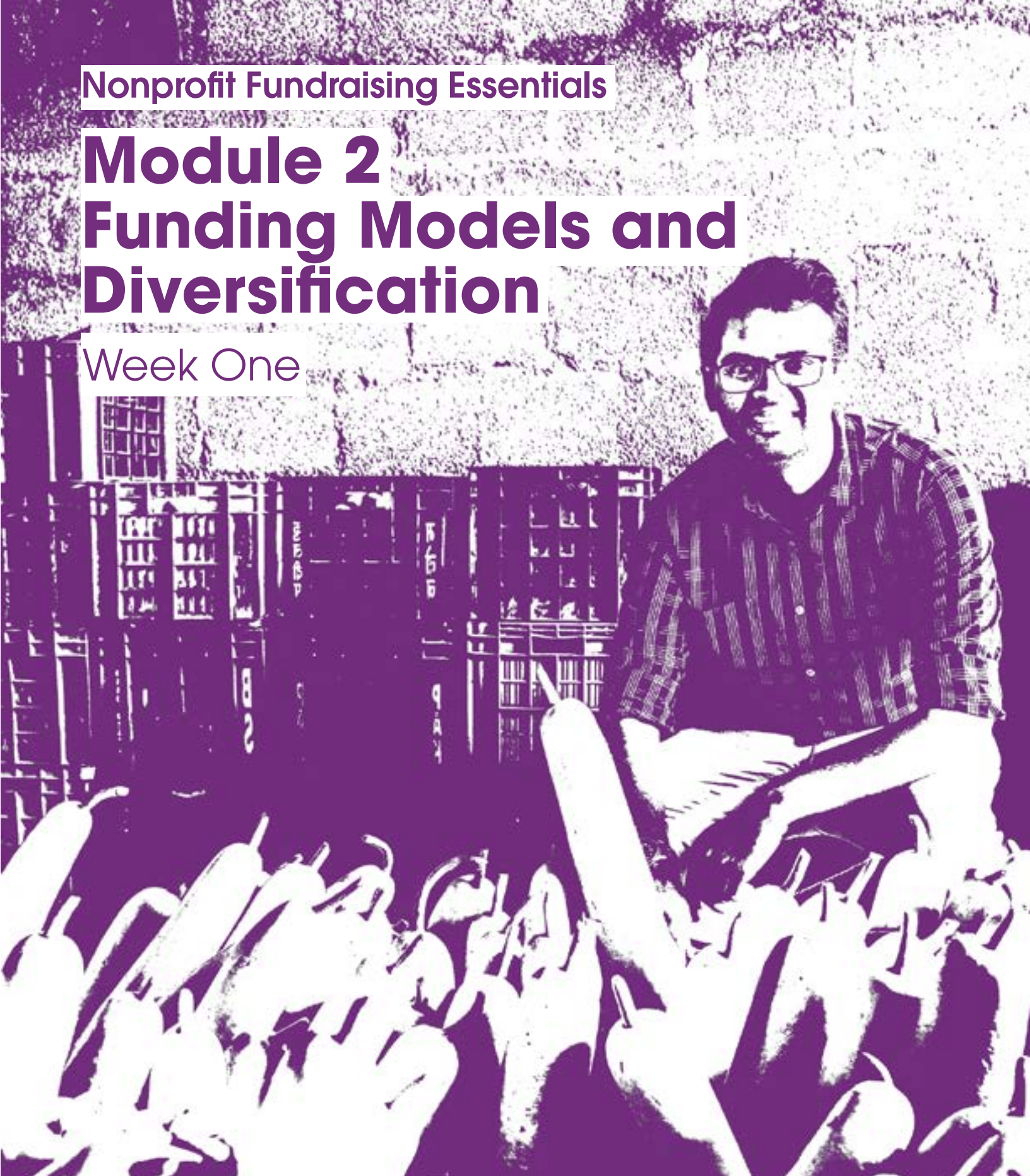


Nonprofit Fundraising Essentials

Module 2

Funding Models and Diversification

Week One



In
partnership
with



INTRODUCTION TO THE MODULE

Welcome back! In Module Two, you will explore the different sources of nonprofit funding and select new funders or revenue streams to pursue. Before we begin: Have you heard of a nonprofit funding model? If so, how would you define it?

You might be familiar with the concept of a “business model,” which explains how a company plans to make a profit. A business model outlines a company’s revenue streams, expenses, and customers.

When speaking about nonprofits, we use the term “funding model.” A funding model is an organization’s approach to building a reliable revenue base to support its mission and programs. All nonprofits should strive to be financially sustainable and independent from a single donor’s influence. However, there are many paths to sustainability.

This reading will compare the different sources of nonprofit funding, including their advantages, required capabilities, and constraints. You will also learn about ethical partnerships and decide when it is appropriate to say “no” to a funding opportunity.

In the second week of the module, you will learn about the Bridgespan Group’s framework for finding your funding model. In the team workshop, you will assess your past approach to fundraising and research peer organizations to determine which funders are the best fit for your nonprofit.

LOOKING AHEAD IN THE COURSE

This course is designed to build as you go along. In Module Two, you will explore the different sources of nonprofit funding. By the end of the module, you will broadly understand what types of funders are right for your nonprofit.

Then in Module Four, you will learn about practical strategies for reaching out to new funders: identifying prospects, preparing for your first meeting, making the ask for funding, and maintaining a relationship over time.

Finally, remember that these readings are just a starting point! The most successful students review the “Additional Resources” and carry out independent research on the questions and topics that interest them.

1- Investopedia, [What is a Business Model?](#)

2- Peter Kim, Gail Perreault, and William Foster, [Finding Your Funding Model](#)

3- [Attribution 4.0 International \(CC BY 4.0\)](#)

THE BENEFITS OF DIVERSIFICATION AND FUNDING EXPERIMENTATION

First, what are the benefits of a diversified funding model? There are several reasons why a nonprofit should not depend on a single donor or grant:

- + To reduce a donor's influence over your organization and its mission
- + To minimize the impacts from losing a donor or grant unexpectedly
- + To be resilient in time of crisis and have a range of revenue streams or relationships for support

“It’s highly risky to depend on one donor,” said Lynda Mansson, Director General of the MAVA Foundation. “If anything happens to that funding source, your organization will be at risk.”

Furthermore, research suggests that experimenting with different revenue streams could help your nonprofit grow beyond the grassroots⁴ stage.

In her book *Social Startup Success: How the Best Nonprofits Launch, Scale Up, and Make a Difference*, Kathleen Kelly Janus interviewed more than 100 nonprofits. She wanted to learn how they were able to raise more than \$500,000 in annual revenue.

4- GuideStar defines grassroots nonprofits as having an annual budget of less than \$1 million, while small nonprofits have an annual budget of \$1 to \$5 million. The majority (66%) of nonprofits in the GuideStar database are grassroots.

Kathleen discovered that the most successful organizations experimented with different revenue streams, including both philanthropy and earned revenue, until they found a reliable funding model that was suitable for their mission and resources.

Note that the largest nonprofits — those with annual revenue in the tens of millions — often have one or two primary types of revenue streams. Over time, these organizations learn to *specialize* in the skills and capabilities needed to raise funding from those sources.

“As organizations grow, they tend to concentrate their type of funding,” said Peter Kim, Chief Learning and Innovation Officer at the Bridgespan Group. “At a certain point, leading organizations that are successful at fundraising tend to identify what type of funding is the best fit for them, build a funding engine around it, and grow big on that dimension.”⁵

However, it will require experimentation to find this “natural match.”⁶ You will get started by comparing the different sources of nonprofit funding in this reading. Then in the second week, you will apply the Bridgespan Group’s framework to identify potential funders that are the right fit for your organization.

5- You can watch an interview with Peter Kim in the Additional Resources of this module.

6- William Foster and Gail Fine, [How Nonprofits Get Really Big](#)

IMAGINING YOUR FUNDING MODEL POSSIBILITIES

Imagine that you work for an NGO that supports the conservation of natural landscapes in Switzerland. Your organization has depended on membership fees and legacy gifts for decades. But recently, you have noticed declining revenue and your donor base is aging.

You want to seek out new revenue streams. How would you decide which funding sources are the right fit?

Amrita Bhandari, Chief Development Officer at Acumen, recommends that you start with these questions:

- + What is your bold vision?
- + Who are your existing funders and partners?
- + What other people and organizations care about the type of work you're doing?

She illustrated these questions through the example of Acumen, a nonprofit that invests philanthropic capital in businesses that provide products and services for low-income customers.

“We want to support affordable energy solutions across the developing world,” Amrita explained. “Who cares about

energy access for the poor? Foundations, corporations, and development finance institutions are all interested in this work. Therefore, you could argue that our funding should be *institutional*.”

“On the other hand, *individuals* also care deeply about energy access,” she said. “You could make a strong pitch to high-net-worth donors: ‘With your \$10 million, we can electrify 10 million people in Africa.’ Their support could help us be more exploratory in our work.”

“Or you might decide that it’s best to democratize your approach,” she continued. “You believe that everyday consumers would value the opportunity to make a positive impact in another part of the world. So, you could create a massive *crowdfunding* campaign.”

“Which of these approaches are right?” she concluded. “They all could be. It depends on where you see traction and what will best enable you to achieve your impact.”

Start by reflecting on your **strategic plan**, which is the roadmap for your organization. A strategic plan usually includes your mission, programs and

activities to be delivered, and measurable goals and milestones for coming years.

Where does your nonprofit want to be in the next 2–3 years?

- + Are you launching a new and unproven program?
- + Do you need to replace a funder for an existing program?
- + Do you want to expand geographically?
- + Do you want to build your audience and raise your credibility?

Ultimately, your mission, strategic goals, and fundraising capabilities will help determine your best fit funders.

For example, if your nonprofit is at an exploratory stage, you might prefer to raise flexible funding from individual donors. On the other hand, if you have a staff with the capacity for grant writing and impact evaluation, you might pursue a larger grant with reporting requirements and project deliverables from a government or foundation.

In the next section, we will compare six sources of nonprofit funding, including their advantages, required capabilities, and constraints.

REFLECTION

- + Where do you want to be in the next 2–3 years?
- + Who are your existing funders and partners? Do you notice that any groups have been left out?
- + What other people and organizations care about the type of work you're doing?

UNDERSTANDING RESTRICTED VS. UNRESTRICTED FUNDING

Before you move on to the next section, it's important to understand the difference between restricted and unrestricted funding:

Restricted funding: These are donations that are restricted by a donor for a particular purpose. For example, grant funding is often restricted to carrying out a specific project. This is also called “non-engaged” or “flexible” funding.

Unrestricted funding: This is funding that can be used without any limitations.

As a nonprofit, you are required to respect a donor's agreement for how their contribution will be used.

COMPARING THE SOURCES OF NONPROFIT FUNDING

All nonprofits should strive for financial sustainability. Your nonprofit is “financially sustainable” when you can consistently cover your ongoing expenses, and the majority of your funding is predictable and renewable on an annual basis.

However, the path to financial sustainability is different for every nonprofit. This section will introduce six sources of nonprofit funding:

[Small donors and digital campaigns](#)

[Wealthy individuals](#)

[Foundations](#)

[Governments and multilateral organizations](#)

[Corporations](#)

[Earned income](#)

You are encouraged to skip between these sections based on your needs. For each funding source, reflect on these questions:

- + Do you have the capabilities — including skills, resources, and networks — needed to cultivate these funding sources?
- + Is there a strong match between the motivations and interests of the funder and your nonprofit’s mission and activities?

Depending on your nonprofit’s mission, strategic goals, and fundraising capabilities, some sources will be a more natural fit than others.

Additionally, you should think carefully before taking on any funding opportunity that might overstretch your team or distract from your mission.

“You need to ask, do I have the resources to meet the obligations of this funding?” said Jacqueline Woo, Chief Financial Officer at Acumen. “Every new dollar is a new dollar of obligations you need to be able to service. Many nonprofits don’t understand this.”

- + What are the advantages and constraints?

SMALL DONORS AND DIGITAL CAMPAIGNS

This section introduces approaches for raising money from a large number of small individual donors: **fundraising events**, **peer-to-peer campaigns**, **crowdfunding**, and **membership models**.

This type of funding is often “unrestricted,” which means it can be used by your nonprofit without limitations. Your challenge is to transform your small donors into recurring supporters and increase their giving over time.

Keep in mind that events and crowdfunding campaigns are often more expensive and time-consuming than many nonprofits anticipate. Therefore, it is important to calculate the “return on investment” of these activities.

Advantages

- + Unrestricted funding
- + Building an audience and raising awareness

Capabilities You Need

- + Large existing network of supporters or a broadly appealing mission
- + Staff with communications, event planning, and community engagement skills
- + Website that can receive online donations



SMALL DONORS AND DIGITAL CAMPAIGNS

FUNDRAISING EVENTS

Many nonprofits get started through events like auctions, bake sales, marathons, and dinners. Even for larger nonprofits, these events can be a great opportunity to raise awareness and build their audience.

Here are two examples of events in action:

- + Turtle Foundation protects sea turtles and their habitats in Cape Verde and Indonesia. The organization holds an annual raffle in partnership with a diving company. Supporters can purchase tickets online to win prizes like a 12-day diving trip, diving watch, or snorkels and fins.
- + Bhumi is a volunteer network in India that focuses on childhood education. Every year, Bhumi invites local individuals and companies to sponsor an arts festival for children from shelter homes. Although Bhumi raises the majority of its funding from corporate grants, the festival allows the nonprofit to strengthen its relationship with funders and build its reputation in the community.⁷

In both of these cases, the nonprofits found a way to raise money and build their audiences, while remaining

authentic to their mission.

Before you hold any fundraising event, you should ask these questions:

- + **What is the purpose of the event?** What do you want to accomplish besides raising money? Your goal might be to reach a new donor network, strengthen your relationship with existing donors, showcase your impact, or gain media coverage.
- + **Who is your audience?** Your event should be tailored to your audience. Look for areas where your mission and your audience's interests and motivations align.
- + **How much money do you intend to raise?** Select a specific and realistic fundraising goal for your event.
- + **How will you accept donations?** You could sell tickets for a walkathon or dinner, hold an auction of donated items, seek corporate sponsorship, and more.
- + **What are your expenses?** Create a budget to help your team calculate the return on investment (ROI). Ensure that you don't spend more money than you raise.
- + **What human resources will be required?** Don't forget to take into account the hours spent on planning

and executing the event. Recognize that these hours will be subtracted from other areas of your work.

+ How will you market your event?

Create a plan for marketing your event through social media, email, or invitations from your executives and board members.

After you hold an event, be sure to discuss the outcomes as a team and identify areas for improvement. For example, you might find the format was not engaging for your audience or the expenses exceeded the revenue.

Don't forget to collect the contact information of attendees and thank them immediately after the event. Later on, you can follow up to share how your nonprofit has benefited from their contribution and offer more opportunities to get involved.



SMALL DONORS AND DIGITAL CAMPAIGNS

PEER-TO-PEER FUNDRAISING

You can build your audience and reduce the fundraising burden on your nonprofit by encouraging your supporters to carry out “peer-to-peer” fundraising campaigns.

A “fundraising kit” is a collection of resources and instructions that is designed to help supporters and volunteers raise money for your nonprofit.

Your fundraising kit can be as simple as a lemonade stand. For example, the SF-Marin Food Bank shares a lemonade recipe and posters on its website so that neighbors can manage their own stands and donate their earnings.

The SF-Marin Food Bank also suggests talking points to help neighbors raise awareness of the nonprofit’s mission and impact: “1 in 4 neighbors in San Francisco and Marin is hungry.” “The Food Bank can turn \$1 into 2 meals.”⁸

Or you can engage supporters across the world. About three years after co-founding Anza, a business incubator in Tanzania, Krupa Patel found a way to raise money through student-led fundraising campaigns.

Anza recruited student ambassadors across universities in the United Kingdom. The ambassadors formed groups and

received real-time updates from the team in Tanzania, so they “really felt connected to the work on the ground,” Krupa said.

The students selected a “charity challenge,” which included expeditions like climbing Mount Kilimanjaro or tandem skydiving. Then they raised money to fund their participation in the global expeditions, and a percentage of their earnings was donated to the nonprofit.

“We realized these groups of 10–20 students could raise \$2,000 to \$3,000 when they had the right toolkits and tapped into their networks of friends and family,” Krupa said.

Similarly, Room to Read has developed a chapter model to leverage its broad community of passionate supporters. Through more than 40 global chapters, Room to Read’s volunteer fundraisers have raised millions of dollars to support the nonprofit’s mission of childhood education and gender equality.⁹

To foster healthy competition, the top fundraisers and fundraising teams are featured on Room to Read’s website. Room to Read also invites chapter leaders to an annual conference where they have exclusive access to learn about the nonprofit’s impact and plans for the year.¹⁰

9- Room to Read, [Chapters](#)

10- Kathleen Kelly Janus, [How to Get Other People to Raise Money for You](#)

8- SF-Marin Food Bank, [Lemonade Stand Kit](#)

SMALL DONORS AND DIGITAL CAMPAIGNS

CROWDFUNDING

Some nonprofits whose missions have broad appeal have found success through crowdfunding campaigns on platforms like GoFundMe or GiveIndia.

Crowdfunding campaigns are best suited for nonprofits with a well-defined and immediate financial need. For example, Virunga National Park in the Democratic Republic of the Congo runs a successful campaign several times a year to purchase new boots for park rangers.

Here are some statistics on nonprofit crowdfunding campaigns from Fundly:¹¹

- + The average campaign raises about \$9,000.
- + The typical age range of a donor is 24–35.
- + The average amount donated by an individual is \$66.

For crowdfunding campaigns led by both nonprofit and for-profit companies, Fundly found that campaigns with personal videos raised 105% more, while 53% of shares on email and 12% of shares on Facebook converted into donations.

However, crowdfunding is more difficult than many people expect. In fact, only 22%

of crowdfunding campaigns globally reach their goals. Facundo Rinaudo, a fundraising coordinator at Etnosfera, learned this lesson from a failed campaign for peace-building organizations in remote areas of Colombia.

“We did everything by the book,” Facundo said, noting that the nonprofit had invested in a professional video and carefully selected its platform. “We thought that because we had already raised money without any of these elaborate tools, it would be even better this time with all the tools available. But it wasn’t.”

He explained that the campaign was not focused on an immediate and well-defined need; instead, it was meant to fund the ongoing costs of several organizations in the region. Furthermore, the nonprofit set an overly ambitious fundraising goal, which discouraged small donors who believed their contributions would not make a difference.

“It’s important to have allies outside of Colombia,” Facundo added. “Inside Colombia, there is no culture of charity or crowdfunding. You need allies in the United States or Europe, countries with a history of these fundraising strategies.” Ultimately, it’s important to remember that

crowdfunding platforms are not magic. You are responsible for putting in the work.

“When crowdfunding, you need to realize that the platforms offer you payment gateways and technology support at best,” said Ashish Shrivastava, founder of Shiksharth. “But at the end of the day, you have to reach out to your own network to bring in traffic. The platform won’t do that for you. You can’t just create a campaign and expect that people will find it.”

Make sure to understand your target audience before embarking on a crowdfunding campaign:

- + Internet availability
- + Awareness and trust in crowdfunding platforms
- + Ability to donate through a credit card or mobile money
- + Local regulations on crowdfunding

Additionally, keep in mind that crowdfunded donations might not be “unrestricted,” depending on the promises of the campaign. For example, if your campaign states that all contributions will be used to purchase boots for park rangers, then your nonprofit is ethically obliged to use the donations for this purpose.



SMALL DONORS AND DIGITAL CAMPAIGNS

MEMBERSHIP MODELS AND RECURRING DONATIONS

Once you have gained the support of a small donor, your goal is to keep them as long as possible. Membership models are one approach for engaging your strongest fans.

The Nature Conservancy encourages its supporters to become a “member” for a contribution of at least \$15. In return, they receive an annual calendar, a subscription to Nature Conservancy Magazine, and a monthly newsletter.¹²

To encourage larger donations, the organization provides tiers of membership with different benefits:

- + A Conservation Partner who gives \$1,000 annually receives early access to the annual report, invitations to regional events and online presentations, and a dedicated representative at the organization.
- + Last Great Places Society members, who contribute at least \$10,000 annually, are invited on trips to witness conservation work in person.

You can also encourage your supporters to give “recurring donations.” This removes the “friction” from giving by automatically billing the donor on a regular basis, rather than

asking the donor to enter their credit card information or write a check every month.

Studies have found that monthly donors are more likely to continue giving the following year, and they have a higher “lifetime value” than one-time donors.¹³ Membership fees and recurring donations are also more predictable, which allows your nonprofit to plan for the future and smooth your cash flow.

Remember to thank these recurring donors, no matter the size of their contribution. One way to recognize them is by providing an exclusive title, access to your team members, or invitations to events and volunteer opportunities.

For example, charity: water refers to their monthly donors as The Spring, “a passionate and determined group of monthly givers on a mission to end the water crisis in our lifetime.”¹⁴ The Spring’s webpage features photos and quotes from donors, and a live update of the number of people who will gain clean water as a result of the monthly donations.

13- Chronicle of Philanthropy, [A Fourth of Monthly Donors Who Started With a One-Time Gift Make Other Contributions, Study Says](#); Chronicle of Philanthropy, [Study Shows How Monthly Giving Strategies Can Boost Revenue and Keep Donors on Board](#)

14- Charity:water, [The Spring](#)

12- The Nature Conservancy, [Become a Member](#)

Similarly, the monthly donor community of Pencils of Promise is called Passport. In exchange for their donations, the community receives photos and videos from the field that are not available elsewhere.¹⁵

REFLECTION

- + Where are your audience's interests and motivations?
- + Can you create an event, campaign, or membership model that responds to your audience's interests and motivations?

15- Pencils of Promise, [PASSPORT](#)



WEALTHY INDIVIDUALS

“High-net-worth individuals” are people who have more than \$1 million in investable assets. You might also hear the terms “wealthy donors” or “major gifts.”

In the United States, about one-third of charitable giving comes from households in the top 1% of the income distribution.¹⁶ In the United Kingdom and other countries, the wealthiest people tend to donate less and make up a smaller proportion of total giving.¹⁷

Individual donors are often more willing to support a novel and untested approach, in comparison to foundations, corporations, or governments. They usually expect informal updates through conversations or email, rather than formal reports.

Some donors provide unrestricted funding, while others might only be interested in supporting a particular program. Most of all, individual donors want to be engaged, recognized, and connected to the mission.

Advantages

- + Potential for major gifts and long-term partnerships

- + Informal proposals and reporting requirements
- + Connection to professional networks and referrals to other funders

Capabilities You Need

- + Board and staff members with strong networks
- + Skills for each stage of the donor development cycle, including researching prospects, pitching and storytelling, and event planning
- + Donor relationship management systems

Many nonprofits are founded with seed funding from high-net-worth donors. Here are two examples:

When Peace Parks Foundation was founded in 1997, the organization introduced the novel approach of establishing “peace parks” or “transfrontier conservation areas” to protect ecosystems across country boundaries in southern Africa.

“Our founder, Dr. Anton Rupert, went to his network of business colleagues, acquaintances, and high-net-worth individuals,” said Kathy Bergs, Chief

16- Philanthropy Roundtable, [Who Gives Most to Charity?](#)

17- You can find data on philanthropic behavior in the United Kingdom and barriers to giving from these sources: [Coutts Philanthropy](#), [Barclays](#), and [CAF](#)

Development Officer of Peace Parks Foundation. “He invited them to become members of the ‘Peace Parks Club’ and provide the seed funding for the organization.”

Today, you can become a Peace Parks Club member for a donation of \$5,000 or a member of Club 21 for a donation of \$1 million or more. Club 21 members are invited to participate in personalized visits to project sites and an annual donor function with the chairman.

Similarly, when Acumen was founded in 2001, the nonprofit introduced the concept of “patient capital,” an approach to investing with high risk tolerance, long time horizons, and a goal of maximizing social returns. Most of Acumen’s earliest funding came from individuals who were willing to take a bet on this new idea.

“Individuals give you a start and the most flexible funding,” said Amrita Bhandari. “They require the least amount of traditional reporting. They want to be engaged, heard, and connected to the mission.”

When you seek major gifts from individual donors, relationships are essential. The donor development cycle is made of these steps:

- + **Identification:** Researching and identifying new leads for prospective donors.
- + **Cultivation:** Building a relationship with a prospective donor and sharing your nonprofit’s work.
- + **Solicitation:** Making an ask for funding that is tailored to the prospective donor’s interests and capacity to give.
- + **Stewardship:** An ongoing process of expressing gratitude to a donor and encouraging the renewal of gifts.

In addition to one-time or annual gifts, there are different options for how a high-net-worth donor might choose to give to your nonprofit:

- + **Bequests, legacies, or planned giving:** You can invite donors to include your nonprofit in their will or estate.
- + **Memberships:** You can offer memberships for major gifts that offer exclusive benefits, such as visits to project sites or participation on an advisory council.
- + **Gifts of stock:** Some nonprofits accept stocks as gifts and the donor may be eligible for a tax deduction in return.

Some individuals give through a family foundation. In that case, there will typically be a proposal process and reporting requirements, but it is still essential to cultivate a relationship with the foundation's program managers.¹⁸

"With any sales, you're trying to identify the needs of your customer," said Andy Bryant, Executive Director of the Segal Family Foundation. "What does the Segal Family Foundation want? [Our guidelines are] there on the website. But you also need to look at it at an individual level: What speaks to that person?"

Some donors respond to quantitative data, while others are drawn to compelling stories, Andy said. Some prefer to communicate by email, while others might want to meet in person with your nonprofit's executives. Ultimately, you should develop a personalized approach based on the donor's preferences.

Your nonprofit will also need systems for marketing and customer relationship management to track your touchpoints with existing and prospective donors. These could include tools like Salesforce, Hubspot, or

Raiser's Edge, as well as Google or Excel-based spreadsheets. (You can learn more in the Additional Resources of Module Four.)

Finally, remember that it is more expensive to gain a new donor than to retain an existing donor. Therefore, you need to steward these relationships over time through strategies that speak to the donor's interests and motivations:

- + **Visits to beneficiaries and project sites:** These trips allow donors to witness with your work and see the impact of their contributions.
- + **Informational events and knowledge-sharing:** You can write newsletters and host webinars or panel discussions for donors who want to intellectually engage with your nonprofit's work.
- + **Events like dinners and galas:** These events can be used to express your gratitude to donors, build community, and create a feeling of joy and fulfillment.

¹⁸- What Donors Want, [Andy Bryant, Segal Family Foundation](#)

Your executives, board members, program managers, and communications team all have a role to play in stewarding these relationships.

To build a relationship, start by seeking out a personal introduction through a shared connection, such as board members, existing donors, or other nonprofits. In Module Four, you will learn more about the stages of the donor development cycle.

REFLECTION

- + Does your nonprofit have a unique mission or approach that would be appealing to individual donors?
- + Can you craft a compelling pitch based on a donor's interests and motivations?
- + Can you create a rewarding experience for high-net-worth donors by providing recognition, learning opportunities, and helping them feel closer to your work?



FOUNDATIONS

Foundations make up a smaller percentage of giving overall, reaching about 16% in both the United States and the United Kingdom.¹⁹ These institutions provide grants through a competitive application process.

Foundations often focus their funding on specific themes or regions. Therefore, nonprofits with a clearly defined problem area — such as energy access, environmental conservation, or gender-based violence — are stronger candidates for funding.

Grants are usually awarded to nonprofits with a theory of change and strong track record of results, rather than those in a startup stage. However, some foundations seek to fund nonprofits that are at an early stage or experimenting with innovative approaches.

Keep in mind that large and well-known institutions — such as the Bill & Melinda Gates Foundation — represent a small percentage of foundations. Small and regional foundations are supportive partners for grassroots nonprofits, and they often provide organizational development, technical support, and connections to other funders.²⁰

Advantages

- + Range of small to large grant sizes
- + Predictable cash flow
- + Potential for organizational development and technical support
- + Credibility and referrals to other funders

Capabilities You Need²¹

- + Theory of change and track record of results
- + Ability to search for grants, write proposals, and report on progress
- + Relationship management through the course of the partnership
- + Project budget and financial management

19- Association of Charitable Foundations, [Foundation Giving Trends 2018](#)

20- The Balance Small Business, [How to Make a Grant Proposal to a Small Family Foundation](#)

21- You can ask yourself these questions: The Balance Small Business, [Is Your Nonprofit Ready to Apply for Foundation Grants?](#)

FOUNDATIONS

GRANTS

Foundations provide grants for the delivery of projects and occasionally for general operating support. Grants are awarded through a competitive application process.

To find grants and foundation funders, you can:

- + Research other nonprofits (“peer organizations”) in your sector and region: Where does their funding come from? How much funding did they receive?
- + Register for alerts from specific foundations and grant databases.

First, it’s important to ensure that you’re eligible for a grant. Foundations usually specify the activities, size, and geography of organizations that can be funded.

“We have to focus on certain places and on certain types of activities so that we can have a measurable impact and not spread our funding too thinly,” said Jack Tordoff, Managing Director of the Critical Ecosystem Partnership Fund. “Nearly 50 percent of the proposals I’ve reviewed were rejected simply because they didn’t fit the scope of the call.”²²

Before you submit a grant proposal, many foundations ask for a **letter of inquiry** or concept note. These are 2–3 page documents that summarize your organization, project, and requested funding.²³

If the foundation sees alignment between its mission and your nonprofit’s needs, it may ask you to submit a full proposal. Although every foundation has different formats and requirements, you can expect a grant proposal to include these elements:²⁴

- + **Executive summary:** Your reason for requesting this grant, the outcomes you intend to achieve, and how you will spend the funds.
- + **Description of your organization:** A description of your nonprofit’s history, mission, programs, accomplishments, and organizational chart.
- + **Statement of need:** The problem to be addressed and target population.
- + **Methodology:** Your activities and timeline for addressing the problem, and a plan for measuring outcomes.
- + **Budget narrative:** Your grant budget and a description of how each item contributes to the project.

23- The Balance SMB, [How to Write a Letter of Inquiry to a Foundation](#)

24- You can search for “common grant applications” to find examples of proposal formats that have been adopted by a community of grant-makers.

22- Critical Ecosystem Partnership Fund, [12 Tips For Getting Your Grant Idea Funded](#)

- + **Additional documents:** Tax exemption form, financial audit, board of directors, operating budget, annual report, and other funders (if applicable).

Remember that you will not gain an advantage by submitting the same proposal to every foundation. Do your homework, attend webinars or meetings, and understand the unique objectives and selection criteria of the funder.

“You need to align your ask to the specific niches of the funder,” said Lynda Mansson, Director General of the MAVA Foundation. “This requires research and discussion, but you’ll have a much higher success rate if you figure out what the funder wants to fund in great specificity.”

Start by researching the foundation’s program manager and seek out an introduction through a board member or an organization in your network. Then you can personalize your proposal and make sure you’re not another anonymous application on the foundation’s desk.

“The most difficult approach is simply responding to requests for proposal (RFPs),” said Kathy Bergs, Chief Development Officer at Peace Parks Foundation. “We all

subscribe to the same alerts about funding opportunities for NGOs. Your application may be one of hundreds.”

Additionally, foundations expect more than a compelling mission. They need to trust that you can deliver measurable outcomes and spend their money effectively.

Therefore, you should clearly explain your approach for addressing the problem — for example, through a logical framework — and back it up with your history of results.

“We look for partners who have a credible chance of delivering what they say they’re going to deliver,” Lynda said. “That can be based on their track record or on their approach to a new area of work where they may not have a track record yet.”

“In pitches, we often hear about the process: ‘We held four workshops and had 95 conversations and talked to the government minister,’” she added. “What happened next? What did those activities lead to? You need to focus on the *impact*, not the *process*.”

Finally, you should be realistic about what your nonprofit can achieve. After reviewing hundreds or thousands of

grant proposals, most foundations know when a nonprofit over-promises in a proposal or letter of inquiry.

“When people promise too much, it makes it seem as though they don’t understand how things actually work, and we can see through that pretty easily,” said Dan Rothberg, Grant Director at Critical Ecosystem Partnership Fund. “We want small, good ideas [...] because it makes us think that those people know their own capabilities.”²⁵

After you sign a grant agreement, you will be expected to communicate regularly about your success stories and setbacks, and monitor results in accordance with the agreement. Additionally, many foundations are happy to make introductions to other funders or provide technical support.

“The worst feeling is being treated like an ATM,” Lynda said. “The grantee asks for more money, and then they leave and we don’t hear from them again.”

In Module Three, you will learn more about developing project budgets for grant proposals.



FOUNDATIONS

PARTNERSHIPS WITH OTHER NONPROFITS

In recent years, there has been a growing trend in favor of collaboration among nonprofits, rather than competition.

“In the past, if we were seeking to fund sea turtle conservation in West Africa, we would often receive overlapping proposals from eight different organizations,” said Lynda Mansson. “Now, there are many funders who prefer to see collaboration rather than competition, where each nonprofit is working together to achieve these outcomes.”

For example, in 2017, the MacArthur Foundation awarded \$100 million to a joint proposal from Sesame Workshop and International Rescue Committee. Through the partnership, the nonprofits are contributing their respective expertise to deliver educational programming to children affected by the Syrian crisis.²⁶

If you feel hesitant about partnering with another nonprofit, remember that you share a mission and can achieve more together.

“You might worry, will I be in the shadow of another organization if I enter a partnership?” said Kathy Bergs. “In fact, I believe partnerships are a great way to increase your impact, increase your support base, and reduce your

vulnerability as a new organization.”

“Find like-minded nonprofits with different strengths,” she continued.

“For example, Peace Parks Foundation is not research-based and we don’t employ scientists, but we partner with organizations that can bring that expertise. I encourage you to strategically identify partnerships like these.”

Today, collaborative grantseeking is still relatively uncommon. Keep in mind that the management of funds between partners could lead to additional administrative costs.

REFLECTION

- + Do you have a track record of delivering projects with measurable results?
- + Would a partnership with a foundation improve your credibility and network?
- + Do your mission, activities, geography, and stage of maturity meet the foundation’s criteria for funding?
- + If you apply for a project grant, will it require you to take on new administrative costs? Or prevent you from carrying out other impactful and mission-aligned activities?

²⁶- NPR, [\\$100 Million Prize Will Deploy Muppets To The Middle East](#)

GOVERNMENTS AND MULTILATERAL ORGANIZATIONS

Governments and multilateral organizations provide grants that enable nonprofits to deliver services at a regional, national, or even international scale.

For this reason, these funders are important partners for nonprofits that provide essential public services or address large-scale challenges, such as agriculture, education, energy, housing, or environmental conservation.

However, there is strong competition for grants, and grantees are expected to meet strict financial management and reporting requirements. Additionally, these can be complex partnerships to manage, with many decision-makers, departments, and programs.

Advantages

- + Potential to reach a regional, national, or international scale
- + Range of small to large grant sizes
- + Credibility

Capabilities You Need

- + Ability to write proposals and report on outcomes in accordance with government guidelines

- + Relationship management for complex partnerships
- + Project budget and financial management
- + Tolerance for long proposal timelines and strong competition for funding

Governments and multilateral organizations — such as DFID, USAID, the World Bank, and the European Union — are among the most restrictive sources of funding. These organizations are required to be transparent in their use of public funding, which results in less flexibility and stronger expectations for grantees.

“These institutions provide larger grants to lower their cost of work,” said Kate Montgomery, Head of Government Partnerships at Acumen. “That’s an opportunity for scale, but with that scale comes responsibility. When you work with a government donor, there are more reporting and financial management requirements.”

The most common way to apply for government funding is through a solicited proposal. Through this process, the donor releases a competitive bid for a grant, and then selects organizations that best fit the evaluation criteria.

You can search for [requests for proposal](#) (RFPs) on databases and the institution's website. Additionally, some donors have begun to solicit feedback from nonprofits by publishing a "draft scope of work" before releasing an RFP.

"You should use all the information that is provided, such as webinars or guidelines, to make sure you clearly understand their selection criteria," said Kathy Bergs. "The UK Department of Environment, Food and Rural Affairs (DEFRA) will even hold in-person sessions to help you understand their priorities."

Many public institutions are interested in learning about social innovation and market-based approaches. If your nonprofit has an innovative approach to a problem, this could be an opportunity to differentiate your proposal from other applicants.

For example, the Critical Ecosystem Partnership Fund (CEPF) is a joint initiative of development finance institutions, environmental funds, and governments. The CEPF provides grants of \$20,000–\$150,000 to civil society organizations with innovative approaches for protecting biodiversity.

"There is a lot of interest from donors like USAID in working with local and small nonprofits, rather than large NGOs," Kate Montgomery added. "The key is finding an opportunity that you are very well aligned with."

The second approach to receiving government funding is through unsolicited proposals, which is more common at the local or ministry level.

"When your nonprofit is unique in the field, you may receive an unsolicited proposal to support your work," Kate said. "There is a greater chance of success because it is a non-competitive proposal. However, it takes a lot of work to develop that relationship with the donor."

For grassroots and small nonprofits, it is often easier to make your reputation known to local governments. Nonprofits that deliver essential public services, such as healthcare, housing, sanitation, or education, are a natural match for government funding. This is especially true in regions where government services are scarce.

For example, La Casa De San Pedro was founded in 1970 as a grassroots

organization that provided daycare for children in low-income neighborhoods. Over the years, the nonprofit expanded its services to include early childhood education and nutritious meals.

La Casa De San Pedro experimented with several revenue streams, including a catering service for daycare providers. Eventually in 2014, the nonprofit found a “natural match” when it was awarded a contract to manage Head Start, a U.S. government program to promote school readiness for children from low-income families.

What happens after you are awarded a grant? Remember to submit high-quality and timely reports, and have honest conversations about your successes and setbacks.

“It’s important to check in with the donor regularly and have a strong relationship from the beginning,” said Sabrina Lee Sanchez, a business development manager at Acumen. “That is incredibly labor intensive, so you need to make sure you’re staffed appropriately to deliver on those requirements.”

Finally, note that government funding can come with bureaucratic delays, and grants are often awarded to the lowest responsible bidder.

GOVERNMENTS AND MULTILATERAL ORGANIZATIONS

PARTNERSHIPS WITH OTHER NONPROFITS

Many grassroots and small nonprofits are at a disadvantage when competing for large grants. However, there has been a rise in government RFPs that call for the formation of a consortium.

“Big donors want to work with smaller organizations, but they can’t manage the administration of ten small grants,” said Kate Montgomery. “Instead, they will ask for a consortium. A large consultancy will act as the manager of the money. Then they will bring in smaller NGOs to do specific parts of the work.”

“It’s a great opportunity for small organizations, particularly those without proposal development firepower for these large solicitations,” she explained. “First, your organization will need to be clear about its strengths. Then, you can connect with the players whose main business is working on solicitations and reach out when you hear about opportunities.”

Krupa Patel is the co-founder of Anza, a business incubator and co-working space in Tanzania. After several years of fundraising from individual donors and small family foundations and iterating on her organization’s approach, Krupa realized she had developed unique expertise in her field.

“We realized that we were really good at what we did,” Krupa said. “We were also one of the only organizations in Tanzania that could provide this depth of programming and yield positive results for our entrepreneurs.”

Anza started to get approached by partners like the Aga Khan Foundation, Care International, TechnoServe, and UKAid. These funders had multimillion dollar budgets for programs in Tanzania that would require deploying loans to entrepreneurs and readying them for the next stage of growth.

“We were brought in as the implementers for some of these large programs as part of a consortium,” Krupa said. “For example, an organization like Aga Khan would say, ‘We have 500 horticulture entrepreneurs across the agricultural value chain in southern Tanzania. Can we create a partnership where you serve all of them over the next two years?’”

Before you enter a consortium, it is important to understand the expected roles and responsibilities of each contributor. Additionally, organizations will need to reach an agreement on the distribution of unrestricted funds and method of reimbursement.

REFLECTION

- + Do you have a track record of delivering projects with measurable results?
- + Do you provide essential public services, such as agriculture, education, energy, housing, that are a match for existing government programs?
- + Can you demonstrate an innovative approach or stronger outcomes compared to other applicants for funding?
- + Do you have the skill sets and resources to manage the long proposal timelines, detailed reporting requirements, and complex partnerships?



CORPORATIONS AND SMALL BUSINESSES

Corporations are increasingly launching foundations, corporate social responsibility programs, and other initiatives for charitable giving. These partnerships can reach new audiences for your nonprofit. In some cases, the partnership might result in innovative solutions that leverage the corporation's technology and expertise.

However, private sector partnerships also come with reputational risks to be managed. In a textbox following this section, you will be challenged to decide when it is appropriate to say “no” to a funding opportunity.

Advantages

- + Reaching new audiences and building your recognition
- + Potential for volunteering and technical solutions

Capabilities You Need

- + Ability to write grant proposals and report on results
- + Website, social media, and storytelling skills
- + Organizational guidelines on when to say “no” to prospective donors



CORPORATIONS AND SMALL BUSINESSES

CORPORATE GIVING

This funding often comes from a local business or company's marketing or corporate social responsibility department.

- + **In-kind donations:** These are donations of goods — such as computers, furniture, event space, or office space — instead of money. Companies can also offer their professional services, like accounting or legal services. These donations can significantly reduce your costs and every opportunity should be explored.
- + **Matching gifts:** In these agreements, companies pledge to match (or even double or triple) their employee's donations to selected nonprofits. Seek out an employee who can champion your nonprofit internally as a matching gift recipient.
- + **Corporate sponsorship and direct giving:** You can solicit a direct gift from a local business or seek their sponsorship of an event. In response, a nonprofit usually recognizes the donor through marketing and media coverage.
- + **Volunteering:** Companies can promote volunteer opportunities for their employees, such as food drives, shifts at a soup kitchen, or mentorship and tutoring.

“We have slowly formed partnerships with corporations and work with them on **cause-related marketing**,” said Kathy Bergs. “As much as the funding is valuable, their large audience and communication about Peace Parks is even more valuable for us.”

“One example is our relationship with the luxury goods brand Cartier,” she said. “The symbol of Cartier is a panther. One of the projects that Peace Parks supports is in partnership with Panthera, an organization dedicated to big cat conservation.”

“With support from Cartier, we’ve been able to collaborate on a fantastic project called Saving Spots,” she explained. “The panther icon has been a powerful tool for Cartier to communicate about their work conserving leopards in Africa. We share images and videos they can use at their conferences. If you can find partnerships like this, it’s really rewarding for everyone involved.”

CORPORATIONS AND SMALL BUSINESSES

CORPORATE FOUNDATIONS

Corporate foundations have similar grant-making processes to traditional foundations and are legally separate entities. However, unlike other foundations, their giving tends to be aligned with business interests.

“First, you need to do your due diligence,” said Kathy Bergs. “Make sure the company is ethical, reputable, and that you would be proud to be their partner. Then it’s really about finding where your values are aligned.”

Through these partnerships, there is a unique opportunity to leverage the resources of the private sector to address social and environmental challenges. For example, Microsoft Philanthropies provided a grant to Peace Parks Foundation to combat rhino poaching by collecting real-time data from sensors throughout the parks.²⁷

Similarly, Autodesk Foundation awards grants to organizations that design innovative solutions for social and environmental problems, and provides software, technical expertise, and solutions for disaster relief efforts.²⁸

REFLECTION

- + What are the shared motivations between your nonprofit and the company? Are your mission and activities appealing to the company’s audience?
- + Can you provide positive recognition and storytelling assets for the company through your website, social media, videos, and photography?
- + Can you partner with the company to improve their employee experience through volunteering opportunities?
- + Does the company demonstrate a genuine dedication to your mission through both its funding and actions? Would a partnership result in reputational risks?

27- Peace Parks Foundation, [Enlisting Microsoft Azure In The Fight Against Rhino Poaching](#)

28- Autodesk Foundation, [Disaster Relief](#)

BUILDING ETHICAL PARTNERSHIPS WITHOUT COMPROMISING YOUR VALUES

Founded in 1951, The Nature Conservancy's mission is to conserve the lands and waters upon which all life depends. To achieve this ambitious goal, the organization has partnered with companies like Coca-Cola and Cargill to spread its conservation ethos to the private sector.

In 2018, The Nature Conservancy raised about 4% of its annual revenue from corporations. As part of its diversified funding model, the organization also collects donations that range from \$25 membership dues to \$165 million land gifts.

In the annual report, Thomas J. Tierney, Chairman of the Board, wrote, “We can’t just point the finger at business for its impact on the natural world; we need to fully engage corporations — and their financial resources — in developing solutions.”²⁹

Many nonprofits are grappling with the challenge of raising money without compromising their values or putting their reputation at risk.

For example, Pro Natura is an NGO that protects Switzerland's natural reserves through political advocacy, environmental

education, and community engagement. The national alliance is made up of satellites in the different cantons (or districts) of Switzerland.

Pro Natura Vaud raises most of its funding from legacy gifts, membership fees, and government grants. However, as the donor base grows older, some members of the district satellite have called for diversification with funding from local businesses.

Yet there is debate at the national level about appropriate funders for the environmental organization: Should it accept funding from a wealthy donor who invests in the oil and gas industry? What about the corporate social responsibility program of a company that bottles and sells water from public lands?

“We don’t want to work with an organization that would give us a small amount of funding to greenwash their activities,” said Amrita Bhandari, Chief of Business Development at Acumen. “We wouldn’t accept money from tobacco or firearms.”

“However, this is also about changing mindsets and beliefs,” she added. “Would

the partnership allow us to share our value system and tackle issues in a meaningful way?”

How do you decide if a prospective donor is the right fit for your nonprofit? As a team, ask yourself these questions:

- + Does the donor demonstrate a dedication to your mission through its actions and commitments?
- + Does the donor demonstrate a dedication to your mission by offering a meaningful amount of funding?
- + Would the partnership contribute significantly to your nonprofit’s ability to achieve its mission?
- + Would the partnership result in reputational risks, such as protest from board members or existing supporters, that would outweigh the potential benefits?
- + Would the partnership reduce your independence and give the donor excessive influence over your mission and activities?

Based on your answers, you can draft a set of principles (or “fundraising

philosophy”³⁰) to understand when to say “no” to a funding opportunity that would interfere with your mission.

By discussing these questions ahead of time, your nonprofit will be prepared the next time a prospective donor — whether a corporation, foundation, or individual — comes knocking at your door.

30- You can read an example of a fundraising philosophy from this grassroots political nonprofit in the United States: Indivisible, [Indivisible’s Fundraising Philosophy: Fueled by Small Donations](#)

EARNED INCOME

“Earned income” is revenue that is generated by a nonprofit to supplement charitable giving and cover administrative costs. You might also hear the term “earned revenue.”

For nonprofits with successful ventures, earned income is a valuable source of funding without the restrictions and reporting requirements of grants. However, earned income is not a good match for every nonprofit. It can be a drain on resources and time, and rarely results in significant funding.

All nonprofits are permitted to generate revenue through the sale of goods and services. However, you should consult your country’s guidelines to learn about taxation of this income and other legal requirements for nonprofit status.

Advantages

- + Unrestricted funding
- + Bridging the funding gap from charitable giving to help your nonprofit grow

Capabilities You Need

- + Startup funding to invest in the earned income venture

- + Tolerance for a 2–3 year timeline for profitability
- + An internal champion to lead innovation
- + Knowledge of your target customer and product-market fit

If you live in the United States, you might be familiar with Girl Scouts, a nationwide youth organization that promotes character and skills development through local councils and troops.³¹

Since 1917, the nonprofit has been selling cookies to support its mission, making it one of the earliest known earned income ventures. Today, Girl Scouts earns over \$700 million in annual revenue from the sale of 200 million boxes of cookies.

Why has this funding model been so successful?

- + Selling cookies aligns with the nonprofit’s brand and mission, which is focused on teaching girls about entrepreneurship and other practical skills.
- + There is a market of people who want to purchase the affordable baked goods.

An earned income strategy lies where your nonprofit’s mission meets a revenue generating opportunity. Some of the

31- This section is adapted from Acumen Academy’s Earned Income Accelerator, originally written and researched by Amy Ahearn.

most common earned income models include consulting services, food services or catering, and education or training.

Here are a few examples of earned income ventures in action:

- + Anza, a business incubator in Tanzania, rents office space in its building for co-working and events.
- + One Acre Fund offers smallholder farmers in East Africa a bundle of seeds, fertilizer, training, and connection to markets, and earns revenue from the farmers' loan repayments.
- + National parks earn revenue from entrance fees and licensing the use of natural resources, such as hiking or scuba diving activities.

Kathleen Kelly Janus, the author of *Social Startup Success*, suggests that an earned income strategy could help nonprofits bridge the funding gap between the amount they're able to raise from grants or donors and what they need to quickly grow.

In her study of more than 100 nonprofits, she found that organizations that surpassed \$2 million in annual revenue were more likely to generate

earned income, on average about 30% of their revenue.

However, earned income is not a good match for every nonprofit. For many organizations, it becomes a drain on resources and time that distracts from the mission. That's why it's important to approach earned income with careful consideration.

"Despite the hype, earned income accounts for only a small share of funding in most nonprofit domains, and few of the ventures actually make money,"³² wrote William Foster and Jeffrey L. Bradach of the Bridgespan Group.

How do you know if an earned income strategy is right for your nonprofit? There are seven characteristics that Acumen Academy has observed among the most successful nonprofit earned income ideas:

+ Clear Goals and Mission Alignment:

Why does your nonprofit need funding and how will this idea support your mission? Any earned income idea should increase your impact, not distract from it.

- + Customer-Driven:** You need to build something that is desirable to customers.

32- William Foster and Jeffrey L. Bradach, [Should Nonprofits Seek Profits?](#)

To do this, you will need to build prototypes and test your idea quickly.

- + **Core-Focused:** You should use your existing assets and what you already know. Gregory Dees says that the “vast majority of earned income is generated from nonprofits that understand they are sitting on assets that have not been optimized and, with the appropriate development and marketing, can lead to earned income.”
- + **Champion-Led:** The most successful earned income ideas have an entrepreneurial person who is dedicated full-time to launching the venture and can hire staff with the right skills.
- + **Adequately Capitalized:** You need enough seed funding and resources. A study from Community Wealth Ventures found that on average nonprofits need at least \$250k in starting capital to launch a profitable revenue stream.
- + **Cost-Effective and Cost-Conscious:** You need to build a financially sustainable model for your earned income idea. Community Wealth Ventures surveyed hundreds of nonprofits and found that “surprisingly few knew such basic information as their profit margin or return on investment.”

- + **Compelling Story:** You need to know how to tell a compelling story about your earned income idea to gain the support of your funders, executive team, board members, and colleagues.

Keep in mind that you will need resources and seed funding to kick off your venture. Additionally, you should test your ideas quickly and cheaply with customers before investing in an elaborate venture that might have no market.

Nonprofits that launch ventures that are unrelated to their mission — for example, an education nonprofit that attempts to open a hair salon or bake shop — are more likely to become overwhelmed by the complexity of the business model.

HOW THE BUSINESS INCUBATOR ANZA INTRODUCED EARNED REVENUE STREAMS

Anza is a business incubator and co-working space that serves social entrepreneurs in Tanzania. In the organization's earliest years, co-founder Krupa Patel raised money through peer-to-peer fundraising campaigns at universities in the United Kingdom.

During this exploratory period, Krupa solidified her nonprofit's mission and gained expertise in providing services for entrepreneurs. This unlocked opportunities for both grants and earned income.

Today, about 40% of Anza's income comes from philanthropic sources, such as foundations. The remaining 60% is from earned revenue, including contracts to deliver training to other nonprofits, and rent for meeting rooms and co-working space in Anza's hubs.

"We had more established not-for-profits approach us and ask, 'Can you come in and train our trainers?'" Krupa said. "That's how we were able to support ourselves full-time for about two years: We helped larger not-for-profits become better at working with entrepreneurs."

"If you truly invest in delivering quality and becoming good at your trade — which

I believe any NGO should — you will create value for yourself in the market," she added.

REFLECTION

- + What are your nonprofit's existing assets and strengths? How might these be developed into an earned income idea?
- + How will you test whether the idea is desirable to customers?
- + Do you have an internal champion to lead the venture and hire staff with necessary skills?
- + Do you have seed funding to launch the venture? Can you tolerate a 2–3 year timeline for profitability?
- + Would the earned income venture distract from more impactful or mission-aligned activities?

RUNNING LEAN FUNDRAISING EXPERIMENTS

If your nonprofit is small and has limited time and resources to spare, you may be hesitant to try new approaches to fundraising. What if your experiment doesn't work out?

Remember, being bold and entrepreneurial does not require spending a lot of money! We recommend starting with fundraising experiments that are inexpensive and low-risk. For example, your nonprofit could:

- Launch a small crowdfunding campaign and observe how your audience reacts
- Update the “call-to-action” and suggested donation in your emails and monitor the change in contributions
- Interview existing donors and plan a fundraising event based on their interests
- Invite a local business to pilot a volunteer day or workplace giving program

To carry out lean fundraising experiments, it is important to:

- Understand what you want to learn
- Measure your results and gain feedback from donors and stakeholders
- Identify opportunities for iteration

- Compare the revenue and costs of the experiment to your usual fundraising approach

Think of your experiment as a “minimum viable product,” or a small-scale prototype that allows you to rapidly test new ideas with little risk. By embracing this mindset, your team can create a culture of experimentation that will help you find a sustainable funding model and adapt to unexpected challenges as they arise.³³

33 - More reading on lean fundraising experiments: Stanford Social Innovation Review, The Promise of Lean Experimentation; Harvard Business Review, Using Design Thinking to Help Nonprofits Fundraise; Nonprofit Quarterly, Honing Fundraising Strategy through Collaborative Experimentation

FINISHING MODULE TWO: WEEK ONE

Great work! You've reached the end of Week One.

This week, you will complete the first half of Workshop Two. We recommend that you review the workshop activities ahead of time. During the workshop, you will evaluate your past approach to fundraising and discuss when to say “no” to a fundraising opportunity.

Now, it's time to schedule your team meeting and get ready for Workshop Two!

The following table summarizes the different sources of nonprofit funding, including their advantages, and required capabilities.

Sources of Nonprofit Funding	Advantages	Required Capabilities
Small Donors and Digital Campaigns	<ul style="list-style-type: none"> + Unrestricted + Builds an audience and raises awareness 	<ul style="list-style-type: none"> + Existing network of supporters + Staff with communications, event planning skills. + Website that can receive online donations.
Wealthy Individuals	<ul style="list-style-type: none"> + Long term partnership + Informal proposals and reporting requirements + Potential for major gifts and long term partnerships 	<ul style="list-style-type: none"> + Board and staff members with strong networks + Skills for each stage of the donor development cycle, including researching prospects, pitching and storytelling, and event planning + Donor relationship management systems
Foundations	<ul style="list-style-type: none"> + Range of small to large grant size + Predictable cash flow + Credibility and referrals to other funders + Potential for org development and technical support. 	<ul style="list-style-type: none"> + Project budget and financial management + Relationship management + Ability to search for grants and write proposals + ToC and track record results.

Sources of Nonprofit Funding	Advantages	Required Capabilities
Governments and Multilateral Organizations	<ul style="list-style-type: none"> + Potential to reach a regional, national, or international scale + Range of small to large grant sizes + Credibility 	<ul style="list-style-type: none"> + Write proposals and reports on outcomes in accordance with govt guidelines. + Project Budget and financial management + Tolerance for long proposal timelines and strong competition
Cooperation and Small Businesses	<ul style="list-style-type: none"> + Reaching new audiences and building your recognition + Potential for volunteering and technical solutions 	<ul style="list-style-type: none"> + Guidelines on when to say “no” to prospective donors + Website, social media and storytelling skills + Ability to write grant proposals and report on results
Earned Income	<ul style="list-style-type: none"> + Unrestricted funding + Bridging the funding gap from charitable giving to help your nonprofit grow 	<ul style="list-style-type: none"> + Startup funding to invest in the earned income venture + Tolerance for a 2–3 year timeline for profitability + An internal champion to lead innovation + Knowledge of your target customer and product-market fit