



## Sources of Funding for a Not-for-Profit

By FocusCFO

The size of the nonprofit sector is very large, contributing an estimated \$1.047.2 trillion to the U.S. economy in 2016, composing 5.6 % of the country's gross domestic product. According to statistics from the National Council of Nonprofits, there are 1.3 million registered non-profit organizations in the United States. They employ 12.3 million individuals and 64 million serve as board members or volunteers.

An estimated 25.1 percent of US adults volunteered in 2017, contributing an estimated 8.8 billion hours. The value of these hours is approximately \$195.0 billion.

Successful non-profit organizations operate similarly as do for-profit businesses with cash flow management top of mind. We will review the various sources of funding for non-profits and how that relates to developing a sustainable business model.

### Contributions, Gifts and Grants

This is the primary source of revenue for most non-profits and also requires an equal amount of effort in development activities. Consider the following when determining how to solicit contributions for your cause:

1. Who are the people and organizations with an interest or ties to your cause?
2. Who are you serving? Does your organization have members?

3. There is an entire industry that has been developed around grants and grant proposal writing. Seek an experienced professional for advice.
4. Corporate and individual giving for the general good of the community that your organization supports is another source of funding.
5. Other nonprofits may also be a source of funding, and the most well know example of this is United Way.
6. Vendors may become a potential resource. While your primary goal for your business relationship with your vendors is to receive the best service for the best price, you may find that when your vendors get to know your organization and mission, they will support your cause.

## Fee for Services

Many non-profit organizations provide a service (or good) that companies or individuals are willing to pay for directly. If you can establish a business model that generates revenue from sales, rather than just contributions or other sources, you are probably more likely to build a sustainable organization.

## Other Sources of Revenue and Funding

1. In addition to annual fund-raising drives, some nonprofits hold an annual event to raise revenue by showcasing the nonprofit's activities.
2. Some organizations have developed separate lines of business to financially support the organization's goals. However, when considering other lines of business, a non-profit organization needs to understand the tax ramifications that these activities may bring. A tax professional should be consulted to work with the organization's CFO.
3. A Board of Directors or Board of Advisors is a very valuable asset for a nonprofit. In addition to helping guide the organization, it is common for Board Members (or their companies) to make contributions.
4. Bank financing can also be a resource for nonprofits. As with any other business, cash flows are not entirely predictable, so a line of credit can be a very valuable tool for nonprofits to continue operations without interruption when short term disturbances in cash flow occur.

## Building a Sustainable Business Model

Organizations and individuals contributing to a nonprofit will want to feel comfortable that they are supporting a nonprofit that is being run in a financially prudent matter, and one that will still exist to

fulfill its mission in the future. Having a sustainable business model and documenting realistic, justifiable projections that show the ongoing viability of the nonprofit are crucial to raising funds from any source. Monitoring performance compared to the business model and plan (both financially and in terms of service provided) and updating the model as circumstances change are important to maintain funding sources and to ensure the sustainability of the nonprofit organization.

***Founded in 2001, FocusCFO is the leading onsite fractional CFO services provider in the Midwest and Southeast. FocusCFO works closely with small to medium sized businesses helping non-profit organizations gain control over three key financial and operational areas: increasing cash flow, reducing business risk, and creating a platform for scalable growth. This allows the organization to then realize full financial control and increased value in their non-profit. For more information, visit us at [focuscfo.com](https://focuscfo.com) or follow us on [LinkedIn](#).***