

20 Emergency Funding Sources for Nonprofits

Resources

Consulting with Nonprofits

Coping with Cutbacks

Financial Leadership for Nonprofit Executives

Venture Forth! The Essential Guide to Starting a Moneymaking Business in Your Nonprofit

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From the consulting staff at Fieldstone Alliance

THE FINANCIAL IMPACT of the recession on nonprofits may not be immediate, but it will come, and most likely before mid-year 2009. It's critical for all of us to plan how we will respond.

Toward that end, consultants Tom Triplett and Alexis Cress developed the following list of 20 emergency funding ideas. These are revenue sources that can be accessed quickly—usually within 30 days. Not all of these sources are available to all nonprofits, and some of them carry great risk. Nonetheless, we hope you find the list useful and thought-provoking.

We urge you to combine ideas for a comprehensive response. Funding sources like to know that they're not the only avenue you're pursuing. For example, you may want to put together a quick-hit fundraising initiative with a re-pricing of your services.

Finally, the following ideas relate to increasing the *revenue* side of your financing equation. Equally important is reducing expenses, which we will cover in a future *Tools* issue. In the meantime, we refer you to our [Coping with Cutbacks](#) book by Emil Angelica and Vincent Hyman.

20 Emergency Funding Sources for Nonprofits

Idea	Opportunities	Your First Step
Cash Flow Management		
1. Get grants in the door earlier than the promised date.	An example might be an organization that is in the first year of a three year grant. Request that the grant be converted to a two year grant and allow the organization to draw 150% of the awarded annual grant in each of	Call all of your funders to see if this is a possibility.

	two years.	
2. Speed the inflow of accounts receivable.	<p>Some examples to speed the inflow of cash:</p> <ul style="list-style-type: none"> • Invoice promptly. • Offer incentives to pay early (e.g. Net 10 receives a 1% discount). • Write or print on bills “payable upon receipt” or “Net 10 Days.” • Charge interest for late payments (e.g. 1% interest charge after 30 days). • Take advantage of electronic technology (ACH), ask clients to be set-up with ACH to speed receipt of cash. 	<p>Contact the following about these opportunities:</p> <ul style="list-style-type: none"> • Your bookkeeper and office manager about invoice procedures. • Your accountant about “incentives” and payment terms. • Your banker about ACH technology.
Contributed Income		
3. Initiate special quick-hit fundraisers designed to generate dollars from long-time supporters.	<p>Your long-time supporters are likely deeply committed to your success.</p> <ul style="list-style-type: none"> • Call your donors, suppliers, former board members and former clients; tell them your situation, and ask them for help. • Increase board involvement in fundraising. Ask your board members to make calls to their contacts. 	<ul style="list-style-type: none"> • Discuss these opportunities with your development officer, executive director, and board members. Gather names to contact. • Check out Fundraising Strategies for Tough Times at the <i>Chronicle of Philanthropy</i> which says to “keep your top donors close” and “don’t ignore people who have stopped giving.” • See the book Coping with Cutbacks (Chapter 2: How to Engage the Community).
4. Solicit grants from discretionary funds managed by a foundation’s CEO, program officer, or	<p>Some foundations allow senior staff to make small grants without having to go through the usual full application process. Your greatest chance for success will be with your</p>	<p>Call each of your current funders to see if this possibility exists.</p>

corporate giving officer.	current funders.	
5. Ask a funder who has awarded a multi-year grant to allow a release of restrictions during the crisis.	A funder might be persuaded to release program restrictions on a current grant to give more flexibility. For example, they may allow a percentage of an existing grant to be diverted to general operating purposes.	<ul style="list-style-type: none"> • Call each funder to see if there would be a possibility of doing this. • For more information, read Ease Up on the Restrictions from the Minnesota Council on Foundations.
6. Apply for funding from foundations that maintain emergency grant funds.	In response to the meltdown, a handful of foundations have initiated temporary emergency funds. These funds are often targeted to nonprofits that provide basic needs for low-income individuals and families.	<ul style="list-style-type: none"> • Call your local foundation center or United Way to learn if such funds exist in your area. • See these articles about three emergency funds: <ul style="list-style-type: none"> - Pittsburgh Foundation & United Way - State of Massachusetts - Otto Bremer Foundation
Earned Income		
7. Increase the prices of your products or services.	<p>There are three basic questions to consider:</p> <ul style="list-style-type: none"> • Are you covering all of your costs in the existing pricing structure? • Can the market you serve afford to pay higher prices? • Will a new pricing model put you out-of-step with your competition? 	<p>Identify a team that has the knowledge needed to answer the three basic questions.</p> <p>Here are helpful resources:</p> <ul style="list-style-type: none"> • Costs are Cool: The Strategic Value of Economic Clarity found at Bridgespan. This article has a good explanation of What are Full Costs. • Allocating Indirect Costs to Programs found at the Alliance for Nonprofit Management web site. • See Jeanne Bell and Elizabeth Schaffer's book Financial Leadership for Nonprofit Executives (Chapter 3: Assessing Your Organization's Financial Health) for tips on cost evaluation. • Also see Rolfe Larson's book Venture Forth! (Pricing worksheet, pages 98-99).
8. Analyze the possibility of selling what you are now providing for free.	This can most likely be done by searching for new markets for your existing products. For example, if you have a grant to provide free services to clients in your home county, can you sell that	<ul style="list-style-type: none"> • See Fieldstone Alliance's article on href="/client/tools_you_can_use/11-19-08_new_revenue_sources.cfm">making money from what your nonprofit already does. • Also, look at your market; are there other categories of clients you are missing?

	service to clients in an adjoining county?	<ul style="list-style-type: none"> • Be sure to watch the cost side of any service expansion.
9. Sell valuable information that you have that others need.	<ul style="list-style-type: none"> • See if the knowledge you or your top staff have can be sold as consulting services to others who may want to provide similar services in other market areas. • There may be opportunities in selling your organization's intellectual property (don't give it away) to those who need it by way of consulting services. 	<ul style="list-style-type: none"> • Do an informal market survey: will people be willing to pay for your knowledge, and who else out there is selling similar services? • See Carol Lukas' book <i>Consulting with Nonprofits</i> for practical consulting advice. • Talk to your attorney about the possibilities for protecting and licensing your intellectual property. If you can't afford an attorney, go to LegalCORPS for help. • Creative Commons has free copyright and IP tools online.
10. Sell the "back room" services that you already provide for your own organization to others.	Backroom services might include being a fiscal agency for new nonprofits, and offering human resource and accounting services.	<ul style="list-style-type: none"> • Look to other organizations such as MSOs that already provide this type of service to see if there are opportunities in your area. • Go to your state's council of nonprofits for more information on fiscal sponsorships. Here's a sample agreement.
Debt Financing		
11. Obtain short term loans (secured and not).	<p>Secured debt is a loan that is backed by a marketable real asset (real estate or equipment) that can be sold if loan cannot be repaid.</p> <p>Unsecured debt is not secured by marketable assets and most often has less favorable terms than a secured debt. A bridge loan is one type of unsecured debt.</p>	Discuss this option with your organization's controller or finance manager and banker. Check your organizations' credit score prior to applying for a loan. See Nonprofits Assistance Fund's article Borrowing Funds for more information.
12. Obtain a new or expand a current line of credit (LOC).	A LOC is an "open loan" available up to a maximum amount that you draw upon as needed. Nonprofits often use LOCs to manage cash flow.	Discuss this option with your organization's controller or finance manager and banker. See Nonprofits Assistance Fund's article Using Lines of Credit, Loans, and Mortgages for more information.
13. Borrow against commitments for future revenues.	If you have future scheduled government payments, you may be able to borrow against	Discuss this option with your organization's controller or finance manager, your development officer, and banker.

	these payments. Also, an individual's promise to donate to you on a future date may apply to this situation.	
14. Reach out to other nonprofits with loan funds for cash flow purposes.	There are quite a few nonprofits offering loan funds for cash flow purposes.	<p>Research these opportunities in your area.</p> <ul style="list-style-type: none"> • Nonprofits Assistance Fund has resources available to fill cash flow gaps. See the Transformational Lending section of their web site where you'll find a borrowing guide and loan application. • Nonprofit Finance Fund offers Loan Products. • Community Development Financial Institutions Fund is a program within the U.S. Department of the Treasury that awards money and tax credits to community-based organizations that work in low-income communities. Their site includes a searchable database for CDFI approved organizations by state.
15. Obtain a loan from a foundation's emergency loan pool.	A few regional and community foundations are instituting such loan funds.	Call your local foundation center or United Way to learn if such funds exist in your area.
Existing Assets		
16. Sell assets.	<ul style="list-style-type: none"> • It may be appropriate to sell assets that your organization is no longer using or does not expect to use in the future such as buildings, vehicles, and equipment. • You may find that you can then lease-back those same assets. 	Talk to your controller or financial manager.
17. Sell receivables.	Also known as <i>factoring</i> , your organization sells its receivables or invoices to a "factoring agent" at a discounted rate. In return, it receives a percentage of the receivable or invoice in cash immediately, and the remaining portion of the invoice is received after the invoice has been	Determine if it is the right cash flow method for your organization. Read Selling Receivables to Free Up Cash Flow and Selling receivables can smooth cash flow woes for some important tips on choosing the factoring method. See also: Businesses turn to factoring to counter cash crunch and Factoring sector picks up as credit climate tightens .

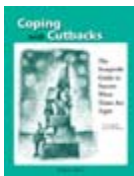
	paid, less a factoring agent fee.	
18. Reevaluate your investments.	Before things get worse, now may be a good time for your organization to redirect your investments.	<ul style="list-style-type: none"> • Discuss this option with your controller, financial manager, and investment broker. • Look at your time horizon and risk tolerance. The Nonprofits Assistance Fund reminds us of investment guidelines for nonprofits in their article Jittery About Investments?
19. Rent office space or equipment to others.	Your organization may have unused office space, printers, or services that you are not using, which you could rent to others.	<ul style="list-style-type: none"> • Talk to the office manager. • What stakeholders may be interested in renting office space or equipment? Talk to your board members.
20. Spend down reserves.	Typically, an operating reserve is a nonprofit's savings account—something to tap for unbudgeted expenses or the timing of cash flows, but not for income shortfalls. Nonetheless, in a crisis this option must be considered. Before doing this, be sure you have a plan for restoring the reserves when conditions improve.	<ul style="list-style-type: none"> • Talk to your board, financial manager, and controller when considering this option. • Nonprofits Assistance Fund has some good information on Operating Reserves if you are considering this option.

We'd like to hear your ideas!

If you have other revenue generating ideas, please email Tom Triplett at ttriplett@FieldstoneAlliance.org. We're continually updating our web resource: [href="/client/focus-opportunities_in_lean_times.cfm">Opportunities in Lean Times](/client/focus-opportunities_in_lean_times.cfm).

Where to Learn More

Articles from featured books



[185 Cutback Strategies](#)
[Things to Do When the Budget Squeezes](#)
[When Times are Tough, Get Creative and Strategic](#)



Building a Better World—One Balance Sheet at a Time
Two Guiding Principles for Effective Budgeting



Does Your Organization Have What It Takes to Start a Business Venture?
Short and Long-Term Approaches to Finding Revenue Sources

Other resources

State Nonprofit Associations

Go to your state's council of nonprofits for more information on fiscal sponsorship.

National Council of Nonprofits

Nonprofit Economic Vitality Center

Fieldstone Alliance

See various resources and tools on this topic: Opportunities in Lean Times.

Consulting services:

Fieldstone Alliance consultants help funders and nonprofits plan and navigate changes in strategy, structure, and operations. Our expertise includes strategies for weathering lean times and developing longer-range alternative revenue sources. For more information, please contact Tom Triplett at 651.556.4504 or ttriplett@FieldstoneAlliance.org.

Best Regards,

Tom Triplett & Alexis Cress

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