



Do You Need to Pay for a Feasibility Study?

Is it worth paying for a feasibility study, or can you perform one on your own?

Q: We're talking about launching a capital campaign for a new facility for our nonprofit organization. We need about \$2 million. We got bids for a feasibility study that range from \$15,000 to \$23,000. Our board members think that's a stupid waste of money. They want me to perform the feasibility study. Can I do it myself? Is there a template I can use?

A: Can you do it yourself? Sure. Will it be useful? Probably not.

Is there a template? Probably. Somewhere. But like templates for grants or solicitation letters or strategic plans, using such a template would be a waste of time. Why would you want something so generic that anyone could use it? To be valuable, it must be tailored to your organization, mission, and community.

The feasibility study should be designed to tell you some very important things:

- **Who are your likely major donors?**
- **What do your donors think** of your organization? Of your plans?
- **What does the broader community think** of your organization and your plans?
- **Will they give you money?**
- **Will they help you reach out** to other potential donors?

Even if all you gain is an honest appraisal of your organization, you'll get your money's worth.

- **Can your current donors** be motivated to give at higher levels?
- **Is your goal** too high? Too low?

Why can't you get this information yourself? Partly because you are way too busy to devote several hundred hours of time to this task. But mostly because you want an independent and honest assessment, which you can't possibly get without some outside help.

If you hire an experienced consultant to conduct your study, your donors' comments will be anonymous. Donors and prospects will tell your consultant things they're too polite to tell you. You need to hear that information. Even if all you gain is an honest appraisal of your organization, you'll get your money's worth. The bonus is the rest of the information that will help your project succeed. ■

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When Can You Use Restricted Funds for Other Purposes?

Q: Can our nonprofit organization borrow from "designated funds" to pay other bills, and then replace the funds later?

A: You run a serious risk if you use donor-restricted funds for a purpose other than that designated by the donor. In Pennsylvania, the CEO of the Allegheny Health Education and Research Foundation learned that lesson the hard way after he used funds designated

for scholarships and research for the general purposes of various hospitals. He was convicted of misappropriating entrusted property and sentenced to up to two years in a minimum-security prison (*Commonwealth v. Abelhak, Allegheny Co. Crim. Div., Misc. Docket No. 406*).

At the very least, you run the risk of civil liability for breach of fiduciary duty, especially if you can't pay the money back to the designated fund. It may come out of your own pocket. ■

Don Kramer

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