Not a "Someday" Dream: The Steps to Sustainable Income

Follow these three steps to develop a "forever income" strategy.

By Karen Eber Davis

All nonprofits need sustainable income. Most hope to achieve it – someday.

Instead of making sustainability a dream for the future, determine that it's possible and within your control. Trade your someday for *that* day.

The day needn't be soon. By all means set the date in the distance. Do make it within the decade. Once you've set your date, here are the steps to take.

1. Decide What "Sustainable" Looks Like for You

"If any one funding source is pulled away, we won't be left out of the water," says Dennis Fitzgibbons, executive director of Alpha One, an independent-living center in Maine. To be sustainable, Alpha One developed a collection of income streams, including earned revenue programs such as Adaptive Driver Training, Return to Live, and mPower.

Sustainability involves setting a goal to be funded in specific ways. For example, your goal for sustainability might be to obtain 50% donated income and 50% earned income.

Review the income streams available to your nonprofit. Make a short list of desirable options. What income streams best fit your mission and culture? How do other nonprofits in your genre become sustainable? If you held "sustainable" in your hands, what income streams would weigh the most? The least? Create your strategy by mixing and combining the seven nonprofit income streams:

1. Mission-earned. You receive this income for services related to your mission. Nonprofit housing organizations charge rent. Theaters charge patrons for tickets. Almost every organization has opportunities to earn mission income, and it's usually a nonprofit's largest revenue source.

2. Donations from individuals. This income includes everything from the check your board member writes, to special-event revenue, to the stocks from Mrs. Bates' will. Income from individuals represents the largest source of donated revenue nonprofits receive. Yet, this is only 16 to 29% of all nonprofit revenues. Nonprofits that successfully grow donor income make an ongoing commitment to be inclusive and interactive with a community they develop. Donor development is akin to gardening. You plant seeds now, nurture them as they become seedlings, and harvest later.

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3. Government. This funding may come from direct government sources, like states, provinces, national governments, and municipalities. It also includes quasi-government agencies, like water management districts and arts councils that redistribute tax dollars.

4. Foundations. While foundations represent only a small portion of nonprofit income – some 2 to 4% – their importance is greater than the numbers indicate. Besides funding for other projects, foundation money often pays for nonprofit research and development opportunities. This is money from a partner who will share some new venture risk with you. Around 100,000 foundations exist in the United States. These range from the vast to the small family foundation. Your success in this area involves identifying groups that care about your cause in your location.

5. Corporations. In the big picture of nonprofit funding, corporate contributions are small. However, when you're talking about 1 to 2% of a $1.5 trillion nonprofit economy, corporate income represents significant potential money. Sources include entities that share your customer, donor, or advocacy base. Consider large corporations, like Target, Best Buy, and American Express, but don't forget your local print shop and regional stores and services. Think about new businesses. Research by Ernst & Young and the Fidelity Charitable Gift Fund found that entrepreneurs donate two times the amount of their profits compared to older businesses. Business support often comes in the form of grants, cause marketing, and sponsorship.

6. Other Income. This category includes everything from candy sales, tent rentals, and consignment store revenue to the sale of your worn van. A Tampa Bay group rents a room in its facility that nets $200,000 in yearly income. You probably already earn "other income," even if it's just the interest on your bank accounts or soda machine proceeds.

7. In-kind and partnership resources. This final income source isn't money, but it acts like money. In-kind resources

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include goods and services that a nonprofit receives at low or no cost. We include it in our list of seven magic sources because of its budget power. "In-kind" includes everything from donations of dog food to the Humane Society, to a free event speaker, to the savvy board member who maintains your website at cost. Partnerships are also included in this category. While they too usually don't provide cash, they can save cash while providing important resources. Partnership benefits include everything from the referrals you receive (in lieu of marketing your services) to the opportunity gained through long-term alliances and mergers.

Which of these seven funding streams will work best for you? As you make your choices, consider how much control you have over each one. Prefer those that give you the most influence. Earned income, in-kind gifts, and individual donations offer more control. Government, foundation, and corporate grant funds offer less. Sources that let you obtain more income by increasing your efforts help you become more sustainable in the long run.

2. Plan Actions

Base your plans on proven knowledge and your experiences. How much income do you need from each income stream? Within the funding streams you selected, what specific income activities make the most sense for your organization in terms of your needs, time, and skills? How will you obtain money from each stream?

Twenty years ago, Mote Marine Laboratory in Sarasota came to grips with an income challenge. Mote's leaders realized that research grants were never going to be sufficient or consistent enough to pursue its mission of scientific research about the sea. So they decided to engage the local community in their work, with the long-term goal of earning individual donations. They developed a children's program, an aquarium, and special exhibits. The aquarium provides a million in revenue per year, and donations continue to grow. Mote's sustainability began with the decision to engage the local community. At first, it added education activities for children. The rest evolved over time.

3. Be Intentional and Disciplined

Sustainability results from consistent stone-upon-stone work over time. It comes sooner when all your income activities and most of your nonprofit activities contribute to sustainability in some way.

Las Vegas' Opportunity Village's strategy involves three income streams: mission income, individual donations, and government funding. Employees actively work to maximize each. Government funds are supported by visits and invitations to legislators. Mission income is supported by job development programs that focus on their customers' unique advantages. Individual donations are supported by community events, including a Santa Run and a Magical Forest. The organization continues to work at all three income streams to keep them flowing.

Ask yourself these questions:

- **How will your next three meetings** improve your organization's sustainability? What goal do you have for each?
- **How is your receptionist** helping you be more sustainable? How are your board members contributing? Do all staff and board members understand their role in the sustainability puzzle?

While too many unknowns exist to plan in detail for next year, you can determine what you'll do to be more sustainable tomorrow, this week. and the next three months. *The* most important action is what you'll do *next*. In your calendar, mark the date you'll accomplish it.

If the date for your sustainability comes and goes without your having achieved it, so be it. Sustainability can be achieved but is never done. The important thing is to set a date and begin the work, today.

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Mix Well before Use

For more ways to combine the seven sources of income into a sustainable future, see these articles at NonprofitWorld.org:

How to Target Corporations to Diversify Your Funding Mix (Vol. 25, No. 1)

How Much of Your Revenue Should Come from Earned Income? (Vol. 23, No. 3)

Seven Deadly Grantwriting Sins (Vol. 27, No. 6)

How to Obtain More Bequests (Vol. 23, No. 2)

High-End Strategic Alliances as Fundraising Opportunities (Vol. 19, No. 5)

Is a Cause-Related Partnership in Your Future? (Vol. 32, No. 1)

The Challenge of Sustaining a Grant-Funded Program (Vol. 28, No. 6)