



First Things First



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from the standing-desk of
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Ways Small Nonprofits Can Improve Fundraising

Nonprofits of all sizes can experience cash shortages, and many do: Around half of U.S. nonprofits have less than one month of operating reserves, according to a recent study.

Nearly two-thirds of charities have annual budgets of less than \$1-million, which makes them similar to small businesses in terms of spending and revenue. Nonprofits face many of the same challenges as their commercial counterparts. They are under-capitalized, lack reserves to withstand a crisis or act on a special opportunity, and struggle to stay afloat from one pay period to the next.

So, how can small charities overcome these obstacles and improve their financial health?

1. **Be proactive and diligent about building an operating reserve.**

Even if it's just \$500 a week, get in the habit of setting money aside. Too often, nonprofits try to accumulate a large lump sum before transferring it to reserves. It's never the right time to let go of a big sum, so move money into a reserve account in small, regular increments. This method will help you create a meaningful reserve without hampering cash flow.

2. **Don't focus on raising endowment funds.**

That may seem counterintuitive, even heretical, but here's my logic: If a nonprofit has a \$1-million budget and raises \$1-million for an endowment, at a 5% annual spend rate it would receive just \$50,000 each year. That's a lot of money being held captive rather than providing meaningful support. If the organization should need cash to stay afloat, in most cases it would be prohibited from accessing the endowment corpus, the original assets.

In contrast, if that same nonprofit raises \$1-million in operating reserves or

establishes a quasi-endowment - a board-designated investment fund with fewer restrictions than a true endowment.....

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3 Ways to Keep Your Donors Coming Back

According to the **2018 Nonprofit Leadership Impact Study** released by **NonProfit PRO** and **MobileCause**, "Donor loyalty is a priority area of focus for nonprofits, which was rated as the most important outcome when measuring their organization's annual success." Retaining donors is a big deal.

So, what influences donors to come back year after year to your organization? Let's take a look at the top three reasons donors cite for giving in the **2017 U.S. Trust Insights on Wealth and Worth**, and how you can use this knowledge to keep your donors loyal to your organization.

Read the full article on NonProfitPRO.com.



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