The Nonprofit Sustainability

Field Manual

Contents

EBOOK:

Why Sustainability?

The modern consumer is savvy and shrewd. You probably wouldn't dream of trying a new restaurant without reading Yelp reviews, or consider a used car without a CARFAX report.

Today's donor is no different. Whether they're an individual, a foundation or a corporation, donors have never been more judicious about who they give their hard-earned dollars to.

Unfortunately, many nonprofits lack similar information demanded of those who might consider them. But what is that information, and how can nonprofits get started?

In this guide, we'll share with you:

- What Nonprofit Sustainability Is, and Is Not
- The Current State of Nonprofit Sustainability
- What Nonprofits Need In Place In Order To Achieve Sustainability
- The Effect On Major Gift Fundraising and Securing Grants

Use this field guide as a way to discover where gaps might lie in your organization's potential.

What Nonprofit Sustainability Is, and Is Not

"Sustainability" like so many other terms is somewhat of a buzzword in the nonprofit sector. It's defined in a lot of different ways by a lot of different people.

We'll forge ahead with what we believe to be the definition of sustainability below. But first, let's explore what sustainability isn't.

Sustainability vs Self-Sufficiency

When sustainability and self-sufficiency are used interchangeably, it can be problematic for nonprofits.

We agree with the stance outlined in an excellent blog post from Vu Le, in which he states that "nonprofit financial self-sufficiency does not exist, and funders' and donors' unwillingness to admit this perpetuates an inefficient funding system that stymies us nonprofits' abilities to tackle society's most challenging problems."

That being said, we define nonprofit sustainability as having the pieces in place that sets you up to be in existence for many years to come.

Sustainable organizations are:

- **Prepared** for changes in leadership
- **Aware** of their long-term organizational goals
- **Giving** donors what they want
- **Holding** their board accountable
- **Financially** solvent

With those key items in mind, let's first take the temperature of the nonprofit sector as a whole to see how your org compares.

The Current State of Nonprofit Sustainability

In 2017, we received survey responses from 600 North American nonprofit organizations to find out whether or not the average nonprofit organization, and the sector as a whole, is on the road to sustainability.

We found that:

77% have defined their top 3 organizational priorities for the current calendar/fiscal year

66% have defined their top 3 organizational challenges for the current calendar/fiscal year

78% have job descriptions in place for every role in their organization

46% fully utilized a strategic plan last quarter

35% fully utilized a marketing plan last quarter

16% fully utilized a succession plan last quarter

62% fully utilized a fundraising plan last quarter

28% fully utilized a communications plan last quarter to make donors aware of planned giving opportunities

59% measured program impact last quarter

- **47%** of those who measured saw that impact increase
- **49%** of those who measured communicated that externally

51% saw 1/3rd of their volunteers give financially in the past year

59% saw all of their board members pledge or give a gift in the past year

39% saw 3/4ths of their staff give at personally meaningful levels in personally meaningful ways for the past year's annual gift

Number of months of operating cash on hand (excluding restricted funds):

Not sure: 28%

1-3 months: 21%

4-7 months: 21%

8-12 months: 12%

12+ months: 18%

Total hours were volunteered last quarter:

Not sure: 24%

0-10: 4%

11-50: 10%

51-100: 19%

101+: 43%

To sum up our findings:

The Good:

- Most organizations have organizational priorities and challenges defined
- Most organizations have written job descriptions in place
- Almost half of those who measured impact saw that impact increase
- Almost half of organizations reported at least 101 total hours volunteered last quarter

The Bad:

- Few organizations have a succession plan in place
- Less than half of organizations have a strategic plan or a marketing plan in place
- Board giving is present in more than half of organizations, but just over a third reported healthy staff giving
- Only about half of organizations receive donations from at least ⅓ of their volunteers

In their 2018 Nonprofit Sector Leadership Report, our friends at the Concord Leadership Group uncovered similar trends:

- Every day, 10,000 baby boomers are reaching retirement age, necessitating new leaders to take their place.
- 67% of nonprofit CEOs report not planning on being in their position in five years.
- Researchers estimate the nonprofit sector will need 80,000 senior and management leaders each year.
- CEOs are coming to nonprofit positions without all the experiences needed to successfully run their organization. They're especially caught off guard by the need to fundraise.
- Board members are increasingly micromanaging the executive directors they hire.
- Focusing on minutiae instead of the important tasks like strategic planning and succession planning.

Finally, The Financial Health of the United States Nonprofit Sector by Oliver Wyman found that:

- Some 7-8 percent of U.S. nonprofits are technically insolvent, with liabilities exceeding assets.
- 50% of U.S. nonprofits are operating with less than a SINGLE month's cash reserves.
- Restoring these nonprofits to solvency would require an infusion of $40-$50 billion.
- Some 30 percent of the country's nonprofits have lost money over a three-year period.
- Size does not seem to affect financial health. Larger organizations are as likely as smaller ones to be financially unstable.
- Financial health varies according to business models.
- Nonprofits that depend on government contracts and fee-for-service revenue use debt more often, operate in a tighter liquidity range, and have smaller reserves.
- Nonprofits that are more reliant on private philanthropy have less debt and larger reserves.

Clearly, there is a lot of work to be done. Luckily, we have a way for you to get started!

What Nonprofits Need In Place In Order To Achieve Sustainability

Your organization's attitude toward itself and toward constituents predicts sustainability.

These attitudes affect:

1. Organizational culture
2. Organizational plans
3. Constituent loyalty

With those three categories in mind, here is a comprehensive, but not exhaustive, list of a donor-centered culture.

A Donor-Centered Culture

Your organization, of course, wants to help the community. So do other people, for various reasons. Your organization is a tool, a way for them to make a difference in the world; to fulfill their philanthropic goals.

Make sure your donors feel you are a good tool, and that you view them as the true change agents.

When a nonprofit is org-centric, it can be difficult to deepen your organization's relationship with each constituent.

But when you are donor-centric, it's easier to make them feel that you see them as a partner, not just an ATM.

Care for your donors, and they will stick with you!

Donors expect to:

- Be thanked in an appropriate, timely fashion
- Be recognized as an investor in the cause and a vital part of the mission, not as a commodity
- See their investment make a meaningful difference
- See that their investment is properly stewarded
- Realize their own goals through the giving relationship with your organization
- Be asked how they feel about the experience

When you put these priorities ahead of all others, your organization is on the road towards donor-centricity!

Documented Strategic Plan

The need for a documented strategic plan needs little explanation or defense. How to go about crafting a plan is a topic for another eBook (in the meantime, check out this 5-step guide from our friend Susan Detwiler).

But for now, let us leave you with a few pieces of advice:

Include your top 3 organizational priorities and your top 3 organizational challenges - Knowing what your goals are, and what obstacles stand in your way, is the first step towards achieving those goals.

Make sure the goals are outcomes-driven - The average nonprofit strategic plan is truly just a glorified operation or business plan. Go beyond this by zeroing in on what has to change in the area that you serve so that you can drive the vision of the organization.

Assign responsible parties for each key element - Either the staff, board, or both. In one of our favorite board meetings that we've ever been a part of, we went through each of the key elements of the strategic plan one by one and asked who was responsible for each. For every single element this question ignited a wonderful discussion and literally left no doubt who was responsible. In most cases, action steps and assignments were already in place before the meeting adjourned with people excited to jump in and make them a reality!

Strategic plans should be updated annually to reflect not only the achievements of the previous year, but also the new challenges arising.

One final thought regarding creating a strategic plan for the first time: don't try to create a be all, end all document. Capture the essence of your organization and then finish it out through your annual updates. It is a much lower stress being placed on your team.

Documented Job Descriptions For Every Role in Their Organization

Staff turnover is alarmingly high in the nonprofit sector, with the average tenure for fundraisers at less than 18 months.

One theory for this dilemma is burnout.

Not only can documented job descriptions help when it comes to hiring and recruiting, but it can also help alleviate burnout.

How? Set boundaries.

Nonprofit employees are known for wearing multiple hats. But is this really a good thing? Job descriptions can keep "other duties as assigned" from ballooning out of control, and help you prioritize tasks and assign skill-sets appropriately.

Measuring Program Impact and Communicating Program Impact

Donors today are increasingly sensitive about who they donate their hard money to. Donors treat their charitable giving like an investment, and just like any financial investment they expect a return on that investment.

For nonprofits, that means making the measurement and communication of program output and outcomes a high priority.

Before getting started, it's important to understand the difference between output and outcomes.

Our friend Jamie Levy, a faculty member at the IU Center on Philanthropy, School of Public and Environmental Affairs, and The Fund Raising School, explains the difference this way:

Most, but not all, nonprofits measure and report on output, but few go a step further to measure and communicate outcomes.

This isn't to say that output is in any way trivial.

> "An outcome is the change being created, whereas an output is just a simple deliverable. For example, the output of a food bank may be that they served 500 people, while the outcome asks 'did it matter that we served 500 people, and what was the change that occurred positive or negative because of the output that was provided?'"
>
> **JAMIE LEVY**
> *IU Center on Philanthropy, School of Public and Environmental Affairs, and The Fund Raising School*

The National Council of Nonprofits recommends Leap of Reason, which explains "how nonprofits and grantmakers (and governments) have a responsibility to the individuals and communities we all serve to be as effective as possible. The authors go on to stress that in an environment of increasingly limited resources, those nonprofits that can demonstrate that they are truly making an impact will be the ones most likely to attract resources and talent, and therefore be most sustainable."

Luckily, it's the easier of the two "outs" to get started measuring and reporting on.

For more help, GuideStar has published a Common Results Catalog as a starting point for compiling and sharing charity output metrics in an uncomplicated way.

Below is an excerpt of the catalog of common results dealing with charities involved in education:

Family Engagement

- Number of family members participating in school activities
- Number of parents/guardians engaged in student activities
- Rate of student attendance during the reporting period
- Number of parents, community members and non-teaching staff helping to set goals for the school
- Number of students at or above a 90% attendance rate

School Climate and Classroom Environment

- Number of reported bullying incidents
- Number of student suspensions
- Number of student behavioral issues reported
- Number of students receiving personal instruction and feedback about their performance
- Number of students per classroom during the reporting period
- Number of students per teacher during the reporting period

Student Performance

- Number of students who exhibit kindergarten readiness
- Number of children with undetected developmental delays or chronic health problems at kindergarten entrance
- Number of students who perform at average or above on standardized testing
- Number of children who have emerging literacy skills
- Number of children who have the ability to use language for expression and to communicate with others
- Number of children who have knowledge of quantitative concepts
- Number of children who have the ability to use eye-hand coordination, strength, and motor control to use age-appropriate tools and utensils effectively
- Number of children who have the skills necessary to maintain personal health
- No matter what type of nonprofit you have or what cause you operate in, you should be able to craft stories centered around how your donors

Documented Succession Plan

Succession planning should be in place for every key leadership role at your nonprofit.

According to the 2017 Nonprofit Employment Practices Survey, 67% of nonprofits have no talent acquisition strategy or don't know if they do.

This may not be a big deal when it comes to replacing an entry-level or part-time staffer, but if someone on your leadership team departs unexpectedly, there could be a gap at the top of the organization for quite some time (or worse, a rushed bad hire). The likelihood of this happening is quite high given the short tenures that are typical of the nonprofit sector.

We have been intimately involved in a new CEO selection process on three different occasions during my tenures as a nonprofit board member at over a dozen different charities. All three of these widely recognized and respected nonprofits had strategic plans in place, but in only one case did the plan include a section devoted to leadership succession planning. And in that one case, the succession plan was not acted upon.

For tips on crafting your first succession plan, here is an excellent guide from our friend Janet Levine (which includes another horror story if you aren't convinced).

Documented Fundraising Plan

This one should go without saying.

If you don't have a documented fundraising plan, spend an hour watching this excellent webinar from our friend Sandy Rees.

Documented Marketing and Communications Plans

Marketing and communications plans aren't just for big nonprofits. Even the 1-2 person shop should have some basic guidelines in place for how they approach social media, email marketing, earned media and others.

Brand style guidelines (both visual and written tone/voice) are also a good idea.

A crisis communication plan is an often overlooked piece of the overall marketing and communications Plan that can be invaluable should you ever find your organization in the midst of a scandal or public relations flub.

You can find templates to get you started in our Resources Library.

Performance Tracking

As the old adage goes, what gets measured gets improved upon.

For nonprofits, there's no shortage of data points that can be tracked. Average gift size. Return on investment per marketing channel. Email open rates. It can be overwhelming.

When it comes to the best metrics to track, here are five that we really like:

1. **Face-to-Face Meetings** Face-to-face meetings are critical to fostering relationships with donors, especially major and planned gift prospects. Use this metric as encouragement to get out of the office and spend some time with your donors!

2. **In-Kind Gifts Received** Tracking your in-kind gifts is the first step towards properly acknowledging and stewarding those valuable individual and corporate donors! If in-kind gifts aren't something your organization pursues, you might be missing out on things like office and kitchen supplies, marketing collateral and other material resources.

3. **Monthly Donor Value** By tracking your average monthly donor value, you can begin to forecast the amount of revenue expected per month from donor contributions, in addition to maximizing those contributions.

4. **Donor Retention Rate** Knowing how many donors you're retaining from one year to the next informs so much of what can and should happen in your organization.

5. **Volunteers Who Donate** According to Volunteering in America, almost 80% of volunteers will donate, and Fidelity Charitable found that volunteers are 10x more likely to give than a non-volunteer!

Unfortunately, many nonprofits don't think of volunteers as some of their best donor prospects. Some do, but are simply afraid to ask them, out of fear that it will ruin the relationship (after all, they're already giving their time).

It's time to get over that fear!

A core group of volunteers who also donate represents future board members, major donors, bequest donors and 100% Board Giving. According to Leading with Intent's 2017 National Index of Nonprofit Board Practices, only 59% of organizations require board giving.

As is the case with volunteers, there is sometimes a hesitancy to ask board members to contribute financially. After all, they're already giving their time and talent to the organization.

But Tom Watson, writing for On Philanthropy, makes a salient case for 100% board giving:

> "One of the most basic measures of organizational health is the commitment of every board member to contribute within his or her means. If board members don't provide regular support, it suggests that they do not understand what it means to lead on the organization's behalf. It could also suggest that they don't understand why the organization needs financial support. Among the governance responsibilities of boards is to guarantee that the organization is on sound financial footing. When board members contribute, they demonstrate their understanding that raising funds is essential to the financial stability of the organization."
>
> **TOM WATSON**

Getting to 100% is easier said than done, and exploring the topic fully is worthy of an entire separate eBook.

My colleague Steven Shattuck outlines a few ways to get started in this blog post.

Monthly Donors

The average retention rates for monthly donors is upwards of 90%.

Talk about sustainable!

Monthly donors are arguably your most committed donors. They've trusted you enough to give you the ability to charge a credit card or withdraw funds automatically every month.

Aside from pledges, these are perhaps your only way of forecasting revenue confidently.

According to Richard Radcliffe, monthly donors are seven times more likely to leave your organization a gift in their will.

So make sure a monthly commitment is part of your asking repertoire. It can be a great way to upgrade low-dollar-amount donors.

The Effect On Major Gift Fundraising and Securing Grants

Over the last twenty years, we have had the privilege of working closely with major donors by serving in a leadership role on multiple capital campaigns and endowment campaigns. During that same time, we were also working closely with angel investors for several new technology startups.

Recently, a friend of ours inquired as to whether our experiences with those major donors and angel investors shared any similarities. As it turns out, they do.

In both cases, funds are being invested based upon the expectation of a return on that investment

In the case of the charity world, the return comes in the form of outcomes generated by the fulfillment of the stated mission through services.

In the case of the business world, the return comes in the form of actual dollars being returned to the angel investor, through dividends or the sale of stock.

And what gives confidence to investors in the business world? The existence of: strong documented plans, an understanding of the needs being addressed and any challenges present, a baseline for financial support, etc.

Why should nonprofits be any different? They aren't!

Major funders look for the same types of things that for-profit investors do.

If you haven't been asked on a grant application whether you have a succession plan, or been asked by a potential major donor what kind of impact you've made in the last 3 years, you will soon! It will be ubiquitous.

That's why it's so important to follow the advice in this guide. Get started now to avoid any embarrassing missed opportunities.

Final thoughts

How a nonprofit organization views itself is at the heart of how it treats employees, donors, volunteers and those they serve.

It's not about prioritizing one of those constituencies higher than another. It's about making sure that all four are addressed equally.

Oftentimes, the good work of the organization takes precedence over internal housekeeping (and with good reason). But don't forget: help is out there. A volunteer might be just as willing to help draft a strategic plan as they are to check people in at an event. You don't have to do it alone! Make it a priority, ask for help, get it done, and reap the benefits!

Click here to find out how Bloomerang can help your nonprofit become more sustainable.