

Funding General Operating Expenses

Funding general operating or administrative expenses – more commonly known as “overhead” – is often one of the biggest challenges nonprofits face. Not only are you competing with other organizations for ever-dwindling funds, you’re swimming upstream against the common perceptions that nonprofit work should itself be the reward or that nonprofits are not good at managing money. Whether it’s simply keeping the lights on at a volunteer-run nonprofit or paying staff for their skills so that your organization can both fulfill its mission and ensure paid staff members are fairly compensated, there will always be administrative costs that need to be funded. But how?

Grants

Most peoples’ minds automatically go to grants when thinking about funding. After all, they’re relatively low-hanging fruit compared to other fundraising tactics. The unfortunate reality, however, is that donations from individuals make up about 70% of all contributions to nonprofits. The other 30% may come in the form of government or private foundation grants, bequests, and/or corporate giving programs or foundations (which tend to focus on special projects that will enhance their public relations and marketing efforts).

Finding what are known as “unrestricted” grants that allow you to choose how to best allocate the funds can be a challenge. But not all hope is lost. It will just take some extra sleuthing. Grants from government entities tend to include operating funds more often and so it is always good to periodically check grants.gov for federal-level grants and iowagrants.gov for State of Iowa grants. One example is the [Capacity Building grant](#) from the Iowa Arts Council, which offers general operating support for nonprofit arts and culture organizations with budgets under \$150,000. At the local level, some grants may be available through your county government or [local community foundation](#) office.

Private (family or corporate) foundation grants are not always the easiest to find, but if you have any corporations that employ people in your community, those are the easiest places to begin your search. They often have a “major gifts officer” or even a whole department dedicated to managing the company’s philanthropic efforts. Another resource is the [Foundation Center](#), which publishes a directory of foundations from all across the nation that is available online for a subscription fee or is often available through a local library to search for free. Many libraries also hold this information in CD or book form. When searching the Foundation Center’s lists, be sure to only focus on those foundations for which your organization meets the criteria, including the geographic area that it serves, fields of interest, and types of support provided. Also note the established application process for each. For example, does the foundation allow anyone to approach them or does it only work with organizations that they have personally selected? Also determine if you or members of your board know anyone that serves on a foundation board. Having a personal connection like this can increase your chances of getting funded.

Other Fundraising Strategies

But if grants cannot be relied upon to obtain operating funds, what is the alternative? Unfortunately, there is no easy answer. Fundraising usually involves a number of different tactics beyond grant applications. With over two-thirds of private funding coming from individual donations, nonprofits that focus most of their resources on chasing grants are losing out on a great opportunity to collect unrestricted donations and raise awareness of the importance of their work (and sometimes existence!) within their communities. Potential sources of funding include annual and major gifts, memberships, special events, and crowdfunding, all of which require forethought and often extra pairs of hands to make successful. Planned giving or bequests are another potential source of future income to help with administrative costs, but organizations usually need to be well-established first and not in immediate need since there is no guarantee of when a bequest will reach your organization.

One of the best first steps you can take is to develop a fundraising plan. There are many books and websites that can aid you, including the [National Council of Nonprofits](#), [Nonprofit Kit for Dummies](#), and [Getting the Money](#). Sitting down with your budget and determining what is needed, what sources can be tapped, and who could be responsible for each piece of the fundraising puzzle can mean all the difference between meeting your goals and scrambling at the last minute to pay the electric bill. When you have a plan draft, research the viability of your plan, determine what motivates your current donors to support you, and refine the plan as needed before determining a schedule to carry out the work. Also, don't forget to build a potential donor contact list and have board members do the same. Include past and present volunteers and clients, family, and friends. Studies show that those who know you will be more willing to give since they are more likely to trust someone they know.

One common fundraising tactic is starting an annual campaign, which could fit in quite nicely with many people's annual giving plans. Decide whether this should be done via email or postal mailings, but don't forget to figure in costs for paper, envelopes, printing, postage, and paid staff time, if applicable. Further details on running a successful annual campaign can be found [here](#) and [here](#) as well as in the sources listed above.

Major gifts, which is a term used to refer to large, one-time donations, require more in-person interaction as well as a willingness to face possible rejection. But the potential good that a large infusion of cash can do to help your organization find solid footing and grow makes it worth the risk. When talking face-to-face with potential donors, try to choose someone who already knows that donor to take the lead in approaching him or her, especially if they move in the same business circles. Be sure to also develop an appealing argument than can help you plead your case by pulling together information on your organization's mission statement, history, services, key accomplishments, future plans, needs, and how you will measure your success. If put together with photographs and graphs, this information would make a great brochure or flyer to leave behind with the potential donor as a reminder of all of the good work your organization does in the community. This information can also be re-used for annual campaign letters and newsletters. More information can be found [here](#) and [here](#).

People like to belong to something bigger than themselves, which is why memberships, though usually only a small part of an organization's income, is another tool to help you raise unrestricted funds. Often organizations will offer small gifts at certain donation levels, such as discounted tickets or tote bags with your organization's logo and name. Whatever you choose, make sure that it reflects well upon you as an organization because this item will (hopefully!) be used by your members, which has the potential to get your name out into the community without spending money on extra marketing. More information on how

to build and maintain a membership program can be found on various websites, including [Know How Nonprofit](#) and [Volunteer Match](#), as well as the resources listed above.

Another common way to raise funds for your organization is by holding a special event. This type of fundraiser can be completely customized in terms of budget or fit for an organization, ranging from anything from a themed bake sale, auction, or dance-a-thon to a large formal affair with live music and appetizers. Depending upon the nature of the event, it can have a considerable upfront cost, so be sure to research everything that might be involved and identify potential partners that could contribute monetary or material donations. One excellent source of ideas is available through the [American Association for State and Local History](#). Other sources for ideas and general event planning information are also available through the ["Event Planning"](#) toolkit.

Along with special events, if you have a great building with meeting spaces or other areas that would be great for parties or weddings, facility rentals to individuals or businesses can offer another important revenue stream. If this seems like a good option for your organization, explore typical event rental costs for your area and your ability to staff private events as well as ways of legally protecting yourself in the case of accidents or damage to your facilities. The [Nonprofit Risk Management Center](#) has tips for managing risk on its website.

Crowdfunding, which is the process of fundraising online, can offer one other means of capturing individual donations. Many organizations use crowdfunding as a way to boost year-end fundraising or to help fund sudden expenses or new projects. Some crowdfunding platforms work also well with social media accounts, such as Facebook or Instagram, making it even easier to publicize your fundraising efforts. More information on crowdfunding can be found at websites like [GrantSpace](#) and the [National Council of Nonprofits](#) or in book form, such as [Crowdfunding for Social Good](#).

Finding funds for general operating expenses is a challenge, but one that can be met with careful planning, an open mind, and a willingness to simply ask potential donors. Every organization will build their financial foundation differently depending upon a variety of factors, such as audience, geographic location, mission, and the role it fills in the community, so your fundraising strategy may end up looking very different from that of your counterpart in another community. If raising money is new to you or outside your comfort zone, building a fundraising plan can seem like a daunting task. But a variety of resources are available to help, both in book form and on the internet. The above links as well as those in the ["Museum and Nonprofit Administration Basics"](#) toolkit offer a great place to start.