THE **NEW GENERATIONS** PROGRAM

THE FORBES FUNDS

Kate Trimble & Kelleigh Butler
of the New Generations Program

The Nonprofit Revenue Mix in the Pittsburgh Region

The six-county Pittsburgh region contains roughly 2,700 nonprofits, with more than 1,800 in Allegheny County alone. Support for nonprofits comes from a variety of sources. The relative dominance of any one type of support depends on lots of factors, including: the organization's mission, size, and capacity; political and governance trends like devolution and charitable tax deduction policy; and the health of the economy and strength of financial markets impacting the size of foundation portfolios and willingness or ability of corporations to contribute to social causes not central to their profit-making mission.

We received data from The Forbes Funds' 2003 Comprehensive Survey of Nonprofit Organizations. The survey was designed to gather information on a variety of management issues from nonprofit organizations in Allegheny County. The survey was sent to approximately 1600 organizations, with 403 responding (a 25 percent response rate). The responding organizations are representative of the nonprofit sector generally in Allegheny County.

The survey asked organizations: "In the most recently completed fiscal year, roughly what percentage of your revenues came from the following sources?" and then listed a series of ten options.

With help from researchers from the Graduate School for International and Public Affairs at the University of Pittsburgh, we asked three questions:

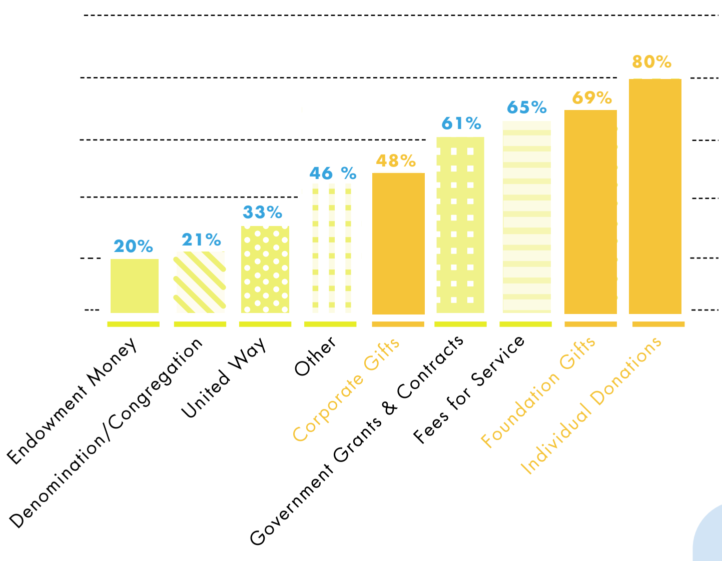
What percentage of nonprofits rely on donations from individuals, foundations and corporations?

What percentage of nonprofits' budgets come from those three sources, on average?

Do these figures vary significantly by size and age of the organization?

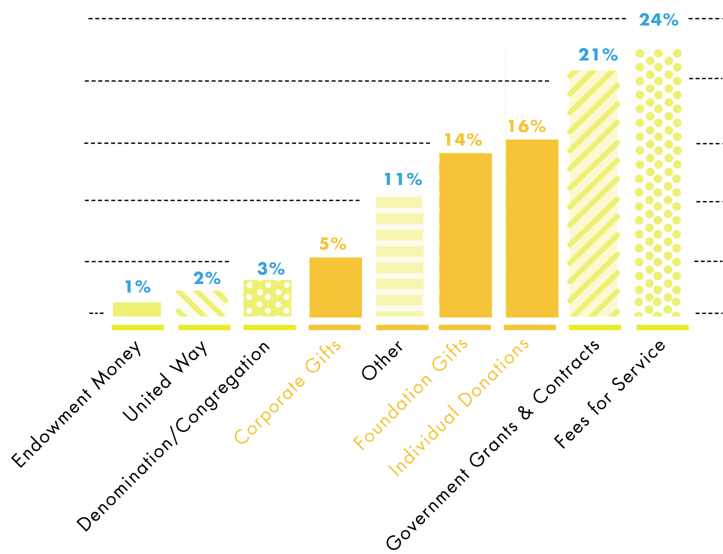
The vast majority of nonprofits get some financial support from individuals: 80 percent of nonprofits reported that they receive funding from individual donations. *(See Fig. 1.)* Nearly 70 percent reported receiving foundation gifts, and slightly less than half (48 percent) received corporate donations in the past fiscal year.

Fig. 1
Percentage of ALLEGHENY COUNTY NONPROFITS Receiving Revenue from Various Sources
2002



On average, nonprofits receive 35 percent of their budgets from a combination of individual, foundation, and corporate donors: roughly 16 percent comes from individuals, 14 percent from foundations, and 5 percent from corporations. (See Fig. 2.) The remaining portions come from fees for service, government contracts, endowments, the United Way, and religious sources (congregations and denominations).

Fig. 2
Percentage of Revenues Received by ALLEGHENY COUNTY NONPROFITS



Cross tabulations of The Forbes Funds' survey data groups the responding nonprofits into ten subsets according to size or age; in all of the charts below, the smallest or youngest set of organizations is on the far left side and the largest or oldest set on the far right. We contrasted individual, foundation, and corporate giving with three defining nonprofit characteristics: total revenue, number of employees, and years of operation.

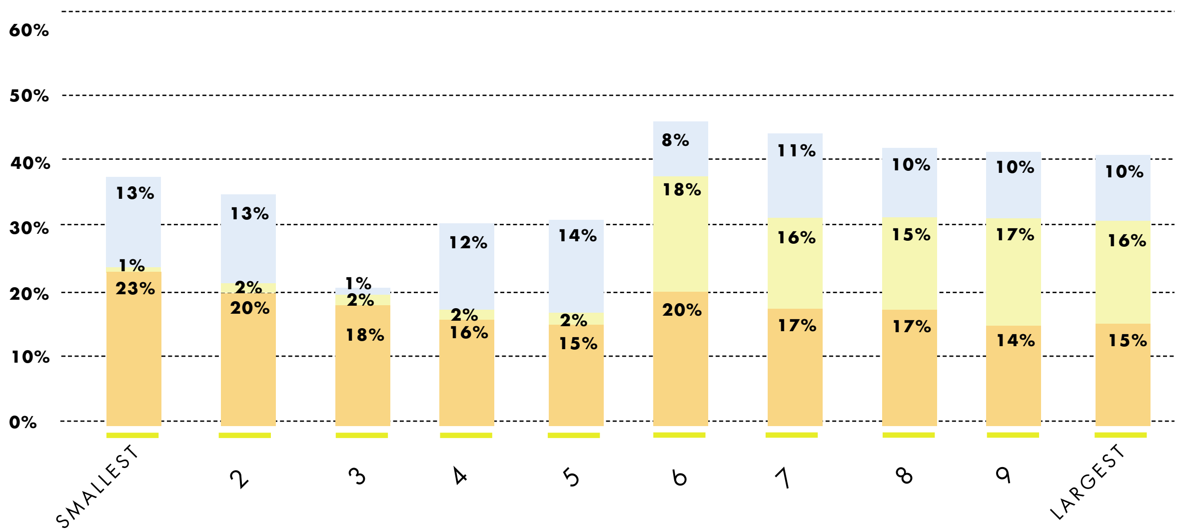
The cross tabulations revealed four trends or differences among the different types of organizations. First, for nonprofits with the smallest revenues, foundation funding accounts for a dramatically lower percentage of their budgets compared to larger nonprofits. By the same token, these same small nonprofits receive proportionately more from individuals than nonprofits with larger revenues. *(See Fig. 3.)* Second, the smallest nonprofits by staff size also rely less on foundation funding. *(See Fig. 4.)* Third, the youngest organizations appear to rely more heavily on funding from foundations and individuals than older nonprofits. *(See Fig. 15.)* While one might expect that the youngest organizations would also be the smallest, that appears not to be the case. Finally, the youngest organizations and those nonprofits with the largest revenues appear to rely most heavily on private contributions (the sum of the three donor categories).

Fig. 3

Nonprofit Reliance on Individual, Foundation & Corporate Donations

BY TOTAL REVENUE

Allegheny County 2002



Corporate

Foundation

Individual

Fig. 4

Nonprofit Reliance on Individual, Foundation & Corporate Donations

BY NUMBER OF EMPLOYEES

Allegheny County 2002

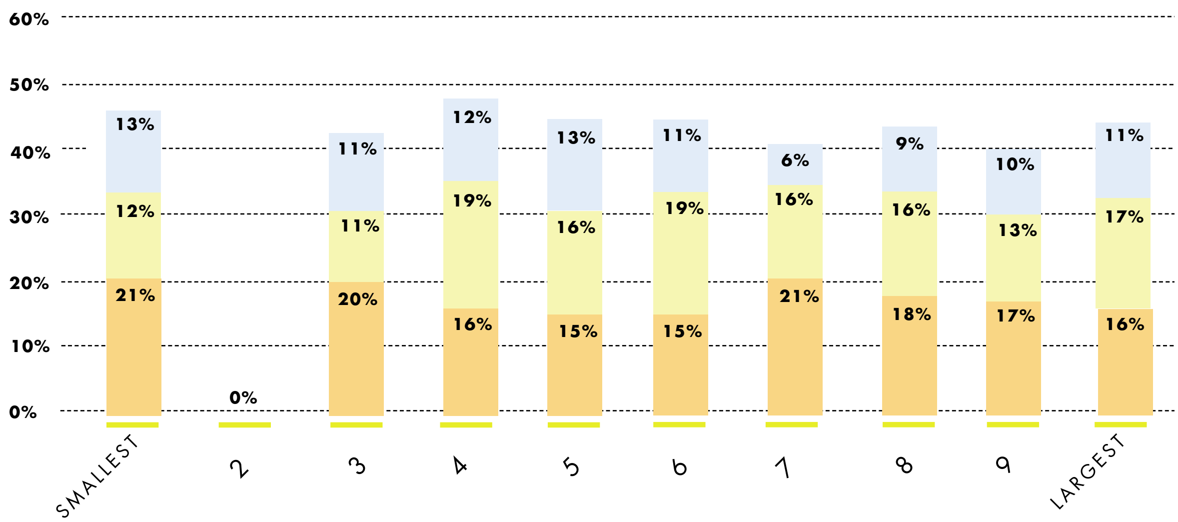
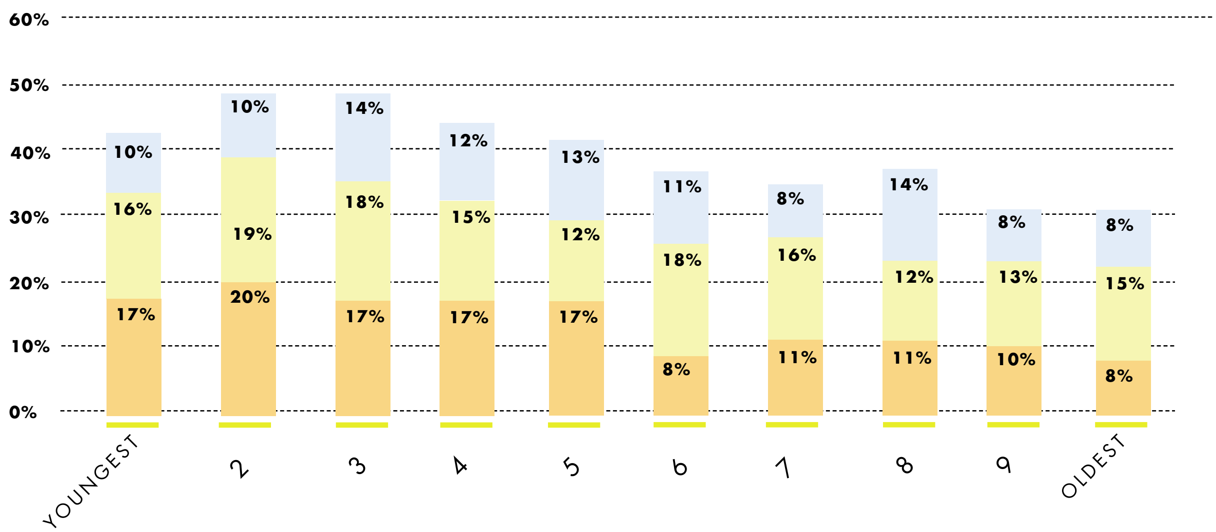


Fig. 5

Nonprofit Reliance on Individual, Foundation & Corporate Donations

BY YEARS OF OPERATION

Allegheny County 2002



IMPLICATIONS

> Nonprofit Revenue Mix

In the aggregate, nonprofits in the region appear to be relatively diversified in where they both seek and receive funding: no single source of revenue accounted for more than a quarter of average nonprofit income.

However, it's important to note that individual nonprofits may be less diversified than the averages reflect, and that diversity of funding and sustainability of nonprofit organizations are different things. Troublingly, among the respondent human service and community development organizations in Allegheny County, 79% receive more than 50% of their funding from one source. The greatest source of such support is government, followed closely by fees-for-service. Individual giving accounts for more than 50% of revenues among only 10% of the respondent organizations.

Technical assistance and training can help regional nonprofits develop sound fundraising practices, target new donor prospects, and build capacity within their organization to be more sophisticated and aggressive in their fundraising efforts, and can help nonprofits become more sustainable over time. *(See "Seven Fundraising Tips for Nonprofits" on the next page.)*

For more information about PHILANTHROPY & NONPROFITS...

The American Association of Fundraising Counsel at **www.aafrc.org**

The Center on Philanthropy at Indiana University at **www.philanthropy.iupui.edu**

The Forbes Funds at **www.forbesfunds.org**

Grantmakers of Western Pennsylvania at **www.gwpa.org**

Independent Sector at **www.independentsector.org**

National Center for Charitable Statistics at the Urban Institute at **http://nccs.urban.org/**

7 SEVEN FUNDRAISING TIPS FOR NONPROFITS

1. Just do it... ask for money.
Former South Carolina Senatorial candidate Alex Sanders called fundraising the "chemotherapy of political campaigns." Fundraising can indeed be painful, and not just in politics. However, the fact is that people who are not asked will generally not give you money, and according to national data, 44 percent of households were not asked to contribute. People who are asked to give are both more likely to give and give more than do people who give on their own: the average donation from households that were asked to contribute was $1,945, compared to $1,114 by households that were not asked.[18]

2. Don't put all of your eggs in one basket.
Diversify, diversify, diversify: seek funding from individuals, corporations, foundations, earned income, fee for service, and governmental contracts. Cultivate donors. Create an endowment. Host a gala event or a potluck. The more baskets you have for your eggs, the better insulated you are against shifting funder priorities, changing economic conditions, and other unforeseen funding disasters.

3. Do your homework.
Know your prospects and current donors. Understand how their contributions to you generate value for them. (Warm fuzzy feelings for individuals? PR mileage for corporations? Cutting edge reputation for foundations?) Measure your results for donors who want to see the impact of their contributions.Take current economic conditions into account when setting fundraising targets. And don't be sloppy: keep careful records of your fundraising efforts, successes, and costs.

4. Fundraiser, know thyself.
What separates you from the pack? Why is your mission so urgent? Why should the donor contribute to you and not another nonprofit? Personalize your pitch and tailor fundraising tactics to new donors. Know your competitors and be able to clearly articulate the unique value that only your organization can add.

5. Get professional help.
Especially if you're new to fundraising, and even if you're an old pro stuck in a rut and in need of some new ideas, hire a consultant. Read a book, do some internet research, take classes, attend conferences, whatever. Board members may be another (free) source of advice and ideas — if you don't have people like this on your board already, recruit them.

6. Build a long-term relationship with donors.
Keep people involved. Send thank you notes and updates to keep people informed about how their money is being used. Create and seize opportunities to engage in ways that go beyond their checkbooks. Cultivate champions among your donors who will spread the word about your organization.

7. Be an ethical fundraiser.
Do what you say you'll do and expect the same of others. Keep your promises, and demand that your donors keep their promises. Keeping the confidence and trust of your donors is essential to maintaining a relationship.

* "Giving and Volunteering in the United States 2001," Independent Sector (Washington, DC).

These recommendations were compiled from a variety of sources. Joel J. Orosz and *the Nonprofit Good Practice Guide website, Dorothy A. Johnson Center for Philanthropy and Nonprofit Leadership at Grand Valley State University* **http://www.nonprofitbasics.org/TopicArea.aspx?ID=4** "The 21st Century Donor: Emerging Trends in a Changing Market," *Epsilon and Barna Research Group*, September 2002. "Giving and Volunteering in the United States," *Independent Sector*, 2001.