

# NONPROFIT FINANCIAL COMMONS

## 5 business models based on primary revenue sources

MODEL by primary revenue source	INDIVIDUAL DONOR	FOUNDATION/INSTITUTIONAL	GOVERNMENT	FEE FOR SERVICE	FORMAL MEMBERSHIP
Examples of types of nonprofits in this category	<ul style="list-style-type: none"> <li>For small to mid-size donors, mass appeal programs such as disease related endeavors (March of Dimes, Susan G. Komen for the Cure), human rights (ACLU, Amnesty International) and animal rights groups, advocacy.</li> <li>For high-net-worth donors, a wide range including higher education, Healthcare, arts, research, endowments, advocacy and more.</li> </ul>	<ul style="list-style-type: none"> <li>Innovative pilots in human services</li> <li>Advocacy and organizing groups.</li> </ul>	Community Action Agencies and other multi-service Centers, as well as standalone programs in areas like legal services, substance abuse, domestic violence, youth services and adoption, senior services and housing.	Some performing arts organizations, and health services organizations, some recreational nonprofits like YMCAs, some private schools like small private colleges and universities.	Local AA and AI Anon groups, unions, and some affinity associations like the NRA. Other examples include religious organizations, and some professional and consumer organizations.
Types of funding sources	<ul style="list-style-type: none"> <li>Checkbook givers - everyday people whose concerns are addressed by the nonprofit</li> <li>Rich folk who may have any number of motivations (such as social capital development) for making a gift</li> <li>Event participants</li> <li>Donor Advised Fund (DAF) donors</li> </ul>	<ul style="list-style-type: none"> <li>Foundations of many different types (public, private, local and national)</li> <li>United Ways</li> <li>Corporations</li> </ul>	Federal, state and local governments and their agents	Individuals who can generally make buying type choices for goods, services or experiences	Members
Sensitivities, risks and challenges	Sensitive to reputational problems, on the part of the nonprofit and with HND on the part of donors	Institutional funders change priorities on their own timelines and for their own reasons. Without a multi-year commitment, this can leave grantees in a tail-spin even if funding has been relatively regular. This requires an array of funders be maintained to guard against the blowback of one or two changing direction in any particular year.	<ul style="list-style-type: none"> <li>Very low or negative financial margins</li> <li>High sensitivity to state contracting practices that may include slow payment, restrictions on staff pay and other issues</li> <li>Political regime and policy changes can eliminate or curtail program funding with little recourse</li> <li>Generally high levels of restricted dollars</li> </ul>	<ul style="list-style-type: none"> <li>As with any business, misreading market conditions, under-capitalization, and underperforming against expectations are major vulnerabilities</li> <li>Vulnerabilities can also occur in such traditional business areas as supply chain problems or other conditions that interfere with customer interaction.</li> </ul>	<ul style="list-style-type: none"> <li>internal dynamics and clarity of promises matter significantly in member funded organizations, and this pushes an emphasis on transparency, clear processes and ground rules that allow reasonable dialogue among members.</li> </ul>
Leadership Orientation: what it takes	<ul style="list-style-type: none"> <li>For small to midsize donor bases - promotes high emotional consciousness of organization as visible, public facing and effective</li> <li>For HND's provides avenues for high prestige giving</li> </ul>	<ul style="list-style-type: none"> <li>Leaders must be seen as "influential," arguing for their programs in ways that are persuasive, and very well informed</li> <li>Leaders must be capable of continuously updating their maps of the funding landscape and decision makers and processes attached to each institution</li> </ul>	<ul style="list-style-type: none"> <li>Good political instincts and healthy field networks that provide information early and often</li> <li>Ability to mobilize stakeholders as constituents or advocates</li> </ul>	<ul style="list-style-type: none"> <li>Constant scanning of market for need, competition/collaboration, use and profit patterns</li> <li>Ability to strategically distinguish programs in market and develop regular customer base</li> <li>Constant scanning of field on national level to determine trends and influences in field and operating environment</li> </ul>	<ul style="list-style-type: none"> <li>Careful listening and highlighting of the reciprocal value between the organization and its members. Ability to promote common ground while welcoming evolution. Constant attention to metrics of service against promises made.</li> </ul>
Infrastructure Needs	<ul style="list-style-type: none"> <li>In the case of small to mid-size donors, a system of capturing and retaining donors' interest and confidence</li> <li>In the case of HNW donors, systems for surfacing potential donors, and for discerning, and addressing the donor's motivations</li> </ul>	<ul style="list-style-type: none"> <li>Grants management capabilities that track grant application, reporting and other administrative requirements. Financial systems that manage restricted funds against dollar needs of all programs.</li> <li>Capacity to constantly survey funders to determine likely fit to program.</li> </ul>	<ul style="list-style-type: none"> <li>Strong data collection mechanisms</li> <li>Strong compliance mechanisms and culture</li> <li>Strong financial systems that can forecast cash flow related problems</li> </ul>	<ul style="list-style-type: none"> <li>Business planning capacity including relatively accurate revenue and expense trajectories with metrics and stop/go measures in place for core strategies;</li> <li>Accurate price setting and efficient collection systems</li> </ul>	<ul style="list-style-type: none"> <li>Member focused communications and engagement is vital along with good dues collection systems that connect to metrics of value received by members</li> <li>Good systems for convening to establish and reinforce agreed upon priorities</li> </ul>