

The Evolved Membership Nonprofit:

A Powerful Revival of the Social Sector's Ultimate Business Model

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NFC Moderator



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Today's Presenters



HILDA POLANCO
Market Managing
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DOLORES ESTRADA
Chief Operating Officer

PEAK Grantmaking



**RUTH
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Director of Content

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Minnesota Council of
Nonprofits

5 Common Nonprofit Business Models



INDIVIDUAL DONOR



FOUNDATION (“INSTITUTIONAL”)



GOVERNMENT



FEE FOR SERVICE



MEMBERSHIP

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5 Common Nonprofit Business Models



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MEMBERSHIP

Business Model Considerations



Revenue
Source

Who's paying
and for what?



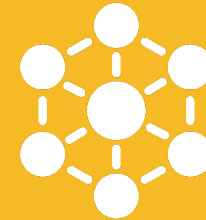
Risk

What are the
common risks,
sensitivities &
challenges?



Leadership
Capacity

What leadership
orientation is
best suited?



Infrastructure
Needs

What systems
need be in place?

Business Model Considerations



MEMBERSHIPS

SENSITIVITIES, RISKS, & CHALLENGES

- ▶ Internal dynamics and clarity of promises matter significantly in member funded organizations
- ▶ Emphasis on transparency, clear processes and ground rules that allow reasonable dialogue among members

LEADERSHIP ORIENTATION

- ▶ 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

INFRASTRUCTURE NEEDS

- ▶ Member focused communications and engagement is vital
- ▶ Effective dues collection systems
- ▶ Systems for convening to establish and reinforce agreed upon priorities

Poll: How much of your average annual revenue represents dues from members?

1	Less than 10%
2	10-25%
3	26-50%
4	More than 50%

Poll: How much of your average annual revenue represents other earned income (publications, event fees, etc.) from members?

1	Less than 10%
2	10-25%
3	26-50%
4	More than 50%

Poll: What is the intended role of membership within your organizational structure (click all that apply)?

1	Vote and select Board members
2	Provide financial support
3	Provide input on organizational positions and decisions
4	Take part in advocacy activities
5	Provide other support to advance the organization's mission and operations
6	N/A

Presenter



JON PRATT

Senior Research Fellow

Minnesota Council of Nonprofits

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What are membership organizations?

- ▶ A brief history
- ▶ Democratic theory of nonprofit organizations
- ▶ Economic theory of membership organizations
 - ▶ The Logic of Collective Action, Mancur Olsen
- ▶ Modern critique of Membership Organizations
 - ▶ Diminished Democracy, From Membership to Management in American Civic Life, Theda Skocpol
- ▶ Legal and accounting aspects
 - ▶ Authority to act -- Membership vs. non-membership organizations
 - ▶ IRS Form 990, Part VIII, line 1b, membership dues - contributions or program fees?
- ▶ Scale & scope of US membership organizations
- ▶ Perpetual membership challenge: long term base building

Attributes of Membership Organizations

- ▶ Defined Constituency, pool of potential supporters
- ▶ Structure for membership status - roster of active members
- ▶ System for membership dues, recruitment & retention
 - ▶ Membership criteria, application process
 - ▶ Sliding scale dues
- ▶ Voice to influence the field
- ▶ Priority investments:
 - ▶ Membership database
 - ▶ Ongoing communications to members and non-members; responsiveness and accountability
 - ▶ Membership case - why you should join
 - ▶ Private goods available only to members
 - ▶ Member role in decision making, selection of leaders
 - ▶ Contrast to self replicating boards
 - ▶ Dues revenue & non-dues revenue

What do members want?

- ▶ Continuum of affinity
 - ▶ How closely tied are members to the association?
 - ▶ Which part of the association do different types of members value?
 - ▶ What have you accomplished lately?
- ▶ Expectations & participation by members
 - ▶ Mail boxers
 - ▶ Active participators
 - ▶ Leaders
- ▶ Key performance indicators
 - ▶ Organizational accomplishments
 - ▶ Renewal rates - who thinks the organization is doing a good job?
 - ▶ Growth over time
 - ▶ Active Participation - meetings, program services, advocacy
 - ▶ Organizational reputation, visibility
 - ▶ Healthy group dynamics, open process, effective operations

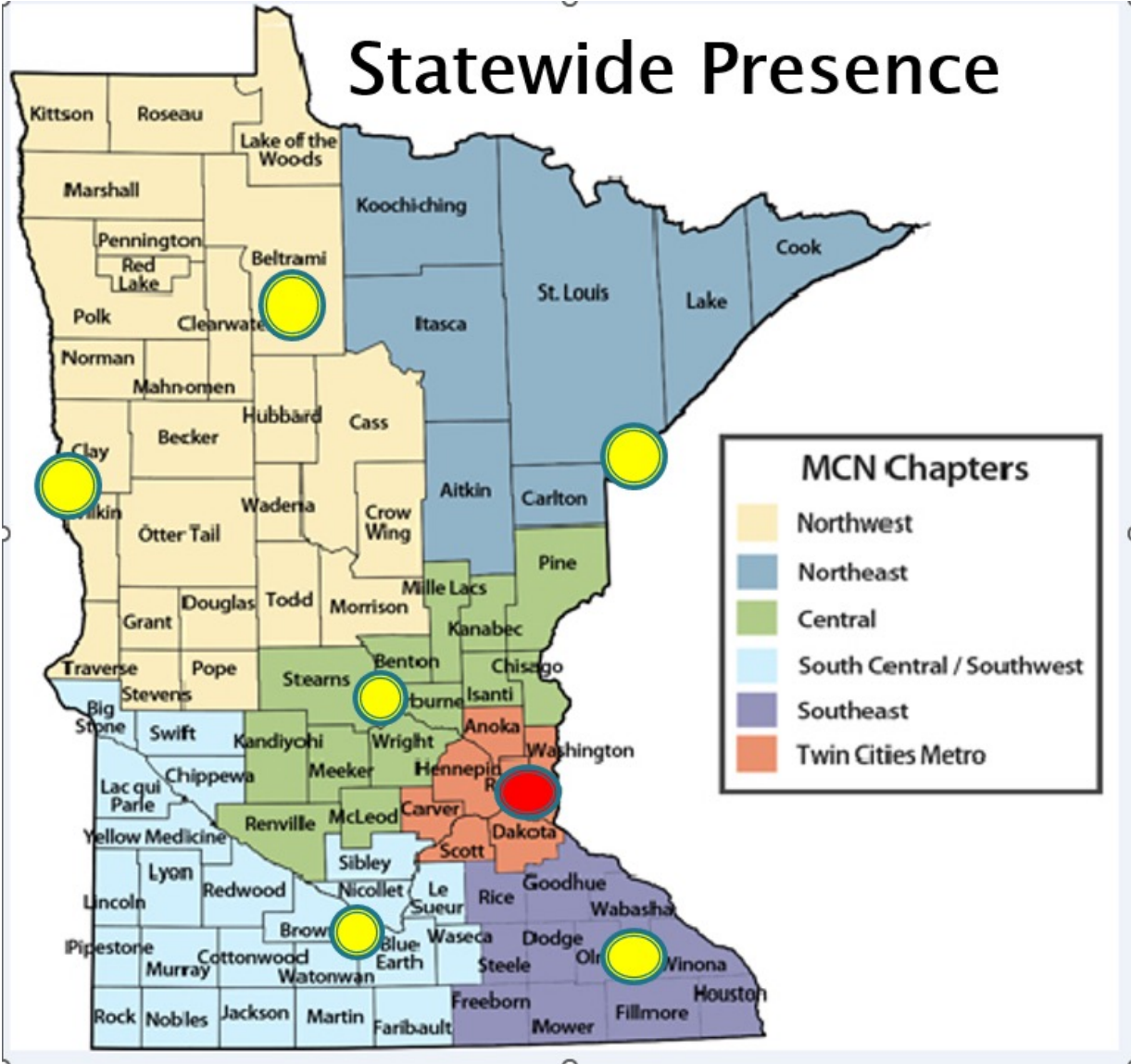
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Inform Promote Connect Strengthen



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Statewide Presence



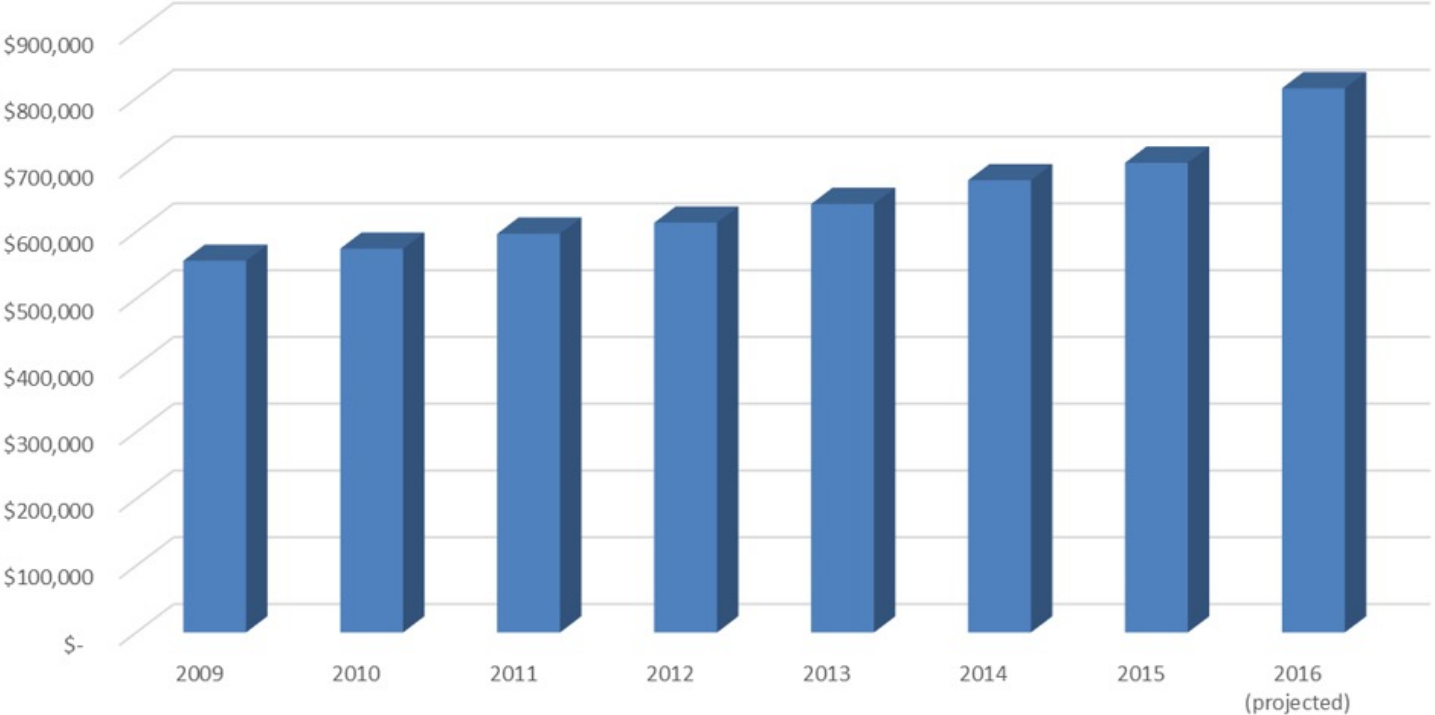
- Cost saving services
 - \$3.8 million saved annually
- Six Regular nonprofit publications
- 22,000 print newsletter subscribers –
- 10,000 e-newsletter subscribers
- Web site & Social Media:
 - 58,000 Average monthly Web users
 - 19,000 Twitter followers,
 - 9,000 Facebook Fans,
 - 4,000 LinkedIn followers
 - 1,100 Instagram followers

MCN Member Dues History

	1987	2008	2013	Proposed 2016	1987 CPI Conversion	1987 -2016 Change
\$0 - \$99,999	\$ 50.00	\$ 50.00	\$ 50.00	\$ 50.00	\$ 106	\$ (55.50)
\$100,000 - \$199,999	\$ 50.00	\$ 75.00	\$ 75.00	\$ 75.00	\$ 106	\$ (30.50)
\$200,000 - \$399,999	\$ 100.00	\$ 125.00	\$ 125.00	\$ 150.00	\$ 211	\$ (61.00)
\$400,000 - \$699,999	\$ 200.00	\$ 250.00	\$ 250.00	\$ 275.00	\$ 422	\$ (147.00)
\$700,000 - \$999,999	\$ 300.00	\$ 375.00	\$ 400.00	\$ 450.00	\$ 633	\$ (183.00)
\$1 million - \$2 million	\$ 400.00	\$ 500.00	\$ 550.00	\$ 600.00	\$ 844	\$ (244.00)
\$2 million - \$3 million	\$ 500.00	\$ 625.00	\$ 700.00	\$ 750.00	\$ 1,055	\$ (305.00)
\$3 million - \$5 million	\$ 500.00	\$ 750.00	\$ 850.00	\$ 925.00	\$ 1,055	\$ (130.00)
\$5 million - 7.5 million	\$ 500.00	\$ 875.00	\$1,000.00	\$1,100.00	\$ 1,055	\$ 45.00
\$7.5 million - \$10 million	\$ 500.00	\$ 875.00	\$1,000.00	\$1,100.00	\$ 1,055	\$ 45.00
\$10 million - \$20 million	\$ 500.00	\$1,000.00	\$1,200.00	\$1,400.00	\$ 1,055	\$ 345.00
\$20 million +	\$ 500.00	\$1,000.00	\$1,200.00	\$1,600.00	\$ 1,055	\$ 545.00
CPI Inflation Calculator	100	189	205	211		

Membership payments to MCN

Dues Revenue 2009-2016



Nonprofit Membership

Member Level	Active Members	Current Dues Level	Current Dues Income
\$0 - \$49,999	311	\$50	\$15,550
\$50,000 - \$99,999	311	\$50	\$15,550
\$100,000 - \$199,999	300	\$100	\$30,000
\$200,000 - \$399,999	276	\$150	\$41,400
\$400,000 - \$699,999	228	\$275	\$62,700
\$700,000 - \$999,999	134	\$450	\$60,300
\$1M - \$2M	236	\$600	\$141,600
\$2M - \$3M	116	\$750	\$87,000
\$3M - \$5M	87	\$900	\$78,300
\$5M - \$10M	101	\$1,100	\$111,100
\$10M - \$20M	71	\$1,400	\$99,400
\$20M and above	75	\$1,600	\$120,000
Total	2246		\$847,350



Nonprofit Membership

2020 Dues increase

Member Level	Active Members	Proposed Dues Level	Adjusted Dues Income	Level Increase year to year	Percentage Increase Year-to-Year
\$0 - \$49,999	311	\$50	\$15,550	\$0	0.0%
\$50,000 - \$99,999	311	\$75	\$23,325	\$7,775	50.0%
\$100,000 - \$199,999	300	\$125	\$37,500	\$7,500	25.0%
\$200,000 - \$399,999	276	\$175	\$48,300	\$6,900	16.7%
\$400,000 - \$699,999	228	\$300	\$68,400	\$5,700	9.1%
\$700,000 - \$999,999	134	\$500	\$67,000	\$6,700	11.1%
\$1M - \$2M	236	\$650	\$153,400	\$11,800	8.3%
\$2M - \$3M	116	\$800	\$92,800	\$5,800	6.7%
\$3M - \$5M	87	\$950	\$82,650	\$4,350	5.6%
\$5M - \$10M	101	\$1,200	\$121,200	\$10,100	9.1%
\$10M - \$20M	71	\$1,500	\$106,500	\$7,100	7.1%
\$20M and above	75	\$1,750	\$131,250	\$11,250	9.4%
Total	2246		\$932,325	\$84,975	

Core Value of Advocacy - Democratic roots of membership organizations

- ▶ Uniting under a common cause
- ▶ Power of numbers to influence public officials and public opinion
- ▶ Effective vehicle for group decision making, deliberation, self education, participation skills
- ▶ Leadership training ground for plain citizens
- ▶ Forum for identifying concerns, undertaking research, testing positions and building an agenda
- ▶ Doing together what they can't do apart

Q&A

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Case Study interview



DOLORES ESTRADA
Chief Operating Officer

PEAK Grantmaking

PEAK Grantmaking

Our vision

Realizing the full potential of philanthropy to drive equity and opportunity.

Our mission

Transforming philanthropy by elevating the field of grants management and empowering grants professionals to lead the way in operationalizing equity-centered, values-driven grantmaking practices.

Our purpose

We believe in principled grantmaking practices that align funders and nonprofits as equal partners in advancing their respective missions and strategic objectives. Narrowing the power gap and ensuring that funders live their values through their grantmaking practices will result in positive change for the causes and solutions we seek to collectively advance.

Our strategy

PEAK's strategic framework with four anchors defines our goals to guide our work in the years ahead.

- From Grants Management Professional to Change Agent for Equitable Practices
- Emergent Learning Community as Core Philosophy
- New Models for Growth and Sustainability
- Strategic Partnerships Extend Reach and Influence

Our values

To accomplish our mission and realize our vision, we base our decisions and actions on these core values: Community, equity and inclusion, integrity, learning, partnership, and transparency.

Learn more at:

peakgrantmaking.org/about-us

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PEAK Grantmaking Form 990 2022

Part I Summary						
Activities & Governance	1	Briefly describe the organization's mission or most significant activities: TRANSFORMING PHILANTHROPY BY OPERATIONALIZING EQUITY-CENTERED, VALUES-DRIVEN GRANTMAKING.				
	2	Check this box <input type="checkbox"/> if the organization discontinued its operations or disposed of more than 25% of its net assets.				
	3	Number of voting members of the governing body (Part VI, line 1a)	3	16		
	4	Number of independent voting members of the governing body (Part VI, line 1b)	4	16		
	5	Total number of individuals employed in calendar year 2022 (Part V, line 2a)	5	16		
	6	Total number of volunteers (estimate if necessary)	6	383		
	7 a	Total unrelated business revenue from Part VIII, column (C), line 12	7a	0.		
	b Net unrelated business taxable income from Form 990-T, Part I, line 11	7b	0.			
Revenue	8	Contributions and grants (Part VIII, line 1h)	Prior Year	5,302,823.	Current Year	3,350,330.
	9	Program service revenue (Part VIII, line 2g)		895,591.		913,297.
	10	Investment income (Part VIII, column (A), lines 3, 4, and 7d)		19,876.		27,736.
	11	Other revenue (Part VIII, column (A), lines 5, 6d, 8c, 9c, 10c, and 11e)		4,053.		2,614.
	12	Total revenue - add lines 8 through 11 (must equal Part VIII, column (A), line 12)		6,222,343.		4,293,977.
	Expenses	13	Grants and similar amounts paid (Part IX, column (A), lines 1-3)		0.	
14		Benefits paid to or for members (Part IX, column (A), line 4)		0.		0.
15		Salaries, other compensation, employee benefits (Part IX, column (A), lines 5-10)		1,628,575.		2,028,549.
16 a		Professional fundraising fees (Part IX, column (A), line 11e)		0.		0.
		b Total fundraising expenses (Part IX, column (D), line 25)		226,321.		
17		Other expenses (Part IX, column (A), lines 11a-11d, 11f-24e)		1,660,380.		1,432,447.
18	Total expenses. Add lines 13-17 (must equal Part IX, column (A), line 25)		3,288,955.		3,460,996.	
19	Revenue less expenses. Subtract line 18 from line 12		2,933,388.		832,981.	
Net Assets or Fund Balances	20	Total assets (Part X, line 16)	Beginning of Current Year	5,159,173.	End of Year	5,927,282.
	21	Total liabilities (Part X, line 26)		286,144.		477,343.
	22	Net assets or fund balances. Subtract line 21 from line 20		4,873,029.		5,449,939.

PEAK Grantmaking – Engagement en Masse

8,016

people in our membership
up 13% over 2022
with 1,559 new people



"I start every morning with PEAK. I look forward to daily information, questions to explore, and community responses that are right on target for what I'm seeking."

Monica Thorns, Grants Manager,
Christopher Family Foundation

"I am so inspired and energized by the PEAK community. We've made incredible progress, and I have so much hope for the future knowing that others in the grants management and broader philanthropy community are working as change agents from wherever they sit."

Kelli Rojas, Vice President, Operations, Rose Community Foundation

557

contributing Organization Members
up 5% over 2022
with 63 new members

"I've met amazing leaders dedicated to improving grantmaking processes. I have grown both personally and professionally and have made friendships that will last a lifetime. I can always count on the PEAK community to lend an ear, provide a resource, and share successes and challenges in a welcoming environment."

Tara Havlicek, Program Manager,
Mitsubishi Electric America Foundation



Our 2023 Volunteers

20

board members

141

chapter leaders

75

committee members

28

peer group leaders

22

advisory council members

46

Insights and *Journal*
contributors and guest editors

98

annual convening speakers

20

service learning pilot members

6

Grants Management 101
cohort advisors



"Volunteering with the PEAK Northeast chapter has been transformative. Our events and chapter chats provide forums for exchanging knowledge and experiences, creating a dynamic learning environment. These experiences bolster my personal and professional growth and create opportunities for me to make a meaningful difference."

Audra Aucoin, Grants Manager/Analyst,
Institute for New Economic Thinking



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PEAK Grantmaking Bylaws

ARTICLE IV. BOARD OF DIRECTORS

Candidates shall be elected to the Board of Directors by the individual Voting Members. Candidates receiving a majority of votes cast shall be elected and be so declared. In case of a tie vote, the Governance Committee shall break the tie by special vote of the board. Abstentions will not count towards the vote total. Notice of those elected shall be sent to each member within 60 days of the election.

Q&A

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5 Common Nonprofit Business Models



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The 5 Essential Nonprofit Business Models

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Now help us finish it.

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Resources & Wrap Up

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Most commons have a forum where community members can meet to surface mutual concerns and exchange resources. At the Nonprofit Financial Commons, THIS is that space. Any question you have about nonprofit finances, whether it has to do with high strategy or granular practice, can be brought here. Here you can glean the rich wisdom of your peers and share your own hard-won insights and knowledge. Be and spread the change you wish to see.

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