



National Women's Shelter Network, LLC

**Strategies for Long Term Financial Stability:
Government vs. private funding ratios, establishing reserves,
building an endowment, capital campaigns, and more**

Roundtable Discussion Topic:

Strategies for Long Term Financial Stability: Government versus private funding ratios; establishing reserves; building an endowment; capital campaigns; and more.

TABLE QUESTION/S:

- i. **Developing Long Term Strategies for Financial Stability: What is the optimal public vs private funding ratio for your nonprofit and why?**
- ii. **Best Practices for Reserves: What is your policy on reserves, what kinds and in what amounts (e.g., operating reserves 1, 3, 6 & 12 months, capital reserves) do you maintain reserves, and how do you build them?**
- iii. **The Benefits of Endowments: Do you have an endowment, how is it structured, for what purposes, and how do you fund endowments?**
- iv. **Capital Campaigns: What are your capital needs and how do you fund them with capital campaigns?**
- v. **Public/Private Annual Planning: How does your agency strategically plan for your annual revenue breakdown between public/private funds? What is the ratio you strive for and why?**
- vi. **Public Funding: What types of public funds do you find most useful? Do you have minimums or maximums you ask for if going for public funding? If so, what guides this thought process?**
- vii. **Private Funding: How do you engage private funders- operationally, programmatically, and financially? Where have you found success in private philanthropy in these areas? Where have you seen failure and why?**

Lead Organizers: Constance Collins, President - Lotus Endowment Fund, Inc.; Alexis Steel, President - St. Mary's Center for Women and Children; Carly Grimm, Director, Lotus Endowment Fund, Inc.

HELPFUL RESOURCES FOR LONG TERM FINANCIAL STABILITY

Government vs. Private Funding - Yes to Both!

What are grants?

A grant is a way for companies, foundations, or governments to fund an organization's projects or ideas. These can be for short or long periods, typically starting at one year and can extend to multiple years.

What types of public funds are available?

Federal, state, and local government funds are available. There may be flow-through funds between these agencies that organizations may be able to access, or direct funding opportunities through each of these agencies.

What should I keep in mind when looking at federal funding?

Although federal funds can be substantial in size, they are a lot of work! The application and reporting processes can be very cumbersome compared to other types of public funding. Once an organization receives federal funds, there are additional expenses it must take into account such as hiring additional staff to manage the funds and reporting, as well as additional annual audit requirements that can be costly.

What types of private funding opportunities are available?

Private funds can come from any type of organization or individual that is not a public entity.

What does Corporate Social Responsibility mean (CSR)?

Corporate Social Responsibility refers to a movement by companies to be more socially, environmentally, and ethically accountable. Typically, a CSR strategy for companies falls into four categories: environmental, philanthropic, ethical, and economic responsibility. CSR funds and opportunities are designated annually as part of a company's strategic efforts.

Why is CSR important to organizations like us?

This can be a fantastic way to engage with corporations and to receive financial support or corporate engagement. CSR is typically where companies dedicate their funding and time to organizations who are making an impact for populations in need. Searching for CSR dollars or engagement opportunities can be a great way to understand priority areas and opportunities with large or small private funders.

How much should we be raising for public versus private funds annually?

The amount of public vs. private funding can vary and depends on the nature of your specific agency or organization. Whether from a public or private source, multi-year funding is always the goal to allow for more stability in an agency's operations.

Helpful Resources:

Federal Grants - Grants 101 (Grants.gov)

<https://www.grants.gov/web/grants/learn-grants/grants-101.html>

Federal Grant Making Agencies (Grants.gov)

<https://www.grants.gov/web/grants/learn-grants/grant-making-agencies.html>

Federal Grant Search (Grants.gov)

<https://www.grants.gov/web/grants/search-grants.html>

What is Corporate Social Responsibility? (CATALYST Consortium)

https://pdf.usaid.gov/pdf_docs/Pnada498.pdf

Public Funding Pros and Cons (givingloop)

<https://www.givingloop.org/blog/public-funding-pros-and-cons/>

Nonprofit Operating Reserves - A Must for Financial Stability

What is an operating reserve?

Operating reserves are unrestricted funds set aside to provide a financial cushion against emergencies, unexpected expenses, or fluctuations in income. An operating reserve helps to ensure the financial stability of an organization when faced with unanticipated events. Reserves are a “rainy day” fund that are critical to the health and long term viability of your organization.

How much should we have in our operating reserve?

The exact amount an organization should put aside into an operating reserve will vary based on individual circumstances, but most experts advise a reserve fund should contain three to six months of operating expenses.

Developing an Operating Reserves Policy

To ensure the integrity and continued availability of your operating reserve, it is important to create a formal reserves policy. This policy should identify the amount to be set aside, the purposes for which the funds may be used, the process for use of the funds and any necessary authorizations, and the process and timeframe for repayment into the reserve fund. A reserves policy should allow for a certain amount of flexibility to ensure the funds are available during unforeseen circumstances.

Source of Funds: Surplus Cash

Absent a specific grant or donor gift, most operating reserve funds are built up over time using unrestricted surplus cash. Budget for a surplus each year to ensure excess cash is available and invest a predetermined portion of any budget surplus into your operating reserve.

Helpful Resources:

Operating Reserves for Nonprofits (National Council of Nonprofits)

<https://www.councilofnonprofits.org/running-nonprofit/administration-and-financial-management/operating-reserves-nonprofits>

Operating Reserves with Nonprofit Policy Examples (Propel Nonprofits)

<https://propelnonprofits.org/resources/nonprofit-operating-reserves-policy-examples/>

Nonprofit Reserve Funds: A Primer (Nonprofit Hub)

<https://nonprofithub.org/nonprofit-reserve-funds-a-primer/>

Nonprofit Financial Ratios: Definitions and Calculators (Jitasa)

<https://www.jitasagroup.com/nonprofit-resources/nonprofit-financial-ratios/>

The Importance of Operating Reserves for Nonprofits (Nonprofit Accounting Basics)

<https://www.nonprofitaccountingbasics.org/reserves/importance-operating-reserves-nonprofits-0>

How to Develop Your Nonprofit Operating Reserves (The Engage Blog)

<https://blog.blackbaud.com/how-to-develop-your-nonprofit-operating-reserves/>

7 Step Policy Guide for Creating Operating Reserves (The Engage Blog)

<https://blog.blackbaud.com/7-step-policy-guide-for-creating-operating-reserves/>

How to Create a Nonprofit Operating Reserve Policy (The Charity CFO)

<https://thecharitycfo.com/nonprofit-operating-reserve-policy/>

Best Practices: 7 Things For Your NPO's Financial Future (The Nonprofit Times)

<https://thenonprofittimes.com/finance/best-practices-7-things-for-your-npos-financial-future/>

Best Practices in Managing Your Nonprofit Operating Budget (AAFCPAs)

<https://www.aafcpa.com/2017/07/03/best-practices-managing-nonprofit-operating-budget/>

5 Best Practices for Building a Nonprofit Annual Operating Budget (Blue Avocado)

<https://blueavocado.org/finance/5-best-practices-for-building-a-nonprofit-annual-operating-budget-with-template/>

How Much Should My Nonprofit Have In Its Operating Reserve? (Candid)

<https://learning.candid.org/resources/knowledge-base/operating-reserves/>

Building an Endowment - Achieving Strategic Objectives and Long Term Financial Stability

What is an endowment?

An endowment is an investment fund consisting of an initial cash asset (often known as the “corpus” or “principal”) that is set aside and managed in such a way as to grow the original investment. A nonprofit organization then uses a portion of the income generated by this investment to fund its operation and programs, while reinvesting a portion of the income and/or other funds to ensure the corpus continues to grow. An endowment is meant to ensure the financial stability and long-term viability of an organization over time.

Types of Endowments

There are two primary types of endowment funds. A **permanent endowment** is established by a donor-restricted gift. The principal gift amount must be kept intact in perpetuity and the donor may impose restrictions on the use or timeline of the fund. A **board-designated endowment, or quasi-endowment**, is created internally by the organization and generally does not have specific restrictions beyond spending policies or other similar guidelines put in place by the board of directors.

Is your organization too small for an endowment fund?

Endowments are not reserved only for large, well established organizations. A nonprofit organization of any size can establish and manage an endowment fund. In fact, an endowment may help smaller organizations communicate a higher level of professionalism and stability that can attract new donors, especially those who are interested in making lasting impacts.

How to Start and Structure Your Endowment

An endowment can be started with any amount of money, stocks, bonds, and even real property. The key is investing an initial asset and committing to limit expenditure of the principal amount, letting this investment grow over time. The income generated from the initial investment can be used to fund operations and programming.

An endowment fund can be structured and managed in a number of ways; three of the most common follow. An endowment can be operated as a separate 501(c)(3) supporting foundation that is entirely independent of but deeply aligned with the nonprofit organization it supports, having its own board of directors and internal policies. Donations to this type of supporting foundation are typically tax deductible to the same extent as they would be at the level of the nonprofit being supported. The benefit of the independent supporting foundation is segregation of key assets from day-to-day shelter operations for long term risk management, independently focused fundraising initiatives to support capital campaigns and other long term strategic goals, and a structure useful in facilitating third party financing for facilities. Alternatively, an endowment can be established internally within the organization as a separate investment account, distinguished from the operating reserve and other funds, and either restricted as to the use of funds or unrestricted. Thirdly, an endowment fund may be established with a community foundation, which independently manages the fund based on donor priorities and wishes.

The advice of your legal counsel and accountants will be needed to make an appropriate decision as to the best structure and course of action for your shelter.

Helpful Resources:

Five Steps to Starting An Endowment: Even Smaller Nonprofits Can (Candid)

<https://blog.candid.org/post/five-steps-to-starting-an-endowment-even-smaller-nonprofits-can/>

Endowments (National Council of Nonprofits)

<https://www.councilofnonprofits.org/running-nonprofit/fundraising-and-resource-development/endowments>

The Power of Endowment (The Community Foundation of Middle Tennessee)

<https://www.cfmt.org/giving-and-investing/the-power-of-endowment/>

Is My Nonprofit Too Small? 4 Misconceptions About Setting Up an Endowment Fund (Carnegie Investment Counsel)

<https://blog.carnegieinvest.com/nonprofit-investment-services-blog/is-my-nonprofit-too-small-4-misconceptions-about-setting-up-an-endowment-fund>

What is an Endowment Fund and Who Does It Benefit? (Legacy Endowment)

<https://legacyendowment.org/what-is-an-endowment-fund-and-who-does-it-benefit/#:~:text=Endowment%20Funds%20are%20pools%20of,c>

What You Should Consider When Creating An Endowment (African Philanthropy Forum)

<https://africanpf.org/toolkit/what-you-should-consider-when-creating-an-endowment/>

Endowments Play a Key Role In the Missions Of Many Universities and Nonprofits. Here's How They Work (Personal Finance)

<https://www.businessinsider.com/personal-finance/what-is-an-endowment>

Capital Campaigns - To Secure and Expand Your Facilities and Programs

What is a capital campaign?

A capital campaign is a strategic fundraising effort with the goal of raising a large amount of money over a set period of time. Capital campaigns can stretch over multiple years and are usually aimed at raising funds for specific (and usually larger) projects, such as building a new facility, purchasing expensive equipment, or funding an endowment or operating reserve.

What are the benefits of a capital campaign?

Aside from raising the funds necessary for your specific project or goal, capital campaigns have a variety of other benefits. A capital campaign can help increase public awareness of your organization and its work in the community. As a large and often demanding undertaking, it can also help solidify your organization's internal operations, including marketing strategies, approaches to fundraising, and staff roles. Finally, a capital campaign is a great way to engage

staff and board members, as everyone will have a role to play. Meeting your fundraising goals can also be energizing and great for morale!

Best Practices and Strategies

- Careful planning and tracking is essential to a successful capital campaign. Discuss the campaign with your board and identify donor targets and amounts. Also, strategically engage your PR/media professionals to develop a campaign for community engagement and fundraising.
- Before launching a capital campaign, your project or goal should be well into the conceptual design or planning phases. For example, if the purpose of your campaign is to fund a new facility, it is important to have the initial design, layouts, and renderings ready for your campaign materials, making the project more tangible and inspiring to potential donors. Clearly describe the need and how your project will provide solutions.
- Donations and pledges can be payable over 5 to 7 years, making a large pledge more feasible. Shorter timeframes are recommended, as a donor's circumstances or priorities may change over time. Pledges can consist of cash, equities (e.g. appreciated stock), annuities and/or other property, but preferably it should be as liquid as possible. Develop a written standard pledge agreement, assignable to lenders.
- Naming opportunities (the main building, individual rooms, or donor walls) and match or challenge grants can help inspire donors to give. Publicity of these donations is also key to encourage others to follow. Engage your PR/media professionals!
- Most importantly, people give to people. Show your passion and get to know your prospective donors and their goals.

Helpful Resources:

Capital Campaigns: A Crash Course for Your Nonprofit Team (Donorly)

<https://donorly.com/thedonorlyblog/capital-campaign-guide>

Capital Campaigns: The Basics Your Nonprofit Should Know (DonorSearch)

<https://www.donorsearch.net/capital-campaigns-guide/>

Capital Campaigns for Nonprofits: Steps for Success (Averill Fundraising Solutions)

<https://averillsolutions.com/capital-campaign/>

Capital Campaigns 101: Ultimate Guide for Beginners (Capital Campaign Pro)

<https://capitalcampaignpro.com/capital-campaigns-ultimate-guide/>

6 Steps to Starting a Successful Capital Campaign (Nonprofit Fundraising)

<https://nonprofitfundraising.com/6-steps-to-starting-a-successful-capital-campaign/>